

13th CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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SENATE

S. BILL No. 1236

RECEIVED BY: _____

Introduced by Senator Ralph G. Recto

AN ACT
PROVIDING FOR THE OPTIMUM PERFORMANCE IN REVENUE
COLLECTION THROUGH THE GRANT OF SPECIAL INCENTIVES AND
REWARDS FOR EXEMPLARY SERVICE AND THROUGH LATERAL
ATTRITION IN REVENUE-GENERATING AGENCIES OF GOVERNMENT
AND FOR OTHER PURPOSES

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

1 SECTION 1. *Declaration of Policy.* - It is the policy of the State to give highest priority
2 to measures that will promote morale, efficiency, integrity, credibility, responsiveness,
3 progressiveness and optimization of all potentials in revenue-generation of the government.
4 Towards this end, optimum performance of the government's revenue-generating agencies,
5 at all levels, shall be assured through the institution of a special reward system for exemplary
6 service and a system of lateral attrition in these specific agencies.

7 SEC. 2. *Definition of Terms.* - As used in this Act, the following terms shall mean:

8 (a) "Lateral attrition" refers to the transfer in post or assignment and/or separation
9 from government service, in accordance with civil service laws, rules and
10 regulations, of internal revenue or customs officials/officers/employees and
11 collection officials/officers/employees of other revenue-generating units, who
12 do not meet their respective revenue or collection goals for the year with all due
13 considerations being taken;

14 (b) "Revenue-generating agencies" refer to the Bureau of Internal Revenue (BIR);
15 Bureau of Customs (BOC), Land Transportation Office (LTO) and other
16 revenue-generating agencies/bureaus under the different departments of the
17 Executive Branch with income of at least One hundred million pesos
18 (P100,000,000.00) per annum, except the Bangko Sentral ng Pilipinas and the
19 Bureau of the Treasury;

1 (c) "Revenue or collection goals" refer to the original revenue target of the agency
2 concerned during a given budget year as reflected in the Budget of
3 Expenditures and Sources of Financing (BESF) submitted by the President to
4 Congress;

5 (d) "Attributable officials/officers/employees" refer to those employed in revenue-
6 generating agencies who are involved in the assessment, licensing, examination,
7 and collection of revenues (such as national internal revenue taxes like income
8 tax, value-added tax, estate and donor's tax, documentary stamp tax, excise tax
9 and percentage tax), tariffs, charges, duties, fees, penalties and other legal
10 payments to the government.

11 SEC. 3. *Coverage.* - The system of special rewards and incentives and the system of
12 lateral attrition shall cover the revenue and customs officials/officers/employees from the
13 district level up to the Commissioner of the BIR/BOC and their parallel set-up in other
14 revenue-generating agencies. Income generating government-owned and/or controlled
15 corporations are encouraged to adhere with the principles of this Act subject to the
16 provisions of their respective charters and oversight review by the concerned committees of
17 Congress.

18 SEC. 4. *System of Special Incentives and Rewards.* - A system of special incentives and
19 rewards in revenue collection shall be established to motivate collection
20 officials/officers/employees to render exemplary service while upholding the highest ethical
21 standards. This shall be awarded to all those who have accomplished the revenue collection
22 goal in their respective units/areas of responsibility.

23 The special incentives system shall automatically allocate ten percent (10%) of the
24 excess of the collection over the target as validated by the Development Budget
25 Coordinating Committee created under Executive Order No. 232 series of 1970, as
26 amended, for the period under consideration to be shared as follows:

- 27 (1) Fifty percent (50%) of ten percent (10%) shall be given to the
28 officials/officers/employees of the local agency label which exceeded their
29 target; and

1 (2) The remaining fifty percent (50%) shall be centralized to the national agency
2 level to be distributed to the officials/officers/employees of the whole agency.

3 Likewise, the rewards to revenue collection officials/officers/employees may take the
4 form of bonuses, citations, local and foreign scholarship grants, and the like, depending on
5 the extent of involvement in the attainment of the revenue targets.

6 SEC. 5. *Incentives and Rewards Fund.* - An incentives and rewards fund shall be
7 created from the amount equivalent to ten percent (10%) of the excess of the revenue
8 collection over the target revenue of the year under consideration. The fund which shall be
9 treated as a Special Account in the General Fund shall be automatically appropriated. All
10 amounts accruing to the Special Account shall be utilized for the payment of special
11 incentives and rewards pursuant to Section 4 of this Act.

12 SEC. 6. *System of Lateral Attrition and Procedures.* - There shall be a system of lateral
13 attrition which shall be an instrument to improve or maintain the revenue-collection
14 performance of the BIR, the BOC and other revenue-generating agencies.

