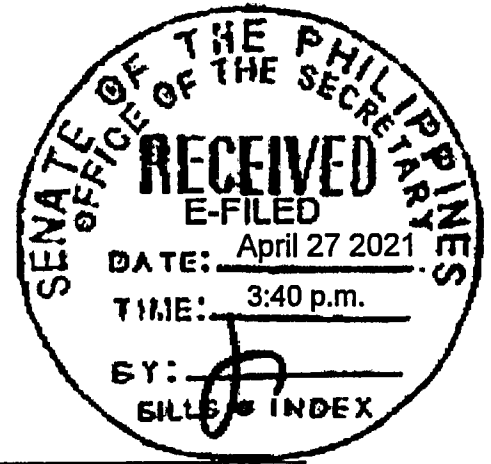


EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Second Regular Session

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SENATE

S. No. 2146



Introduced by Senator Ralph G. Recto

AN ACT

GRANTING THE HAPI JOCKEY CLUB, INC. A FRANCHISE TO CONSTRUCT, OPERATE, AND MAINTAIN RACE TRACKS FOR HORSE RACING IN THE PROVINCES OF BATANGAS, LAGUNA, AND CAVITE

EXPLANATORY NOTE

Philippine horse racing is a popular sport in this country and race betting is an equally prevalent activity. Historically, horse racing has been in existence in the Philippines as early as 1867 as a recreational activity. It was in 1903 when betting was introduced and authorized, thereby extending its mass appeal. In 1935, the Philippine Legislature passed Republic Act No. 4130 authorizing the holding of Sweepstakes Races. In 1972, Congress granted franchises to two racing clubs to construct, operate and maintain their own racetracks for a period of 25 years.¹

Horse racing in the Philippines is a multibillion-peso industry. It provides revenues for the government as well as a source of funds for charitable institutions. However, racing industry sales has steadily declined over the years. From an annual sales of P8.2 billion in 2014,² it plunged to P1.35 billion in 2019. Likewise, the total number of registered horses and horse owners went down from 2,361 to 2,004 and 398 to 333, respectively.³

Currently, the Philippines has three horse racing clubs licensed to conduct, maintain and operate racetrack facilities for horse racing in the country. With the

¹ <https://web.archive.org/web/20131213094924/http://www.philracom.gov.ph/racing-info/history> (Accessed April 19, 2021).

² House of Representatives Committee Daily Bulletin, Vol. 1 No. 41 dated November 14, 2016.

³ CY 2019 Annual Audit Report: Philippine Racing Commission.

entrance of the Hapi Jockey Club, Inc., the sport and industry of horse racing is expected to become vibrant, and, thus, generate more revenues and employment. Hapi Jockey Club, Inc. is led by renowned sports' patron Aristeo "Putch" Puyat, an accomplished horse owner and breeder and a long time leader of the horse owners' association, along with other dedicated horse owners and breeders with recognized achievements in the sport, SC Stockfarm, Bell Racing, Jade Bros Farms and R. Puyat Stables. Their goal is to promote horse racing to a larger audience and introduce innovations to fuel growth and create opportunities in the once robust horse racing industry. To accomplish this task, the group shall set-up their new racing complex in a fifty-hectare property which will also include state-of-the-art stabling facilities for at least 1,200 horses, with support facilities for the proper storage of feeds; lodging for stable hands; farrier services; 24/7 on-call veterinary services and emergency facilities for the proper care of horses; and a modern equine pool for the conditioning and rehabilitation of horses.

The new club will also invest in state-of-the-art broadcast facilities that could transmit live nationwide telecast of the races through cable, satellite and via the internet. These live broadcast of races will also be made available in strategically located Off-Track Betting (OTB) sites in major towns and cities nationwide with the support of host LGUs. Moreover, online betting and telephone betting shall also be made available for racing fans in the comfort of their home, as well as, in major sports bars, hotels and resorts throughout the country.

This bill, which is a counterpart measure to House Bill No. 8073 filed by Rep. Xavier Jesus D. Romualdo, seeks to grant a legislative franchise to the Hapi Jockey Club, Inc. to construct, operate and maintain race tracks in the provinces of Batangas, Laguna, and Cavite for the conduct of horse racing in the Philippines. To make the industry more sustainable, this bill also proposes to lower the documentary stamp tax and franchise tax imposed on the franchise grantee, as well as to reduce the taxes on winnings.

