

TWENTIETH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. 7273

EXPLANATORY NOTE

Promises to reduce poverty always feature prominently in Philippine presidential campaigns, and every administration since 1986 has prioritized poverty reduction in its development plans. Institutional reforms have taken place that significantly changed the scope and breadth of poverty policy making in the country. As the concept of poverty evolved in the literature, the treatment of poverty by various Philippine governments also saw dynamic changes. Some innovative program interventions were introduced in the process. Each president has had specific poverty reduction project: The Tulong sa Tao program of the Aquino Administration; the Social Reform Agenda (SRA) of the Ramos administration, the Lingap para sa Mahihirap program of President Estrada, and the Kapit-Bisig Laban sa Kahirapan (KALAHIL) Program of the Arroyo Government. Overall, however, the implementation of government poverty programs has been weak and politicized.

A considerable number of cases of broken homes are found in our society. Since the mothers often have the custody of their offspring, they find great difficulty in making a comfortable living. They struggle to live from hand to mouth. They may be surviving on the meager funds from our welfare department, but the amounts they receive are usually quite insufficient to meet their basic needs.

With the advent of modernization that we are going through, the number of such disadvantaged groups may be increasing. They live in squatter areas around cities, not because they are attracted to the bright lights of cities, but rather because they find it easier to get some income out of the odd jobs they may find.

We cannot say at this juncture that our social security system is able to capture each and every such case. Our social security system is currently confined to the employed. But as we know it, we do not have the financial ability to capture all these unfortunate cases. This does not imply that we have done nothing to take care of them. The extent of development commitment that our government has continuously demonstrated in the poverty eradication programs, since independence is highly commendable. We are still pursuing these policies with more vigor and enthusiasm as reflected in our government poverty reduction program.

The current undertaking by the government in building low-cost dwellings is yet another evidence of the existence of those unfortunate families who just cannot afford to meet their basic needs otherwise. The fact is that we have so far put a lot of emphasis on the urban areas. The rural dwellers have received relatively less attention. There are also those who are completely ignorant of the availability of welfare aids. There are also cases of those who have some pride in themselves not to approach the appropriate authorities. The pertinent question is how do we enlarge the social security net to capture everyone in this situation.

For our Muslim brothers, they believe that life on earth is a test for humans. All their actions will be judged and rewarded accordingly in the hereafter. This test, among others,

aims to know how people deal with differences in income and wealth put under their disposal. In this respect, both the poor and the rich are expected to behave in accordance with certain principles laid down by Islam.

The Islamic concept of social security system rests on the principle of social justice which demands that everyone has the right to live. Life itself is sacred and that suicide is completely abhorred. Wealth is considered a basic necessity along with religion, education or intellect, progeny and the physical self. The term physical self implies all the basic human needs, such as minimal food, drink, clothing and shelter which are required to maintain one's life. The concept of basic needs in Islam clearly covers a wider spectrum of necessities which are aimed at fulfilling both the physical and spiritual needs. Social justice demands equitable income and wealth distribution. It is based on this principle that the Islamic social security system ensures annual stipend to every individual in need.

The social security system of Islam is Divine in character and based entirely on the Qur'an and Sunnah. It is a system to accomplish the high standard of morality expressed under the term righteousness. Keeping in view the obligations enjoined in the above verse, which man has to fulfill in life, the Qur'an affixes enormous significance to offer material help to the needy and the poor. Islam discourages extreme income inequality and poverty.

In Islam, right from the beginning, fulfillment of basic needs of everyone who is unable to meet his/her needs was conceived to be the concern of the State. Zakat is the first institution of social security in Islam. Payment of 2.5 percent of his/her savings for the zakat fund is one of the fundamental duties of a Muslim. The State is responsible to collect zakat and make arrangements for its distribution.

This bill proposes to institutionalize the payment of zakat by Muslims in the Philippines and proposes the creation of the Philippine Bait-ul-Mal. The Bait-ul-Mal would be a new form of public organization with corporate like features that increase managerial flexibility but strengthen performance requirements and accountabilities.

The establishment of the Philippine Bait-ul-Mal and allowing it to exercise the powers and have the characteristics of government corporate entities may help contain, and possibly, eliminate the prevailing poverty in Muslim communities throughout the country.

