

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session



House Bill No. 1701

Introduced by Representatives
HORACIO P. SUANSING, JR. and MIKAELA ANGELA B. SUANSING

AN ACT
PROVIDING FOR TAX RELIEF IN TIMES OF CALAMITY

EXPLANATORY NOTE

The Philippines is considered as one of the world's most disaster-prone countries as it is frequently exposed to natural hazards such as typhoons, earthquakes, landslides, tsunamis and volcanic eruptions. Since 1990, 565 natural disaster events affected our country which claimed the lives of nearly 70,000 Filipinos and caused an estimated USD 23 billion in damages.¹ In 2016, the Philippines ranked third in the World Risk Index of most disaster-prone countries in the world.² A report from the Geneva-based United Nations Office for Disaster Risk Reduction (UNISDR) also revealed that the Philippines is among the top ten countries with the greatest number of people affected by calamities.

Given our country's vulnerability to natural disasters, the government needs to strengthen its disaster prevention and response program, and at the same time enact fiscal measures that will provide tax exemptions in times of calamity thereby expediting the flow of relief and the recovery of calamity victims.

As a rule, one who claims exemption from tax must show proof that exemptions apply by express mandate of the law. Under our current tax system, tax relief is given only to individuals and corporations that incur casualty losses on properties that are actually used in business, to the extent that these are not compensated for by insurance or other forms of indemnity. Generally, under the Local Government Code, only the following are exempt from payment of real property tax: government properties; religious, charitable, and educational institutions; local water utilities machinery and equipment; registered cooperatives; and machinery and equipment used for pollution control and environmental protection.

In addition to the payment of real property taxes, donations are also levied upon by the government based on the principle that those who have the ability to pay, should be taxed more. This fiscal policy has been considered as quite burdensome for donors, especially for those who intend to donate during calamities, as the exemption from the payment of such is not automatically granted. For instance, in the wake of Typhoons Ondoy and Yolanda, the country overwhelmingly received large sums of calamity aid from foreign and local governments as well as from private

¹ Global Facility for Disaster Reduction and Recovery. Retrieved from <https://www.gfdr.org/en/philippines>

² Emergencies. Retrieved from <https://philippines.unfpa.org/en/node/15308>

entities. As reported by the Foreign Aid Transparency Hub (FAiTH), for Typhoon Yolanda alone, the Philippines received a total of USD 386.2 million in foreign aid, 86% or USD 330.8 million of this amount were coursed through non-government organizations and multilateral agencies. Further, out of the total USD 386.2 million, about USD 26.9 million in cash and USD 28.5 million in non-cash donations were received by the National Government.

Regrettably, our present tax system has impeded the expeditious flow of these donations. Under the law, entities and individuals who intend to donate huge sums of aid must pay a substantial donor's tax. Such may only be exempted from taxes and import duties, if these are channeled through certain government offices, such as the Department of Social Welfare and Development (DSWD) and the National Disaster Risk Reduction and Management Council (NDRRMC), and state-accredited organizations. In addition, the donor would still need to obtain a BIR Ruling confirming that the donation is exempted from donor's tax. This issue is further compounded by the fact that not all organizations involved in relief operations are accredited by the State, and thus, donations coursed through these channels would still be subjected to donor's tax.

The devastation caused by calamities are oftentimes irreparable and unprecedented. Victims do not only face physical injuries, mental shock, emotional stress but also tremendous financial losses. To alleviate their socio-economic suffering, this proposed measure intends to mandate a two-year real property tax exemption to calamity victims from the date of the declaration of a State of Calamity by the proper local Sanggunian.

Likewise, the liberality of entities and individuals, especially those who take part in the rehabilitation and recovery of calamity victims, should not be penalized by the imposition of donor's tax. As such, this bill also aims to address aforesaid impediments by allowing for automatic exemption from donor's tax, provided that not more than 10% of the donation will be used by the donee organization for administrative purposes. Once enacted, donors would no longer need to pay donor's tax nor undergo the required accreditation before exemption is applied.

While taxation is an inherent power of the State, and is the lifeblood of the government, such power must not be wielded without restraint. It must be exercised with compassion and utmost consideration to the welfare of the people especially those who have been victims of forces beyond their control.

In view of the foregoing, the immediate approval of this bill is earnestly sought.¹


HORACIO P. SUANSING, JR.
2nd District of Sultan Kudarat


MIKAELA ANGELA B. SUANSING
1st District of Nueva Ecija

¹This bill was originally filed by Senator Miriam Defensor Santiago during the 14th Congress and the 16th Congress, and was refiled by Rep. Horacio P. Suansing, Jr. and Rep. Estrellita B. Suansing during the 17th and 18th Congresses.

Note: This bill is based on the response of the United States Congress in granting similar tax treatments in the wake of Hurricane Katrina.

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

SECTION 1. *Calamity defined.* — For the purposes of this Act, "Calamity" shall be defined as a state of extreme distress or misfortune, produced by some adverse circumstance or event or any great misfortune or cause or loss or misery caused by natural forces.

SECTION 2. *Effect of Declaration of Calamity.* — A declaration of a state of calamity by the proper local Sanggunian shall make effective the following tax relief:

- A) The real property tax in the affected area shall not be assessed and collected for two (2) fiscal years, starting from the date of the declaration of a state of calamity; and
- B) Any donation in the name of any organization that declares that the funds donated shall be in favor of the victims of the calamity shall be exempt from donor's tax. This exemption from the donor's tax shall automatically apply and the Bureau of Internal Revenue (BIR) shall not require any accreditation requirements: Provided, however, that not more than 10% of the said gifts shall be used by the donee organization for administrative purposes.

SECTION 3. *Implementing Rules and Regulations.* — The BIR shall within thirty (30) days from the effectivity of this Act, promulgate the rules and regulations necessary for the effective implementation of this Act.

SECTION 4. *Separability Clause.* — If any provision of this Act is subsequently declared invalid or unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

SECTION 5. *Repealing Clause.* — All other laws, presidential decrees, executive orders and issuances, or portions thereof, which are inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

SECTION 6. *Effectivity Clause.* — This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,