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



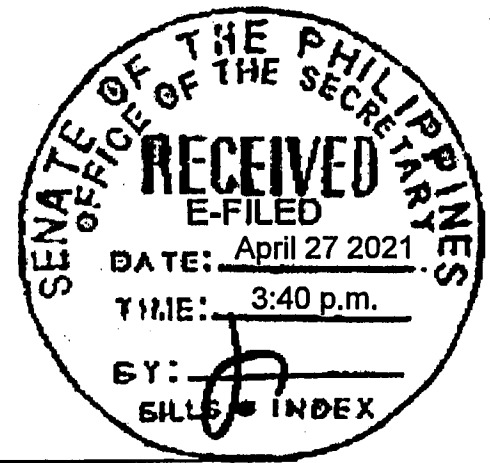
RALPH G. RECTO

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EIGHTEENTH CONGRESS OF THE
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AN ACT
GRANTING THE HAPI JOCKEY CLUB, INC. A FRANCHISE TO CONSTRUCT,
OPERATE, AND MAINTAIN RACE TRACKS FOR HORSE RACING IN THE
PROVINCES OF BATANGAS, LAGUNA, AND CAVITE

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

1 Section 1. *Nature and Scope of Franchise.* – Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, there is hereby granted to
3 the Hapi Jockey Club, Inc., hereunder referred to as the grantee, its successor or
4 assignees, a franchise to construct, operate, and maintain a race track within the
5 provinces of Batangas, Laguna, and Cavite, establish branches thereof for booking
6 purposes anywhere in the country, hold or conduct horse races therein with bettings
7 on results of such races directly or by means of mechanical, electrical, or
8 computerized totalizator, and to do and carry out all such acts, deeds, and things as
9 may be necessary to give effect to the foregoing.

10 Sec. 2. *Authority of the Philippine Racing Commission and the Games and*
11 *Amusement Board.* – The races to be conducted by the grantee shall be under the
12 supervision and regulation of the Philippine Racing Commission (PHILRACOM), which
13 shall enforce the laws, rules and regulations governing horse racing, including the
14 framing and scheduling of races, the construction and safety of racetracks, the
15 allocation of prizes for winning horses, and the security of racing as provided in
16 Presidential Decree No. 420, otherwise known as "Creating the Philippine Racing
17 Commission", as amended: *Provided, That* the Games and Amusements Board (GAB)
18 shall continue to supervise and regulate betting in horse races as provided in

Sections 6,11,15,18, and 24 of Republic Act. No. 309, otherwise known as "An Act to Regulate Horse-Racing in the Philippines", as amended.

Sec. 3. *Term of Franchise.* – This franchise shall be in effect for a period of twenty-five (25) years from the date of the effectivity of this Act, unless sooner cancelled. This franchise shall be deemed *ipso facto* revoked in the event that the grantee fails to comply with any of the following conditions:

(a) commencement of operations within three (3) years from the approval of its operating permit by the PHILRACOM;

(b) commencement of operations within five (5) years from the effectivity of this Act; and

(c) continuous operation for two (2) years.

Sec. 4. *Renewal or Extension of Franchise.* – The grantee shall apply for the renewal or extension of its franchise three (3) years before its expiration which shall be reckoned from fifteen (15) days after the publication of the franchise in the *Official Gazette* or in a newspaper of general circulation, whichever comes earlier.

Sec. 5. *Offering, Taking or Arranging Bets for Races.* – The grantee or its duly authorized agent may offer, take or arrange bets for races conducted within or outside the Philippines, in person or by any electronic or other means of processing transactions, anywhere in the Philippines, whether within or outside the place, enclosure, or track where horse races are held, in on-track or off-track betting stations, a day in advance of and/or during scheduled races held or conducted within or outside the Philippines. No other entity or person other than the grantee or its duly authorized agents or licensees shall offer, take or arrange bets on any horse participating in any race conducted by the same, or maintain or use a totalizator or other device, method or system to bet on any horse within its premises or outside the place, enclosure or track in the course of horse races conducted and/or operated by the grantee.

