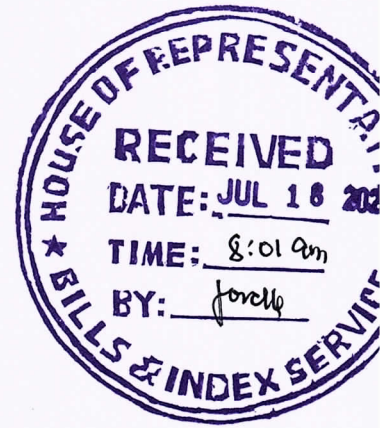


Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session
House Bill No. 7120



**INTRODUCED BY
REP. ALFRED VARGAS**

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

EXPLANATORY NOTE

The State puts a premium on both education and the labor sector. The role of education is to foster patriotism and nationalism, accelerate social progress, and promote total human liberation and development. This is a mandate of the State under Section 17 of the 1987 Constitution. It is the duty of the State to create and impose policies that would improve employment and fight poverty in order to "ensure the prosperity and independence of the nation."

The intrinsic link between education and employment requires the simultaneous development of both. The Enhanced Basic Education Act of 2013, adding two years to the basic education in the country, aims to provide graduates that are eligible and prepared for employment or engagement in entrepreneurial activities with qualification standards worthy locally and internationally.

Recent surveys however show that employers still have reservations in hiring K-12 graduates.¹ The Philippine Institute of Development Studies (PIDS) explains that companies do not have in-depth knowledge on the senior high school program and the knowledge and skills acquired by the K-

¹Philippine Star. "Companies still hesitant to hire K-12 graduates" September 30, 2019.
<https://www.philstar.com/business/business-as-usual/2019/09/30/1955967/companies-still-hesitant-hire-k-12-graduates> (Accessed 12 July 2020)

12 graduates. This is coupled with the fear and lack of confidence by senior high school students of not being able to get a job immediately after graduation despite the goals set by the K-12 program.²

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

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


ALFRED VARGAS

² Philippine Institute of Development Studies. 2018. "Senior High School and the Labor Market"

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

SECTION 1. Short Title. – The Act shall be known as the “K-12 Employers’ Tax Incentives Act”.

SECTION 2. Declaration of State Policy. – 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 member of the country’s workforce. Under Section 18 of the 1987 Constitution, the State recognizes the role of labor as a primary social economic force. In line with this, Section 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 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. The 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 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 10% of the employer's taxable income.

SECTION 5. *Submission of Proof.* – To be qualified for the tax deduction, 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. *Repealing Clause.* – All laws, decrees, orders, rules and regulations, or other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 7. *Separability Clause.* – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

SECTION 8. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,