


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

7 JUL 26 1987

SENATE

RECEIVED BY: S.B. No. **1374**

 Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to grant tax incentives to members of the broadcast and film industry that will produce educational programs for children, in order to make quality education accessible to children, especially those from the countryside.

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. One such method is by encouraging the production of educational programs for children, given the wide reach and universal appeal of broadcast media to them.

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. The National Endowment Fund was created for the promotion of high standards of indigenous program development in children's television and media specifically intended for Filipino children. An amount of Thirty million pesos (P30,000,000) sourced from the income of the lotto operations of the Philippine Charity Sweepstakes Office (PCSO) and another Thirty million pesos (P30,000,000) from the gross income of the Philippine Gaming Corporation (PAGCOR) shall form part of the Fund. Access to the Fund shall be provided by the Council through a grant application process for qualified producers and organizations with proven track record in the production of high quality children's television programs.

Despite this law, there are still less child-friendly programs in television, while no law has been 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 and the profit-oriented operations and market-driven functions under which they struggle.

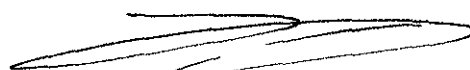
It is therefore imperative that the State intervene in the form of relevant legislation to encourage media entities to invest in our children's future thru the

production of educational programs that would make quality education accessible thru mass media.

This bill aims to accomplish that by exempting the machineries, equipment, tools for production, spare parts, supplies, materials and transportation and communication facilities to be used actually, directly and exclusively for educational purposes by media producers and publishers from 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. Likewise, all expenses incurred in the production of commercials and advertisement for educational purposes and approved by the Secretary of Education, shall enjoy tax deduction of not more than ten percent (10%) of the gross operating expenses of the advertisers or sponsors. Finally, broadcast media and print media shall be given ten percent (10%) lower airtime rates and cost of space for every paid feature of production or publication with educational content.

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




LOREN LEGARDA

Senator

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

7 JUL 26 1939

RECEIVED BY: 

SENATE

S.B. No. 1374

Introduced by Senator Loren Legarda

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:

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

SECTION. 2. Coverage - This Act shall apply to all kinds of mass media operating within the Republic of the Philippines

SECTION. 3. Definition of Terms - For the purpose of this Act, the following terms shall mean:

- a) Mass media - refers to means of communication which includes both broadcast, film and print media that reach very large numbers of people;
- b) Broadcast media - refers to radio, television, cable broadcast and the like;
- c) Print media - refers to newspapers, magazines, reviews, bulletins and other publications appearing at regular interval, with fixed prices for subscriptions appearing at regular interval, with fixed prices for subscription and sale and published within the Philippines;
- d) Commercials and advertisements - shall mean announcement, description, presentation, advertising or promoting of something, as of goods for sale, in newspaper, magazine, television, radio, etc.;

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

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

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

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

SECTION. 6. Program and Publication - 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. Thereafter, no part of the net income of which inures to the benefit of the producer or publisher in an amount not in excess of twenty-five percent (25%) of the taxable income derived from the program or publication shall be allowed.

The excess amount of the net income shall be devoted for the enhancement of the educational program and publication and for other educational purposes.

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

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

SECTION. 9. Government Cooperation - Every department, bureau, office agency or instrumentality, of the government, including government-owned or controlled corporation, are enjoined to cooperate with the private sector in order to achieve the objectives of this Act.

SECTION. 10. Separability Clause - If any provision of this Act shall be declared unconstitutional, the other provisions which are not affected thereby shall continue in force and effect.

SECTION. 11. Repealing Clause - Any law, act, decree, order, proclamation, repealed and modified accordingly.

SECTION. 12. Effectivity Clause - This Act shall take effect upon approval.

Approved,