

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

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**SENATE**

9 MAY 27 PM 12:29

**COMMITTEE REPORT NO. 502**

Submitted by the Committees on Government Corporations and Public Enterprises and on Labor, Employment and Human Resources Development on

MAY 27 2009

Re: Senate Bill No. 2454

Recommending its approval with amendments, taking into consideration Senate Bill No. 1604 and House Bill No. 5922.

Sponsors: Senators Gordon and Ejercito Estrada.

**MR. PRESIDENT:**

The Committees on Government Corporations and Public Enterprises and on Labor, Employment and Human Resources Development to which was referred Senate Bill No. 2454, introduced by Senator Gordon, entitled:

**“AN ACT  
AUTHORIZING THE CONDONATION OF PENALTIES ON  
DELINQUENT SOCIAL SECURITY CONTRIBUTIONS AND FOR  
OTHER PURPOSES”**

taking into consideration Senate Bill No. 1604, introduced by Senator Zubiri, entitled:

**“AN ACT  
AUTHORIZING THE CONDONATION OF PENALTIES ON  
DELINQUENT SOCIAL SECURITY CONTRIBUTIONS AND FOR  
OTHER PURPOSES”**

and House Bill No. 5922, introduced by Representative Del Mar, entitled:

**“AN ACT  
GRANTING THE SOCIAL SECURITY SYSTEM A ONE -TIME  
AUTHORITY TO CONDONE PENALTIES ON UNREMITTED OR  
DELINQUENT CONTRIBUTIONS BY EMPLOYERS”**

have considered the same and have the honor to report Senate Bill No. 2454 back to the Senate with the recommendation that it be approved with the following amendments:

1. On page 2, line 2 of Section 1 (Short Title), delete the year "2008" and substitute it with "2009"
2. On the same page, lines 3 to 13, Section 2 of the bill is amended to read as follows:

**"Sec. 2. Condonation of Penalty. – Any employer who is delinquent or has not remitted all contributions due and payable to the Social Security System (SSS), including those with pending cases either before the Social Security Commission, courts or Office of the Prosecutor involving collection of contributions and/or penalties, may, within six months from the effectivity of this Act:**


- a) remit said contributions or
- b) submit a proposal to pay the same in installments, subject to the Implementing Rules and Regulations which the Social Security Commission may prescribe:

**Provided, that the delinquent employer submits the corresponding collection lists together with the remittance or proposal to pay installments."**

3. On the same page, line 14 Section 3 (Installment Proposal), after the word "event", add the words "that a delinquent"; also delete the article "an" before the word "employer";
4. On the same page, line 15 of the same section, delete the conjunction "and" between the words "to" and "approve";
5. On page 3, lines 1 to 2, still on the same Section, after the word "that", add the words "the installment payments" and delete the provision that reads "such delinquent contributions covered in the installment plan".

Respectfully submitted:

Chairmen:




**JINGGOY EJERCITO ESTRADA**  
*President Pro Tempore*  
*Committee on Labor, Employment*  
*and Human Resources Development*

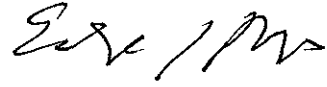


**RICHARD J. GORDON**  
*Committee on Government Committee*  
*Corporations and Public Enterprises*  
**Member, Committee on Labor,**  
*Employment and Human Resources*  
*Development*

Members:



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*Committee on Labor, Employment*  
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**GREGORIO B. HONASAN II**  
*Committee on Labor, Employment*  
*and Human Resources Development*

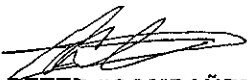
**MANNY VILLAR**  
*Committee on Government*  
*Corporations and Public Enterprises*



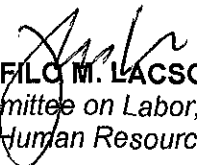
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*Committee on Labor, Employment*  
*and Human Resources Development*

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*Committee on Government*  
*Corporations and Public Enterprises*  
*Committee on Labor, Employment*  
*and Human Resources Development*

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*Committee on Labor, Employment  
and Human Resources Development*




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*Committee on Government  
Corporations and Public Enterprises  
Committee on Labor, Employment  
and Human Resources Development*



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*Committee on Labor, Employment  
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*Committee on Labor, Employment  
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*Committee on Labor, Employment  
and Human Resources Development*

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*Committee on Labor, Employment  
and Human Resources Development*

**Ex-Officio Members:**



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*Majority Leader*



**AQUILINO Q. PIMENTEL, JR.**  
*Minority Leader*

**Honorable JUAN PONCE ENRILE**  
*Senate President  
Senate of the Philippines  
Pasay City*

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8 JUL 21 P 3:33

SENATE  
S. No. 2454

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Introduced by **Senator Richard J. Gordon**

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#### EXPLANATORY NOTE

From 1957 until 2006, the Social Security System (SSS) collected P469.7 Billion in contributions from its members and earned P205.2 Billion from its investments and other activities. Expenditures amounted to a total of P475.8 Billion in benefits and P54.9 Billion in operating expenses. Taken over the 49-year period, the SSS has cumulative revenues of P675.1 Billion, exceeding its cumulative expenditures of P530.7 Billion.

