



Republic of the Philippines
House of Representatives
Quezon City

SEVENTEENTH CONGRESS

First Regular Session

House Bill No. **3100**

HOUSE OF REPRESENTATIVES	
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REGISTRATION UNIT BILLS AND INDEX SERVICE	

Introduced by Representative Jose Enrique S. Garcia III

EXPLANATORY NOTE

The standard of education must be consistently upgraded to conform to national development goals. This should be the guidepost in the implementation of the State policy of delivering quality education at the grassroots level.

It is recognized that technology is valuable in education. However, the procurement and upgrading of IT hardware is costly, and it has become necessary to explore other venues to augment the State's efforts in bringing quality education to students. While there are present initiatives by both the government and private sectors (particularly through non-stock, non-profit institutions,) such initiatives are still insufficient, given the existing constraints.

In line with this, companies within the Business Process Outsourcing (BPO) industry have expressed their intent to help improve the technology in public educational institutions. These companies utilize a significant number of IT equipment such as computers, monitors and hardware, that are upgraded and replaced every three (3) years, and which they seek to donate to government schools.

Unfortunately, BPO companies within the special economic zones ("ecozones") cannot proceed with the donation and disposal of the used IT hardware as attendant taxes and levies are prohibitive. Under existing laws and regulations, these companies enjoy exemptions from tax and custom levies on the procurement of IT equipment. However, they cannot as easily dispose of the IT equipment as the taxes and levies that they were previously exempted from, would become payable if the IT equipment physically leave the ecozone. Donation of unused IT hardware is also arduous considering the exorbitant taxes involved.

As a result, these BPO companies are resorting to stockpiling and/or destroying otherwise fully functional IT equipment instead of simply donating the equipment to worthy institutions. At present, there is an already large (and still

1 growing) surplus of used IT equipment that remain unutilized by these companies,
2 but are in full working order and still suitable for other purposes.

3 By providing a tax efficient means of disposing used IT equipment to
4 educational institutions, BPO companies will have better inventory-clearing
5 mechanisms in the form of donating their used, but fully functional, IT equipment to
6 under-resourced educational institutions which would otherwise be stockpiled or
7 destroyed. Not only is this measure in support and recognition of the BPO industry, a
8 sector that has been contributing a significant part of the Gross National Product for
9 the past decade, but also a substantial help for the State to better achieve its
10 constitutional mandate of providing quality education to its citizens without the need
11 to access tax payer funds.

12 This proposed bill also seeks to help address the issue on funding available to
13 schools and other state-run organizations. In recent budgetary reallocations, the
14 Senate realigned P2.67 billion of the proposed 2015 national budget to the
15 Information and Communications Technology Office for the implementation of free
16 WI-FI Internet in public places. Unfortunately, the bursary for this was sourced from
17 the Digitization Empowerment Program, which was primarily established to support
18 and develop access to basic education through purchasing computers, operating
19 systems and basic software, for educational institutions. Such reallocation is a big
20 setback to educational institutions as it threatens the proper provision of schools with
21 adequate IT equipment.

22 This intended bill seeks to encourage full support of BPO companies in
23 improving the technological situations of government-run schools and institutions by
24 granting them full tax exemptions from donations made, and giving allowable
25 deductions from their taxable income on their donations, grants, endowments or
26 contributions in the form of IT equipment intended to be used actually, directly and
27 exclusively for educational purposes by the recipient educational institutions.

28 Support for the enactment of this measure is earnestly requested.

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


REP. JOSE ENRIQUE S. GARCIA III
Second District, Bataan



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House Bill No. 3100

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AN ACT EXEMPTING FROM TAXATION INFORMATION TECHNOLOGY (IT) HARDWARE DONATIONS FROM PEZA REGISTERED COMPANIES IN THE OUTSOURCING INDUSTRY FOR THE BENEFIT OF PUBLIC EDUCATIONAL INSTITUTIONS

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

SECTION. 1. Declaration of Policy. – It is the policy of the State to encourage the participation of the Information Technology & Business Process Management (IT-BPM) industry towards the development of our education through the voluntary sharing of resources.

SEC. 2. Definition of Terms – For purposes of this Act, the following terms are defined as follows:

- a) *IT Hardware* - all physical aspects of computers, telecommunications, and other devices which include, but are not limited to the computer proper, cables, connectors, modems, power supply units and peripheral devices such as keyboards, mouse, audio speakers, printers and the like;
- b) *Public Educational Institutions* - all organizations established by the government solely for the education of students, whether primary, secondary or tertiary level;
- c) *Tax Exemption* – shall include Donor's Tax and all other taxes and fees that may arise, and are related to, the donation and grant of IT hardware included under this Act to public educational institutions.

SEC. 3A. Tax Exemption. – Notwithstanding any provision of law to the contrary, all IT hardware donated, granted or bestowed to public educational institutions within the Republic of the Philippines are tax-exempt and deductible from the taxable

1 income of the donor; provided that such donations, grants, endowments or
2 contributions shall be used actually, directly and exclusively for the educational
3 purposes of the recipient.

4 **SEC. 3B. Impact on Existing Exemptions.**— Any exemptions enjoyed by the donor
5 company under any associated special economic zones will not be impacted by an
6 action performed by the donor company to effect a donation to the public educational
7 institution.

8 **SEC. 4. Valuation.** — For purposes of this Act, the equivalent monetary value of
9 properties, donated, granted, endowed, or contributed shall be the certified book
10 value of the property, as determined by the Secretary of Finance and Approved by
11 the Bureau of Internal Revenue.

12 The Department of Budget and Finance, the Bureau of Internal Revenue and the
13 corresponding Special Economic Zones shall work together and issue the rules and
14 regulations necessary for the effective implementation of this Act.

15 **SEC. 5. Repealing Clause.** — All laws, decrees, orders, rules and regulations or
16 parts thereof, inconsistent with the provisions of this Act are hereby repealed,
17 amended or modified accordingly.

18 **SEC. 6. Separability Clause.** — If, for any reason, any provision of this Act is
19 declared to be unconstitutional or invalid, the other sections or provisions hereof
20 which are not affected thereby shall continue to be in full force and effect.

21 **SEC. 7. Effectivity Clause.** — This act shall take effect after fifteen (15) days
22 following its publication in the Official Gazette or in two (2) newspapers of general
23 circulation.

24 ***Approved.***