

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Twentieth Congress
2nd Regular Session

HOUSE BILL NO. 10255



Introduced by Representative **MAURICIO G. DOMOGAN**

EXPLANATORY NOTE

Article XIV, Section 4(3) of the 1987 Constitution provides that all revenues and assets of non-stock, non-profit educational institutions, directly, and exclusively used for educational purposes shall be exempt from taxes and duties. This constitutional policy recognizes the vital role of educational institutions in nation-building and seeks to ensure that resources intended for instructions, research, extension, and related educational functions are devoted to the advancement of learning and public service.

Created under Presidential Decree No. 2010, Benguet State University (BSU) serves as the premier state university in the Cordillera Region, providing quality education, conducting research, undertaking extension services, and promoting innovation and sustainable development for the benefit of the Region and the nation. While its Charter grants certain tax exemptions, the scope of such exemptions has not been expressly expanded to comprehensively cover all revenues and income generated from university assets and lawful income-generating activities that are devoted to its educational mandate.

At present, Benguet State University is confronted with tax assessments imposed by the Bureau of Internal Revenue on revenues generated from the utilization of its assets and income-generating activities, including rental income. Under the existing legal framework and prevailing jurisprudence, the University's claim for exemption from such taxes remains subject to limitations that constrain its ability to fully maximize resources intended for its core functions of instructions, research, extension, production, and public service.

The revenues generated by the University from its lawful undertakings are not intended for private gain but are reinvested in the improvement of academic programs, research initiatives, extension services, institutional development, and other activities that directly support the University's educational mission. The imposition of taxes on these revenues diminishes resources that would otherwise be utilized to enhance the delivery of quality education and public service.

Considering that the issue pertains to the scope and extent of the tax exemptions granted under the University's Charter and related laws, a legislative amendment appears to be the most appropriate and enduring remedy. The proposed amendment expressly extends exemption from all forms of taxes, duties, fees, and charges on revenues and assets of Benguet State University that are actually, directly, and exclusively used for instruction, research, extension, production, and other activities in furtherance of its educational purposes. It likewise provides for the retroactive application of such exemption to qualified assessments, claims, and obligations, thereby ensuring consistency with the constitutional policy favoring educational institutions.

By providing legal clarity and minimizing future disputes concerning tax treatment of university revenues and assets, this measure will strengthen the fiscal autonomy of Benguet State University and enable it to devote a greater portion of its resources to educational excellence, research and innovation, community development, and public service.

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


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**AN ACT AMENDING PRESIDENTIAL DECREE NO. 2010,
OTHERWISE KNOWN AS THE “CHARTER OF BENGUET STATE
UNIVERSITY”, TO PROVIDE FOR A COMPREHENSIVE DUTY AND
TAX EXEMPTION ON REVENUES AND ASSETS ACTUALLY,
DIRECTLY, AND EXCLUSIVELY USED FOR INSTRUCTION,
RESEARCH, EXTENSION, PRODUCTION, OR IN FURTHERANCE
THEREOF, AND FOR THE RETROACTIVE APPLICATION THEREOF**

*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 "Benguet State University Tax Exemption and Retroactivity Amendment Act of 2026 "

SEC. 2. Amendment of Presidential Decree No. 2010. - Presidential Decree No. 2010, entitled "Converting the Mountain State Agricultural College in the Municipality of La Trinidad, Province of Benguet, into a University, to be Known as the Benguet State University, and Appropriating Funds Therefor", is hereby amended by inserting new Sections 21-A and 21-B immediately after Section 21, to read as follows:

"SEC. 21-A. Duty and Tax Exemption on Revenues and Assets Used for Educational Purposes. - The provisions of any general or special law to the contrary notwithstanding:

(a) All revenues and assets received by the Benguet State University, of whatever source, which are actually, directly, and exclusively used for instruction, research, extension, production, or in furtherance thereof, shall be exempt from all kinds of taxes and duties, whether imposed by the National Government or

any of its agencies and instrumentalities, including government-owned or -controlled corporations, and by local government units.

(b) The importation of books or publications, instruments, equipment and apparatuses which are for economic, technical-vocational, scientific, medical, philosophical, historical, legal or cultural purposes made by the University, upon certification by the Commission on Higher Education (CHED), shall be exempt from customs duties in accordance with the provisions of Republic Act No. 10863, otherwise known as the “Customs Modernization and Tariff Act (CMTA)”.

(c) All grants, bequests, endowments, donations, and contributions made to and used actually, directly, and exclusively for educational purposes by the University shall be exempt from donor's tax and the same shall be considered as allowable deductions from gross income for purposes of computing the taxable income of the donor in accordance with the provisions of the National Internal Revenue Code of 1997, as amended.

(d) The University shall maintain appropriate books of accounts and supporting records to substantiate that the revenues and assets claimed exempt under this Section were actually, directly, and exclusively used for the purposes stated herein.”

"SEC. 21-B. Retroactive Application. - The exemption under the immediately preceding Section shall be applied retroactively to revenues received by the University prior to the effectivity of this Act, to the extent that such revenues are proven to have been actually, directly, and exclusively used for instruction, research, extension, or in furtherance thereof; *Provided*, That any claim for refund, tax credit, or recovery of taxes and duties paid shall be subject to the applicable substantiation requirements and prescriptive periods under existing tax laws, rules, and jurisprudence; *Provided*, further, That nothing herein shall be construed to disturb final and executory judicial decisions."

SEC. 3. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 4. Repealing Clause. - All laws, decrees, executive orders, rules and regulations, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 5. Effectivity. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,