Sec. 6. *Penalties.* – Any person or persons found to have violated the provisions of the preceding section shall be punished by a fine of not less than Twenty thousand pesos (PhP 20,000.00) but not more than One hundred thousand pesos (PhP 100,000.00), or by imprisonment of not more than six (6) months, or both, at the discretion of the court. If the offender is a partnership, corporation, or

1 association, the criminal liability shall devolve upon its president, managing partner
2 or manager responsible for the violation.

3 *Sec. 7. Use of Computerized and Mechanical Devices.* – The grantee is hereby
4 authorized to do and carry out all such acts, deeds and things as may be necessary
5 for the effective conduct of the business granted under this franchise in an orderly,
6 clean and honest manner, and, in particular, to provide and operate any mechanical,
7 electrical, electronic or computerized devices, equipment and facilities, including the
8 following:

- 9 (a) Photo patrol and other electronic devices or cameras;
- 10 (b) Automatic starter;
- 11 (c) Electrical, electronic and computerized totalizator;
- 12 (d) Photo finish devices;
- 13 (e) Machines directly connected to a computer in a display board for the
14 sale of tickets including those sold from off-track stations;
- 15 (f) Facilities or devices for tattoo branding of horses for their proper
16 identification;
- 17 (g) Facilities, laboratories and instruments for testing for drugs;
- 18 (h) Weighing machines and devices for measurement of horses;
- 19 (i) Modern sound systems and loud speaker facilities;
- 20 (j) Facilities that will bring safety, security, comfort and convenience to
21 the public;
- 22 (k) Modern telecommunications and broadcast equipment and facilities,
23 whether at the grantee's tracks or off-track betting stations, for receiving and
24 transmitting, whether live or otherwise, messages, signals and pictures by any
25 means now known or which in the future may be developed for the reception
26 and transmission of messages, signals and pictures relating to the betting
27 system, the actual conduct of horse races, the announcements of winning
28 numbers and dividends paid or to be paid thereon, and any other information
29 relating to the conduct and promotion of horse races within or outside the
30 Philippines;
- 31 (l) Continuous and back-up power supply, and such other instruments,
32 devices, equipment, facilities and systems; and

(m) Such other facilities, devices or instruments that will ensure clean, honest racing, betting on horse races or derivative games.

The GAB shall assign its auditors and inspectors to supervise and regulate the placing of bets, the proper computation of dividends and the distribution of wager funds.

Sec. 8. *Terms of Betting Tickets.* – The grantee shall publish and display prominently and in appropriate places the terms and conditions regarding the sale of betting tickets.

Sec. 9. *Distribution of Total Wager Funds or Gross Receipts.* – The total wager funds or gross receipts from the sales of betting tickets shall be apportioned as follows:

(a) Eighty-two percent (82%) shall be distributed in the form of dividends among the holders of winning tickets whether from *pari-mutuel*, daily double, forecast, *llave*, *quinella*, trifecta, exotics or any other manner of betting;

(b) Eight and one-half percent (8.5%) shall be retained by the grantee as its commission or fee for conducting the horse races;

(c) Eight and one-half percent (8.5%) shall be set aside for the payment of stakes or prizes of win, place and show horses and the authorized bonuses for jockeys;

(d) One-half percent (0.5%) shall be set aside for use of the PHILRACOM: *Provided*, That in the case of gross receipts derived from the total sale for pari-mutuel races, the one-half percent (0.5%) government share shall be set aside for use of the GAB, to be shared equally with the Jockeys and Horse Trainers' Injury, Disability and Death Compensation Fund created under Republic Act No. 309, as amended; and

(e) One-half percent (0.5%) shall be set aside for the operation of drug testing facilities for personnel, jockeys, trainers and horses and rehabilitation of the racing facilities of the grantee.

