

Republic of the Philippines
House of Representatives
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7879



INTRODUCED BY REPRESENTATIVE ALFRED VARGAS

EXPLANATORY NOTE

The State puts a premium on both education and the labor sector. Under Sec. 17 of the 1987 Constitution, the State recognizes the role of education “to foster patriotism and nationalism, accelerate social progress, and promote total human liberation and development.” On the other hand, Sec. 8 expressly provides the state policy to “promote full employment” to “ensure the prosperity and independence of the nation and free the people from poverty”.

The intrinsic link between education and employment necessitates the simultaneous development of both. Our educational system has undergone major changes in the past years primarily through R.A No. 10533 or the *Enhanced Basic Education Act of 2013*. Among its main goals was to have K-12 graduates ready for employment in various industries. Five years after its enactment, around 800,000 students are set to graduate and join the workforce this year.¹ A recent study shows, however, that only 24% of employers surveyed would hire K-12 graduates while 41% remain “indefinite”.² For employers who are willing, they consist mostly of industries involving BPOs, manufacturing, retail, machinery and equipment as well as entry level jobs in administrative services, sales and marketing, and customer service.

To address this problem, this bill shall provide tax incentives to employers who hire graduates under the program. This would ensure that the goals of R.A. No. 10533 are actually achieved. More importantly, this would increase the chances of entering the workforce and the employment opportunities for K-12 graduates.

¹ “Only 24% of employers are willing to hire K-12 graduates – Jobstreet,” *GMA News Online*, April 18, 2018, <http://www.gmanetwork.com/news/money/companies/650473/only-24-of-employers-are-willing-to-hire-k-12-graduates-jobstreet/story/>

² “Fresh graduate hiring shows shifts in demand and preferences,” *JobStreet.com*, April 27, 2018, <https://www.jobstreet.com.ph/career-resources/fresh-graduate-hiring-shows-shifts-demand-preferences#.WxnULIOFPGI>

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



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AN ACT
GRANTING TAX INCENTIVES TO PRIVATE EMPLOYERS THAT HIRE
K+12 GRADUATES, APPROPRIATING FUNDS THEREFOR, AND FOR
OTHER PURPOSES

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

Section 1. Short Title – This Act shall be known as the “K-12 Employers’ Tax Incentives Act of 2018.”

Section 2. Declaration of Policies. The State shall bridge the gap between the education and labor sectors by creating and maintaining systems that would ensure that graduates would be able to enter and be productive members of the country’s workforce. Under Sec. 18 of the 1987 Constitution, the State recognizes the role of labor as a primary social economic force. In line with this, Sec. 3 of Article XIII expressly provides that it is the role of the State to promote full employment and equality of employment opportunities for all.

Section 3. Definition of Terms. For the purposes of this Act, these terms are defined as follows:

- (a) **Private employers** refer to entities run by private individuals and groups which may be an enterprise for profit or non-profit.
- (b) **K+12 graduates** refer to students who graduated under the K+12 program from a duly-accredited institution by the Department of Education. Such K+12 graduate must be hired under a valid employment contract and receives a salary or wage subject to income tax.

Section 4. Deductions from Taxable Income. As an incentive to private employers, whether corporate or otherwise, who hire and employ K+12 graduates shall be granted a special deduction from the computation of their gross income, equivalent to twenty percent (20%) of the total amount paid as salaries and wages to the aforementioned graduates, subject to Section 4 of the National Internal Revenue Code. The tax deductions shall not exceed ten percent (10%) of the employer’s taxable income.

Section 5. *Submission of Proof.* To be qualified for the tax deduction provided, the private entity must present documents that the corresponding K-12 graduate/s are under their employ as well as proof of graduation from the K+12 program.

Section 6. *Implementing Rules and Regulations.* The Department of Labor and Employment, Department of Education, Department of Trade and Industry, and the Bureau of Internal Revenue shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act: Provided, That the failure of the concerned agencies to promulgate the said rules and regulations shall not prevent the implementation of this Act upon its effectivity.

Section 7. *Repealing Clause.* Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule, or regulation, contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

Section 8. *Separability Clause.* If any provision or part of this Act is held unconstitutional or invalid, the remaining parts or provisions not affected shall remain in full force and effect.

Section 9. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,