Finally, pursuant to the spirit of the provision of the Constitution of the Philippines that, in order to promote the advancement and effective participation of the Filipino Muslims to alleviate poverty and promote socio-economic development in the country in general and the Autonomous Region in Muslim Mindanao in particular, the State shall consider their customs, traditions, beliefs and interests in the formulation and implementation of its policies. The Islamic law and its principles of equity and justice, to which the Filipino Muslim communities adhere, provide an essential basis for the enforcement, with the full sanction of the State of the zakat and sadaqah system among Filipino Muslims that shall redound to the attainment of a more ordered life amongst them.

It is in this light that the immediate approval of this measure is earnestly sought.



RUFUS B. RODRIGUEZ



MAXIMO B. RODRIGUEZ, JR.

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AN ACT

**INSTITUTIONALIZING THE PAYMENT OF ZAKAT BY MUSLIMS IN THE PHILIPPINES,
CREATING THE PHILIPPINE BAIT-UL-MAL, APPROPRIATING FUNDS THEREFORE,
AND FOR OTHER PURPOSES**

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 and cited as the "*Philippine Bait-ul-Mal Act*".

SEC. 2. *Declaration of Policy.* - It is the policy of the State to provide for basic necessities of life such as food, clothing, housing, education and medical relief for all citizens, irrespective of their sex, caste, creed or race, who are permanently or temporarily unable to earn their livelihood on account of sickness or unemployment or circumstances beyond their control. Towards this end, the State shall create a Bait-ul-Mal Fund for Filipino Muslims, provide assistance to the destitute and needy, widows, orphans, invalid, infirm and such other persons, and thereby save them from hardship and suffering and to enable them to lead an honorable life in the society, that operates based on the basic principles and rulings of Islamic Shari'a within the purview of the Philippine Constitution that shall be endowed with fiscal and administrative powers necessary to discharge its mandate with excellence.

SEC. 3. *Definition.* - When used in this Title:

- (A) The term "Bait-ul-Mal" means the welfare fund, established under Section 4 of this Act;
- (B) The term "Board" means the Bait-ul-Mal Board constituted under Section 11 of this Act for the administration of Bait-ul-Mal;
- (C) The term "Chairperson" means the Chairperson of the Board;
- (D) The term "Employee" means an employee who is holding neither managerial nor supervisory position as defined under existing provisions of the Labor Code of the Philippines, as amended;
- (E) The term "Chief Executive Officer" means the chief executive officer (CEO) of the Bait-ul-Mal;
- (F) The term "Member" means a member of the Board;
- (G) The term "Shari'ah" means the Islamic laws derived from the Al-Qur'an and As-Sunnah;
- (H) The term "As-Sunnah" means the acts or sayings of Prophet Muhammad;
- (I) The term "Zakat" means tithe or obligatory contribution assessed based on certain assets owned by a Muslim that satisfy certain conditions and is to be distributed to specified categories of beneficiaries; and
- (J) The term "Sadawah" means voluntary contribution.

SEC. 4. *Creation of the Philippine Bait-ul-Mal; Corporate Powers.* – There is hereby established a public organization to be known as the Philippine Bait-ul-Mal, herein after referred to as the Bait-ul-Mal, which shall be responsible for the implementation of zakat and sadaqah system among Muslims in the Philippines and shall be attached to the Department of Social Welfare and Development (DSWD). It shall be organized within 180 days from the effectivity of this Act.

The Bait-ul-Mal shall have its principal place of business in Metro Manila and may establish branches and offices in such other places as may be deemed necessary for the performance of its mandate.

SEC. 5. *Responsibility and Primary Objective.* – The primary responsibility and objective of the Bait-ul-Mal is to alleviate poverty, promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao by institutionalizing, centralizing and coordinating the center of collection of zakat and sadaqah, and the distribution thereof; and to carry out charitable, humanitarian, and other social services based on the Islamic concept of social welfare system as ascertained by the Shari'a Advisory Council consistent with fiscal policy and zakat/sadaqah collection targets.

SEC. 6. *Shari'a Advisory Council.* – There is hereby created a Shari'a Advisory Council of the Bait-ul-Mal which shall be composed of not more than five (5) members, selected from among Islamic scholars and jurists of comparative law. The members shall be elected at an annual Board meeting of the Bait-ul-Mal. The Board is hereby authorized to select the members of the first Shari'a Advisory Council and to determine their remunerations.

