

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

6 FEB -7 25:29

SENATE

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COMMITTEE REPORT NO. 48

Submitted by the Committee on Ways & Means on 07 FEB 2006

Re: S.B. No. 2204

Recommending its approval in substitution of S.B. No. 1830, taking into consideration H.B. No. 4066

Sponsor: Senator Ralph G. Recto

MR. PRESIDENT:

The Committee on Ways and Means to which were primarily referred Senate Bill No. 1830, introduced by Senator Angara, entitled:

**“AN ACT
AMENDING REPUBLIC ACT NUMBER NINETY ONE
HUNDRED AND EIGHTY TWO (R.A. NO. 9182), OTHERWISE
KNOWN AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002”**

and House Bill No. 4066, introduced by Representatives Marcos, Villafuerte, Lopez, *et al*, entitled:


**“AN ACT
AMENDING REPUBLIC ACT NO. 9182, OTHERWISE KNOWN
AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002 FOR THE
PURPOSE OF ALLOWING THE ESTABLISHMENT AND
REGISTRATION OF NEW SPVs AND FOR OTHER PURPOSES”**,

has considered the same and has the honor to report these bills back to the Senate with the recommendation that the attached SB No. 2204 prepared by the Committee, entitled:

**“AN ACT
AMENDING REPUBLIC ACT NUMBER NINETY ONE
HUNDRED AND EIGHTY TWO (R.A. NO. 9182), OTHERWISE
KNOWN AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002”**,

be approved in substitution of SB No. 1830, taking into consideration HB No. 4066, with Senators Angara and Recto as authors thereof.

Respectfully submitted:


RALPH G. RECTO
Chairman
Committee on Ways and Means

JOKER P. ARROYO
Vice-Chairman

Members:

JUAN PONCE ENRILE

EDGARDO J. ANGARA

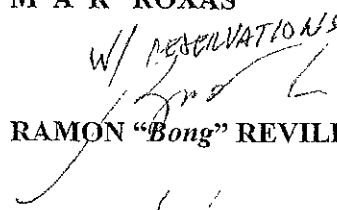

MANUEL B. VILLAR, JR.


RAMON B. MAGSAYSAY, JR.


RICHARD J. GORDON

M A R ROXAS


COMPANERA PIA S. CAYETANO


RAMON "Bong" REVILLA, JR.


RODOLFO G. BIAZON

SERGIO R. OSMEÑA III

ALFREDO S. LIM

PANFILO M. LACSON

JINGGOY E. EJERCITO

Ex-Officio Members:


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Pro-Tempore President


FRANCIS N. PANGILINAN
Majority Floor Leader


AQUILINO Q. PIMENTEL, JR.
Minority Floor Leader

HON. FRANKLIN M. DRILON
Senate President
Pasay City

SENATE

S.B. No. 2204

(In substitution of SBN 1830, taking into consideration HBN 4066)

Prepared by the Committee with Senators Angara and Recto as authors thereof

AN ACT
AMENDING REPUBLIC ACT NUMBERED NINETY ONE
HUNDRED AND EIGHTY TWO (R.A. NO. 9182), OTHERWISE
KNOWN AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002

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

1 **SECTION 1.** Section 6 of Republic Act No. 9182 is hereby amended, to read as
2 follows:

3 “SEC. 6. *Period for Filing of Applications* –
4 Applications for the establishment and registration of an SPV
5 shall be filed with the Commission [not beyond] **WITHIN**
6 eighteen (18) months from the date of [approval of the
7 Implementing Rules and Regulations (IRR) by the
8 Congressional Oversight Committee (COC) created in Section
9 23 hereof] **EFFECTIVITY OF THIS AMENDATORY**
10 **ACT.”**

11 **SEC. 2.** Section 15 of the same Act is hereby amended, to read as follows:

12 “Sec. 15. *Tax Exemptions and Fee Privileges.* –

13 x x x

14 “All sales or transfers of NPAs from the FIs to an SPV
15 or transfers by way of dation in payment (*dacion en pago*) by
16 the borrower or by a third party to the FI shall be entitled to the
17 privileges enumerated herein for a period of not more than two
18 (2) years from the date of effectivity of [the IRR] **THIS**
19 **AMENDATORY ACT:** *Provided,* That transfers from an

1 SPV to a third party of NPAs acquired by the SPV within such
2 two-year period or transfers by way of dation in payment
3 (*dacion en pago*) by a borrower to the SPV shall enjoy the
4 privileges enumerated herein for a period of not more than five
5 (5) years from the date of acquisition by the SPV: *Provided,*
6 *further,* That properties acquired by an SPV from GFIs or
7 GOCCs which are devoted to socialized or low-cost housing
8 shall not be converted to other uses.”

9 x x x

10 **SEC. 3. *Separability Clause.*** - If any provision of this Act is subsequently
11 declared unconstitutional, the validity of the remaining provisions hereof shall remain in
12 full force and effect.