Sec. 10. *Breakage.* – The receipts from betting corresponding to the fractions of less than Ten centavos (P0.10) eliminated from the dividends paid to the winning tickets, commonly known as breakage, shall be set aside as follows:

(a) Fifty percent (50%) to be used by the PHILRACOM exclusively for the payment of additional prizes for races that it sponsors, and for the necessary

capital outlay and expenditures relative to the horse breeding activities of the National Stud Farm;

(b) Twenty-five percent (25%) to the city or municipal hospitals where the race track is located; and

(c) Twenty-five percent (25%) to augment the funding for the establishment, maintenance, and operation of drug rehabilitation centers in the country, as provided in Republic Act. No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002, as amended.

Sec. 11. *Schedule of Races.* – The provision of any existing law to the contrary notwithstanding, the grantee is hereby authorized to hold horse races on at least two (2) days during the week as may be determined by the PHILRACOM, and on all Saturdays, Sundays and official holidays of the year, except on those official holidays where the law expressly provides that no horse races are to be held. The grantee may also conduct races on the eve of any public holiday to start not earlier than five-thirty in the afternoon, but not to exceed five (5) days a year. The grantee shall allocate racing days pursuant to the provisions of Republic Act No. 309, as amended.

Sec. 12. *Tax Provisions.* – The provision of existing laws to the contrary notwithstanding, the following taxes shall be imposed:

a) The grantee, its successors or assignees shall pay and/or remit:

1) Documentary Stamp Tax. – On each horse race ticket, there shall be collected a documentary stamp tax of Ten centavos (P0.10): *Provided*, That if the cost of the ticket exceeds One peso (P1.00), an additional tax of Ten centavos (P0.10) on every One peso (P1.00) or fractional part thereof shall be collected.

2) Franchise Tax. – The grantee, its successors or assignees, shall be liable to pay the same taxes on their real estate, buildings and personal property, exclusive of this franchise, as other persons or corporations are now or hereafter may be required by law to pay. In addition thereto, the grantee, its successors or assignees, shall pay a franchise tax equal to five percent (5%) of its gross earnings from the horse races authorized under this franchise which is equivalent to the eight and one-half percent (8 ½%) of the total wager funds or gross

1 receipts on the sale of betting tickets during the racing days as mentioned
2 in Section 11 hereof, allotted as follows:

- 3 (i) One and a half percent (1 1/2%) for the national
4 government;
5 (ii) Two percent (2%) for the province or city/municipality
6 where the racetrack is located; and
7 (iii) One and a half percent (1 1/2%) for the benefit of health
8 workers of the municipal hospital where the racetrack is
9 located.

10 The said taxes shall be paid monthly and shall be in lieu of any and
11 all taxes of any kind, nature and description levied except the income tax,
12 established or collected by any authority whether barangay, municipal,
13 city, provincial or national, on its properties, whether real or personal,
14 from which taxes the grantee is hereby expressly exempted.

15 The grantee shall file the return with and pay the taxes due thereon
16 to the Commissioner of Internal Revenue or his duly authorized
17 representatives in accordance with the National Internal Revenue Code,
18 as amended, and the return shall be subject to audit by the Bureau of
19 Internal Revenue.

20 b) Taxes on Winnings. – Every person who wins in horse racing shall pay
21 a tax equivalent to ten percent (10%) of his winnings or dividends, the tax to
22 be based on the actual amount paid to him for every winning ticket after
23 deducting the cost of the ticket: *Provided*, That in the case of winnings from
24 double, forecast/*quinella* and trifecta bets, the tax shall be four percent (4%),
25 and in the case of winning race horses, the tax shall be ten percent (10%) of
26 the prize: *Provided, further*, That winnings amounting to Ten thousand pesos
27 (P10,000) or less shall be exempt.

28 The taxes herein prescribed shall be deducted from the dividends
29 corresponding to each winning ticket or the prize of each winning race horse
30 owner and withheld by the operator, manager or person in charge of the horse
31 races before paying the dividends or prizes to the persons entitled thereto.

32 The operator, manager or person in charge of horse races shall, within
33 twenty (20) days from the date the tax was deducted and withheld in

1 accordance with the preceding paragraph, file a true and correct return with
2 the Commissioner of Internal Revenue in the manner or form prescribed by the
3 Secretary of Finance, and pay within the same period the total amount of tax
4 so deducted and withheld.

