

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 9672



Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

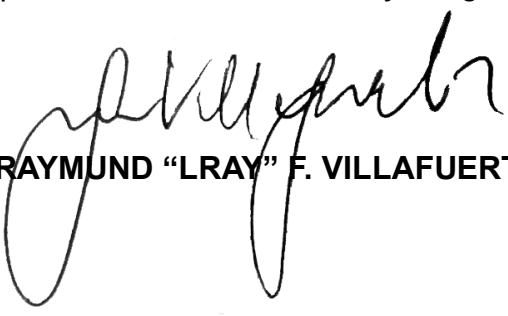
AN ACT
AMENDING SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED, AND FOR OTHER PURPOSES

The first sentence of Section 27(B), as amended, provides:

"(B) Proprietary Educational Institutions and Hospitals. – Proprietary educational institutions and hospitals which are nonprofit shall pay a tax of ten percent (10%) on their taxable income except those covered by Subsection (D) hereof: Provided, That beginning July 1, 2020 until June 30, 2023, the tax rate herein imposed shall be one percent (1%): Provided, further. That if the gross income from 'unrelated trade, business or other activity' exceeds fifty percent (50%) of the total gross income derived by such educational institutions or hospitals from all sources, the tax prescribed in Subsection (A) hereof shall be imposed on the entire taxable income, x x x."

Section 27(B) of the National Internal Revenue Code (NIRC) creates an ambiguity as to whom the preferential tax rates apply to. Specifically, as to the qualifications, i.e. proprietary and nonprofit. An effective tax administration system is one that is clear and unambiguous and can easily be followed by both the tax office and the taxpayer. To remedy this ambiguity and protect the Constitutional mandate of incentivizing proprietary educational institutions, this measure seeks to amend Sec. 27(B) to clearly indicate that the preferential tax rate shall apply to: a. all proprietary educational institutions, including those that are stock and for profit; and b. nonprofit hospitals.

In view of the foregoing, the immediate approval of this bill is earnestly sought.


LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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AS AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives in the Philippines in Congress assembled:

SECTION 1. Section 27 (B) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Sec. 27. Rates of Income Tax on Domestic Corporations. –

"B) [~~Proprietary Educational Institutions and Hospitals~~ — Proprietary educational institutions and hospitals which are nonprofit] **HOSPITALS WHICH ARE NONPROFIT, AND PROPRIETARY EDUCATIONAL INSTITUTIONS** shall pay a tax of ten percent (10%) on their taxable income except those covered by Subsection (D) hereof: Provided, That beginning July 1, 2020 until June 30, 2023, the tax rate herein imposed shall be one percent (1%): Provided, further, That if the gross income from 'unrelated trade, business or other activity' exceeds fifty percent (50%) of the total gross income derived by such educational institutions or hospitals from all sources, the tax prescribed in Subsection (A) hereof shall be imposed on the entire taxable income. For purposes of this Subsection, the term 'unrelated trade, business or other activity' means any trade, business or other activity, the conduct of which is not substantially related to the exercise or performance by such educational institution or hospital of its primary purpose or function. 'Proprietary' means a private hospital, or any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education (DepEd) or the Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with existing laws and regulations.

Sec. 2. *Implementing Rules and Regulations.* – The Department of Finance shall promulgate the necessary rules and regulations for the effective implementation of

the provisions of this Act.

Sec. 3. *Separability Clause.* – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

Sec. 4. *Repealing Clause.* – All laws, decrees, orders, rules and regulations and other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

Sec. 5. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspapers of general circulation.

Approved,