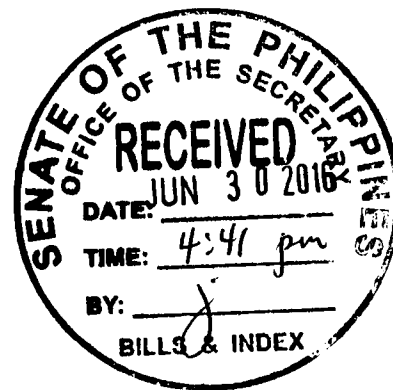


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

S.B. No. 131

Introduced by Senator **SONNY ANGARA**

**AN ACT
PROVIDING FOR TAX DEDUCTIONS FOR FAMILY REQUIREMENTS INCLUDING
PAYMENTS FOR TERTIARY EDUCATION TUITION AND ALLIED EXPENSES AS WELL AS
INTEREST PAYMENTS FOR A FIRST HOME MORTGAGE, AMENDING FOR THE
PURPOSE SECTION 34 OF THE NATIONAL INTERNAL REVENUE CODE OF THE
PHILIPPINES, AS AMENDED**

EXPLANATORY NOTE

Access to quality education and affordable housing are two basic needs that continue to pose a challenge to the Filipino family. According to a NEDA-commissioned study entitled "Ambisyon 2040," 74 percent of Filipinos yearn to send their children to college while 64 percent aspire to own a medium-size house.

Article 2, Section 17 of the Constitution provides that the "State shall give priority to education, science and technology, arts and sports to foster patriotism, nationalism, accelerate social progress and promote total human liberation and development." In addition, Article 4, Section 1 of the Constitution also mandates that the State should "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." It is therefore imperative for the State to promote and enhance opportunities for accessible quality education.

Based on the Philippine Education for All 2015 Assessment, the United Nations proposed that the country's vision of inclusive growth and development should entail investment in human capital, particularly through the provision of quality basic education, competitive technical vocational skills training, and relevant and responsive higher education as stated under the Philippine Development Plan 2011-2016. A recent report by the United Nations Educational Scientific and Cultural Organization (UNESCO) also stressed that Southeast Asian countries including the Philippines should take urgent steps to enroll out-of-school youths to avoid adverse economic consequences of having a high number of unskilled workforce in the future. In the nationwide study commissioned by the National Economic and Development Authority (NEDA) on the aspirations, values and principles of the Filipino People, which is distilled into the Ambisyon 2040, the Filipino yearns for decent jobs within the country. Such requires proper technical-vocational skills or college education.

Yet, the 2013 Functional Literacy, Education and Mass Media Survey, released by the Philippine Statistics Authority, showed that one in every ten or about four million Filipino children and youth are out-of-school. Among the top reasons for not being able to attend school include the high cost of education and not sufficient family income to send their child to school. As of July 2015, there are only 227 public higher education institutions (HEIs) or just 9.5 percent of the 2,388 total HEIs. Meanwhile, 304 private HEIs were given the approval by the Commission on Higher Education to increase their tuition and other school fees. Thus, access to tertiary education in the country remains problematic and elusive, especially to the poor and underprivileged.

On the other hand, nothing gives a person a sense of stability and security than having a place to call his or her own home. Unfortunately, due to the high cost of acquiring one's own residence, more Filipinos are opting to rent instead. According to an initial study conducted by the NEDA Statistical Research and Training Center, there are approximately 1.5 million households or 7.2% renters out of the total 21.5 million households nationwide.

At present, more and more developers are offering affordable housing options through low downpayments and easy payment terms for potential homebuyers. The only remaining deterrent faced by would-be buyers is the financing aspect, more specifically the interest rates imposed by banking institutions and the developers themselves. This is where the government should step in by providing an incentive to those who would be purchasing their first family home.

A family home provides an atmosphere of permanence, and serves as one's sanctuary from the outside world. Moreover, the wisdom of home ownership lies in the simple fact that instead of throwing away money in monthly rents, one's money can already be channeled into paying for one's own piece of property. Home ownership will not only ensure the future security of one's family but can also be considered as a profitable investment.

Along this line, this bill aims to aid Filipino families in acquiring their first family home by providing for Home Mortgage Interest Relief, an individual income tax incentive. This tax incentive makes any interest actually paid during a taxable year from any loan obtained for the purpose of acquiring or constructing a family home deductible from the gross income of a qualified taxpayer. By removing interest rates in the equation, potential homeowners will only have to pay the principal amount of the property, and thus avoid the stress of dealing with ballooning interest payments. Moreover, this relief will provide tax savings for the individual.

