


THIRTEENTH CONGRESS OF THE REPUBLIC }  
OF THE PHILIPPINES }  
First Regular Session }

'04 JUN 30 P10:11

SENATE

RECEIVED BY: 

S. No. **1060**

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Introduced by Senator Edgardo J. Angara

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**EXPLANATORY NOTE**

The Land Reform Act was passed pursuant to the constitutional mandate founded on the right of landless farmers to own lands they till, and to receive a just share of the fruits of their labor.

It is a policy measure intended to promote social equity and social justice wherein landowners are mandated by government to sell a portion of their land for redistribution upon payment of just compensation.

The measure was passed to redress a perceived social wrong. It was never the intention of the law to create another social imbalance that would promote divisiveness. For social justice means the promotion of the well being of all the people- of farmers and landowners alike.

It is therefore ironic that in the implementation of the land reform, the contemplated protection and recognition of the just share for the landowners did not actually materialize. Valuation of the land is often very low. Payment by government is made in instalment consisting of 30% cash and 70% in Land Bank bonds with a 10-year maturity period. As a result, landowners in dire need of cash could only sell the bond at a discounted rate ranging from 10% to 20%. In most cases, only the productive portions of the lands are bought, leaving the landowners with unproductive and undesirable portions of the land.

To rectify this injustice, the bill proposes to exempt interest earnings on land bank notes paid to landowners from the payment of withholding tax to ease the burden on landowners. It is only through an equitable balancing of the interests and welfare of all affected sectors can a genuine social reform be achieved.

For the foregoing reasons, the passage of this bill is earnestly sought.

  
EDGARDO J. ANGARA

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OFFICE OF THE SECRETARY

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**AN ACT**  
**EXEMPTING BONDS ISSUED BY THE LAND BANK OF THE PHILIPPINES**  
**FOR LAND ACQUISITIONS FROM PAYMENT OF THE TWENTY PERCENT**  
**(20%) FINAL TAX ON INTEREST INCOME, AMENDING FOR THE SAID**  
**PURPOSE SECTION 24 (B) (1) OF REPUBLIC ACT 8424, OTHERWISE**  
**KNOWN AS THE TAX REFORM ACT OF 1997.**

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

SECTION 1. Declaration of Policy . - The State is mandated to establish a uniform and equitable rule of taxation. Towards this end, it is policy of the State to implement a tax policy that is suited to the social conditions of all sectors of the society for the purpose of accelerating economic growth and development.

SEC. 2. Exemption from Final Tax. - Section 24 (B) (1) of the Tax Reform Act of 1997 is hereby amended to read as follows:

*“xxx (1) Interests, Royalties, Prizes, and Other Winnings. - A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangement: PROVIDED, HOWEVER, THAT INTEREST EARNINGS OF BONDS ISSUED BY THE LAND BANK OF THE PHILIPPINES AS PAYMENT TO LANDOWNERS FOR LAND ACQUISITIONS PURSUANT TO THE COMPREHENSIVE*

AGRARIAN REFORM LAW SHALL BE EXEMPT FROM THE  
IMPOSITION OF FINAL WITHHOLDING TAX. xxx"

**SEC. 3. *Repealing Clause.*** - All laws, presidential decrees, executive orders, rules and regulations, and any part thereof, which are inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

**SEC. 4. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days following the completion of its publication in an at least two (2) newspapers of general circulation.

Adopted,