13 **SEC. 4. *Repealing Clause.*** - Any law, presidential decree or issuance, executive
14 order, rule or regulation contrary to, or inconsistent with the provisions of this Act is
15 hereby repealed, modified, or amended accordingly.

16 **SEC. 5. *Effectivity.*** - This Act shall take effect fifteen (15) days following its
17 complete publication in the Official Gazette or in at least two (2) newspapers of general
18 circulation.

Approved,

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

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RECEIVED BY: 

SENATE
S.B. NO. 1830

Introduced by
Senator Edgardo J. Angara

EXPLANATORY NOTE

The Special Purpose Vehicle (SPV) Act of 2002 (Republic Act No. 9182) was intended to help banks in the disposal of their non performing assets (NPAs) by granting tax exemptions and reduced registration and transfer fees. The SPV Act was expected to strengthen the balance sheets of the financial institutions and restore their capability to perform their role as mobilizers of savings and investments for the country's growth and development.

To date, however, the benefits under the SPV Act have not been maximized. The financial system is still burdened by NPAs amounting to about P511.6 billion as of March 2004 of which P274B is in nonperforming loans. The sluggish offloading of the NPAs by financial institutions is caused by several reasons, such as: (1) the delay in the issuance of the revenue regulation dealing with the tax aspect of the SPV Act; (2) the complex legal, accounting, tax and other issues involved in the implementation of the SPV Act; and (3) the huge magnitude of NPAs in the banking system which would require significant amount of time for proper disposal.


With the period for the availment of the benefits under the SPV Act coming to an end, the offloading of NPAs is finally gaining a strong momentum. As of September 18, 2004, which is the deadline for registration of SPVs with the Securities and Exchange Commission (SEC), thirty-six (36) SPVs have been registered making them eligible to acquire NPAs until April 8, 2005. In the early part of October, the BSP was processing nineteen (19) applications for certificates of eligibility with an aggregate amount of P34.4 billion of NPAs. These are good indications that banks are pursuing serious efforts to unload their NPAs under the SPV Act.

This bill proposes to extend for five (5) more years the deadlines for the establishment of an SPV and for the availment of the tax exemptions and fee privileges in the sale or transfer of NPAs. The extension will allow the financial system to fully and properly realize the objectives for which the SPV Act was enacted. For the same reason, the bill also proposes to include all assets that have become nonperforming beyond June 30, 2002. In view of this, the undersigned strongly recommends the immediate passage of this bill.


EDGARDO J. ANGARA

'04 OCT 26 P4:11

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

RECEIVED BY: 

SENATE

S.B. NO. 1830

Introduced by
Senator Edgardo J. Angara

AN ACT AMENDING REPUBLIC ACT
NUMBER NINETY ONE HUNDRED AND EIGHTY TWO (RA. NO. 9182),
OTHERWISE KNOWN AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002

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

SECTION 1. Period for filing of applications – Section 6 of Republic Act No. 9182 is hereby amended, to read as follows:

Section 6. *Period for Filing of Applications.* – Applications for the establishment and registration of an SPV shall be filed with the Commission not beyond **SEVENTY-EIGHT (78)** [eighteen (18)] months from the date of approval of the Implementing Rules and Regulations (IRR) by the Congressional Oversight Committee (COC) created in Section 23 Hereof.

SECTION 2. Tax Exemptions and Fee Privileges - The third and fourth paragraphs of Section 15 of Republic Act No. 9182 is hereby amended, by extending the duration of tax exemptions and privileges, which shall read as follows:

Section 15. *Tax Exemptions and Fee Privileges*

X X X

All sales or transfers of NPAs from the FIs to an SPV or transfers by way of dation in payment (*dacion en pago*) by the borrower or by a third party to the FI shall be entitled to the privileges enumerated herein for a period of not more than **SEVEN (7)** [two (2)] years from the date of effectivity of the IRR: *Provided*, That transfers from an SPV to a third party of NPAs acquired by the SPV within such **SEVEN-YEAR** [two-year] period or transfers by way of dation in payment (*dacion en pago*) by a borrower to the SPV shall enjoy the privileges enumerated herein for a period of not more than five (5) years from the date of acquisition by the SPV: *Provided, further*, That properties acquired by an SPV from GFIs or GOCCs which are devoted to socialized or low-cost housing shall not be converted to other uses.

The abovementioned tax exemptions, incentives, and fee privileges given to FIs and SPV at the various stages of the transactions

under this section shall likewise be extended to any individual in accordance with the IRR: *Provided*, That:

(i) The transaction is limited to a single family residential unit ROPOA or NPL secured by real estate mortgage on a residential unit;

(ii) There shall only be one transaction consisting of one residential unit per individual; and

(iii) The **SEVEN-YEAR** [two-year] transfer and the five-year entitlement period granted to NPA shall also apply to said single family residential unit.

