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

'16 JUL 19 AIO:18

S E N A T E
S.B. NO. 426

RECEIVED BY: 

Introduced by SENATOR LOREN LEGARDA

AN ACT ALLOWING EXPENSES INCURRED IN PAYMENTS FOR TERTIARY EDUCATION TUITION AND RELATED EDUCATIONAL EXPENSES AS DEDUCTIONS FROM GROSS INCOME OF INDIVIDUALS, AMENDING FOR THE PURPOSE SECTION 34 OF THE NATIONAL INTERNAL REVENUE CODE OF THE PHILIPPINES, AS AMENDED.

Explanatory Note

Education has always been viewed as one of the pillars of the government and an avenue for social and economic mobility. It aims to prepare the youth to become active and productive members of the society. Tertiary education seeks to meet and match the demand of the industries with a globally competitive workforce. It aims to increase the quality of human capital in relation to national and economic progress.

The Constitution guarantees the right to education of every Filipino. Article 4, Section 1 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 education accessible to all."

According to the Functional Literacy, Education and Mass Media Survey (FLEMMS), one in every ten or about four (4) million Filipino children and youth was out-of-school in 2013. Out-of-school youth, as defined by FLEMMS, are 15 to 24 aged persons who are not attending school, have not finished any college or post-secondary course, and are not working. The survey also showed that insufficient family income is one of the reasons why these youth were not sent to tertiary education institutions.

This measure seeks to address this problem by allowing tuition fees and other related expenses for tertiary education be tax deductible from the gross income of the taxpayers.

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


LOREN LEGARDA
Senator

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

1 **SECTION 1.** Section 34 of the National Internal Revenue Code (NIRC), is
2 hereby amended to read as follows:

3
4 **“SEC. 34. Deductions from Gross Income.** – Except for taxpayers earning
5 compensation income arising from personal services rendered under an
6 employer-employee relationship where no deductions shall be allowed under
7 this Section other than under subsections **(M) AND (N)** hereof, in computing
8 taxable income subject to income tax under Sections 24 (A); 25 (A); 26; 27 (A),
9 (B) and (C); and 28 (A) (1), there shall be allowed the following deductions from
10 gross income:

11 (A) Expenses. –

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

14 (M) Premium Payments on Health and/or Hospitalization
15 Insurance of an Individual Taxpayer. – XXX.

16
17 **(N) PAYMENTS FOR TERTIARY EDUCATION TUITION FEES
18 AND RELATED EDUCATIONAL EXPENSES. – EXPENSES
19 INCURRED BY A PERSON, OR ANY OTHER PERSON HAVING
20 PARENTAL AUTHORITY OR EXERCISING SUBSTITUTED
21 PARENTAL AUTHORITY FOR PURPOSES OF SHOULDERING
22 TERTIARY EDUCATION TUITION FEES AND ALLIED
23 EXPENSES, FOR HIMSELF OR FOR HIS DEPENDENT DULY
24 ENROLLED IN A QUALIFIED EDUCATIONAL INSTITUTION AS
25 MAY BE DEFINED BY EXISTING LAWS: PROVIDED, THAT THE
26 DEDUCTION SHALL EXCEED FIFTY THOUSAND PESOS
27 (P50,000) FOR HIMSELF OR FOR EACH DEPENDENT NOT
28 EXCEEDING FOUR (4) FOR THE TAXABLE YEAR; PROVIDED,
29 FINALLY THAT TERTIARY EDUCATION SHALL INCLUDE POST
30
31
32**

1 **SECONDARY COURSES FROM HIGHER EDUCATIONAL,**
2 **TECHNICAL AND VOCATIONAL INSTITUTIONS**

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

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

19
20 **SECTION 2. Implementing Rules and Regulations.** - The implementing rules
21 and regulations (IRR) for purposes of this Act shall be jointly issued by the
22 Commission on Higher Education (CHED), the Technical Education and Skills
23 Development Authority (TESDA) and the Bureau of Internal Revenue (BIR).
24

25 **SECTION 3. Repealing Clause.** - All laws, decrees, executive orders or any
26 other issuances or parts thereof which are consistent with the provisions of
27 this Act are hereby repealed, amended or modified accordingly.
28

29 **SECTION 4. Separability Clause.** - If any provision of this Act is declared
30 unconstitutional, the same shall not affect the validity and effectivity of other
31 provisions thereof.
32

33 **SECTION 5. Effectivity.** - This Act shall take effect fifteen (30) days following
34 its publication in at least two (2) newspapers of general circulation.
35

36 Approved,