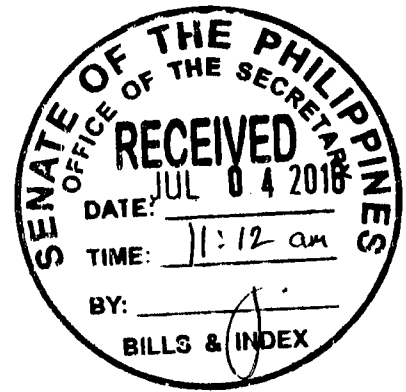


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. B. No. 296

Introduced by Senator Aquilino “Koko” Pimentel III

AN ACT
IMPOSING A UNIFORM TAX FOR EXCESS CAMPAIGN
CONTRIBUTIONS, AMENDING FOR THIS PURPOSE
SECTION 24 OF REPUBLIC ACT NO. 8424, AS AMENDED,
OTHERWISE KNOWN AS “NATIONAL INTERNAL REVENUE
CODE OF 1997”

EXPLANATORY NOTE

Section 13 of Republic Act No. 7166, otherwise known as “An Act Providing for Synchronized National and Local Elections and for Electoral Reforms, Authorizing Appropriations Therefor, and for Other Purposes,” provides for the exemption of duly reported contributions given to candidates or political parties from donor’s tax. Clearly, the law is silent as to the treatment of unreported or erroneously reported campaign contributions as well as the treatment of unutilized campaign contributions.

The silence of the law paved the way for the Bureau of Internal Revenue to issue *Revenue Regulation No. 7-2011* dated February 16, 2011, which imposed the following tax rules on campaign contributions:

1. to be exempt from income tax, campaign contributions must have been fully utilized;
2. unutilized/excess campaign funds shall be subject to income tax; and

3. failure to file with the Commission on Elections of the appropriate Statement of Expenditures shall automatically preclude any candidate from claiming deductions against total campaign contributions. The entire amount of such campaign contributions shall be considered as directly subject to income tax.

However, the BIR *Revenue Regulation* caused confusion because of the income tax treatment on campaign contributions and the absence of the law imposing such income tax. It is a well settled doctrine that since the imposition of a tax is a burden on the taxpayer, it cannot be presumed nor can it be extended by implication. A law will not be construed as imposing a tax unless it does so clearly, expressly, and unambiguously. (*Commissioner of Internal Revenue v. SM Prime Holdings, Inc., et al.*, G.R. No. 183505, February 26, 2010)

This goes without saying that the BIR's intention is laudable because it prevents candidates, party-list groups, and political parties from using the election campaign as a money-making business. Thus, this bill addresses the absence of a law on the tax treatment of unutilized, unreported, or erroneously reported campaign contributions.

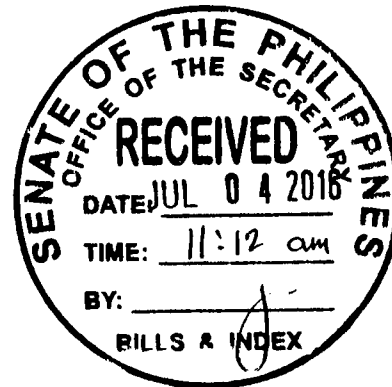
In order for the candidate or a political party to fully utilize the campaign donations given by his supporters, a uniform tax of thirty percent (30%) is imposed by this bill on the unutilized, unreported, or erroneously reported campaign contributions to be paid by the candidate-beneficiary.

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


AQUILINO "KOKO" PIMENTEL III

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

SENATE
S. B. No. 296



Introduced by Senator Aquilino “Koko” Pimentel III

AN ACT
IMPOSING A UNIFORM TAX FOR EXCESS CAMPAIGN
CONTRIBUTIONS, AMENDING FOR THIS PURPOSE
SECTION 24 AND 27 OF REPUBLIC ACT NO. 8424, AS
AMENDED, OTHERWISE KNOWN AS “NATIONAL
INTERNAL REVENUE CODE OF 1997”

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

1 **SECTION 1.** *Section 24 of Republic Act No. 8424, as amended, is*
2 *hereby amended by inserting a new subparagraph (E) to read as follows:*

3
4 “Section 24. *Income Tax Rates.* –

5
6 (A) xxx.

7
8 (B) xxx.

9
10 (C) xxx.

11
12 (D) xxx.