However, the difference between cumulative contributions and cumulative benefits show a deficit of P6.1 Billion. The aforementioned deficit is attributable to the fact that thousands of financially-troubled employers are delinquent or have not remitted all contributions due and payable to the SSS.

For the past two years, the SSS implemented condonation programs on penalties for housing and member loan delinquencies upon approval of the President of the Philippines. This enabled the SSS to improve its loan collection and update its loan accounts. However, for contribution delinquencies, a similar program would require an amendment to Republic Act No. 1161, as amended by Republic Act No. 8282 (or the Social Security Act of 1997). This was done in 1987 and again in 1997, when the SSS Charter was amended. By the end of 1997, the SSS was able to collect P859 Million on delinquent contributions.

As of August 2007, there are 164,111 employers who are delinquent in the payment of mandatory contributions. These figures translate to a total delinquency of P7.713 Billion, consisting of P3.854 Billion in principal obligations and P3.859 Billion in penalties. From experience, collection through court litigation entails a long and tedious process. A contribution delinquency condonation program will facilitate and hasten the extra-judicial settlement of past due contributions from delinquent employers.


To complement the existing reform measures undertaken by the SSS, a one-time condonation of penalties on delinquent social security contributions may be implemented. This measure aims to offer a reprieve to thousands of employers facing financial difficulties, while enabling their employees to resume entitlement to benefits and loans. Hence, the approval of this bill is earnestly requested.

  
RICHARD J. GORDON  
Senator

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SENATE  
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Introduced by Senator Richard J. Gordon

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AN ACT  
AUTHORIZING THE CONDONATION OF PENALTIES ON DELINQUENT  
SOCIAL SECURITY CONTRIBUTIONS, AND FOR OTHER PURPOSES

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

1       **SECTION 1. Short Title.** - This Act shall be known as the "Social Security  
2       Condonation Law of 2008."

3       **Sec. 2. Condonation of Contribution Penalty.** - Notwithstanding the provisions of  
4       Section 30 of Republic Act No. 1161, as amended by Republic Act No. 8282, otherwise  
5       known as the Social Security Act of 1997, any employer who is delinquent or has not  
6       remitted all contributions due and payable to the Social Security System (SSS) may, without  
7       incurring the prescribed penalty:

- 8       a)     remit in full such delinquent principal contribution exclusive of interest and/or  
9       penalties within a period of six months from the effectivity of this Act; or  
10      b)     submit in writing a proposal to pay in installment such delinquent contribution  
11         within a period of six months from the effectivity of this Act.

12       *Provided,* that the employer shall submit together with the remittance or installment  
13       proposal the corresponding collection list.

14       **Sec. 3. Installment Proposal.** - In the event an employer chooses to submit an  
15       installment proposal, the SSS shall give due course to and approve the same, subject to the  
16       implementing rules and regulations as the Social Security Commission shall prescribe;  
17       *Provided that,* the employer shall remit, upon submission of the installment proposal, a  
18       downpayment of not less than ten percent (10%) of its total contribution delinquency;  
19       *Provided further,* that the employer shall remit the balance thereof in equal monthly  
20       installments within a period not exceeding thirty-six (36) months from the date of approval of

1 the proposal; and *Provided finally*, that such delinquent contributions covered in the  
2 installment plan shall bear an interest of not more than twelve percent (12%) per annum.

3 **Sec. 4. Effectivity of Condonation.** - The penalty provided under Section 22(a) of  
4 Republic Act No. 8282 shall be condoned by virtue of this Act when and until all the  
5 delinquent contributions are remitted by the employer to the SSS; *Provided that*, in case the  
6 employer fails to remit in full the required delinquent contributions, or defaults in the  
7 payment of any installment under the approved proposal, within the availment period as  
8 provided in this Act, the penalties are deemed re-imposed from the time the contributions  
9 first became due, to accrue until the delinquent account is paid in full. *Provided further*, for  
10 reason of equity, employers who settled arrears in contributions before the effectivity of this  
11 Act shall likewise have their accrued penalties waived.

12 **Sec. 5. Separability Clause.** - In the event that any provision of this Act is declared  
13 unconstitutional, the validity of the other provisions shall not be affected by such declaration.

14 **Sec. 6. Repealing Clause.** - All laws, decrees, orders, rules and regulations and  
15 other issuances or parts thereof which are inconsistent with the provisions of this Act are  
16 hereby repealed or modified accordingly

17 **Sec. 7. Effectivity.** - This Act shall take effect 15 days following its publication in the  
18 Official Gazette or in at least two newspapers of general circulation.

19 Approved,