Mr. Speaker:

The Committee on Ways and Means to which were referred House Bill No. 9573, introduced by Rep. Francisco “Kiko” B. Benitez, entitled:

“AN ACT AMENDING SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES”;

House Bill No. 9577, introduced by Rep. Rufus B. Rodriguez, entitled:

“AN ACT AMENDING SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES”;

House Bill No. 9596, introduced by Rep. Joey Sarte Salceda, entitled:

“AN ACT AMENDING SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED”;

House Bill No. 9672, introduced by Rep. Luis Raymund “LRay” F. Villafuerte Jr., entitled:

“AN ACT AMENDING SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES”;

House Resolution No. 1858, introduced by Rep. Joy Myra S. Tambunting, entitled:

“A RESOLUTION URGING THE BUREAU OF INTERNAL REVENUE TO AMEND REVENUE REGULATION NO. 5-2021, WHICH RAISES THE TAX OF PROPRIETARY EDUCATIONAL INSTITUTIONS FROM 10% TO 25%”; and

House Resolution No. 1877, introduced by Rep. Mark O. Go, entitled:

“RESOLUTION URGING THE BUREAU OF INTERNAL REVENUE TO REVOKE REVENUE REGULATION NO. 5-2021”

has considered the same and recommends that the attached House Bill No. 9913, entitled:

“AN ACT CLARIFYING THE INCOME TAXATION OF PROPRIETARY EDUCATIONAL INSTITUTIONS, AMENDING FOR THE PURPOSE SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED”


Respectfully submitted,

REP. JOEY SARTE SALCEDA
Chairperson
Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
Republic of the Philippines

HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 9913
(in substitution of House Bills No. 9573, 9577, 9596, 9672, and House Resolutions No. 1858 and 1877)


AN ACT
CLARIFYING THE INCOME TAXATION OF PROPRIETARY EDUCATIONAL INSTITUTIONS, AMENDING FOR THE PURPOSE SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:
Section 1. Section 27(B) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 27. Rates of Income tax on Domestic Corporations. –

xxx

(B) Proprietary Educational Institutions and NON-PROFIT Hospitals.– ALL Proprietary educational institutions and [hospitals which are nonprofit] NON-PROFIT HOSPITALS shall pay a tax of ten percent (10%) on their taxable income except those covered by Subsection (D) hereof: Provided, That beginning July 1, 2020 until June 30, 2023, the tax rate herein imposed shall be one percent (1%): Provided, further, That if the gross income from 'unrelated trade, business or other activity' exceeds fifty percent (50%) of the total gross income derived by such PROPRIETARY educational institutions [or] AND NON-PROFIT hospitals from all sources, the tax prescribed in Subsection (A) hereof shall be imposed on the entire taxable income. For purposes of this Subsection, the term 'unrelated trade, business or other activity' means any trade, business or other activity, the conduct of which is not substantially related to the exercise or performance by such PROPRIETARY educational institution [or] AND NON-PROFIT hospital of its primary purpose or function. 'Proprietary' means a private hospital, or any private school ORGANIZED AS A STOCK CORPORATION, maintained and administered by private individuals or groups with an issued permit to operate from THE DEPARTMENT OF HEALTH (DOH), the Department of Education (DepEd), or the Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with existing laws and regulations: PROVIDED, FURTHERMORE, THAT PROPRIETARY EDUCATIONAL INSTITUTIONS AND NON-PROFIT HOSPITALS AS DEFINED HEREIN SHALL PAY AN INCOME TAX RATE OF 10% FROM JANUARY 1, 2012 TO JUNE 30, 2020. PROVIDED, FINALLY, THAT NO TAX CREDIT OR REFUND SHALL BE GRANTED TO PROPRIETARY EDUCATIONAL INSTITUTIONS AND NON-PROFIT HOSPITALS AS A RESULT OF THE REDUCED TAX RATE OVER THE SAID PERIOD.

NOTWITHSTANDING THE PROVISIONS IN THE PRECEDING PARAGRAPHS AND IN SECTION 30(H) OF THIS CODE, THE INCOME OF NON-STOCK, NON-PROFIT EDUCATIONAL INSTITUTIONS NOT USED ACTUALLY, DIRECTLY AND EXCLUSIVELY FOR EDUCATIONAL PURPOSES SHALL BE SUBJECT TO THE RATE OF TAX UNDER THIS SUBSECTION.

Sec. 2. Repealing Clause. – All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

Sec. 3. Effectivity. – This Act shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation.
Approved,
AN ACT CLARIFYING THE INCOME TAXATION OF PROPRIETARY EDUCATIONAL INSTITUTIONS, AMENDING FOR THE PURPOSE SECTION 27 (B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED


Committee Referral: COMMITTEE ON WAYS AND MEANS
Committee Chairperson: HON. JOEY SARTE SALCEDA

OBJECTIVES:

- To define the tax rate for proprietary educational institutions
To extend the tax relief granted under Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, to all proprietary educational institutions

**KEY PROVISIONS:**

- Distinguishes the application of Section 27 (B) of the National Internal Revenue Code (NIRC) of 1997, as amended between proprietary educational institutions and non-profit hospitals;
- Extends to all proprietary educational institutions the 10% preferential income tax rate beginning taxable year 2012 under certain conditions;
- Entitles all proprietary educational institutions to the 1% preferential income tax rate beginning 1 July 2020 until 30 June 2023 under certain conditions; and
- Provides that no credit or refund of taxes or penalties shall be given resulting from the availment of the reduced income tax rates under Section 27 (B) of the NIRC of 1997, as amended.

**RELATED LAW:**

- Republic Act No. 8424, otherwise known as the “National Internal Revenue Code of 1997”, as amended