SECTION 3. *Privileges of Participating FIs* – Section 17 (a) of Republic Act No. 9182 is hereby amended to read as follows:

Section 17. *Privileges of Participation FIs.* – (a) Any loss that is incurred by the financial institutions as a result of the transfer of NPAs shall be treated as ordinary loss: *Provided*, That the accrued interest and penalties shall not be included as loss on said loss carry over from operations subject to the provisions of the National Internal Revenue Code of 1997 on net operating loss carry-over (NOLCO), except that the loss incurred by the FI from the transfer of NPAs within the **SEVEN-YEAR** [two-year] period from the effectivity of the IRR may be carried over for a period of five (5) consecutive taxable years immediately following the year of such loss: *Provided, further*, That for the purpose of corporate gain or loss the carry-over shall be subject to pertinent laws: *Provided, finally*, That the tax savings derived by FIs from the NOLCO shall not be made available for dividend declaration but shall be retained as a form of capital build-up.

SECTION 4. *Applicability Clause.* – Section 26 of Republic Act No. 9182 is hereby amended, by including assets that have become nonperforming beyond June 30, 2002, which shall read as follows:

Section 26. *Applicability Clause.* – The provisions of this Act shall be applicable to assets that have become non-performing **BEFORE OR WITHIN THE SEVEN-YEAR PERIOD MENTIONED UNDER SECTIONS 15 AND 17 HEREOF** [as of June 30, 2002].

SECTION 5. *Separability Clause.* - If any provision or section of this Act or the application thereof to any person or circumstance is held to be invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SECTION 6. *Repealing Clause.* Any law, presidential decree or issuance, executive order, rule or regulation contrary to, or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

SECTION 7. *Effectivity* - This Act shall take effect fifteen (15) days following its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved.



HOUSE OF REPRESENTATIVES

H. No. 4066

BY REPRESENTATIVES MARCOS, VILLAFUERTE, LOPEZ (J.), JAVIER, ALFELOR, LACSON, APOSTOL, VILLAROSA, DIAZ, REAL, ABAYÓN, SUAREZ, PANCHO, MADAMBA, SEÑERES, CUA (G.), PETILLA, LAPUS, CARMONA, DUAVIT, SEACHON-LANETE, DIMAPORO, UMALI (A.M.), CODILLA, ZIALCITA, ROMAN, DY (C.), AQUINO (B.), VICENCIO, MERCADO, ARROYO, PUENTEVELLA, ABANTE, DATUMANONG, LOCSIN, BACULIO, ENRILE, NOEL, ASISTIO, SANTIAGO AND AGBAYANI, PER COMMITTEE REPORT NO. 611

AN ACT AMENDING REPUBLIC ACT NO. 9182, OTHERWISE KNOWN AS THE SPECIAL PURPOSE VEHICLE ACT OF 2002 FOR THE PURPOSE OF ALLOWING THE ESTABLISHMENT AND REGISTRATION OF NEW SPVs AND FOR OTHER PURPOSES

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

SECTION 1. Section 6 of Republic Act No. 9182 is hereby amended to read as follows:

“SEC. 6. Period for Filing of Applications

Applications for the establishment and registration of an SPV shall be filed with the Commission [not beyond] WITHIN eighteen (18) months from the date of approval of the Implementing Rules and Regulations (IRR) by the Commission

1 Oversight Committee (COC) created in Section 23 hereof]

2 EFFECTIVITY OF THIS AMENDATORY ACT.”

3 SEC. 2. Section 15 of the same Act is hereby amended to read as
4 follows.

5 “SEC. 15. *Tax Exemptions and Fee Privileges.* –

6 “x x x

7 “All sales or transfers of NPAs from the FIs to an SPV or
8 transfers by way of dation in payment (*dacion en pago*) by the
9 borrower or by a third party to the FI shall be entitled to the
10 privileges enumerated herein for a period of not more than two
11 (2) years from the date of effectivity of [the IRR] THIS
12 AMENDATORY ACT. *Provided,* That transfers from an SPV to a
13 third party of NPAs acquired by the SPV within such two-year
14 period or transfers by way of dation in payment (*dacion en pago*)
15 by a borrower to the SPV shall enjoy the privileges enumerated
16 herein for a period of not more than five (5) years from the date
17 of acquisition by the SPV: *Provided, further,* That properties
18 acquired by an SPV from GFIs or GOCCs which are devoted to
19 socialized or low-cost housing shall not be converted to other
20 uses.

SEC. 3. Section 26 of the same Act is hereby amended to read as follows

“SEC. 26. *Applicability Clause* – The provisions of this Act shall be applicable to assets that have become non-performing as of [June 30, 2002] DECEMBER 31, 2004 AND HAVE BEEN OUTSTANDING AS OF THE DATE OF THE ORIGINAL EFFECTIVITY OF THIS ACT.”

SEC. 4. *Effectivity*. – This Act shall take effect fifteen (15) days following its complete publication in the *Official Gazette* or in at least two newspapers of general circulation.

Approved,

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