



SENATE

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S. No. 1171

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Introduced by Senator Antonio "SONNY" F. Trillanes IV

EXPLANATORY NOTE

It has always been the goal of the government to increase and enhance revenue collection and to put a stop to tax fraud and corruption. However, there seems to be an absence of a simple yet effective manner of easily verifying and/or authenticating all receipts, invoices, permits, licenses, clearances and official papers issued by all government agencies and instrumentalities, Government Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs) as well as private businesses, that will ensure full accounting and proper documentation of all business and commercial transactions in the country.

In this regard, there is a need to establish and implement a simple yet fool-proof way of authenticating and verifying the correctness of transactions even by a mere naked eye examination to substantially enhance and improve government revenue without increasing taxes.

This bill proposes the use of specialized or watermarked security paper on which all receipts, invoices, permits, licenses, clearances and all other official papers and documents issued by both the government as well as private entities shall be printed. Consequently, the adoption of such legislation will greatly enhance and strengthen tax monitoring and collection if the use of security watermarked paper for all receipts and other documents will be made a mandatory requirement for all commercial and business transactions.

It should be noted that the National Tax Research Center (NTRC) of the Department of Finance (DOF), the government's lead agency when it comes to taxation, has expressed its support and full backing for the proposal to use water-marked paper in all receipts and similar documents to be issued by state agencies, local government units and even private and commercial establishments. The NTRC said this move would enhance and strengthen the tax monitoring and collection functions of the government. To quote the NTRC¹,

"It is also expected that the use of watermarked paper in all commercial and business transactions could minimize if not completely eliminate the use of falsified receipts and other documents."

In the light of all the foregoing, the immediate consideration and passage of this bill is most earnestly sought.


ANTONIO "SONNY" F. TRILLANES IV
Senator

¹ Please see the article: "Use of water-marked paper for receipts backed"; Philippine Star - July 8, 2008; See also. Philstar.com - <http://www.philstar.com/Article.aspx?articleId=71550>



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AN ACT

REQUIRING ALL GOVERNMENT AGENCIES, INSTRUMENTALITIES, LOCAL GOVERNMENT UNITS, AND GOVERNMENT OWNED AND CONTROLLED CORPORATIONS (GOCCs) AND PRIVATE ESTABLISHMENTS TO USE SECURITY WATER-MARKED PAPER IN ALL RECEIPTS AND INVOICES, PERMITS, LICENSES, CLEARANCES, OFFICIAL PAPERS OR DOCUMENTS

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

1 **SECTION 1. Short Title.** - This Act shall be known as the "*Document Authentication*
2 *and Security Act*".

4 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to:

- 5 (a) Enhance tax monitoring and collection;
6 (b) Increase revenue collection; and
7 (c) Avoid tax fraud and graft and corruption in the tax collection efforts.

9 **SEC. 3. Definition of Terms.** - The following definition of terms is hereby adopted:

- 10 (a) "Receipt" is a written admission or acknowledgement of the fact of payment in money or
11 other settlement between seller and buyer of goods, debtor and creditor, or person rendering
12 services and client or customer printed in accordance with these regulations.
13 (b) "Sales or commercial invoice or delivery receipts" is a written account of goods and services
14 rendered and the price charged therefore, or a list of goods consigned and the value at which the
15 consignee is to receive them or any other list by whatever name is known which is used in the
16 ordinary course of business evidencing sale and transfer or agreement to sell or transfer goods
17 and service, e.g. purchase orders, delivery receipts, job orders, provisional and temporary
18 receipts, and others;
19 (c) "Security watermarked paper" shall refer to a paper material which bear watermark
20 containing such authorized security feature duly etched and embedded in the paper during its
21 manufacturing process. It is especially designed for the printing of receipts or sales or
22 commercial invoices.

1 **SEC. 4. Covered Institutional Establishments.** - All government agencies and
2 instrumentalities, including Government-Owned and/or Controlled Corporations, and all Local
3 Government Units and private and commercial establishments, whether corporations,
4 partnerships or sole proprietorships, shall use water-marked paper in all receipts, invoices, forms,
5 permits, licenses, clearances, official papers and documents which they issue to all natural and
6 juridical persons transacting business with them.

7
8 **SEC. 5. Procedure for Printing of Security Watermarked Paper.** - The said agencies,
9 GOCCs and LGUs as well as all private establishments shall strictly comply with the
10 implementing rules and regulations (IRR) prescribing the procedures in accordance with which
11 such receipts, invoices, forms, permits, licenses shall be printed, as provided below. The said
12 documents shall be printed on security water-marked paper in accordance with prescribed form
13 and dimensions.

14 **SEC. 6. Size and Form of Security Watermarked Paper.** - The Department of Finance
15 (DOF), the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) shall prescribe
16 and formulate within a period of two (2) months from the effectivity of this Act, the appropriate
17 uniform dimensions and form of security watermarked paper to be used for all business and
18 commercial transactions in the Philippines.

19
20 **SEC. 7. Covered Forms.** - All receipts, invoices, permits, licenses and clearances and
21 other accountable forms shall, after a period of six (6) months from the effectivity of this Act, all
22 be printed in security water-marked paper: *Provided*, That any such receipts, invoices,
23 commercial documents, permits, licenses and clearances as well as other accountable forms
24 which remain unused and unconsumed after the lapse of said six -month period may still be used:
25 *Provided, further*, That appropriate inventory thereof as confirmed and approved by the BIR is
26 conducted and: *Provided, finally*, That, after a period of six (6) months thereafter, the said unused
27 receipts, invoices, permits, licenses and clearances as well as other accountable forms shall no
28 longer be allowed for use in any transaction in the Philippines.

1 **SEC. 8. *Penalty.*** - Any person who fails to comply with the requirements of this Act,
2 including the parties involved in a transaction where the use of security water-marked paper is
3 prescribed, as well as government functionaries involved in the monitoring of regulating these
4 transactions, shall be subject to all the appropriate sanctions and penalties provided for in the
5 National Internal Revenue Code and other pertinent laws, rules and regulations.

6
7 **SEC. 9. *Implementing Agency.*** - The Secretary of the Department of Finance, upon the
8 recommendation of the Commissioner of Internal Revenue and the Commissioner of Customs,
9 shall immediately promulgate and adopt the appropriate implementing rules and regulations
10 (IRR) of this Act. Said IRR shall include the identification and setting of the standards upon
11 which the security watermarked paper shall be sourced and supplied and such other details as
12 would be necessary and appropriate for the effective implementation of this Net.

13
14 **SEC. 10. *Separability Clause.*** - If for any reason any provision of this Act is declared
15 unconstitutional or invalid, the remainder or any provisions hereof not affected thereby shall
16 remain in full force and effect.

17
18 **SEC. 11. *Repealing Clause.*** - The provisions of any law, executive orders, presidential
19 decrees or other issuances inconsistent with this Act are hereby repealed or modified
20 accordingly.

21
22 **SEC. 12. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its
23 complete publication in the *Official Gazette* and in at least two (2) newspapers of general
24 circulation.

Approved,