

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



24 MAY 21 P 4 :38

SENATE

S. No. 2689

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Introduced by Senator Win Gatchalian

**AN ACT
REPEALING FOR THE PURPOSE REPUBLIC ACT NUMBERED ELEVEN
THOUSAND FIVE HUNDRED NINETY, OTHERWISE KNOWN AS "AN ACT
TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS", AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

In 2016, the Philippine Amusement and Gaming Corporation (PAGCOR) started accepting licensing applications of Philippine Offshore Gaming Operators (POGO). During that time, the government allowed POGOs partly to replace the revenue lost [*i.e.*, around Ten Billion Pesos (PhP10,000,000,000) annually] from shutting down e-bingo and e-games through new licensing fees.¹

On 22 September 2021, Republic Act No. 11590 or "An Act Taxing Philippine Offshore Gaming Operations" was signed into law by President Rodrigo Roa Duterte. The POGO industry has undoubtedly boosted the Philippines' economy. However, while the POGOs has brought in revenue and jobs, the Philippines has grappled with a surge in POGO-related crimes, raising concerns about the industry's overall impact. A number of incidents have come to the Senate's attention, raising serious concerns, and prompting calls for investigation, such as the following:

- ***Raid in Clark:*** On 04 May 2023, law enforcers raided the compound of Colorful and Leap Group Company (*i.e.*, suspected to be a POGO hub inside the Clark Freeport Zone). It led to the rescue of 919 foreigners and 129 Filipinos who were allegedly

¹ Cordero, T., GMA News Online: "PAGCOR now processing offshore gaming licenses" (14 September 2016), available at: <https://www.gmanetwork.com/news/money/companies/581339/pagcor-now-processing-offshore-gaming-licenses/story/> (Date last accessed: 14 May 2024).

forced to work for a fraudulent cyber-enabled industry, victimizing their fellow citizens.²

- *Raid in Las Piñas*: On 27 June 2023, the National Capital Region Police Office (NCRPO) raided the premises of Xinchuang Network Technology, Inc. (formerly known as “Hong Tai”), a PAGCOR-accredited POGO service provider, wherein 2,724 suspected victims (*i.e.*, 1,190 foreigners and 1,534 Filipinos) of human trafficking were rescued at the compound along Alabang Zapote Road in Barangay Almanza Uno.³
- *Raid in Pasay*: On 27 October 2023, an anti-human trafficking task force led by the Presidential Anti-Organized Crime Commission (PAOCC) conducted a raid on Smart Web Technology Corp., an Internet Gaming Licensee (IGL) of the PAGCOR previously operating under two companies that were both PAGCOR-accredited POGO service provider (*i.e.*, Freego Gaming OPC and Xushen Technology Corp.), located in Pasay City. It was discovered that the premises houses aquarium-style viewing chambers, a torture chamber, and massage parlors allegedly being used for prostitution.⁴ It was also found that Smart Web was involved in alleged labor trafficking and online crypto investment and love scams.⁵
- *Raid in Tarlac*: On 13 March 2024, authorities led by PAOCC raided the premises of Zun Yuan Technology, Inc., a grantee of provisional IGL, at the biggest offshore gaming operations compound in Bamban, Tarlac. The raid stemmed from a complaint filed by a Vietnamese escapee for alleged human trafficking and serious legal detention. During the search, they found scripts of a love scam modus and confiscated smartphones and iPhones with possible scam transactions.⁶

² Dalizon, A., People’s Journal: “11 Asian nat’ls face human trafficking raps over Clark raid” (05 May 2023), available at: <https://journalnews.com.ph/11-asian-natls-face-human-trafficking-raps-over-clark-raid/#gsc.tab=0> (Date last accessed: 14 May 2024).

³ Tupas, E. & Galvez, D., The Philippine Star: “2,724 POGO workers rescued in Las Piñas” (28 June 2023), available at: <https://www.philstar.com/nation/2023/06/28/2277042/2724-pogo-workers-rescued-las-pias> (Date last accessed: 14 May 2024).

⁴ Bautista, N., The Philippine Star: “Pasay shuts down POGO sex dens” (02 November 2023), available at: <https://www.philstar.com/nation/2023/11/02/2308282/pasay-shuts-down-pogo-sex-dens#:~:text=MANILA%2C%20Philippines%20—%20The%20Pasay%20City,for%20allegedly%20having%20prostitution%20dens>. (Date last accessed: 15 May 2024).

⁵ Manabat, J., Rappler: “Internet gaming license hub raided in Pasay over alleged human trafficking” (28 October 2023), available at: <https://www.rappler.com/philippines/internet-gaming-license-hub-raided-human-trafficking-october-27-2023/#:~:text=Smart%20Web%20is%20the%20first,to%20PAOCC%20Undersecretary%20Gilbert%20Cruz>. (Date last accessed: 15 May 2024).

