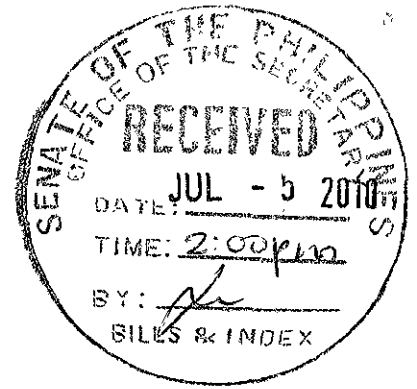


FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE

S. NO. 131



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Introduced by Senator FRANKLIN M. DRILON

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### EXPLANATORY NOTE

When applying for loans, it is not unusual for borrowers to reveal to banks a "second set" of financial books which are different from that presented to the Bureau of Internal Revenue to reflect a more favorable financial condition of the company or borrower to the bank.

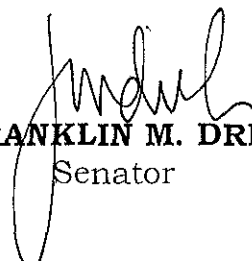
Section 40 of Republic Act No. 8791, otherwise known as the "General Banking Law of 2000", provides that a bank may demand from its credit applicants "such information required by the Monetary Board to enable the bank to properly evaluate the credit application which includes the corresponding financial statements submitted for taxation purposes to the Bureau of Internal Revenue." It can be observed, however, that the present wording of the law does not prevent tax evasion as it does not compel borrowers to submit the financial statements presented to the BIR when applying for loans.

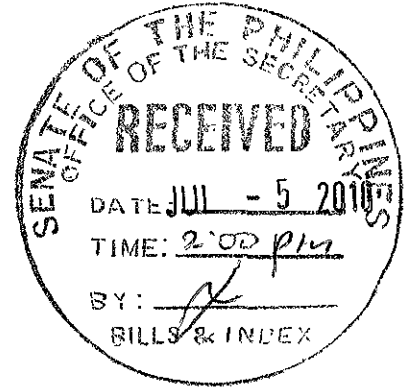
This bill proposes that all banks must base their loans on the audited financial statements reflecting the operations of the company or borrower, which have been presented to tax authorities. This bill intends to improve the collection of taxes by minimizing tax evasion as it proposes that the amount of loans granted by banks must be based on the audited financial statements that have been certified by the Bureau of Internal Revenue as the same set submitted to them.

With such proposal, borrowers will have no choice but to declare their true income when submitting financial statements to the BIR so that they can avail of bigger loan amounts from banks and financial institutions.

By causing the declaration of true income on the part of taxpayers – borrowers, government can increase tax collection thus minimizing the pressure to impose new tax measures.

Considering that every effort needs to be exerted in reviving the country's ailing economy and financial system during this critical period, we appeal for the immediate passage of this bill.

  
**FRANKLIN M. DRILON**  
Senator



**SENATE**

S. No. **131**

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Introduced by Senator FRANKLIN M. DRILON

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**AN ACT REQUIRING AUDITED FINANCIAL STATEMENTS  
SUBMITTED TO TAX AUTHORITIES AS MINIMUM SECURITY  
REQUIREMENTS FOR BANK LOANS, AMENDING FOR THE PURPOSE  
SECTION 40 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS  
THE "GENERAL BANKING LAW OF 2000"**

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

**Section 1.** Section 40 of Republic Act No. 8791 is hereby amended  
to read as follows :

"SEC. 40. *Requirement for Grant of Loans or Other Credit  
Accommodations.* - Before granting a loan or other credit  
accommodation, a bank must ascertain that the debtor is  
capable of fulfilling his commitments to the bank.

[Toward this end, a] A bank may demand from its  
credit applicants a statement of their assets and liabilities  
and of their income and expenditures and such information  
as may be prescribed by law or by rules and regulations of  
the Monetary Board to enable the bank to properly evaluate  
the credit application. **FOR THIS PURPOSE, BANKS SHALL  
EXTEND LOANS BASED ON AUDITED FINANCIAL  
STATEMENTS PREPARED BY DULY CERTIFIED PUBLIC  
ACCOUNTANTS AND DULY CERTIFIED BY** [which includes  
the corresponding financial statements submitted for  
taxation purposes to] the Bureau of Internal Revenue **AS  
THE SAME SET SUBMITTED TO IT. ONLY UPON  
RECEIPT OF SAID CERTIFICATION SHALL BANKS  
APPROVE SUCH LOAN APPLICATIONS. THE SAME  
SHALL BE REQUIRED FOR RENEWAL OF LOANS.** Should  
such statements prove to be false or incorrect in any  
material detail, the bank may terminate any loan or other  
credit accommodation granted on the basis of said  
statements and shall have the right to demand immediate  
repayment or liquidation of the obligation.

**THE BANGKO SENTRAL NG PILIPINAS SHALL  
HAVE THE SUPERVISORY AND EXAMINATION  
AUTHORITY OVER THE BANKS TO ENSURE THAT THE**

**AMOUNT OF LOAN APPROVED IS BASED ON THE CAPACITY TO PAY OF THE BORROWING ENTITY AS ATTESTED BY THE INCOME TAX RETURNS AND SUPPORTING FINANCIAL STATEMENTS DULY PREPARED BY A CERTIFIED PUBLIC ACCOUNTANT AND CERTIFIED AS TRUE AND CORRECT BY THE BUREAU OF INTERNAL REVENUE.**

In formulating rules and regulations under this Section, the Monetary Board shall recognize the peculiar characteristics of micro financing, such as cash flow-based lending to the basic sectors that are not covered by traditional collateral.”

**Section 2.** *Repealing Clause* – All laws, orders, rules and regulations, other issuances, or parts thereof, inconsistent with any provision of this Act, are hereby repealed or modified accordingly.

**Section 3.** *Effectivity.* – This Act shall take effect after fifteen (15) days following its publication in two (2) newspapers of general circulation.

Approved,