

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

7 JUL -3 10:20

SENATE

RECEIVED BY: 

Senate Bill No. 681

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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### EXPLANATORY NOTE

The Armed Forces of the Philippines (AFP) Modernization Program was created by virtue of Republic Act No. 7898 which was signed into law in 1995. The program consists of several components such as force restructuring and organizational program, capability, material and technology development, bases and/or support system development, human resource development, and doctrines development.

Several years after its establishment, however, it has yet to be fully implemented, the hindrance to which has been lack of resources. Despite the establishment of the AFP Modernization Act Trust Fund, a separate and distinct item from the regular annual appropriations of the Department of National Defense and the AFP itself, the necessary allocation for the program's component such as the upgrading of weapon equipment, for example, could not be supported by the trust fund alone. Thus the other sources would have to be tapped to augment the limited sources of the Trust Fund.

Hence, this bill. It seeks to allocate and transfer to the AFP Modernization Trust Fund the following items representing the share of the National Government from the taxes, royalties and charges collected from the Malampaya Natural Gas Project:

1. Excise taxes collected under Section 151 of the National Internal Revenue Code of 1997;
2. Other applicable mining taxes, royalties and other such taxes, fees or charges, including surcharges, interests and fines, authorized by existing laws, issuances or regulations.

Furthermore, the bill seeks to allocate collections made by the Bureau of Internal Revenue from capital gains tax and value-added tax on the sale of real properties to the AFP Modernization Act Trust Fund. Needless to say, the proceeds from such taxes will go a long way in realizing the thrust of the AFP Modernization program in terms of weapons systems, technology and bases development. In view of the foregoing, the approval of this bill is earnestly sought

  
JINGGOY EJERCITO ESTRADA  
Senator

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**AN ACT**  
**ALLOCATING TO THE AFP MODERNIZATION ACT TRUST FUND THE**  
**COLLECTION FROM CAPITAL GAINS TAX AND VALUE-ADDED TAX ON**  
**THE SALE OF REAL PROPERTY AND THE SHARE OF THE NATIONAL**  
**GOVERNMENT ON ALL TAXES, ROYALTIES AND CHARGES COLLECTED**  
**FROM THE MALAMPAYA NATURAL GAS PROJECT**

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

**SECTION 1** - All proceeds from the collections from capital gains tax and value added tax on sale of real property as provided under Sections 24 (D), 25(A) (3) (3), 27 (D) (5) and 106 of the National Internal Revenue Code of 1997 as well as the National Government from all taxes, charges, royalties, including related interests and fines from mining, exploration and/or utilization of Malampaya Natural Gas Project shall be directly transferred to the AFP Modernization Act Trust Fund.

The transfer and remittance of such proceeds to the AFP Modernization Act Trust Fund shall be done in the manner prescribed under item 4.3 of Joint Circular No. 4-98 issued by the Department of Finance, Department of Budget and Management and Commission on Audit on the proper handling of the AFP Modernization Act Trust Fund.

**SEC 2.** The Secretaries of Finance, National Defense and Budget and Management shall promulgate and publish the necessary rules and regulations for the effective implementation of this Act.

**SEC 3.** All laws, decrees, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

**SEC. 4.** This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

*Approved,*