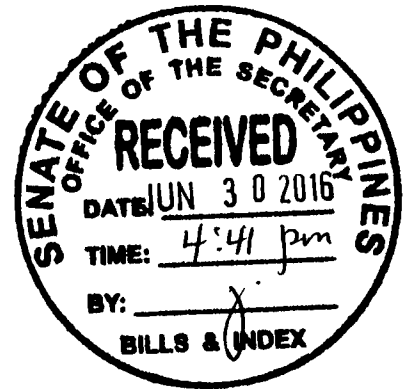
This bill seeks to help the taxpayer by providing that matriculation fees for tertiary education and allied educational expenses as well as interest on first home mortgage shall be tax deductible from the gross income of the taxpayer. The bill was originally filed as SBN 2228 and SBN 2148, in the 16th Congress as part of our advocacy to widen the access to quality education and to address the housing needs in the country.

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



SONNY ANGARA

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PURPOSE SECTION 34 OF THE NATIONAL INTERNAL REVENUE CODE OF THE
PHILIPPINES, AS AMENDED

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

1 **SECTION 1. Short Title.** This Act shall be known as the **“Family Tax Relief Act”**.
2

3 **SEC. 2. Additional Deductions.** Section 34 of the National Internal Revenue Code (NIRC), as
4 amended, is hereby further amended to read as follows:

5 SEC. 34. Deductions from Gross Income. Except for taxpayers earning
6 compensation income arising from personal services rendered under an
7 employer-employee relationship where no deductions shall be allowed under this
8 Section other than under Subsection (M) AND (N) hereof, in computing taxable
9 income subject to income tax under Sections 24(A); 26; 27(A), (B), and (C); and
10 28(A)(I), there shall be allowed the following deductions from gross income:

11 (A) Expenses. -

12 (1) Ordinary and Necessary Trade, Business or Professional Expenses.

13 x x x.

14 (M) Premium Payments on Health and/or Hospitalization Insurance of an
15 individual Taxpayer. - x x x

16 (N) PAYMENTS FOR TERTIARY EDUCATION TUITION FEES AND ALLIED
17 EDUCATIONAL EXPENSES. - EXPENSES INCURRED BY A PERSON, OR
18 ANY OTHER PERSON HAVING PARENTAL AUTHORITY OR EXERCISING
19 SUBSTITUTE PARENTAL AUTHORITY FOR PURPOSES OF SHOULDERING
20 TERTIARY EDUCATION TUITION FEES AND ALLIED EXPENSES, FOR
21 HIMSELF OR FOR HIS DEPENDENT DULY ENROLLED IN A QUALIFIED
22 EDUCATIONAL INSTITUTION AS MAY BE DEFINED BY EXISTING LAWS:
23 PROVIDED, THAT THE DEDUCTION SHALL NOT EXCEED FORTY
24 THOUSAND PESOS (P40,000.00) FOR HIMSELF OR FOR EACH
25 DEPENDENT NOT EXCEEDING FOUR (4) FOR THE TAXABLE YEAR:
26 PROVIDED, FINALLY, THAT TERTIARY EDUCATION SHALL INCLUDE POST

1 SECONDARY COURSES FROM HIGHER EDUCATIONAL AND TECHNICAL
2 AND VOCATIONAL INSTITUTIONS.

3 THE DEDUCTIONS FOR TERTIARY EDUCATION OF DEPENDENTS SHALL
4 BE CLAIMED BY ONLY ONE OF THE SPOUSES IN THE CASE OF MARRIED
5 INDIVIDUALS. IN THE CASE OF LEGALLY SEPARATED SPOUSES, THE
6 DEDUCTION MAY ONLY BE AVAILED BY THE SPOUSE WHO HAS
7 CUSTODY OF THE DEPENDENT.

8 FOR PURPOSES OF THIS SUBSECTION, A "DEPENDENT" MEANS A
9 LEGITIMATE, ILLEGITIMATE OR LEGALLY ADOPTED CHILD CHIEFLY
10 DEPENDENT UPON AND LIVING WITH THE TAXPAYER IF SUCH
11 DEPENDENT IS NOT MORE THAN TWENTY-ONE (21) YEARS OF AGE,
12 UNMARRIED AND NOT GAINFULLY EMPLOYED OR IF SUCH DEPENDENT,
13 REGARDLESS OF AGE, IS INCAPABLE OF SELF-SUPPORT BECAUSE OF
14 MENTAL OR PHYSICAL DEFECT.

15 (O) HOME MORTGAGE INTEREST RELIEF. ANY INTEREST ACTUALLY PAID
16 DURING A TAXABLE YEAR FROM ANY LOAN OBTAINED FOR THE
17 PURPOSE OF ACQUIRING OR CONSTRUCTING A QUALIFIED TAXPAYER'S
18 FIRST FAMILY HOME, AS MAY BE DEFINED BY EXISTING LAWS AND/OR
19 RULES AND REGULATIONS."
20

21 **SEC. 3. Definition of Terms for Section 34 (A) (O).** For purposes of this Act, the following
22 terms or phrases shall mean or be understood as follows:

23 a. *Family Home* - shall refer to the dwelling house constituted jointly by the husband and
24 wife, or by an unmarried head of the family, including the land on which it is situated, and as
25 defined under Articles 152 and 153 of Executive Order No. 209 or the Family Code of the
26 Philippines, as amended including condominium unit for the same purpose.

