

**COMMENTS ON SENATE BILL NO. 2002, 2003 AND 2004 GRANTING TAX
EXEMPTIONS/ DEDUCTIONS FOR DONATIONS/ CONTRIBUTIONS MADE TO
RELIEF, RECOVERY AND REHABILITATION EFFORTS AND ACTIVITIES**

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1. **Senate Bill 2002** proposes to grant full deduction from gross income of contributions/ donations for disaster relief, recovery, and rehabilitation efforts made to the government and any of its agencies and political subdivisions and/ or educational, charitable, religious, cultural or social welfare corporation, institution, accredited NGO, foundations, and trust or philanthropic organizations, exclusively for, or to be used in undertaking disaster relief, recovery, and rehabilitation.

Comment: Given the increasing severity and frequency of extreme disasters because of climate change, this proposal is timely and appropriate. Some caution though has to be exercised in terms of (i) limiting the recipient non-government organizations to accredited NGOs as defined in Section 35 (H) (2) (c) of RA 8424 to minimize likelihood of such deductions being abused and resulting in tax evasion. Also, there is a need to include a clause which says that NDRRMC has to declare that a disaster has occurred, and also possibly differentiate between occurrence of a disaster and a calamity.

2. **Senate Bill 2003** proposes to treat contributions made for disaster relief, recovery and rehabilitation efforts to government and any of its agencies and/ or educational, charitable, religious, cultural or social welfare corporation, institution, accredited NGO, foundations, and trust or philanthropic organizations, exclusively for, or to be used in undertaking disaster relief, recovery, and rehabilitation as an allowance of personal exemption for individual taxpayers.

Comment: The more appropriate preferential tax treatment to grant to individual taxpayers for contributions made for disaster relief, recovery and rehabilitation is in the form of a tax deduction as proposed in Senate Bill 2002. In other words, the tax deductibility of contributions for disaster relief, recovery and rehabilitation under Senate Bill 2002 should be applicable to both corporate and individual taxpayers. That will put corporate and individual taxpayers on an equal footing in terms of tax treatment of said contributions

3. **Senate Bill 2004** proposes for exemption from donor's tax of property donated to NGOs engaged in relief operations in certain areas in affected areas and the exemption from the donor's tax of property donated directly to victims of disasters.

Comment: To avoid the likelihood of the proposed change becoming a tax loophole, the exemption from the donor's tax of property donations should be limited to those made to accredited NGOs. However, the accredited NGOs in this case should also cover those engaged in disaster recovery and rehabilitation as well. Donations made directly to victims of disasters may be abused for tax purposes unless some government agency can vouch that such donations are truly made for rehabilitation purposes like relocation of population in danger zones to safer areas.