

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



Senate
Office of the Secretary

'16 AUG -8 P 6:56

SENATE

RECEIVED

BY: 

S.B. No. 1009

Introduced by Senator **SONNY ANGARA**

AN ACT
AMENDING SECTION 24 AND 25 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REMOVING THE
TAX EXEMPTION ON SWEEPSTAKES AND LOTTO WINNINGS IN THE PHILIPPINES

EXPLANATORY NOTE

While the clamor for the indexation and lowering of personal and corporate income tax rates has already gained ground, it is prudent to find ways of generating additional sources of income to minimize the possible loss in the government coffers. We must uphold fiscal responsibility to ensure that the economic gains and the sound fiscal environment we have achieved during the previous administration will not be put to naught and instead be sustained and improved.

Thus, this bill seeks to limit the tax exemptions on sweepstakes and lotto winnings from the Philippine Charity and Sweepstake Office (PCSO). The 20-percent final tax shall now be imposed only to PCSO winnings amounting to P1 million and above. In 2014, PCSO jackpot prizes reached P2.9 billion while low-tier prizes reached P8.2 billion¹. Without the tax exemption, the winnings could have translated to more than P2.2 billion in government revenues.

This measure also ensures that any tax on PCSO winnings would accrue only to the Philippine government. It should be recalled that in November of 2010, a balikbayan, who is already a US citizen, paid almost P200 million in taxes to the United States Internal Revenue Services after winning the P741-million jackpot prize in the grand lotto draw². With jackpot prizes reaching hundreds of millions of pesos, we must ensure that the benefits from PCSO sweepstakes and lotto would go to the Philippine government, bearing in mind that any amount of taxes paid eventually translates to better social programs and public services for the Filipino people.

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


SONNY ANGARA

¹ 2014 Commission on Audit (COA) Annual Audit Report on PCSO.

² <http://www.philstar.com/headlines/687909/pcso-mulls-20-percent-tax-lottery-winnings>.



Senate
Office of the Secretary

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

'16 AUG -8 P 6:56

SENATE

RECEIVED

BY: 

S.B. No. 1009

Introduced by Senator **SONNY ANGARA**

AN ACT

AMENDING SECTION 24 AND 25 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REMOVING THE TAX EXEMPTION ON SWEEPSTAKES AND LOTTO WINNINGS IN THE PHILIPPINES

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

1 **SECTION 1.** Section 24 (B) (1) of the National Internal Revenue Code (NIRC) of 1997, as
2 amended, is hereby further amended to read as follows:

3
4 "Sec. 24. Income Tax Rates. –

5 (A) xxx

6 (B) Rate of Tax on Certain Passive Income.

7 (1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of
8 twenty percent (20%) is hereby imposed upon the amount of interest from any
9 currency bank deposit and yield or any other monetary benefit from deposit
10 substitutes and from trust funds and similar arrangements; royalties, except on
11 books, as well as other literary works and musical compositions, which shall be
12 imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten
13 thousand pesos (P10,000) or less which shall be subject to tax under Subsection
14 (A) of Section 24; and other winnings (except Philippine Charity Sweepstakes
15 and Lotto winnings **AMOUNTING TO ONE MILLION PESOS (P1,000,000) OR
16 LESS**), derived from sources within the Philippines:: Provided, however, That
17 interest income received by an individual taxpayer (except a nonresident
18 individual) from a depository bank under the expanded foreign currency deposit
19 system shall be subject to a final income tax at the rate of seven and one-half
20 percent (7 1/2%) of such interest income: Provided, further, That interest income
21 from long-term deposit or investment in the form of savings, common or
22 individual trust funds, deposit substitutes, investment management accounts and
23 other investments evidenced by certificates in such form prescribed by the
24 Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under
25 this Subsection: Provided, finally, That should the holder of the certificate pre-

1 terminate the deposit or investment before the fifth (5th) year, a final tax shall be
2 imposed on the entire income and shall be deducted and withheld by the
3 depository bank from the proceeds of the long-term deposit or investment
4 certificate based on the remaining maturity thereof:

5 xxx

6
7 **SEC. 2.** Section 25 (A) (2) of the National Internal Revenue Code (NIRC) of 1997, as amended,
8 is hereby further amended to read as follows:

9
10 **"Section 25.** Tax on Nonresident Alien Individual. –

11 (A) Nonresident Alien Engaged in trade or Business Within the Philippines. –

12 (1) xxx.

13 (2) *Cash and/or Property Dividends from a Domestic Corporation or Joint Stock*
14 *Company, or Insurance or Mutual Fund Company or Regional Operating*
15 *Headquarter or Multinational Company, or Share in the Distributable Net Income*
16 *of a Partnership (Except a General Professional Partnership), Joint Account,*
17 *Joint Venture Taxable as a Corporation or Association., Interests, Royalties,*
18 *Prizes, and Other Winnings.* – Cash and/or property dividends from a domestic
19 corporation, or from a joint stock company, or from an insurance or mutual fund
20 company or from a regional operating headquarter of multinational company, or
21 the share of a nonresident alien individual in the distributable net income after tax
22 of a partnership (except a general professional partnership) of which he is a
23 partner, or the share of a nonresident alien individual in the net income after tax
24 of an association, a joint account, or a joint venture taxable as a corporation of
25 which he is a member or a co-venturer; interests; royalties (in any form); and
26 prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which
27 shall be subject to tax under Subsection (B)(1) of Section 24) and other winnings
28 (except Philippine Charity Sweepstakes and Lotto winnings **AMOUNTING TO**
29 **ONE MILLION PESOS (P1,000,000) OR LESS**), shall be subject to an income
30 tax of twenty percent (20%) on the total amount thereof: Provided, however, that
31 royalties on books as well as other literary works, and royalties on musical
32 compositions shall be subject to a final tax of ten percent (10%) on the total
33 amount thereof: Provided, further, That cinematographic films and similar works
34 shall be subject to the tax provided under Section 28 of this Code: Provided,
35 furthermore, That interest income from long-term deposit or investment in the
36 form of savings, common or individual trust funds, deposit substitutes, investment
37 management accounts and other investments evidenced by certificates in such
38 form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from
39 the tax imposed under this Subsection: Provided, finally, that should the holder of
40 the certificate pre-terminate the deposit or investment before the fifth (5th) year, a
41 final tax shall be imposed on the entire income and shall be deducted and

1 withheld by the depository bank from the proceeds of the long-term deposit or
2 investment certificate based on the remaining maturity thereof: xxx
3

4 **SEC. 3. *Implementing Rules and Regulations.*** Within sixty (60) days after the effectivity of
5 this Act, the Philippine Charity and Sweepstakes Office and the Bureau of Internal Revenue
6 shall recommend to the Secretary of the Department of Finance, for promulgation, the
7 necessary rules and regulations necessary for the effective implementation of this Act.
8

9 **SEC. 4. *Repealing Clause.*** All laws, orders, rules, regulations and other issuances or parts
10 thereof, which are inconsistent with the provisions of this Act, are hereby revoked, repealed or
11 modified accordingly.
12

13 **SEC. 5. *Separability Clause.*** Should any provision herein be declared unconstitutional, the
14 same shall not affect the validity of the other provisions of this Act.
15

16 **SEC. 6. *Effectivity.*** This law shall take effect fifteen (15) days after its publication in the Official
17 Gazette or in a newspaper of general circulation.
18

19 Approved,