SEC. 7. *Functions of the Shari'a Advisory Council.* – The functions of the Shari'a Advisory Council shall be to offer advice and undertake reviews pertaining to the application of the principles and rulings of the Islamic Shari'a on zakat and sadaqah transactions, but it shall not directly involve itself in the operations of the Bait-ul-Mal.

Any member of the Shari'a Advisory Council may be invited to sit in the regular or special meeting of the Board of the Bait-ul-Mal to expound his views on matters of Islamic Shari'a affecting a particular transaction but he shall not be entitled to vote on the question presented before the board meetings.

SEC. 8. *Powers and Functions of the Board.* – The Bait-ul-Mal shall exercise the powers and duties heretofore provided. Such powers and duties shall include the assessment and collection of zakat from Muslim zakat payers, receive sadaqah and the enforcement of all forfeitures, penalties and fines connected therewith, including the execution of judgments in all cases decided in its favor by the regular courts and the Shari'a Court. The mechanics of the assessment and collection of zakat and receiving of sadaqah shall be provided for in the Implementing Rules and Regulations (IRR) for this Act. The said IRR shall prescribe, among others, the persons liable to zakat, rates of zakat, items or assets/properties subject to zakat, zakat base, time, venue and manner of payment of zakat, etc.

The Bait-ul-Mal shall give effect to and administer its poverty alleviation program to Filipino Muslims, and perform the following services connected therewith:

- a. Provide financial assistance to the destitute and the needy, widows, orphans, invalid, infirm and other needy persons;
- b. Render help for rehabilitation of the persons specified in clause (a) in various professions or vocations;
- c. Provide assistance to children of the persons specified in clause (a) for educational pursuits;
- d. Provide residential accommodation and necessary facilities to the persons specified in clause (a);
- e. Provide free medical treatment for indigent sick persons and to set up free hospitals, poor houses and rehabilitation centers and to give financial aid to

- charitable institutions, including industrial homes and other educational institutions established specially for the poor and needy;
- f. Provide stipends to educated youth during their training before their employment;
- g. Provide stipends and financial assistance to brilliant but poor students who cannot afford to acquire higher technical or medical education abroad due to financial constraints;
- h. Sponsor and promote a self-employment scheme;
- i. Establish an Ummah credit union that would extend micro loans and assistance to poor Muslim entrepreneurs; and
- j. Any other purpose approved by the Board having regard to the aims and objectives of the Bait-ul-Mal.

In addition, the Bait-ul-Mal shall have the following corporate powers:

- a. Prescribe its operating policies;
- b. Adopt, alter and use an official seal which shall be judicially noticed;
- c. Enter into contacts;
- d. Lease or own real and personal property;
- e. Sell or otherwise dispose of the same;
- f. Accept grants, donations, endowments and subsidies, or funds and/or property offered by individuals and organizations, who may earmark such grants for a specific purpose or for such other purposes beneficial to the Muslim communities, without prejudice to the general objectives of the Bait-ul-Mal;
- g. Seek financing from governments, organizations, individuals or banks based on the Islamic concept of financing;
- h. Incur obligations necessary in the conduct of its operations;
- i. Employ such officers and personnel, preferably qualified Muslims, as may be necessary to carry-out Bait-ul-Mal business;
- j. Establish such branches and agencies in provinces and cities in the Philippines, particularly where Muslims are predominantly located, and such correspondent offices in other areas in the country or abroad as may be necessary to carry on its business; and
- k. Perform any and all acts necessary or proper to carry out the purposes of this Act.

The Bait-ul-Mal may acquire and hold such assets and incur such liabilities in connection with its operations authorized by the provisions of this Act and other laws, or as are essential to the proper conduct of such operations.

SEC. 9. Capitalization .- The Bait-ul-Mal shall have an authorized capital of Five Hundred Million Pesos (P500,000,000) which shall be fully subscribed by the Republic of the Philippines and shall be paid up by the transfer to the Bait-ul-Mal of cash I such amount. Initially, the national government shall transfer to the Bait-ul-Mal fifty percent (50%) of the aforesaid authorized capital within 180 days after the effectivity of this Act to finance the first three years operating and capital expenditures of the Bait-ul-Mal and the remaining fifty percent (50%) shall be transferred within 180 days from the lapse of the third year operation of the Bait-ul-Mal.

