

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

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SENATE

RECEIVED BY:

S. BILL NO. 1325

Introduced by Senator Recto

EXPLANATORY NOTE

The government is experiencing a budget deficit caused primarily by low revenue generation brought about by the slowdown of business. Given the government's limited capability to finance its budgetary requirements, it will be constrained in the delivery of programs and services, especially the basic social services needed by the less privileged. Thus, there is a need to find ways to improve revenue generation.

This bill seeks to broaden the tax base by requiring taxpayers to file their statement of assets, liabilities and networth. By declaring the networth, this will greatly contribute to the government's effort to organize tax records and improve the tax system. It will promote a broader tax base that will lead to collection of higher tax revenues.

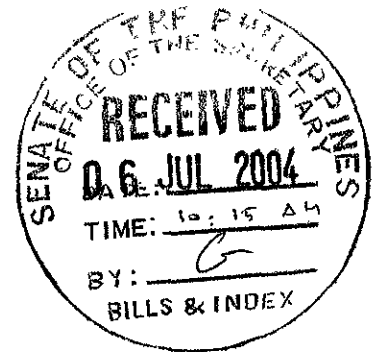
The provision for immunity from civil, criminal or administrative penalties arising from the previous non-payment of correct taxes will encourage those in the underground economy to surface. By helping legitimize these hidden businesses, the government can collect more income and other forms of taxes, and encourage such businesses to pour in more investments.

This bill can supplement the government's attempts to flush out money laundering. It will create a large database of taxpayers with their corresponding assets, liabilities, and net worth. This will help prevent money laundering in the Philippines.

With this bill, capital outflow will be prevented. Since the tax amnesty will allow previously hidden incomes and transactions to surface, there will be no need to transfer these funds to other countries. Furthermore, more funds will be freed and released into the system. These funds can be used for investment in productive activities resulting in increased tax collections.

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

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



SENATE
S. BILL NO. 1325

Introduced by Senator Ralph G. Recto

AN ACT
TO MAXIMIZE THE COLLECTION OF REVENUES BY REQUIRING THE FILING OF
STATEMENT OF ASSETS, LIABILITIES AND NETWORTH AS OF DECEMBER 31,
2001 AND BY GRANTING TAX AMNESTY ON ALL UNPAID INTERNAL REVENUE
TAXES IMPOSED BY THE NATIONAL GOVERNMENT FOR TAXABLE YEAR 2001
AND PRIOR YEARS

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

1 **SECTION 1.** *Filing of Statement of Assets, Liabilities and Networth.* –

2 Every person, natural and juridical, deriving income or owning properties
3 with an acquisition cost of at least One hundred thousand pesos
4 (P100,000.00) as of December 31, 2001, within the taxing jurisdiction of the
5 Philippines, shall render in triplicate a true and correct statement of his
6 assets, liabilities and networth as of December 31, 2001 in such form as
7 shall be prescribed by the Commissioner of Internal Revenue.

8 **SEC. 2.** *What to Declare.* – The statement shall contain a
9 declaration of the assets, liabilities and networth as of December 31, 2001,
10 as follows:

11 (a) Assets within or without the Philippines, whether real or personal,
12 tangible or intangible, whether or not used in trade or business;

13 (b) All existing liabilities which are legitimate and enforceable,
14 secured or unsecured, whether or not incurred in trade or business; and

1 (c) The networth of the taxpayer, which shall be the difference
2 between the total assets and total liabilities.

3 **SEC. 3. Conditions of the Tax Amnesty.** – Any person who wishes to
4 avail himself of the benefits of amnesty shall file in triplicate a notice and
5 return in such form as shall be prescribed by the Commissioner of Internal
6 Revenue together with a copy of the statement filed pursuant to Section 1
7 of this Act and pay the amnesty tax due thereon, based on his networth
8 as of December 31, 2001, at the following rates:

9 (a) Individuals

10 (1) Resident citizens ----- 3% or P20,000,
11 whichever is higher

12 (2) Non-resident citizens ----- 2% or P15,000,
13 whichever is higher

14 (b) Corporation

15 (1) Large Taxpayers (with
16 subscribed capital of above
17 P50 Million) ----- 3% or P500,000,
18 Whichever is higher

19 (2) Medium Scale (with
20 subscribed capital of above P20
21 Million up to P50 Million) ----- 3% or P100,000
22 whichever is higher

23 **SEC. 4. Purposes of the Statement of Assets, Liabilities and Networth.**

24 – The Statement of Assets, Liabilities and Networth filed pursuant to Section

1 1 hereof shall be considered as true and correct, except where the
2 amount of networth is proven, through third party information, to be
3 understated to the extent of thirty percent (30%) or more, for purposes of
4 determining future tax liabilities for the taxable year 2002 and onwards of
5 the declarant: *Provided, however,* That in the case of a declarant who
6 did not avail of the tax amnesty, his or her Statement of Assets, Liabilities
7 and Networth may also be considered in determining the unpaid internal
8 revenue taxes, if any, for the taxable year 2001 and prior years, subject to
9 the provisions of Sections 203 and 222 of Republic Act No. 8424, otherwise
10 known as the "Tax Reform Act of 1997," regarding the period of limitation
11 upon assessment and collection.

