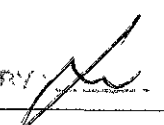


FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

OFFICE OF THE SECRETARY

10 JUL 13 PM 2:22

SENATE
S.B. No. 1443

RECEIVED BY: 

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 P30 million sourced from the income of the lotto operations of the Philippine Charity Sweepstakes Office (PCSO) and another P30 million 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 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 and the profit-oriented operations and market-driven functions under which they struggle.

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 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 advertisements for educational purposes and approved by the Secretary of Education, shall enjoy a tax deduction of not more than 10% of the gross operating expenses of the advertisers or sponsors. Finally, broadcast media and print media shall be given 10% lower airtime rates and cost of space for every paid feature of production or publication with educational content, and the difference from the regular rate shall be chargeable to the value-added tax accruable.

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


LOREN LEGARDA
Senator

10 JUL 13 P4:22

SENATE
S.B. No. 1443

RECEIVED BY 

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:*

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.

10
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 to meet the needs of said items shall be subject to applicable taxes, the
25 importation of such tax-exempt items brought or imported into the Philippines are
26 subsequently sold, transferred or exchanged in the Philippines are subsequently
27 sold, transferred or exchanged in the Philippines to be devoted to non-educational
28 purposes, the purchasers or recipients shall be considered the importer thereof, and
29 shall be liable for the duty and internal revenue tax due on such importation subject
30 to depreciation allowance. The tax due on such items shall constitute a lien on the
31 article itself, superior to all other charges or liens, irrespective of the possessor
32 thereof

1 annual income computed without the benefit of any tax incentives under existing
2 law shall be tax deductible.

3

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

7

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

17

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

24

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

30

31 **SEC. 9. *Government Cooperation.*** - Every department, bureau, office agency
32 or instrumentality of the government, including government owned or controlled

1 invalid, other parts or provisions hereof not affected thereby shall remain in full
2 force and effect.

3

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

7

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

10

11 Approved,