15 Lateral attrition shall be in the form of transfer of post or assignment to a lower-
16 ranking district or area or to a lower post or to a post of less responsible duties and
17 functions or in extreme cases, separation from government service in accordance with civil
18 service laws and rules.

19 The system of lateral attrition shall be applied only after careful and proper review by
20 the Revenue Performance Evaluation Board (RPEB) as provided for in Section 8 hereof and
21 after compliance with the substantive and procedural due processes as required by the civil
22 service laws and rules: *Provided,* That an official/officer/employee affected by lateral attrition
23 shall be given the right to appeal with the Civil Service Commission in accordance with civil
24 service laws and rules, and finally to the Supreme Court without prejudice to implementation
25 of the decision of the RPEB during the pendency of the case.

26 SEC. 7. *Separation Benefits of Officials/Officers/Employees Affected by Lateral Attrition.* -
27 National government officials/officers/employees displaced or separated from the service as
28 a result of lateral attrition shall be allowed to retire under existing retirement laws to which

1 they are entitled to or to receive separation pay and other benefits in accordance with
2 existing laws, rules and regulations.

3 SEC. 8. *Revenue Performance Evaluation Board for Special Incentives and Rewards and Lateral*
4 *Attrition.* - An administrative body, to be known as the Revenue Performance Evaluation
5 Board, hereinafter referred to as Board, is hereby created. For the BIR and the BOC, the
6 Board shall include the Secretary of the Department of Finance (DOF), the Chairman of the
7 Senate and House Committees on Ways and Means, one (1) representatives from the Office
8 of the President, the Deputy Commissioner of Internal Revenue/Deputy Commissioner of
9 Customs in charge of Administration, a representative from the recognized employees'
10 organization in the agency concerned, and a representative of a recognized officers'
11 organization, if any. Said Board, shall be chaired by the Secretary of the DOF. For other
12 revenue-generating agencies under the Executive Branch, the same level and composition of
13 the Board shall be created.

14 The Board shall be responsible for issuing the rules and procedures in the conduct of
15 the revenue performance evaluation and shall receive additional per diem in line with the
16 performance of their added tasks as specified in this Act.

17 The Board is given a maximum period of two (2) months to resolve an attritable
18 case.

19 In the determination by the RPEB of whether the form of lateral attrition is transfer
20 of post or separation from the service, the degree or level of non-performance or non-
21 attainment of revenue targets, with all due considerations taken, shall be the determining
22 factor. No lateral attrition in the form of separation from the service shall be applied or
23 imposed by the Revenue Performance Evaluation Board on an attritable official, officer,
24 employee unless the official's /officer's/employee's revenue collection falls short of the
25 target by thirty percent (30%), with all due considerations taken, unless there is evidence of
26 graft and corruption.

27 SEC. 9. *Exemptions.* - The system of lateral attrition shall not apply in the following
28 instances:

- 1 (a) Where the district or area of responsibility covered by revenue, customs, and
2 other collection officials/officers/employees has suffered from economic
3 difficulties brought about by natural or man-made calamities, industry setback
4 in the market, regional financial crisis, and like situations;
- 5 (b) Where the district or area of responsibility is newly-created, not exceeding two
6 (2) years in operation, and has no historical record of collection performance
7 that can be used as basis for evaluation; and
- 8 (c) Where the revenue or customs official/officer/employee is a recent transferee
9 in the middle of the period under consideration unless the transfer was due to
10 non-performance of revenue targets or potential non-performance of revenue
11 targets.

12 SEC. 10. *Annual Reports.* - The Office of the Secretary of the Department with
13 revenue-generating agencies which are under its jurisdiction and other revenue-generating
14 agencies which are named in this Act, shall monitor and render an annual report to the
15 President and the Congress and make public the extent of their compliance with the law.

16 Likewise, in close coordination with the Civil Service Commission, the department
17 concerned shall also conduct a personnel effectiveness audit of the revenue-generating
18 agencies to determine the optimum performance of officials/officers/employees and full
19 utilization of personnel.

20 SEC. 11. *Rules and Regulations.* - In consultation with the Office of the President, all
21 revenue-generating agencies named in this Act, together with the Civil Service Commission
22 and a representative from the Senate and House Committees on Ways and Means, shall issue
23 the necessary rules and regulations for the effective implementation of this Act.

24 SEC. 12. *Separability Clause.* - If any of the provisions of this Act is declared invalid
25 by a competent court, the remainder of this Act or any provision not affected by such
26 declaration of invalidity shall remain in force and effect.

27 SEC. 13. *Repealing Clause.* - All laws, presidential decrees, executive orders, other
28 executive issuances, or parts thereof, which are inconsistent with this Act are hereby
29 repealed or modified accordingly.

1 SEC. 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication
2 in at least two (2) newspapers of general circulation.

3 *Approved,*