

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Third Regular Session

House Resolution No. 1858



Introduced by **REPRESENTATIVE JOY MYRA S. TAMBUNTING**

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%

WHEREAS, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act passed into law on March 26, 2021;

WHEREAS, CREATE Law seeks to grant tax relief for companies in financial need, provide transparent tax provisions, and further increase the competitiveness of the Philippines. It also aims to rationalizes incentives to address leakages arising from perpetual tax holidays.

WHEREAS, the Bureau of Internal Revenue, on 08 April 2021, issued Revenue Regulation No. 5-2021 (RR 5-2021) which implements the new income tax rates on the regular income of corporations, on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to CREATE law;

WHEREAS, RR 5-2021, defined *Proprietary Educational Institutions* as "any private schools, which are *non-profit* for the purpose of these Regulations, maintained and administered by private individuals or groups, with an issued permit to operate from 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, under existing laws and regulations;

WHEREAS, the additional qualification of being non-profit to be qualified for the 1% tax rate afforded to proprietary educational institutions effectively raises the tax rates for private educational institutions (PEIs) from ten percent (10%) to twenty five percent (25%)—a 150% hike from the previous tax rate which has been applied to PEIs since 1968;

WHEREAS, this is grossly inconsistent to the intent of the CREATE law which was to raise revenue while granting relief to businesses, including private schools, hard hit by the pandemic;

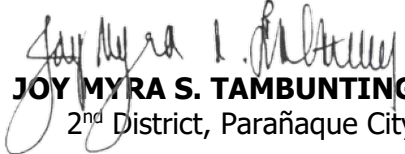
WHEREAS, almost 900 private basic education schools have already closed and several private higher education institutions have suspended their operations since the onset of the COVID-19 pandemic¹;

WHEREAS, this erroneous interpretation of the CREATE law penalizes PEIs with unfeasibly higher taxes and may force financially distressed schools to close down affecting teachers, school personnel and the small and medium businesses and livelihood activities linked to these institutions²;

WHEREAS, in recognition of the complementary roles of public and private education basic institutions in the educational system and the invaluable contribution that the private educational institutions have made and will make to education, this Representation urges the Bureau to reverse the unilateral insertion of the “non-profit” condition for proprietary educational institutions.

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the House of Representatives urge the Bureau of Internal Revenue to immediately amend revenue Regulation No. 5-2021 and remove the “non-profit” conditionality which raises the tax of proprietary educational institutions from 10% to 25%.

Adopted,


JOY MYRA S. TAMBUNTING
2nd District, Parañaque City

^{1,2} Statement of Coordination Council of Private Educational Association on RR 5-2021, June 1, 2021