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HOUSE OF REPRESENTATIVES
Quezon City

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H. B. No. 1660



Introduced by **HONORABLE BELLAFLOR J. ANGARA-CASTILLO**

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, the passage of this bill is earnestly sought.


BELLAFLOR J. ANGARA-CASTILLO
Representative
Lone District, Province of Aurora

Introduced by HONORABLE BELLAFLOR J. ANGARA-CASTILLO

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, AND FOR OTHER PURPOSE

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

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

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

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

“(A) *Expenses.* –

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

x x x.

“(M) *Premium Payments on Health and/or Hospitalization Insurance of an
individual Taxpayer.* – x x x

“(N) *PAYMENTS FOR TERTIARY EDUCATION TUITION FEES AND
ALLIED EDUCATIONAL EXPENSES.* – EXPENSES INCURRED BY A PERSON,
OR ANY OTHER PERSON HAVING PARENTAL AUTHORITY OR EXERCISING
SUBSTITUTE PARENTAL AUTHORITY FOR PURPOSES OF SHOULDERING
TERTIARY EDUCATION TUITION FEES AND ALLIED EXPENSES, FOR HIMSELF
OR FOR HIS DEPENDENT DULY ENROLLED IN A QUALIFIED EDUCATIONAL
INSTITUTION AS MAY BE DEFINED BY EXISTING LAWS: *PROVIDED*, THAT THE
DEDUCTION SHALL NOT EXCEED FORTY THOUSAND PESOS (P40,000.00)
FOR HIMSELF OR FOR EACH DEPENDENT NOT EXCEEDING FOUR (4) FOR
THE TAXABLE YEAR: *PROVIDED, FINALLY*, THAT TERTIARY EDUCATION
SHALL INCLUDE POST SECONDARY COURSES FROM HIGHER EDUCATIONAL
AND TECHNICAL AND VOCATIONAL INSTITUTIONS.

THE DEDUCTIONS FOR TERTIARY EDUCATION OF DEPENDENTS
SHALL BE CLAIMED BY ONLY ONE OF THE SPOUSES IN THE CASE OF
MARRIED INDIVIDUALS. IN THE CASE OF LEGALLY SEPARATED SPOUSES,

1 THE DEDUCTION MAY ONLY BE AVAILED BY THE SPOUSE WHO HAS
2 CUSTODY OF THE DEPENDENT.

3
4 FOR PURPOSES OF THIS SUBSECTION, A "DEPENDENT" MEANS A
5 LEGITIMATE, ILLEGITIMATE OR LEGALLY ADOPTED CHILD CHIEFLY
6 DEPENDENT UPON AND LIVING WITH THE TAXPAYER IF SUCH DEPENDENT
7 IS NOT MORE THAN TWENTY-ONE (21) YEARS OF AGE, UNMARRIED AND
8 NOT GAINFULLY EMPLOYED OR IF SUCH DEPENDENT, REGARDLESS OF
9 AGE, IS INCAPABLE OF SELF-SUPPORT BECAUSE OF MENTAL OR PHYSICAL
10 DEFECT.

11
12 "(O) HOME MORTGAGE INTEREST RELIEF. – ANY INTEREST ACTUALLY
13 PAID DURING A TAXABLE YEAR FROM ANY LOAN OBTAINED FOR THE
14 PURPOSE OF ACQUIRING OR CONSTRUCTING A QUALIFIED TAXPAYER'S
15 FIRST FAMILY HOME, AS MAY BE DEFINED BY EXISTING LAWS AND/OR
16 RULES AND REGULATIONS."

17
18 **SEC. 3. Definition of Terms for Section 34 (O), Tax Code.** For purposes of this Act, the
19 following terms or phrases shall mean or be understood as follows:

