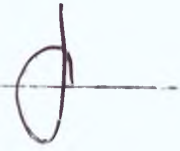


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NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

RECEIVED BY



SENATE

P.S. RES. NO. 644

Introduced by Senator Francis "Tol" N. Tolentino

RESOLUTION

URGING THE SENATE COMMITTEE ON WAYS AND MEANS TO INQUIRE, IN AID OF LEGISLATION, ON THE CIRCUMSTANCES SURROUNDING THE P50 BILLION TAX FRAUD PERPETRATED BY BRENTERPRISE INTERNATIONAL, INC. AGAINST THE REPUBLIC OF PHILIPPINES, WITH THE END IN VIEW OF LAYING DOWN STRICTER MEASURES TO SAFEGUARD AND PROTECT THE SECURITY OF ONLINE TRANSACTIONS.

Whereas, on 19 December 2022, Bilyonaryo.com published an article about the involvement of over a thousand Philippine companies that colluded with the Brenterprise International¹, Inc, a firm owned by Lyca app founder Bren Chong, to evade paying taxes through the use of fraudulent documents;

Whereas, this modus of "input value added tax receipt for sale"² had been going on since 2008 and had defrauded the government of at least P50 Billion of unpaid income taxes for more than 15 years through the use of several dummy or ghost corporations that fronts as "ghost suppliers" to client companies that used the services of Brenterprise International Inc., the company owned by Mr. Bren Chong, to fake receipts;

Whereas, an NBI Agent received reliable information from a former employee of the Brenterprise International Inc., about what the company was doing detailing in its "INPUT VAT RECEIPT FOR SALE, to wit:

¹<https://bilyonaryo.com/2022/12/19/over-1000-big-and-small-ph-firms-have-reportedly-availed-of-bren-chongs-fake-tax-receipts-scam/business/#gsc.tab=0>

²<https://www.philstar.com/nation/2023/05/20/2267550/nbi-files-p50-billion-tax-scam-rap-vs-esports-ceo>

- a. The client would provide the details required, such as: name of its company [as buyer]; address of the company; date of transaction; description of goods or services purchased; total amount purchased and other pertinent details which would be reflected in the receipt or invoice;
- b. Said details are being sent to a fraudster company through email or viber. He even provided the numbers where the viber message can be sent;
- c. The Subject Company would then provide the profile of the seller/supplier company as may be needed by the client depending on the kinds of goods or services fictitiously or fictionally purchased. For such purpose, the Subject Company has created several registered corporations to pretend as suppliers which will be used in filling up the necessary details in the procured receipts or invoices such as the name of the supplier, address, VAT Registered TIN, etc;
- d. After said receipts or invoices were procured, the Subject Company through messenger or deliveryman will hand over the procured receipts/invoices to the client who will in turn pay the regular fee of 0.8% of the total amount fictionally purchased as indicated in the summary list of purchased receipts or invoice (total amount X .008) as charge fee to the Subject Company. In some instances Subject Company would give a discounted fee starting from 0.4% or a mark up fee of 1.25% depending on its client;
- e. Payments of the fee charged were being made through Checks or Cash, collected by the same messenger or deliveryman or through bank deposit using the bank accounts provided by the fraudster company. Payment through check shall be made payable in the name of one BERNARD CHONG. A list of bank accounts and their respective account names were also provided by the informant;
- f. The procurement of said commercial receipts/invoices were facilitated either directly by the staffs of or employees of the Subject Company or through "Agents" who are allowed to refer clients to the Subject Company and charge fees higher than the 0.8% of the total amount indicated in the receipts or invoices so long as the said 0.8% will be retained by the former.
- g. These receipts or invoices obtained by the clients will then be used by the Clients to claim INPUT VAT from BIR and/or reduce their Income Tax

Payment by bloating their allowable expenses using said fictitious receipts or invoices.

Whereas, due to this information, a test buy was conducted by the NBI sometime in November 10, 2022 in order to confirm this fraudulent activity of Brenterprise International Inc. With this test buy, the NBI was able to get hold of several fraudulent commercial documents purportedly issued by REDINGTON CORPORATION, one of the fictitious companies created by the former in this illegal scheme;

Whereas, a perusal of the procured official receipts and billing invoice showed BIR Authority to Print No. OCN3AU0001890860 and BIR's Printer's Accreditation No. 028MP2020000000045 with address at VA ROOM, L1B5 Law St., Victoria Subdivision, Tandang Sora, Quezon City. However, upon verification with the through the BIR website, it was discovered that the Printer's Accreditation Number is registered to one "FELIPE JR LAURELES ALPAJORA" with printer's trade name "VA ROOM" and registered business address at L1 B5 LAW ST. VICTORIA SUBD PHILIPPINES (RDO-28 Novaliches);

