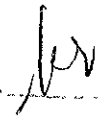




SENATE
S.B. No. 2148

14 FEB 27 P 6:38

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Introduced by Senator SONNY M. ANGARA

AN ACT
PROVIDING FOR HOME MORTGAGE INTEREST RELIEF FOR THE FIRST
FAMILY HOME, AMENDING FOR THE PURPOSE SECTION 34 OF THE NATIONAL
INTERNAL REVENUE CODE OF THE PHILIPPINES, AS AMENDED.

EXPLANATORY NOTE

Nothing gives a person a sense of stability and security than having a place to call his or her own home. Unfortunately, due to the high cost of acquiring one's own residence, more Filipinos are opting to rent instead. According to an initial study conducted by the *Statistical Research and Training Center* of the National Economic and Development Authority (NEDA), there are approximately 1.5 million households or 7.2% renters out of the total 21.5 million households nationwide.

At present, more and more developers are offering affordable housing options through low down payments and easy payment terms for potential home buyers. The only remaining deterrent faced by would-be buyers is the financing aspect, more specifically, the interest rates imposed by banking institutions and by these developers themselves. This is where the government should step in by providing an incentive to those who would be purchasing their first family home.

A family home provides an atmosphere of permanence, and serves as one's sanctuary from the outside world. Moreover, the wisdom of home ownership lies in the simple fact that instead of throwing away money in monthly rents, one's money can already be channelled into paying for one's own piece of property. Home ownership will not only ensure the future security of one's family but can also be considered as a profitable investment.

Along this line, this bill aims to aid Filipino families in acquiring their first family home by providing for *Home Mortgage Interest Relief*, an individual income tax incentive.

This tax incentive makes any interest actually paid during a taxable year from any loan obtained for the purpose of acquiring or constructing a family home deductible from the gross income of a qualified taxpayer. By removing interest rates in the equation, potential homeowners will only have to pay the principal amount of the property, and thus avoid the stress of dealing with ballooning interest payments. Moreover, this relief will provide tax savings for the individual.

With the passage of this bill, it is hoped that the shortage of decent housing would be addressed and our countrymen would have the opportunity to have a place of their own to call home. The proposed bill is also a measure of equity to enable the lower classes to lead better lives.

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


SENATOR SONNY M. ANGARA



SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

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AN ACT
PROVIDING FOR HOME MORTGAGE INTEREST RELIEF FOR THE FIRST
FAMILY HOME, AMENDING FOR THE PURPOSE SECTION 34 OF THE NATIONAL
INTERNAL REVENUE CODE OF THE PHILIPPINES, AS AMENDED.

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

1 SECTION 1. Title. – This Act shall be known as the “Home Mortgage Interest Relief
2 Act of 2014”.

3
4 Sec. 2. Declaration of State Policy. – It shall be the policy of the State to encourage
5 home ownership and to provide financial assistance to Filipinos desiring to have their first family
6 homes.

7
8 Sec. 3. Definition of Terms. – For purposes of this Act, the following terms or phrases
9 shall mean or be understood as follows:

10
11 a. *Family Home* – shall refer to the dwelling house constituted jointly by the husband
12 and wife, or by an unmarried head of the family, including the land on which it is
13 situated, and as defined under Articles 152 and 153 of Executive Order No. 209 or the
14 Family Code of the Philippines, as amended.

15
16 b. *First Family Home* – shall refer to the first dwelling house, either bought or
17 constructed, and used as the primary residence of a family or by an unmarried head of
18 the family.

19
20 c. *Unmarried Head of the Family* – shall refer to any person, regardless of civil status,
21 who has one or more dependent/s upon him for chief support.

22
23 d. *Dependent* – shall refer to any, or a combination of two or more of the following
24 persons:

25
26 i. A father or a mother or both;

27
28 ii. One or more brothers or sisters who are unmarried, not gainfully employed, and
29 less than twenty one (21) years of age;

30
31 iii. One or more legitimate, illegitimate, adopted or foster children provided that
32 such children are unmarried, not gainfully employed, and less than twenty one
33 (21) years of age;