- 20
21 a. *Family Home* – shall refer to the dwelling house constituted jointly by the husband
22 and wife, or by an unmarried head of the family, including the land on which it is
23 situated, and as defined under Articles 152 and 153 of Executive Order No. 209 or
24 the Family Code of the Philippines, as amended, including condominium unit for the
25 same purpose.
- 26 b. *First Family Home* – shall refer to the first dwelling house or condominium unit, either
27 bought or constructed, and used as the primary residence of a family or by an
28 unmarried head of the family.
- 29 c. *Unmarried Head of the Family* – shall refer to any person, regardless of civil status,
30 who has one or more dependents upon him for chief support.
- 31 d. *Dependent* – shall refer to any, or a combination of two or more of the following
32 persons:
- 33
- 34 i. A father or a mother or both;
- 35 ii. One or more brothers or sisters who are unmarried, not gainfully employed, and
36 less than twenty one (21) years of age;
- 37 iii. One or more legitimate, illegitimate, adopted or foster children provided that such
38 children are unmarried, not gainfully employed, and less than twenty one (21)
39 years of age;
- 40 iv. One or more siblings or children, regardless of age, who suffers from a mental or
41 physical defect.
- 42
- 43 e. *Solo Parent* – shall refer to any person qualified as such pursuant to Section 3(a) of
44 Republic Act No. 8972 or the "Solo Parents' Welfare Act of 2000".
- 45 f. *Qualified Mortgage Loan* – shall refer to a housing loan from any reputable bank
46 operating in the Philippines, including loans from the Home Development Mortgage
47 Fund (HDMF) or Pag-IBIG Fund, as provided under Republic Act (RA) No. 9679,
48 and cooperatives duly organized and registered with the Cooperative Development
49 Authority, as provided under RA No. 9520 or the "Philippine Cooperative Code of
50 2008," obtained for the purpose of purchasing or constructing a family home, and
51 whose loan amount does not exceed Three Million Pesos (P3,000,000.00).
- 52 g. *Mortgage Interest Relief* – shall refer to an itemized tax deduction that allows
53 homeowners to deduct the interest they pay on a qualified mortgage loan used for
54 the purchase or construction of their first family home.
- 55 h. *Qualified Taxpayer* – shall refer to a taxpayer who is in good standing and has
56 obtained a housing loan for the purpose of acquiring or constructing his family home.
57

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

- 4
5 a. The residence being claimed as a first family home must meet the requirements set
6 under Articles 152-153 of the Family Code;
7 b. This residence is the actual first family home of the taxpayer;
8 c. The value of the subject family home must not exceed Three Million Pesos
9 (P3,000,000.00); and
10 d. The claimant must submit all the requisite documents to qualify under this proposal,
11 such as, but not limited to, the notarized deed of sale, tax declaration, bank
12 assessment, loan documents, Income Tax Returns (ITR) and/or Sworn Statement of
13 Assets, Liabilities and Net Worth (SALN), and other documents as may be required
14 under the implementing rules and regulations.
15

16 **SEC. 5. *Exceptional Circumstances for First Home Mortgage Interest Relief under***
17 ***Section 34 (O), Tax Code.*** The qualified taxpayer may still claim the privilege provided
18 under this Act if his situation falls under any of the following instances:

- 19
20 a. If the qualified taxpayer is a solo parent as defined under Section 3(a) of Republic
21 Act No. 8972, otherwise known as "Solo Parents' Welfare Act of 2000;"
22 b. If the original family home was destroyed, either completely or substantially, due to
23 *force majeure* or an act of God such as, but not limited to, storms, floods,
24 earthquake, volcanic eruption, fire, and other forms of natural calamities, and the
25 taxpayer constructs or purchases a new residential unit; or
26 c. If the original family home was lost due to expropriation by the Government.
27

28 **SEC. 6. *Implementing Rules and Regulations.*** Within thirty (30) days from the effectivity
29 of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner
30 of Internal Revenue, promulgate and publish jointly with the Commission on Higher
31 Education (CHED) and the Technical Education and Skills Development Authority (TESDA)
32 the necessary rules and regulations for the effective implementation of Section 34 (N) of the
33 National Internal Revenue Code, as amended, and jointly with the Housing and Land Use
34 Regulatory Board (HLURB) for the effective implementation of Section 34 (O) of the same
35 Code.
36

37 **SEC. 7. *Repealing Clause.*** All laws, decrees, executive orders or any other issuances or
38 parts thereof which are inconsistent with the provisions of this Act are hereby repealed,
39 amended or modified accordingly.
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41 **SEC. 8. *Separability Clause.*** If any provision of this Act is held invalid or unconstitutional,
42 any other provision not affected shall continue to be in full force and effect.
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44 **SEC. 9. *Effectivity.*** This Act shall take effect fifteen (15) days after its complete publication
45 in the Official Gazette or in at least two (2) newspapers of general circulation.
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47 Approved,