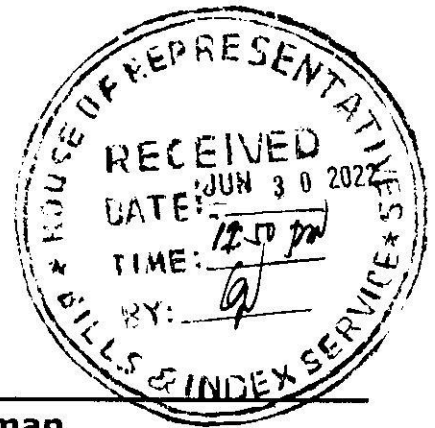


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 76



Introduced by Rep. Edcel C. Lagman

EXPLANATORY NOTE

It is said that nothing in this world is certain, except for death and taxes. Although often attributed to a 1789 letter written by Benjamin Franklin, the saying goes further back to 1726 when the English novelist Daniel Defoe wrote that "*Things as certain as death and taxes, can be more firmly believ'd*" and to even a decade earlier in 1716 when the playwright Christopher Bullock penned the line "*Tis impossible to be sure of anything but Death and Taxes*".

It is not surprising that this truism still resonates with people across the ensuing centuries because it encapsulates two universal truths – everyone dies and there is no escaping the taxman.

But the order assigned by the maxim is wrong – it should be "taxes and death" because having to pay your taxes usually comes before death and there is more open defiance to paying taxes compared to accepting and planning for the eventuality of death. Moreover, even after death the decedent's estate is subject to tax.

Because it is axiomatic that taxpayers are generally reluctant to pay taxes, the primary objective of this bill is to help ensure tax compliance and taxpayer awareness through the proper and timely education of citizens so that taxpaying will be embraced, not rejected; giving the government its due in taxes will be a citizen's badge of honor, not something to be evaded; and non-payment of taxes will cease to be seen as a means of putting one over the government.

The unwillingness to pay taxes often stems from the lack of proper and holistic tax education that instills the value of paying taxes as a civic duty or social responsibility. Additionally, many skeptical Filipinos believe that a sizable amount of tax revenues is simply siphoned into the pockets of corrupt bureaucrats. Not to be discounted are unscrupulous tax evaders who want to be lavished with public goods and social services but refuse to contribute to the funding of their delivery.

The teaching of tax consciousness should therefore focus not only on the importance and significance of paying correct taxes but also on the ultimate rewards that will accrue back not only to the taxpayers themselves but also to their fellow Filipino citizens and generations to come.

Studies have shown that individuals and firms that are tax conscious and literate are more tax compliant even as they manifest a higher level of

trust in government. Hence, it is imperative that citizens are well-informed on the real purpose of taxation and government's fealty to this, be assured of a fair tax system, and have sufficient knowledge of the basic concepts of taxation and the formulation and execution of tax policies.

According to the Paris-based Organisation for Economic Co-operation and Development (OECD), "Taxpayer education can be a key tool to boost the willingness of individuals and businesses to voluntarily pay tax, and play a vital role at the heart of mobilising the tax revenues urgently needed to help achieve the Sustainable Development Goals."

In the second edition of its report "Building a Tax Culture, Compliance and Citizenship: A Global Source Book on Tax Payer Education" the OECD analyzed and assessed 140 taxpayer education initiatives and programs of 59 developing and developed countries around the world and concluded that more than 80% of the said initiatives and programs produced improvements in tax morale or the key motivation to pay taxes. The OECD concludes that "increasing tax literacy can play an active role in shaping a country's tax culture, in which citizens understand the effects of paying (or not paying) taxes on their daily lives."

Tax literacy and consciousness gains even more importance in the wake of the negative economic consequences and destructive health outcomes of the ongoing Covid-19 pandemic which have increased and intensified the obligation of governments, especially those of developing countries like the Philippines, to provide urgent and vital social services to its citizens – services which are principally funded by taxpayer contributions.

Although tax penalties and other tough measures may also play a role in ensuring that citizens and corporations pay their taxes correctly and on time, at the core of all tax systems is voluntary compliance and therefore creating a taxpaying culture is crucial and must begin early in a citizen's life.

In developing countries like the Philippines where there is poor tax compliance and revenue collection is predictably lower compared to more developed nations because of lower tax morale and the general mindset that perceived corruption in government justifies non-payment of taxes, early and appropriate taxpayer education is indispensable and will yield the most measurable progress.