SEC. 10. Sources of Finance. – The Bait-ul-Mal shall be financed from the following sources namely:

- a. Authorized capital of Five Hundred Million Pesos (P500,000,000) fully subscribed by the Republic of the Philippines as provided under Section 9 of this Act;
- b. Receipts from zakat levied for this purpose;
- c. Receipts from sadaqah or voluntary donations from individuals, societies, bodies, institutions or organizations;

- d. Grants from the Philippine Government;
- e. Grants from the international agencies and/or organizations; and
- f. Sale of property of the Bait-ul-Mal, whether movable or immovable, and income from such property, investments and other assets.

Provided however, that not less eighty seven point five percent (87.5%) of the total zakat collected in the immediately preceding year shall be exclusively used for the poverty alleviation program from which the Bait-ul-Mal was created.

In determining the income tax liability of an assessee for an assessment year under the National Internal Revenue Code of 1997, as amended, his/her income tax liabilities shall be reduced by the amount paid by him/her as zakat.

SEC. 11. Composition of the Bait-ul-Mal Board; Qualifications of Members. – (a) There is hereby created a Bait-ul-Mal Board, hereinafter referred to as the Board, composed of the Secretary of Social Welfare and Development or his duly designated Undersecretary, the Executive Director of the Office of Muslim Affairs or his duly designated Senior Director, the Regional Governor of the Autonomous Region in Muslim Mindanao or his duly designated Regional Secretary, and the President of the Al-Amanah Islamic Investment Bank of the Philippines or his duly designated Senior Vice-President, all of whom shall serve in an *ex officio* capacity and without any compensation; and five (5) representatives from non-government sector to be appointed by the President, who shall serve full-time for a term of three (3) years, and may be reappointed once: *Provided, however*, that reappointment of representatives from the non-government sector shall follow the nomination process outlined in this Section. The Chairman of the Board shall be designated by the President of the Philippines from among its members.

(b) The five (5) members from the non-government sector shall include an ulama, Islamic accountant, an economist, an engineer, and a lawyer, each of whom shall be a natural born citizen of the Philippines, at least forty (40) years of age, and of good moral character. Each shall be selected and appointed by the President from a pool of candidates to be nominated by peak professional organizations of ulamas, Islamic accountants, economists, engineers, and lawyers respectively, which nominees must have a good reputation for their honesty, integrity and devotion to Islamic ideology and who genuinely believe in, and practice, moral values and well-versed in Islamic law and jurisprudence, and a recognized expert in the field of zakat system, taxation, fiscal policy, public finance, fiscal administration, Islamic economy, Islamic accounting, Islamic management, or law. A “peak professional organization” refers to an organization duly recognized by members as representative of, and having the largest active membership in, their profession. The mechanics of the nomination process shall be provided for in the IRR for this Act.

(c) Of the initial members appointed from the non-government sector, the first two appointees shall serve for three (3) years, the second two appointees for two (2) years, and the last for one (1) year: *Provided, however*, that they shall continue to hold office until their successors shall have been appointed and duly qualified. All vacancies, prior to the expiration of the term, shall be filled for the unexpired term only.

(d) During the absence of the Chairperson, he may nominate a member to convene and preside over the meetings of the Board to dispose of urgent business.

(e) The President of the Philippines shall initially fix the compensation of the members from the non-government sector based on an objective classification system, to be specified in the IRR of this Act, at a sum commensurate to the importance and responsibilities attached to the position. The Board may increase such compensation: *Provided however*, That the increase shall not affect the compensation of a member during whose incumbency the increase was approved for the duration of such member’s term.