- 1 iv. One or more siblings or children, regardless of age, who suffers from a mental
2 or physical defect.
- 3
- 4 e. *Solo Parent* – shall refer to any person qualified as such pursuant to Section 3(a) of
5 Republic Act No. 8972 or the “Solo Parents’ Welfare Act of 2000”.
- 6
- 7 f. *Qualified Mortgage Loan* – shall refer to a housing loan from any reputable bank
8 operating in the Philippines, including loans from the Home Development Mortgage
9 Fund (HDMF) or Pag-IBIG Fund, as provided under Republic Act (RA) No. 9679,
10 and cooperatives duly organized and registered with the Cooperative Development
11 Authority, as provided under RA No. 9520 or the “Philippine Cooperative Code of
12 2008”, obtained for the purpose of purchasing or constructing a family home, and
13 whose loan amount does not exceed two million and five hundred thousand pesos
14 (P2,500,000).
- 15
- 16 g. *Mortgage Interest Relief* – shall refer to an itemized tax deduction that allows
17 homeowners to deduct the interest they pay on a qualified mortgage loan used for the
18 purchase or construction of their first family home.
- 19
- 20 h. *Qualified Taxpayer* – shall refer to a taxpayer who is in good standing and has
21 obtained a housing loan for the purpose of acquiring or constructing his family home.
- 22

23 **Sec. 4. Qualified Residence.** – In order to be considered as the “*first family home*” as
24 contemplated under this Act, the following requisites must concur:

25

- 26 a. The residence being claimed as a first family home must meet the requirements set
27 under Articles 152–153 of the Family Code;
- 28
- 29 b. This must be the “first” family home of the taxpayer and be proven as such;
- 30
- 31 c. The value of the subject family home must not exceed Two Million Five Hundred
32 Pesos (P2,500,000); and
- 33
- 34 d. The claimant must submit all the requisite documents to qualify under this proposal,
35 such as but not limited to the notarized deed of sale, tax declaration, bank assessment,
36 loan documents, Income Tax Returns (ITR) and/or Sworn Statement of Assets,
37 Liabilities and Networth (SALN), and other documents as may be required under the
38 implementing rules and regulations.
- 39

40 **Sec. 5. Exceptional Circumstances.** – The qualified taxpayer may still claim the
41 privilege provided under this Act if his/her situation falls under any of the following instances:

42

- 43 a. If the qualified taxpayer is a *solo parent* as defined under Section 3(a) of Republic
44 Act No. 8972, otherwise known as “Solo Parents’ Welfare Act of 2000”;
- 45
- 46 b. If the original family home was destroyed, either completely or substantially, due to
47 force majeure or an act of God such as but not limited to storms, floods, earthquake,
48 volcanic eruption, fire, and other forms of natural calamities, and the taxpayer
49 constructs or purchases a new residential unit;
- 50
- 51 c. If the original family home was lost due to a valid expropriation by the Government.
- 52

53 **Sec. 6. Home Mortgage Interest Relief.** -- Section 34 of the National Internal Revenue
54 Code (NIRC), as amended, is hereby further amended to read as follows::

55

56 “**SEC. 34. Deductions from Gross Income.** - Except for taxpayers earning
57 compensation income arising from personal services rendered under an employer-

1 employee relationship where no deductions shall be allowed under this Section
2 other than under **SUBSECTIONS (M) AND (N)** hereof, in computing taxable
3 income subject to income tax under Sections 24(A); 26; 27(A), (B), and (C); and
4 28(A)(1), there shall be allowed the following deductions from gross income:
5

6 **(A) Expenses. --**

7
8 XXX.

9
10 **(M) Premium Payments on Health and/or Hospitalization**
11 **Insurance of an Individual Taxpayer. - XXX.**

12
13 **(N) HOME MORTGAGE INTEREST RELIEF. - ANY**
14 **INTEREST ACTUALLY PAID DURING A TAXABLE YEAR**
15 **FROM ANY LOAN OBTAINED FOR THE PURPOSE OF**
16 **ACQUIRING OR CONSTRUCTING A QUALIFIED**
17 **TAXPAYER'S FIRST FAMILY HOME, AS MAY BE DEFINED**
18 **BY EXISTING LAWS AND/OR RULES AND REGULATIONS**
19 **TO BE ISSUED FOR THE PROPER IMPLEMENTATION OF**
20 **THIS ACT."**

21
22 **Sec.7.** The necessary implementing rules and regulations (IRR) for purposes of this Act
23 shall be jointly issued by the Department of Finance (DOF), the Housing and Land Use
24 Regulatory Board (HLURB), and the Bureau of Internal Revenue (BIR), within sixty (60) days
25 from the effectivity of this Act.
26

27 **Sec. 8.** All laws, decrees, executive orders or any other issuances or parts thereof which
28 are inconsistent with the provisions of this Act are hereby repealed, amended or modified
29 accordingly.
30

31 **Sec. 9.** If any provision of this Act is held invalid or unconstitutional, any other
32 provision not affected shall continue to be in full force and effect.
33

34 **Sec. 10.** This Act shall take effect fifteen (15) days after its complete publication in the
35 Official Gazette or in at least two (2) newspapers of general circulation.
36

37
38 Approved,