

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



Senate  
Office of the Secretary

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SENATE

S.B. No. **529**

RECEIVED BY: *ji*

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Introduced by Senator Loren Legarda

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#### EXPLANATORY NOTE

Section 1, Article XIV of the 1987 Philippine Constitution provides that the State shall protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make such education accessible to all. Furthermore, Section 24, Article II declares that the State recognizes the vital role of information in nation-building. Pursuant to this, government launched various efforts to make education accessible to all, particularly to children in the countryside.

Republic Act No. 8370, otherwise known as the "*Children's Television Act of 1997*" was enacted to promote and encourage the production and broadcasting of developmentally-appropriate television programs for children through the administration of a national endowment fund for children's television.

Despite this law, there are still less child-friendly programs on television with no law passed to encourage the production of films that especially cater to children in our country. This must be brought about by the heavy taxes imposed on mass media.

It is therefore imperative that the State intervenes in the form of relevant legislation to encourage media entities to invest in our children's future through the production of educational programs that would make quality education accessible thru mass media.

This bill aims to accomplish that by exempting equipment, tools for production and transportation and communication facilities to be used actually, directly and exclusively for educational purposes by media paying duty and internal revenue tax.

Under this proposed measure, the net income derived from educational programs and publications shall be tax-exempt for 5 years from the start of its initial operation or until the producer and publisher shall have attained reasonable return of their investment.

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

~~LOREN LEGARDA~~  
Senator

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AN ACT  
GRANTING FISCAL INCENTIVES TO MEDIA ENTITIES DEVOTING AIR  
TIME AND SPACE TO EDUCATIONAL PROGRAMS FOR CHILDREN, AND  
TO ADVERTISERS OR SPONSORS SUPPORTING SUCH PROGRAMS, AND  
FOR OTHER PURPOSES

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

1           **SECTION 1. Declaration of Policy.** - It is hereby declared the policy of the  
2 State to recognize the vital roles of communication and information in nation  
3 building, and shall take appropriate steps to make education accessible to all.  
4 Pursuant to this policy, the State shall promote, support, and provide incentives to  
5 mass media, as well as to sponsors or advertisers, who devote air time and space for  
6 educational purposes.

7

8           **SEC. 2. Coverage.** - This Act shall apply to all kinds of mass media operating  
9 within the Philippines.

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11           **SEC. 3. Definition of Terms.** - For purposes of this Act, the following terms  
12 shall mean as follows:

13           a. Mass media - refers to means of communication which includes both  
14 broadcast, film and print media that reach very large numbers of people;

15           b. Broadcast media - refers to radio, television, cable broadcast and the like;

16           c. Print media - refers to newspapers, magazines, reviews, bulletins and other  
17 publications appearing at regular interval, with fixed prices for subscriptions  
18 appearing at regular interval, with fixed prices for subscription and sale and  
19 published within the Philippines;

20           d. Commercials and advertisements - shall mean announcements, descriptions,  
21 presentations, advertising or promoting of something, as in goods for sale, in  
22 newspaper, magazine, television, radio, and the like;

- 1 e. Advertiser or sponsor - shall mean the owner or the principal of the thing or  
2 product to be advertised or sponsored;
- 3 f. Educational purposes - includes, but is not limited to, educational programs,  
4 publications, commercials and advertisements which:
- 5 1) Give positive influence on entertainment;
  - 6 2) Promote social values;
  - 7 3) Mobilize community support to, and wage information campaigns  
8 directed at parents to promote the importance of basic education;
  - 9 4) Improve the image of technical education and skills training and to  
10 inculcate the necessary values needed for productive employment;
  - 11 5) Propagate culture, foster patriotism and nationalism and other values that  
12 serve as an instrument in the struggle for Filipino sovereignty, identity,  
13 national unity and integration; and
  - 14 6) Such other similar descriptions as the Secretary of Education may provide  
15 pursuant to the implementation of this Act.
- 16

17 **SEC. 4. Tax Exempt Importation.** - The provisions of existing laws to the  
18 contrary notwithstanding, the machineries, equipment, tools for production, spare  
19 parts, supplies, materials and transportation and communication facilities to be used  
20 actually, directly and exclusively for educational purposes by media producers and  
21 publishers are not subject to duty and internal revenue tax: *Provided*, That where the  
22 National Economic and Development Authority certifies to the availability of the  
23 abovementioned items in the local market of sufficient quantity, comparable quality,  
24 and price or such tax-exempt items brought or imported into the Philippines are  
25 subsequently sold, transferred or exchanged in the Philippines to be devoted to non-  
26 educational purposes, the purchasers or recipients shall be considered the importer  
27 thereof; and shall be liable for the duty and internal revenue tax due on such  
28 importation subject to depreciation allowance. The tax due on such items shall  
29 constitute a lien on the article itself, superior to all other charges or liens, irrespective  
30 of the possessor thereof.

31

32 **SEC. 5. Donations for Educational Purpose.** - For purposes of this Act, any  
33 amount paid and contributed for educational programs and publications by any  
34 individual or corporation which shall not exceed ten percent (10%) of their respective  
35 annual income computed without the benefit of any tax incentives under existing  
36 law shall be tax deductible.

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2 Properties donated other than cash shall be valued in accordance with the  
3 rules and regulations prescribed by the Secretary of Finance in consultation with  
4 appropriate government agencies.

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6 **SEC. 6. *Program and Publication.*** - The net income derived from educational  
7 programs and publications shall be tax-exempt for (5) years from the start of its  
8 initial operation or until the producer and publisher shall have attained reasonable  
9 return of their investment. Thereafter, no part of the net income that inures to the  
10 benefit of the producer or publisher in an amount not in excess of twenty-five  
11 percent (25%) of the taxable income derived from the program or publication shall  
12 be allowed. The excess amount of the net income shall be devoted for the  
13 enhancement of the educational program and publication and for other educational  
14 purposes.

15  
16 **SEC. 7. *Commercials and Advertisements.*** - All expenses incurred in the  
17 production of commercials and advertisement for educational purposes under  
18 Section 3 paragraph f of this Act, and approved by the Secretary of Education, shall  
19 enjoy tax deduction of not more than ten percent (10%) of the gross operating  
20 expenses of the advertisers or sponsors: *Provided*, That these commercials and  
21 advertisements are actually delivered to the general public.

22  
23 **SEC. 8. *Airtime Rates and Cost of Space.*** - Broadcast media and print media  
24 shall receive ten percent (10%) lower airtime rates and cost of space for every paid  
25 feature of production or publication with educational content, as approved and  
26 certified by the Secretary of Education, or any equivalent government agency. The  
27 difference from the regular rate shall be chargeable to the value-added tax accruable.

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29 **SEC. 9. *Government Cooperation.*** - Every department, bureau, office agency  
30 or instrumentality of the government, including government-owned or controlled  
31 corporations, are enjoined to cooperate with the private sector in order to achieve  
32 the objectives of this Act.

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34 **SEC. 10. *Separability Clause.*** - If any part or provision of this Act is held  
35 invalid, other parts or provisions hereof not affected thereby shall remain in full  
36 force and effect.

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**SEC. 11. *Repealing Clause.*** - All laws, decrees, orders, rules and regulation, or portions thereof inconsistent with this Act are hereby repealed, amended or modified accordingly.

**SEC. 12. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,