SEC. 12. Powers of the Bait-ul-Mal Board. – The Bait-ul-Mal Board shall:

- (a) Adopt and promulgate policies and rules for the effective enforcement of the provisions of this Act;

- (b) Upon the recommendation of the CEO, approve the annual and supplemental budget of receipts and expenditures of the Bait-ul-Mal, and authorize such operating and capital expenditures of the Bait-ul-Mal as may be necessary or proper for the effective management, operation and administration of the Bait-ul-Mal;
- (c) Upon the recommendation of the CEO, appoint such other personnel as may be deemed necessary; fix reasonable compensation, allowances and other benefits; prescribe their duties and establish such methods and procedures as may be necessary to ensure the efficient, honest and economical administration of the provisions and purposes of this Act: *Provided, however,* That the personnel of the Bait-ul-Mal below the rank of CEO shall be appointed by the Bait-ul-Mal CEO subject to the confirmation by the Board: *Provided further,* That the personnel of the Bait-ul-Mal shall be selected only from civil service eligibles and be subject to civil service rules and regulations;
- (d) Form committees, including an executive committee, which shall assist the Board in the performance of its functions: *Provided, however,* That no person shall be appointed to the executive committee who has been employed within the past ten (10) years by the Bait-ul-Mal created under this Act; and
- (e) Exercise such powers and perform such other acts as may be necessary, useful, incidental or auxiliary to carry out the provisions of this Act, or to perform the purposes and objectives of this Act.

SEC. 13. Administrative Control over the Board. – The Board shall be under the direct administrative control of the Department of Social Welfare and Development.

SEC. 14. Conflict of Interest. – In addition to the requirements of Republic Act No. 6713, otherwise known as the Code of Ethical Standards, any member of the Board with personal or pecuniary interest in any matter in the agenda of the Board shall disclose such interest to the Board and shall inhibit himself during the deliberations when such matter is taken up. The decision taken on the matter shall be made public and the minutes of the meeting shall reflect the disclosure made and the inhibition of the member concerned.

SEC. 15. Disqualifications. – In addition to the disqualification imposed by RA 6713, a member of the Board from the non-government sector shall not hold any other public office or employment during his tenure, unless such office or employment is with a state university or college or is connected with the performance of their duties as members of the Board.

SEC. 16. Removal of Members from the Non-Government Sector. – The President, upon recommendation by majority of all the members of the Board, may remove any member of the Board from the non-government sector for any of the following reasons:

- (a) The member suffers from physical or mental incapacity that renders him or her incapable of properly discharging his duties and responsibilities of membership in the Board and such incapacity has lasted for more than six (6) months;
- (b) The member has committed acts or operations that are shown prima facie to be fraudulent or illegal or manifestly opposed to the aims and interests of the Bait-ul-Mal;
- (c) The member no longer possesses the qualifications specified in Section 11 of this Act; or
- (d) The member is subsequently disqualified under the provisions of existing laws.

SEC. 17. Meetings. – The Board shall meet once a month. The Board may be called to a meeting by the Chairperson or by three (3) other members of the Board. The presence of five (5) shall constitute a quorum: *Provided*, That in all cases the Chairperson or the Chairperson's duly designated alternate shall be among the five (5).

SEC. 18. The Chief Executive Officer; Qualifications; Appointment; Term of Office. – The Bait-ul-Mal shall be headed by a Chief Executive Officer, hereinafter referred to as CEO, who shall be a natural-born citizen of the Philippines, at least forty (40) years of age, of good moral character, known for good reputation for honesty, integrity and devotion to Islamic ideology, and who genuinely believes in, and practices, the moral values and well-versed in Islamic law and their jurisprudence, and a recognized expert in the field of zakat system, taxation, fiscal policy, public finance, fiscal administration, Islamic economy, Islamic accounting, Islamic management or law.

The CEO of the Bait-ul-Mal shall be appointed by the Board for a term of three (3) years. The CEO shall enter into a performance contract with the Board and may be re-appointed depending on the CEO's performance: *Provided, however*, That no person may be appointed as CEO for more than three (3) terms. In addition to other grounds for removal as may be provided for by law, the CEO may be removed by a majority vote of all members of the Board prior to the end of the CEO's 3-year term for failure to meet commitments in the performance contract, unless such failure is attributable to a cause or causes beyond the CEO's control.

SEC. 19. Powers and Functions of the CEO. – The general conduct of the operations and management functions of the Bait-ul-Mal shall be vested in the CEO, who is immediately responsible for carrying out the mandate of the Bait-ul-Mal.