⁶ Manabat, J., Rappler: “Authorities raid POGO compound in Tarlac over alleged human trafficking” (13 March 2024), available at: <https://www.rappler.com/nation/luzon/raid-pogo-compound-tarlac-march-13-2024/> (Date last accessed: 15 May 2024).

Public outcry over POGO-related crimes has fueled calls for a ban on the industry, and the calls were further intensified due to economic costs brought by such operations. According to the cost-benefit analysis conducted by the Department of Finance (DOF) in 2022, POGO operations generated economic benefits worth PhP 133.7 to 144.5 billion annually. On the other hand, POGO operations entailed a staggering cost of PhP 147.7 billion annually due to foregone potential investments and tourism revenues, alongside costs associated in enforcement and immigration. This resulted in a net cost of about PhP 3.3 to 14 billion annually, which was equivalent to 0.01% to 0.06% of GDP, respectively. This insinuated that POGO operations have brought more harm than good, as the economic costs greatly outweigh the benefits derived from such operations.

Beyond the financial impact, the rise in human trafficking and online scams linked to POGOs is a moral failing we must address. Article II, Section 11, states that: *"The State values the dignity of every human person and guarantees full respect for human rights."* Further, in the Bill of Rights of the Constitution, Article III, Section 18 (2), provides that: *"No involuntary servitude in any form shall exist except as punishment for a crime whereof the party shall have been duly convicted."* As legislators, it is our lawful and paramount duty to protect our citizens from human rights abuses.

Therefore, in response to ongoing concerns, this bill seeks to repeal the taxability of offshore gaming as provided in RA No. 11590, which is the only law that acknowledges and legitimizes POGO operations in the Philippines. By doing so, the intent is not to go back to old tax regime, but to repeal the legitimacy of its operations and activities thereof. Its main goal is ultimately to outlaw and prohibit offshore gaming operations (*i.e.*, now known as internet gaming operations) in the Philippines.

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



WIN GATCHALIAN

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AN ACT
REPEALING FOR THE PURPOSE REPUBLIC ACT NUMBERED ELEVEN THOUSAND FIVE HUNDRED NINETY, OTHERWISE KNOWN AS "AN ACT TAXING PHILIPPINE OFFSHORE GAMING OPERATIONS", AND FOR OTHER PURPOSES

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

1 Section 1. *Declaration of Policy.* – It is a declared constitutional principle of the
2 State that the maintenance of peace and order, the protection of life, liberty, and
3 property, and the promotion of the general welfare are essential for the enjoyment by
4 all the people of the blessings of democracy.

5 As such, it is the policy of the State to ensure the development and protection
6 of the spiritual, moral, and social well-being of the people, especially the youth, the
7 promotion and maintenance of peace, law and order, and the promotion and
8 preservation of moral values, human dignity, and honest labor.

9 Thus, as a declared policy, the State should prohibit any activities and
10 operations directly attributable to Philippine Offshore Gaming Operations as it has
11 increasingly become a social menace and a source of unimaginable corruption. It has
12 made a mockery of our anti-money laundering, immigration, and tax laws. It has been
13 a source of untold criminal offenses and heinous crimes related to the conduct of such
14 operations, especially human trafficking laws. But most of all, it has displaced hard-
15 working Filipino people in favor of foreign workers. It has dissipated the energy and

16 resources of our people and there is a need to effectively combat this social menace
17 because of its increasing danger to the State and its citizens.

18 It is therefore imperative to repeal the only law that legitimizes offshore gaming
19 operations and, in effect, declare illegal the offshore gaming operations in the
20 Philippines.

21 *Sec. 2. Repealing Clause.* – Republic Act No. 11590, otherwise known as “An
22 Act Taxing Philippine Offshore Gaming Operations, Amending for the Purpose Sections
23 22, 25, 27, 28, 106, 108, and Adding New Sections 125-A and 288(G) of the National
24 Internal Revenue Code of 1997, as Amended, and For Other Purposes”, is hereby
25 repealed.

26 All issuances of the Philippine Amusement and Gaming Corporation (PAGCOR)
27 or any special economic zone authority or tourism zone authority or freeport authority
28 that issued license to any Philippine Offshore Gaming Operator on taxes, regulatory
29 fees and permits, and the Bureau of Internal Revenue issuances on Philippine Offshore
30 Gaming Operations are likewise repealed.

31 *Sec. 3. Report to Congress.* – Not later than one (1) year after the date of the
32 effectivity of this Act, and three (3) years thereafter, the PAGCOR or any special
33 economic zone authority or tourism zone authority or freeport authority that issued a
34 license to any Philippine Offshore Gaming Operator shall submit a Report to the
35 Congress, particularly on the Committee on Ways and Means, on the cancellation of
36 all licenses that are issued relating to offshore gaming operations.

37 The report shall contain pertinent information as may be required by Congress
38 with respect to the requirements of this Act.

39 *Sec. 4. Effectivity.* – This repealing Act shall take effect upon its approval.

Approved,