The OECD echoes this statement by confirming that the abovementioned report was prepared "primarily with developing countries in mind" because "while taxpayer education initiatives are important in all countries, they are especially important to developing countries. They serve as a tool to help reach, and encourage, new taxpayers; explain the role of tax in society; build tax morale; and ultimately increase revenues."

To create and develop a strong taxpaying culture, an age-appropriate, well-structured, and straightforward curriculum on tax consciousness must be adopted from elementary school to the college level. It must be ingrained in young citizens in both formal and informal settings that paying taxes is a vital means by which they can contribute to nation-building and to the progress of the country. Through tax education, future taxpayers would **want** to pay taxes because they understand that non-payment, incorrect payment, and delayed

payment not only all impact negatively on the delivery of basic social services, but also that paying one's taxes correctly and on time is the absolute duty of every citizen.

The goal of tax education is for pupils and students to gain better knowledge of taxes and understand its role in national development; obtain an improved appreciation of their obligations as citizens; understand why governments levy and collect taxes, and where their taxes are supposed to go; and realize the futility and penalties of tax evasion.

An academic paper entitled "The Imperative of Basic Tax Education for Citizens" published by the American Journal of Business Education concludes that "without much doubt, we believe tax enlightened students will become better taxpayers, engage in better tax planning, minimize the tendency to avoid or evade taxes and, by doing so, reduce the huge cost spent by the IRS in tax enforcement and compliance."

Ultimately, inculcating tax consciousness and voluntary tax compliance in young people will help create a future generation of citizens who will not only pay their taxes more willingly and on time, they will also more likely demand accountability and improved and more accessible social services from the government because they know that they have done their part and have contributed their share to ensure more responsive, more responsible, and more people-centered governance for all.

It is towards this end that approval of this bill is earnestly sought.



EDCEL C. LAGMAN

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 76

Introduced by: Rep. Edcel C. Lagman

AN ACT
MANDATING THE TEACHING OF TAX LITERACY, CONSCIOUSNESS
AND RESPONSIBILITY IN INTERMEDIATE, SECONDARY, TECHNICAL-
VOCATIONAL, AND TERTIARY EDUCATION

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

SECTION 1. Short Title. – This Act shall be known as the “Tax Consciousness and Responsibility Act”.

SECTION 2. Declaration of Policy. – It is a constitutionally declared policy of the State to “promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, rising standard of living, and improved quality of life for all.” Toward this end, the State shall responsively and responsibly exercise its inherent power of taxation in order to mobilize resources for the common good.

Corollary to this, the State shall also inculcate in its citizens the overriding importance of regularly and promptly paying the correct amount of taxes. To this end, an age-appropriate curriculum shall be included in intermediate, secondary, technical-vocational, and tertiary education in both public and private schools, colleges, and universities for the teaching of the importance of taxes as the lifeblood of the nation and tax consciousness and responsibility of every taxpayer.

Through education, to which is assigned the highest budgetary priority, the State shall instill in the youth the citizens’ patriotic duty to pay promptly the correct amount of taxes as the citizens’ valuable contribution to economic development and nation-building.

SECTION 3. Definition of Terms. – For purposes of this Act, the following terms shall be defined as follows:

(a) *Tax* is a monetary contribution levied on individuals or firms/corporations by a government entity whether local or national to finance government activities and services to the people.



(b) *Tax Compliance* refers to the ability and willingness of taxpayers to comply with the tax laws, declare the correct income for each year, and pay the right amount of taxes on time.

(c) *Tax Consciousness* is the awareness and understanding of the concept of taxation and the importance of paying taxes on time.

(d) *Tax Education* is the inclusion of tax related lessons/courses in the curricula of educational institutions aimed at instilling tax consciousness, literacy, and compliance as a civic duty or social responsibility.

(e) *Tax Literacy* pertains to the ability to know and understand the tax concepts, laws and related issues, and be updated on developments on tax and taxation.

(f) *Tax Morale* is the intrinsic motivation to pay taxes, it measures taxpayer perceptions, judgments, and attitudes towards paying or evading taxes.

(g) *Tax Return* is a form filed with the tax authority on which the taxpayer states his/her income, expenses and other tax information.

(h) *Taxation* is the power of the State to levy charges or burdens upon persons, property or property rights for the use, operation and support of the government to enable it to discharge its functions.

(i) *Voluntary Tax Compliance* refers to the ability and willingness of taxpayers to file and report honest and accurate annual returns without proactive action by the government.

SECTION 4. Mandatory Tax Education. – The State shall provide for the mandatory teaching of tax literacy; instilling tax consciousness, compliance, and responsibility; and improving tax morale, as defined in the preceding Section 3 of this Act as a civic duty or social responsibility in all intermediate and secondary education classes as well as in all graduating classes in technical-vocational and tertiary education in both public and private schools, colleges, and universities.