12 **SEC. 5. Exceptions.** – Taxpayers qualified under Section 1 of this Act
13 may avail themselves of the amnesty granted herein except that the
14 immunities in Section 8 shall not apply to the following cases, insofar as the
15 tax liabilities involved therein are concerned:

16 (a) Those with cases already filed in court as of the effectivity of the
17 Act;

18 (b) Those with final assessments; and

19 (c) Withholding agents with respect to their withholding tax liabilities.

20 **SEC. 6. When and Where to File and Pay.** – The Statement of Assets,
21 Liabilities and Networth, together with the notice and amnesty return,
22 which shall be prepared in triplicate, shall be filed on or before June 30,
23 2003 at the Office of the Revenue District Officer which has jurisdiction
24 over the legal residence or principal place of business of the filer. The

1 Revenue District Officer shall issue an acceptance of payment form
2 authorizing an authorized agent bank, or in the absence thereof, the
3 Collection Agent or Municipal Treasurer concerned to accept the
4 amnesty tax. If the filer elects to pay by installment, payments shall be
5 made in accordance with the schedule provided in the succeeding
6 Section.

7 **SEC. 7. Schedule of Payment of Amnesty Tax.** – Where the taxpayer
8 elects to pay by installment, the amnesty tax imposed herein shall be paid
9 as follows:

10 (a) If fifty thousand pesos (P50,000.00) or less, the tax must be paid
11 at the time of the filing of the return, but not later than June 30, 2005;

12 (b) If more than fifty thousand pesos (P50,000.00) but not exceeding
13 five hundred thousand pesos (P500,000.00), the tax may be paid in two (2)
14 equal installments: the first, upon the filing of the return but not later than
15 June 30, 2005; and the second, on or before July 31, 2005;

16 (c) If more than five hundred thousand pesos (P500,000.00) but not
17 exceeding five million pesos (P5,000,000.00), the tax may be paid in three
18 (3) equal installments: the first, upon the filing of the return but not later
19 than June 30, 2005; the second, on or before July 31, 2005; and the last,
20 on or before August 31, 2005; and

21 (d) If more than five million pesos (P5,000,000.00), the tax may be
22 paid in four (4) equal installments: the first, upon the filing of the return but
23 not later than June 30, 2005; the second, on or before July 31, 2005; the

1 third, on or before August 31, 2005; and the last, on or before September
2 30, 2005.

3 If the amnesty tax or any installment thereof is not paid on its due
4 date, a surcharge equivalent to twenty five percent (25%) of the unpaid
5 amount shall be collected. The unpaid tax or installment and the
6 surcharge shall be paid not later than one (1) month from due date
7 thereof, otherwise the application for tax amnesty shall be denied. No
8 case hereunder shall result in a refund.

9 **SEC. 8. Immunities and Privileges.** – Upon full compliance with the
10 conditions of the tax amnesty:

11 (a) The taxpayer shall be immune from the penalties, civil, criminal
12 or administrative, under the National Internal Revenue Code of 1997, as
13 amended, the Revised Penal Code, the Anti-Graft and Corrupt Practices
14 Act or any other law applicable thereto, arising from the failure to pay
15 any and all internal revenue taxes for taxable year 2001 and prior years,
16 subject to the exceptions in Section 5 hereof.

17 (b) The taxpayer's tax amnesty declaration and Statement of
18 Assets, Liabilities and Networth, shall not be admissible as evidence in all
19 proceedings that pertains to taxable year 2001 and prior years insofar as it
20 relates to internal revenue taxes before judicial, quasi-judicial or
21 administrative bodies in which he is a defendant or respondent, and,
22 except for the purpose of ascertaining the Networth beginning January 1,
23 2002, the same shall not be examined, inquired or looked into by any
24 person, government office, bureau or office. However, the taxpayer may

1 use this as a defense in all cases brought against him covered by the
2 immunity provision under Section 8(a) hereof.

3 (c) The books of account and other records of the taxpayer for the
4 years when tax amnesty was availed shall not be examined: *Provided,*
5 That the Commissioner of Internal Revenue may authorize in writing the
6 examination of the said books of accounts and other records to verify the
7 validity or correctness of a claim for grant of any tax refund, tax credit
8 (other than refund or credit of taxes withheld on wages), tax incentives,
9 and/or exemptions under existing laws.