13
14 **(E) EXCESS CAMPAIGN CONTRIBUTIONS. –**
15 **NOTWITHSTANDING THE PENALTY IMPOSED FOR**
16 **NON-FILING OF CORRECT STATEMENT OF**
17 **CONTRIBUTIONS AND EXPENDITURES UNDER**
18 **ELECTION LAWS, ANY CANDIDATE SHALL BE**
19 **SUBJECT TO THIRTY PERCENT (30%) TAX ON THE**
20 **FOLLOWING:**

1
2 (1) UNREPORTED OR ERRONEOUSLY
3 REPORTED CAMPAIGN CONTRIBUTIONS IN
4 CASH OR IN KIND. IN THIS INSTANCE, THE
5 CANDIDATE SHALL BE AUTOMATICALLY
6 PRECLUDED FROM CLAIMING CAMPAIGN
7 EXPENDITURES AS DEDUCTIONS FROM
8 CAMPAIGN CONTRIBUTIONS. AS SUCH, THE
9 ENTIRE AMOUNT OF THE REPORTED OR
10 ERRONEOUSLY REPORTED CAMPAIGN
11 CONTRIBUTIONS SHALL BE CONSIDERED AS
12 DIRECTLY SUBJECT TO TAX; AND

13
14 (2) UNUTILIZED OR EXCESS
15 CONTRIBUTIONS IN CASH OR IN KIND.

16
17 THE INCOME TAX ON THE EXCESS CAMPAIGN
18 CONTRIBUTIONS REQUIRED IN THIS
19 SUBPARAGRAPH SHALL BE FILED BY THE
20 CANDIDATE WITHIN SIXTY (60) DAYS FROM THE
21 LAST DATE OF FILING OF THE STATEMENT OF
22 CONTRIBUTIONS AND EXPENDITURES WITH THE
23 COMMISSION ON ELECTIONS.

24
25 SECTION 2. *Section 27 of Republic Act No. 8424, as amended, is*
26 *hereby amended by inserting a new subparagraph (F) to read as follows:*

27
28 "Section 27. *Rates of Income Tax on Domestic*
29 *Corporations. –*

30
31 (A) xxx.

32
33 (B) xxx.

34
35 (C) xxx.

36
37 (D) xxx.

38
39 (E) xxx.

40
41 (F) **EXCESS CAMPAIGN CONTRIBUTIONS. –**
42 **NOTWITHSTANDING THE PENALTY IMPOSED FOR**
43 **NON-FILING OF CORRECT STATEMENT OF**

1 **CONTRIBUTIONS AND EXPENDITURES UNDER**
2 **ELECTION LAWS, ANY POLITICAL PARTY OR**
3 **COALITION OF PARTIES SHALL BE SUBJECT TO**
4 **THIRTY PERCENT (30%) TAX ON THE FOLLOWING:**

5
6 **(1) UNREPORTED OR ERRONEOUSLY**
7 **REPORTED CAMPAIGN CONTRIBUTIONS IN**
8 **CASH OR IN KIND. IN THIS INSTANCE, THE**
9 **POLITICAL PARTY OR COALITION SHALL BE**
10 **AUTOMATICALLY PRECLUDED FROM**
11 **CLAIMING CAMPAIGN EXPENDITURES AS**
12 **DEDUCTIONS FROM CAMPAIGN**
13 **CONTRIBUTIONS. AS SUCH, THE ENTIRE**
14 **AMOUNT OF THE REPORTED OR**
15 **ERRONEOUSLY REPORTED CAMPAIGN**
16 **CONTRIBUTIONS SHALL BE CONSIDERED AS**
17 **DIRECTLY SUBJECT TO TAX; AND**

18
19 **(2) UNUTILIZED OR EXCESS**
20 **CONTRIBUTIONS IN CASH OR IN KIND.**

21
22 **THE INCOME TAX ON THE EXCESS CAMPAIGN**
23 **CONTRIBUTIONS REQUIRED IN THIS**
24 **SUBPARAGRAPH SHALL BE FILED BY THE**
25 **TREASURER OF THE POLITICAL PARTY OR**
26 **COALITION OF POLITICAL PARTIES WITHIN SIXTY**
27 **(60) DAYS FROM THE LAST DATE OF FILING OF THE**
28 **STATEMENT OF CONTRIBUTIONS AND**
29 **EXPENDITURES WITH THE COMMISSION ON**
30 **ELECTIONS.**

31
32 **SECTION 3. *Implementing Rules and Regulations.*** – Within
33 ninety (90) days from the promulgation of this Act, the Bureau of
34 Internal Revenue and the Commission on Elections, shall formulate the
35 Implementing Rules and Regulations of this Act.

36
37 **SECTION 4. *Separability Clause.*** Should any provision of this
38 Act or part hereof be declared unconstitutional, the other provisions or
39 parts not affected thereby shall remain valid and effective.

40
41 **SECTION 5. *Repealing Clause.*** All laws, decrees, orders, and
42 issuances, or portions thereof, which are inconsistent with the provisions
43 of this Act, are hereby repealed, amended or modified accordingly.

1 **SECTION 6. *Effectivity Clause.*** This Act shall take effect after
2 fifteen (15) days from its publication in two (2) newspapers of general
3 circulation.

4
5 *Approved,*