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SENATE

S. NO. 789

RECEIVED BY: *ju*

Introduced by Senator Antonio "Sonny" F. Trillanes IV

EXPLANATORY NOTE

Republic Act No. 2338 otherwise known as the Informer's Reward Law was enacted to help the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) run after tax cheats, tax evaders, and smugglers. This law awards fifteen percent (15%) of the amount recovered to any person who voluntarily gives definite information to the BIR and BOC on any tax fraud or smuggling case which results to the recovery of revenues, surcharges or fees and/or conviction of the guilty party.

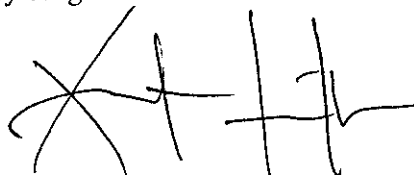
However, this law was modified when the Tax Reform Act of 1997 (RA 8424) was enacted. Section 282 thereof provides that only a mere ten percent (10%) reward or Php 1 Million, whichever is lower, shall be given to any tax informer.

The new law effectively discourages tax informers to report fraud involving Php 10 Million or more because no matter how big the tax frauds and liabilities are involved in a case, an informer would only get a maximum of Php 1 Million.

As a result, collection inefficiency or tax enforcement and administration by the BIR and BOC have deteriorated. Meanwhile, collection goals and targets are not attained while the so-called "vaunted drive" of the government to improve tax collections, administration and enforcement has yet to bear fruit.

Tax collection during the term of President Arroyo, declined to a low of 12 percent, from the 18 percent of former President Fidel Ramos.¹ President Aquino himself, when he ran for office, vowed to recover the P150-billion annual leakage in the collection of taxes. It is hoped that with the passage of this bill, revenue collection will be reflective of the President's laudable vision of "Daang Matuwid".

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



ANTONIO "SONNY" F. TRILLANES IV
Senator

¹ Noytoy vows to recoup P150-billion annual tax leakage. Information retrieved from <http://www.philstar.com/business/552286/noynoy-vows-recoup-p150-billion-annual-tax-leakage> on 6/26/2013

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



Senate
Office of the Secretary

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SENATE

S. NO. 789

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Introduced by Senator Antonio "Sonny" F. Trillanes IV

AN ACT

CONSOLIDATING THE LAWS GRANTING REWARDS TO INFORMERS OF VIOLATIONS OF INTERNAL REVENUE AND CUSTOMS LAWS, REPEALING FOR THIS PURPOSE SECTION 282 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, SECTION 3513 OF THE TARIFF AND CUSTOMS CODE OF THE PHILIPPINES, AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Any person, except internal revenue or customs officials or employees,
2 or any public official or employee, or said officials' or employees' relative within the third
3 degree of consanguinity or affinity, who voluntarily gives definite and sworn information, not
4 yet in the possession of the Bureau of Internal Revenue (BIR) or the Bureau of Customs (BOC),
5 stating facts personally known to him which could lead to the discovery of fraud upon the
6 internal revenue or customs laws, or violation of any provision thereof, thereby resulting in the
7 recovery of revenues, surcharges and fees and/or the conviction of the guilty party and/or the
8 imposition of any fine or penalty, shall be rewarded in a sum equivalent to ten percent (10%) of
9 the revenues, surcharges or fees actually recovered and/or fine penalty imposed and actually
10 collected. The same amount of reward shall also be given to informers in cases where the
11 violator has offered to compromise the violation of law committed by him and his offer has
12 been accepted by the Commissioner on Internal Revenue or the Commissioner of Customs, as
13 the case may be, and in such case, the ten percent (10%) reward fixed herein shall be based on
14 the amount agreed upon in the compromise and actually collected from the violator, *Provided*
15 *further*, That should no revenues, surcharges or fees and/or fine or penalty is actually recovered
16 or collected in accordance with law, such persons should not be entitled to a reward: *Provided*
17 *finally*, That the information required shall not refer to a case already pending or previously

1 investigated or examined by the Commissioner of Internal Revenue or the Commissioner of
2 Customs, or any of their deputies, agents or examiners, as the case may be, and that the reward
3 provided herein shall be paid under regulations issued by the Secretary of Finance.

4 The reward herein authorized shall be paid out of revenues, surcharges or fees and/or fine
5 or penalty actually recovered or collected and accounted for in accordance with law as a result of
6 the information furnished by the informer.

7
8 **SEC. 2.** (a) Applications for rewards granted herein amounting to One million pesos
9 (Php1,000,000.00) and below shall be filed by the informer with the Office of the Commissioner
10 of the BIR or the Commissioner of the BOC, as the case may be, who shall render a final
11 disposition thereof.

12 (b) Applications for rewards granted herein amounting to more than One million pesos
13 (Php1,000,000.00) shall, upon the approval of the reward, be automatically reviewed by the
14 Secretary of Finance.

15 (c) In both cases, the rewards granted shall be paid to the informer only after revenues,
16 surcharges or fees and/or fine or penalty actually recovered or collected in accordance with law,
17 and after all reports and documents required for the evaluation and approval of the claim for
18 informer's reward, including the endorsement by the Commissioner of the BIR of the
19 Commissioner of the BOC, as the case may be, shall have been submitted to the Department of
20 Finance (DOF) in the appropriate cases.

21 (d) The rewards of the informers shall be subject to income tax, collected as a final
22 withholding tax, at the rate of twenty percent (20%).

23
24 **SEC. 3.** It shall be unlawful for any official or employee of the BIR, the BOC or the DOF
25 to disclose or reveal the name of any informer. The identity of the informer shall not be revealed
26 except (a) when the informer has given his written consent; or (b) when the information he has
27 provided is proven to be malicious or false.

1 Disclosure of such confidential information shall be punished by a fine of not less than
2 Five hundred thousand pesos (Php500,000.00) but not more than One million pesos
3 (Php1,000,000.00) and suffer imprisonment of not less than ten (10) years but not more than
4 fifteen (15) years and shall likewise suffer an additional penalty of perpetual disqualification to
5 hold public office, to vote and to participate in any public election.

6 Should the information later turn out or be proven to be false or have been made only for
7 the purpose of harassing, molesting or in any way prejudicing the person so denounced, the
8 person so denounced shall be entitled to any action, criminal or civil, as the facts may warrant.
9

10 **SEC. 4.** The following laws or provisions of laws are hereby repealed:

11 (a) Section 282 of Republic Act No. 8424, the National Internal Revenue Code of 1997, as
12 amended;

13 (b) Section 3513 of the Tariff and Customs Code of the Philippines, as amended;

14 (c) Republic Act No. 2338 entitled, "An Act to Provide for Reward to Informers of Violations of
15 the Internal Revenue and Customs Laws, as Amended"; and

16 (d) All other laws, decrees, executive orders, issuances and rules and regulations or parts thereof
17 that are contrary to and inconsistent with any provision of this Act are hereby repealed,
18 amended or modified accordingly.
19

20 **SEC. 5.** If any part or provision of this Act is subsequently declared unconstitutional, the
21 validity of the remaining provisions hereof which shall remain in full force and effect.
22

23 **SEC. 6.** This Act shall take effect fifteen (15) days after its publication in the Official
24 Gazette or in a newspaper of general circulation, whichever comes first.

Approved,