10 All these immunities and privileges shall not apply where the person
11 failed to file a Statement of Assets, Liabilities and Networth or notice and
12 return of tax amnesty, or where the amount of networth as of December
13 31, 2001 is proven, through third party information, to be understated to
14 the extent of thirty percent (30%) or more.

15 **SEC. 9. Unlawful Divulgence of Amnesty Tax Return and Statement**
16 *of Assets, Liabilities and Networth.* – Except as otherwise provided herein, it
17 shall be unlawful for any person having knowledge of the tax amnesty
18 declaration and the Statement of Assets, Liabilities and Networth filed
19 pursuant hereto, to disclose any information relative to such declaration
20 and statement, and any violation hereof shall subject the offender to the
21 penalties under Section (10)(c) of this Act: *Provided, however,* That the
22 Commissioner of Internal Revenue may disclose the content of the tax
23 amnesty declaration and Statement of Assets, Liabilities and Networth
24 upon the request of Congress pursuant to and in accordance with

1 Section 20(a) and Section 290 of the National Internal Revenue Code of
2 1997, as amended.

3 **SEC. 10. Penalties.** – (a) Any person required under this Act or by
4 regulations promulgated thereafter to file a Statement of Assets, Liabilities
5 and Networth, who willfully fails to file such statement shall, upon
6 conviction, be fined not less than Ten thousand pesos (P10,000.00) but not
7 more than Twenty thousand pesos (P20,000.00) and suffer imprisonment of
8 not less than one (1) year but not more than six (6) years.

9 (b) Any person who, having filed a statement or tax amnesty return
10 under this Act, willfully understates his networth to the extent of thirty
11 percent (30%) or more shall, upon conviction be subject to the penalties
12 of perjury under the Revised Penal Code.

13 (c) The will failure to declare any property in the statement and/or
14 in the tax amnesty return shall be deemed a *prima facie* evidence of
15 fraud and shall continue a ground upon which attachment of such
16 property may issue in favor of the Bureau of Internal Revenue (BIR) to
17 answer for the satisfaction of any judgment that may be acquired against
18 the declarant.

19 In addition to the penalties provided in paragraphs (a), (b) and (c)
20 above, immediate tax fraud investigation shall be conducted to collect
21 all taxes due, including increments, and to criminally prosecute those
22 found to have willfully evaded lawful taxes due.

23 In the case of associations, partnerships or corporations, the penalty
24 shall be imposed on the partner, president, general manager, branch

1 manager, treasurer, officer-in-charge and employees responsible for the
2 violation.

3 (d) The unlawful divulgence of amnesty tax return and Statement of
4 Assets, Liabilities and Networth shall be penalized by a fine in the amount
5 of not less than Fifty thousand pesos (P50,000.00) but not more than One
6 hundred thousand pesos (P100,000.00) and suffer imprisonment of not less
7 than ten (10) years but not more than fifteen (15) years.

8 If the offender is an officer or employee of the BIR or any
9 government entity, he shall likewise suffer an additional penalty of
10 perpetual disqualification to hold public office, to vote and to participate
11 in any public election.

12 **SEC. 11.** *Publication of List of Taxpayers and Filers.* – Following the
13 implementation of the tax amnesty authorized and granted under this
14 Act, the provisions of Sections 71 and 270 of the National Internal Revenue
15 Code, as amended, and Section 26 of Republic Act No. 6388, to the
16 contrary notwithstanding, the Commissioner of Internal Revenue, shall, on
17 or before May 31 following the close of each calendar year, prepare a list
18 containing the names, addresses, type of business, gross sales/receipts
19 during the year and the amount of income taxes paid by each taxpayer
20 and allow the publication of the same by any publishing company,
21 newspaper and/or magazine of general circulation.

22 **SEC. 12.** *Involvement of Local Government Units.* – For purposes of
23 ascertaining the taxpayer's networth as of January 1, 2002, all local
24 government units are hereby directed to provide cooperation and

1 assistance to the BIR in determining the accuracy of the taxpayer's
2 declaration in his Statement of Assets, Liabilities and Networth filed
3 pursuant to Section 1 of this Act.

4 **SEC. 13. *Implementing Rules and Regulations.*** – The Secretary of
5 Finance shall, upon the recommendation of the Commissioner of Internal
6 Revenue, promulgate and publish the necessary rules and regulations for
7 the effective implementation of this Act.

8 **SEC. 14. *Effectivity.***- This Act shall take effect immediately.

9 Approved,