



HOUSE OF REPRESENTATIVES

H. No. 9913

BY REPRESENTATIVES SALCEDA, BENITEZ, RODRIGUEZ, VILLAFUERTE, TAMBUNTING, GO (M.), GARIN (S.), SUANSING (E.), SUANSING (H.), SINGSON-MEEHAN, BARONDA, BAGATSING, ALBANO (A.), BIAZON, DIMAPORO (M.K.), MACEDA, DELOS SANTOS, MACAPAGAL ARROYO, ABU, GORRICETA, PADIERNOS, MARIÑO, ONG (R.), QUIMBO, DEFENSOR (L.), GARBIN, CO (A.N.), TIANGCO, ERIGUEL, ROBES, CUARESMA, VERGARA, SARMIENTO, NIETO, SAVELLANO, FARINAS (R.C.), SANGCOPAN, HERNANDEZ, SUNTAY, ESPINO, ESCUDERO, ARENAS, YU, VIOLAGO, GARCIA (P.J.), DAGOOC, BASCUG, LAGON, FUENTEBELLA, LEGARDA, CHIPECO, ONG (J.), TAN (A.S.), VILLA, GATCHALIAN, DELOSO-MONTALLA, TEJADA, SALIMBANGON, ECLEO, REYES, SUAREZ (A.), GULLAS, REVILLA, TAN (A.), HARESCO, EBCAS, GERON, LACSON, FORTUN, JIMENEZ, NOGRALES (J.J.), CASTRO (F.L.), BROSAS, CRISOLOGO, KHO (W.) AND DALIPE, PER COMMITTEE REPORT NO. 1100

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:

1 **Section 1.** Section 27(B) of the National Internal Revenue Code of 1997, as amended, is hereby
2 further amended to read as follows:

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

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7 **(B) Proprietary Educational Institutions and NON-PROFIT Hospitals.– ALL**
8 Proprietary educational institutions and [hospitals which are nonprofit] **NON-**
9 **PROFIT HOSPITALS** shall pay a tax of ten percent (10%) on their taxable
10 income except those covered by Subsection (D) hereof: *Provided*, That beginning
11 July 1, 2020 until June 30, 2023, the tax rate herein imposed shall be one percent
12 (1%): *Provided, further*, That if the gross income from 'unrelated trade, business or
13 other activity' exceeds fifty percent (50%) of the total gross income derived by such
14 **PROPRIETARY** educational institutions [or] **AND NON-PROFIT** hospitals
15 from all sources, the tax prescribed in Subsection (A) hereof shall be imposed on
16 the entire taxable income. For purposes of this Subsection, the term 'unrelated trade,
17 business or other activity' means any trade, business or other activity, the conduct
18 of which is not substantially related to the exercise or performance by such
19 **PROPRIETARY** educational institution [or] **AND NON-PROFIT** hospital of its
20 primary purpose or function. 'Proprietary' means a private hospital, or any private
21 school **ORGANIZED AS A STOCK CORPORATION**, maintained and
22 administered by private individuals or groups with an issued permit to operate from
23 **THE DEPARTMENT OF HEALTH (DOH)**, the Department of Education
24 (DepEd), or the Commission on Higher Education (CHED), or the Technical
25 Education and Skills Development Authority (TESDA), as the case may be, in
26 accordance with existing laws and regulations: **PROVIDED, FURTHERMORE,**
27 **THAT PROPRIETARY EDUCATIONAL INSTITUTIONS AND NON-**
28 **PROFIT HOSPITALS AS DEFINED HEREIN SHALL PAY AN INCOME**
29 **TAX RATE OF 10% FROM JANUARY 1, 2012 TO JUNE 30, 2020.**
30 **PROVIDED, FINALLY, THAT NO TAX CREDIT OR REFUND SHALL BE**
31 **GRANTED TO PROPRIETARY EDUCATIONAL INSTITUTIONS AND**
32 **NON-PROFIT HOSPITALS AS A RESULT OF THE REDUCED TAX**
33 **RATE OVER THE SAID PERIOD.**

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

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

45
46 **Sec. 3. Effectivity. –** This Act shall take effect immediately upon its publication in the *Official*
47 *Gazette* or in a newspaper of general circulation.

Approved,