

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 6256



Introduced by
REPRESENTATIVE MIKAELA ANGELA B. SUANSING

AN ACT
PROVIDING 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 Based on the 2024 World Risk Index, the Philippines ranked first as the most disaster-prone country globally with a WRI score of 46.9.² 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

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

² The World Risk Report. Retrieved from: <https://weltrisikobericht.de/worldriskreport/>

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 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 by 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 no more than 10% of the donation will be used by the done 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 passage of this bill is earnestly sought.


MIKAELA ANGELAB. SUANSING
1st District of Nueva Ecija

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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 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.

SEC. 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 ten percent (10%) of the said gifts shall be used by the done organization for administrative purposes.

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

SEC. 4. *Separability Clause.* – If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 5. *Repealing Clause.* – All laws, executive orders, decrees, rules and regulations which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

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

Approved,