SECTION 5. Mandate of the Department of Education. – The Department of Education (DepEd) is mandated to prepare age-appropriate tax education curriculum and modules, in coordination with the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA) and in consultation with the Bureau of Internal Revenue (BIR); the Bureau of Customs (BoC); recognized tax experts, lawyers, and academicians; and local and national youth organizations: Provided, That private educational institutions shall adopt these curriculums and modules or modify them so long as that the curriculums or modules they craft remain in accord with the objectives of this Act: Provided, Further, That the DepEd shall take full responsibility for the strict, effective, and sustained implementation of the tax education curriculum and modules.

SECTION 6. Subjects for Instruction. – The following subjects, among others, shall be included in the curriculum:



- (a) History of taxation;
- (b) Importance of taxation for national and local development and delivery of basic social and economic services;
- (c) Tax literacy and consciousness as a civic duty;
- (d) Facets and kinds of national and local taxes;
- (e) Regular, prompt, and correct payment of taxes as a citizen's duty, responsibility, and obligation;
- (f) The obligation of the State to pay back to the people the taxes they have contributed; and
- (g) The right of citizens to demand accountability and good governance.

SECTION 7. Tax Consciousness Week. – The observance of the "Tax Consciousness Week" on the first week of April of every year as declared under Proclamation 960, s. of 1972 shall be heightened. Week-long activities shall be conducted under the auspices of the DoF in collaboration with relevant government agencies and private entities notably educational institutions and the print, broadcast, social and web media.

SECTION 8. Complementary Role of Parents. – Consistent with the constitutional recognition of the "natural and primary right and duty of parents in the rearing of the youth for civic efficiency and the development of moral character", parents shall instill tax consciousness in their children at the appropriate age.

SECTION 9. Inculcation of Tax Consciousness in Youth Development Plans. – Inculcation of tax consciousness, literacy and compliance shall be included in the Philippine Youth Development Plan and the Local Youth Development Plans of the Sangguniang Kabataan (SK) councils and the Local Youth Development Councils (LYDCs).

SECTION 10. SEC. 8. Tax Education Committee. – A Tax Education Committee is hereby created to monitor and ensure the full and strict implementation of this Act. The Committee shall be headed by the DepEd Secretary as Chairperson, the DoF secretary as Co-chairperson, and the CHED Chairperson, TESDA Director-General, and the Chairperson and Chief Executive Officer of the National Youth Commission (NYC) as members. It shall initially convene within fifteen (15) days from the effectivity of this Act. The Committee shall submit an annual report on the implementation of the Act to the Office of the President of the Senate and the Office of the Speaker of the House of Representatives.

SECTION 11. Implementing Rules and Regulations. – DepEd, in coordination with the CHED, TESDA, BIR, and BoC, shall promulgate the Implementing Rules and Regulations (IRR) of this Act within thirty (30) days from its effectivity.

SECTION 12. Separability Clause. – If for any reason, any section or provision of this Act is declared unconstitutional or invalid, such other sections or provisions not affected thereby shall remain in full force and effect.

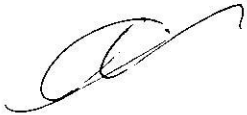
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amended or modified accordingly.

SECTION 14. **Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

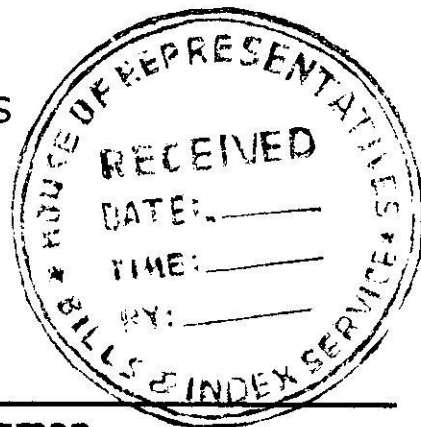
Approved,

A handwritten signature in black ink, consisting of a stylized, cursive letter 'D' followed by a horizontal stroke and a small upward flick.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
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AND RESPONSIBILITY IN INTERMEDIATE, SECONDARY, TECHNICAL-
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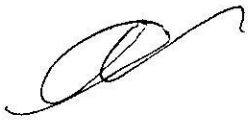
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Approved,

A handwritten signature in black ink, consisting of a stylized, cursive 'D' followed by a horizontal line and a small upward flick.