In addition, the CEO shall:

- a. Execute, administer and implement the policies and measures approved by the Board;
- b. Direct and supervise the operations and administration of the Bait-ul-Mal;
- c. Represent the Bait-ul-Mal in all dealing with offices, agencies and instrumentalities of the Government and with all persons and entities, public or private, domestic or foreign;
- d. Direct and supervise the preparation of the agenda for the meeting of the Board, and to submit for the consideration of the Board such policies and measures as he or she believes necessary to carry out the purposes and objectives of this Act;
- e. Determine the organizational structure, including the geographical location of the branches and offices, of the Bait-ul-Mal; reorganize its personnel and issue such rules and regulations as he or she may deem necessary or convenient for these purposes;
- f. Establish a performance-based management system which shall govern the selection, hiring, appointment, transfer, promotion or dismissal of all personnel. Such system shall aim to attract and retain Islamically and professionally competent, well-trained, honest, courteous and efficient personnel and to establish professionalism and excellence at all levels of the Bait-ul-Mal;
- g. All positions in the Bait-ul-Mal shall be governed by a compensation and position classification system and qualification standards approved by the Board based on a comprehensive job analysis and audit of actual duties and responsibilities. The Board shall have the authority to establish a compensation plan for the Bait-ul-Mal: *Provided, however*, That the total personal services budget of the Bait-ul-Mal shall not be more than sixty percent (60%) of its total operating budget;
- h. Remove personnel of the Bait-ul-Mal: *Provided*, That the Board shall have final appellate authority in cases involving promotion, transfer, assignment

- or re-assignment of personnel of the Bait-ul-Mal and these personnel actions are deemed made in the interest of the service and not disciplinary;
- i. Provide for the continuing education and training of Bait-ul-Mal officials and employees. For this purpose, the Bait-ul-Mal may establish a training institute or enter into agreements with institutions of higher learning in the country for the establishment of training programs for its technical personnel in the field of zakat system, Bait-ul-Mal administration and related fields. The Bait-ul-Mal is likewise authorized to defray the costs of study, at home or abroad, of qualified employees of the Bait-ul-Mal, of promising university graduates or of any other qualified persons who shall be determined by proper competitive examinations;
 - j. Promulgate, with the approval of the Board, all necessary rules and regulations for the effective enforcement of the provisions of this Act specially on the power and authority of the CEO to interpret the zakat system based on the basic principles and rulings of Islamic Shari'a and to decide zakat cases; to obtain information, and to summon, examine, and take testimony of persons; to make assessments and prescribe additional requirements for zakat administration and enforcement; and the duty of the CEO to ensure the provision and distribution of forms, receipts, certificates and the acknowledgement of payment of zakat and sadaqah; and
 - k. To exercise such other powers and functions as may be vested in the CEO by the Board.

The CEO shall have the authority to delegate any of the foregoing powers in such official or officials of the Bait-ul-Mal as he or she deems necessary.

SEC. 20. *Salary of the CEO.* – The Board shall fix the salary of the CEO based on an objective classification system to be specified in the IRR of this Act at a sum commensurate to the importance and responsibilities attached to the position.

SEC. 21. *Indemnification for Legal Defense Costs and Expenses.* – The Bait-ul-Mal shall indemnify members of the Board and other officials of the Bait-ul-Mal, including personnel of the units performing assessment, audit, collection, and distribution functions, against all costs and expenses reasonably incurred by such persons in connection with any civil or criminal action, suit or proceeding to which they may be or are made a party by reason of their performance of their functions or duties, unless they are finally adjudged in such action or proceeding to be liable for gross negligence or misconduct.

In the event of settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Bait-ul-Mal is advised by external counsel that the persons to be indemnified did not commit any gross negligence or misconduct.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Bait-ul-Mal in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member of the Board, official, or employee to repay the amount advanced should it ultimately be determined by the Bait-ul-Mal that said member of the Board, official or employee is not entitled to be indemnified as provided in this Sections.

SEC.22. *Implementing Details.* – The Bait-ul-Mal shall be made operational by the performance of the following acts:

- a. The President shall constitute the Bait-ul-Mal Board by appointing the members thereof within one hundred eighty (180) days from the effectivity of this Act; and
- b. The completion of the initial transfer of such cash or assets as provided in Section 9 of this Act.