5 Sec. 13. *Warranty in Favor of the National and Local Governments.* – The
6 grantee shall hold the national, provincial, city, and municipal governments of the
7 Philippines free from all claims, liabilities, demands, or actions arising out of
8 accidents causing injury to persons or damage to properties, during the construction
9 or operation of the racetrack of the grantee.

10 Sec. 14. *Dispersal of Ownership.* – The grantee shall offer at least thirty
11 percent (30%) of its common stocks, or a higher percentage that may hereafter be
12 provided by law, in any securities exchange in the Philippines within five (5) years
13 from the effectivity of this Act: *Provided*, That in cases where public offer of shares
14 is not applicable, other methods of encouraging public participation by citizens and
15 corporations must be implemented. Noncompliance therewith shall render the
16 franchise *ipso facto* revoked.

17 Sec. 15. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* –
18 The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this
19 franchise or the rights and privileges acquired thereunder to any person, firm,
20 company, corporation, or other commercial or legal entity, nor merge with any other
21 corporation or entity, nor the controlling interest of the grantee be transferred,
22 simultaneously or contemporaneously, to any person, firm, company, corporation, or
23 entity without the prior approval of Congress. The grantee shall inform Congress of
24 any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights
25 and privileges acquired thereunder, or of the merger or transfer of the controlling
26 interest of the grantee, within sixty (60) days after the completion of the said
27 transaction. Failure to report to Congress such change of ownership shall render the
28 franchise *ipso facto* revoked. Any person or entity to which this franchise is sold,
29 transferred, or assigned shall be subject to the same conditions, terms, restrictions,
30 and limitations of this Act.

31 Sec. 16. *Reportorial Requirement.* – The grantee shall submit an annual report
32 to the Congress of the Philippines, through the Committee on Legislative Franchises
33 of the House of Representatives and the Committee on Public Services of the

1 Senate, on its compliance with the terms and conditions of the franchise and on its
2 operations on or before April 30 of every year during the term of its franchise.

3 The annual report shall include an update on the roll-out, development,
4 operation or expansion of business; audited financial statements; latest General
5 Information Sheet officially submitted to the Securities and Exchange Commission, if
6 applicable; and certification of the PHILRACOM and the GAB on the status of its
7 permits and operations.

8 The reportorial compliance certificate issued by Congress shall be required
9 before any application for permit or certificate is accepted by the PHILRACOM and
10 the GAB.

11 Sec. 17. *Fine.* – Failure of the grantee to submit the requisite annual report to
12 Congress shall be penalized by a fine of Five hundred pesos (P500.00) per working
13 day of noncompliance. The fine shall be collected by the PHILRACOM from the
14 delinquent franchise grantee separate from the reportorial penalties imposed by the
15 PHILRACOM, if any, and the same shall be remitted to the Bureau of Treasury.

16 Sec. 18. *Equality Clause.* – Any advantage, favor, privilege, exemption, or
17 immunity granted under existing franchises, or which may hereafter be granted for
18 horse racing, upon prior review and approval of Congress, shall become part of this
19 franchise and shall be accorded immediately and unconditionally to the herein
20 grantee: *Provided*, That the foregoing shall neither apply to nor affect the provisions
21 of horse racing franchises concerning territorial coverage, the term, or the type of
22 service authorized by the franchise.

23 Sec. 19. *Repealability and Nonexclusivity Clause.* – This franchise shall be
24 subject to amendment, alteration or repeal by the Congress of the Philippines when
25 the public interest so requires and shall not be interpreted as an exclusive grant of
26 the privileges herein provided for.

27 Sec. 20. *Separability Clause.* – If any of the sections or provisions of this Act is
28 held invalid, all the other provisions not affected thereby shall remain valid.

29 Sec. 21. *Repealing Clause.* – All laws, acts, decrees, executive orders,
30 issuances, and rules and regulations or parts thereof which are contrary to and
31 inconsistent with this Act are hereby repealed, amended or modified accordingly.

1 Sec. 22. *Effectivity.* – This Act shall take effect fifteen (15) days following its
2 complete publication in two (2) newspapers of general circulation or in the *Official*
3 *Gazette.*

Approved,