Whereas, due to this, the NBI Anti Organized and Transnational Crime Division (AOCTD) led by Agent Rehom P. Pimentel, assisted by NBI- Digital Forensic Laboratory (DFL) Agents applied for the issuance of a Warrant to Search, Seize and Examine Computer Data (WSSECD) under the Rule on Cybercrime Warrants against the premises of BREENTERPRISE INTERNATIONAL INC. and/or the owner/officer/employees/occupants of the establishment located at Unit 30C, The Eastwood Excelsior - Tower 2, Eastwood City, Quezon City;

Whereas, the raid of Brenterprise's Office at the Excelsior 2 condominium building in Eastwood, Quezon City yielded various fabricated commercial documents that the companies use to evade taxes, such as receipts for collection and delivery³. During the implementation of the said WSSECD, the NBI operatives found several receipts being printed and stored in the same premises such as official receipts, sales invoices, billing invoices, and other related documents such as SEC Certificate of Incorporation, BIR Payment Forms, Business Permits, and other documents pertaining to several corporations. Also discovered in plainview and posted in the walls of the establishment were the List of Suppliers and the names of staff and employees chanced upon by the NBI inside the unit together with several notes which appear to be referring to their nature of work;

³ Id

Whereas, the initial investigation of the NBI proved the allegations made by its informant. It also established that aside from fabrication of business documents that could withstand the scrutiny of the BIR, Brenterprise International, Inc also helped companies cover their tracks when it comes to manipulation of books, liaises with government agents to settle concerns involving taxes and corporate matters, offer notarial services to clients, and have its employees pretend to be representatives of suppliers who could answer questions regarding the business activities of companies that Brenterprise works with⁴;

Whereas, in addition to the said initial findings of the NBI, it was also discovered that some of the list of the purported suppliers being used by Brenterprise International Inc., were non-existent for there is neither physical office nor any actual business operations by the said corporations as they were only simulating their business operations using desktop computers and mobile phones operated by the staffs of the former. Moreover, perusal of the documents gathered by the NBI from the Securities and Exchange Commission would disclose that 28 of the dummy or ghost supplier corporations have interlocking name of incorporators⁵;

Whereas, on 19 May 2023 the NBI Anti- Organized and Transnational Crime Division filed its 32- page complaint before the Department of Justice (DOJ) against 31 officers and employees of Brenterprise International, Inc., involving its tax fraud scam through the use of fake receipts from dummy suppliers which the companies use to lower their income tax payments. The alleged scam ran from 2008 until 15 December 2022 which resulted in around P50 billion loss for the government ⁶;

Whereas, BIR Commissioner Romeo Lumagui, Jr. has also filed a criminal complaint for the violation of the tax code against three (3) “dummy” firms - Buildforce Trading Inc., Crazykitchen Foodtrade Corp., Decarich Supertrade Inc. and Redington Corp.⁷; a number of the Brenterprise’s clients are among those identified as Cannot Be Located (CBL) Taxpayers by the BIR⁸;

Whereas, a scam of this magnitude would not have existed for a long period of time in the absence of conspirators from both the BIR and the SEC who were either lax in the performance of their respective duties and/or failed to perform the necessary due diligence in checking and counter checking the documents being filed with them to

⁴Id

⁵Id

⁶ <https://www.philstar.com/nation/2023/05/21/2267774/nbi-probes-103-ghost-suppliers-p50-billion-tax-scam>

⁷ id

⁸ <https://www.manilatimes.net/2022/12/17/news/bir-busts-firm-faking-receipts/1870612>

determine its veracity and genuineness before acting on the same causing billions of pesos lost from the national coffers due to their negligence;

Whereas, this alleged tax fraud scheme amounting to economic sabotage, involving fabricated receipts from ghost suppliers used by thousand of companies to increase their actual expenses against gross income in order to lower the income tax to be paid to the Bureau of Internal Revenue or non payment of tax through the use of fraudulent INPUT VAT, clearly showed an utter disregard to the existing laws, to the detriment and prejudice of the National Government and should therefore be stopped.
NOW THEREFORE,

BE IT RESOLVED AS IT IS HEREBY RESOLVED, to direct as it hereby directs the Senate Committee on Ways and Means to inquire, in aid of legislation, on how BRENTERPRISE INTERNATIONAL INC., was able to defraud the Republic of the Philippines P50 Billion pesos through its INPUT VAT RECEIPT FOR SALE scheme, with the end in view of laying down stricter measures to safeguard and protect the security of online transactions, in order to avoid the occurrence and repetition of various schemes detrimental to the economy, in relation with the digital transformation of the government as part of the Philippine Development Plan 2023-2028, for a more efficient and faster service delivery⁹;

RESOLVED FURTHER, to determine who their conspirators are in the Bureau of Internal Revenue and the Securities and Exchange Commission for them to be unmasked and brought to the bar of justice.

Adopted,



FRANCIS "TOL" N. TOLENTINO
Senator

⁹ <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028-Briefer.pdf>