SEC. 23. *Mandate to Organize.* – (a) The Bait-ul-Mal shall be organized by the Board, by adopting an organizational structure or staffing pattern to suit the operations of the Bait-ul-Mal under this Act. Selection shall be based strictly on merit and fitness to ensure their suitability for appointment to the Bait-ul-Mal. The formulation of the program of organization shall be completed within six (6) months after the effectivity of this Act, and shall be fully implemented within a period of six (6) months thereafter.

SEC. 24. *Administrative Complaints.* – For purposes of administrative complaints against officers and employees of the Bait-ul-Mal, an internal audit to be created by and reporting directly to the Board shall conduct the investigations on such complaints. For this purpose, such internal audit unit shall be deemed deputized by the Office of the Ombudsman under Republic Act No. 6770.

SEC. 25. *Tax Exemption.* – The Bait-ul-Mal assets, revenues, distributions and all contracts, deeds, documents and transactions related to the conduct of business of the Bait-ul-Mal shall be exempt from all local and national taxes.

SEC. 26. *Exemption from Customs Duties.* – All importations by the Bait-ul-Mal of machinery, equipment, calculators and computers and the accompanying spare parts, as may be necessary for its operation, shall be exempt from customs duties and compensating taxes payable thereon: *Provided, however,* That the same shall not be disposed of domestically unless payment is made of all duties thereof at the tariff rates and according to their condition at the time of disposal and upon compliance with all import and exchange procedures.

SEC. 27. *Maintenance of Accounts.* – The Board shall maintain complete and accurate books of accounts in connection with the discharge of its responsibilities and those delegated by it to its officers and staff, as may be prescribed.

SEC. 28. *Accounting Period.* – The financial year of the Bait-ul-Mal shall be based on the Gregorian calendar, but the corresponding Islamic Hijra date shall be mentioned on all correspondence, contracts, printed materials, forms and records of the Bait-ul-Mal. The accounting period shall commence from the first day of January and close at the end of December each year.

SEC 29. *Annual Statement of Accounts.* - In the month of January each year, the Board shall submit to the Secretary of Social Welfare and Development, for approval, a statement of estimated receipts and expenditures in respect of the next financial year.

SEC. 30. *Submission of Annual Reports and Statements, etc.* – As soon as possible, the Board shall submit to the Department of Social Welfare and Development, after the end of every financial year but before the last day of September next following, an annual report on the conduct of its affairs during the year.

SEC. 31. *Audit.* - The accounts of Bait-ul-Mal shall be audited every year by the Commission on Audit in such manner as may be prescribed by the Board. A copy of the Audit report shall be sent to the Board for comments and remedial action.

SEC. 32. *Confidential Information.* – Bait-ul-Mal transactions relating to all zakat payers and sadaqah givers of whatever nature are confidential. It shall be unlawful for any official or employee of the Bait-ul-Mal or any person as may be designated by the Board of Directors to examine or audit the books of the Bait-ul-Mal, or to disclose or reveal to any person any confidential information except under the circumstances to be provided in the IRR for this Act.

SEC. 33. *Disposition of Bait-ul-Mal Revenue.* – Zakat, sadaqah and grants collected and/or received shall accrue to the Bait-ul-Mal Fund and shall be treated as automatically appropriated. The said fund shall be available to finance the poverty alleviation program from which the Bait-ul-Mal was created: *Provided*, That an amount equivalent to twelve point five percent (12.5%) of the total receipts from zakat shall be utilized to finance the operating and capital expenditures of the Bait-ul-Mal.

SEC. 34. *Initial Appropriation for the Bait-ul-Mal.* – The Secretary of Budget and Management is hereby authorized to transfer from the Treasury an amount equivalent to fifty percent (50%) of the authorized capital as provided for under Section 9 of this Act and to remit the same directly to the Bait-ul-Mal within 180 days after the effectivity of this Act under such rules and regulations as may be promulgated by the Secretary of Social Welfare and Development. The said amount shall be exclusively utilized to subsidize the operating and capital expenditures for the first three year operation of the Bait-ul-Mal.

SEC. 35. *Separability Clause.* If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 36. *Repealing Clause.* Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

SEC. 37. *Effectivity Clause.* This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,