27 b. *First Family Home* - shall refer to the first dwelling house or condominium unit, either
28 bought or constructed, and used as the primary residence of a family or by an unmarried head
29 of the family.

30 c. *Unmarried Head of the Family* - shall refer to any person, regardless of civil status,
31 who has one or more dependents upon him for chief support.

32 d. *Dependent* - shall refer to any, or a combination of two or more of the following
33 persons:

34 i. A father or a mother or both;

35 ii. One or more brothers or sisters who are unmarried, not gainfully employed,
36 and less than twenty one (21) years of age;

37 iii. One or more legitimate, illegitimate, adopted or foster children provided that
38 such children are unmarried, not gainfully employed, and less than twenty one
39 (21) years of age;

40 iv. One or more siblings or children, regardless of age, who suffers from a mental
41 or physical defect.

1 e. *Solo Parent* - shall refer to any person qualified as such pursuant to Section 3(a) of
2 Republic Act No. 8972 or the "Solo Parents' Welfare Act of 2000".

3 f. *Qualified Mortgage Loan* - shall refer to a housing loan from any reputable bank
4 operating in the Philippines, including loans from the Home Development Mortgage Fund
5 (HDMF) or Pag-IBIG Fund, as provided under Republic Act (RA) No. 9679, and cooperatives
6 duly organized and registered with the Cooperative Development Authority, as provided under
7 RA No. 9520 or the "Philippine Cooperative Code of 2008", obtained for the purpose of
8 purchasing or constructing a family home, and whose loan amount does not exceed Three
9 Million Pesos (P3,000,000.00).

10 g. *Mortgage Interest Relief* - shall refer to an itemized tax deduction that allows
11 homeowners to deduct the interest they pay on a qualified mortgage loan used for the purchase
12 or construction of their first family home.

13 h. *Qualified Taxpayer* - shall refer to a taxpayer who is in good standing and has
14 obtained a housing loan for the purpose of acquiring or constructing his family home.
15

16 **SEC. 4. *Qualified Residence for First Home Mortgage Interest Relief under Section 34 (A)***
17 **(O).** In order to be considered as the "First Family Home" as contemplated under this Act, the
18 following requisites must concur:

19 a. The residence being claimed as a first family home must meet the requirements set
20 under Articles 152-153 of the Family Code;

21 b. This must be the "first" family home of the taxpayer and be proven as such;

22 c. The value of the subject family home must not exceed Three Million Pesos
23 (P3,000,000.00); and,

24 d. The claimant must submit all the requisite documents to qualify under this proposal,
25 such as but not limited to the notarized deed of sale, tax declaration, bank assessment, loan
26 documents, Income Tax Returns (ITR) and/or Sworn Statement of Assets, Liabilities and Net
27 Worth (SALN), and other documents as may be required under the implementing rules and
28 regulations.
29

30 **SEC. 5. *Exceptional Circumstances for First Home Mortgage Interest Relief under Section***
31 **34 (A) (O).** The qualified taxpayer may still claim the privilege provided under this Act if his
32 situation falls under any of the following instances:

33 a. If the qualified taxpayer is a solo parent as defined under Section 3(a) of Republic Act
34 No. 8972, otherwise known as "Solo Parents' Welfare Act of 2000";

35 b. If the original family home was destroyed, either completely or substantially, due to
36 force majeure or an act of God such as but not limited to storms, floods, earthquake, volcanic
37 eruption, fire, and other forms of natural calamities, and the taxpayer constructs or purchases a
38 new residential unit; or

39 c. If the original family home was lost due to a valid expropriation by the Government.
40

41 **SEC. 6.** For Section 34 (A) (N), the necessary implementing rules and regulations (IRR) for
42 purposes of this Act shall be jointly issued by the Commission on Higher Education (CHED), the

1 Technical Education and Skills Development Authority (TESDA) and the Bureau of Internal
2 Revenue (BIR), and for Section 34 (A) (O), by the Department of Finance (DOF), the Housing
3 and Land Use Regulatory Board (HLURB) and the BIR, within sixty (60) days from its effectivity.

4

5 **SEC. 7.** All laws, decrees, executive orders or any other issuances or parts thereof which are
6 inconsistent with the provisions of this Act are hereby repealed, amended or modified
7 accordingly.

8

9 **SEC. 8.** If any provision of this Act is held invalid or unconstitutional, any other provision not
10 affected shall continue to be in full force and effect.

11

12 **SEC. 9.** This Act shall take effect fifteen (15) days after its complete publication in the Official
13 Gazette or in at least two (2) newspapers of general circulation.

14

15 Approved,