

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

8 JUL 21 P3:33

SENATE
S. No. 2454

RECEIVED BY: 

Introduced by **Senator Richard J. Gordon**

EXPLANATORY NOTE

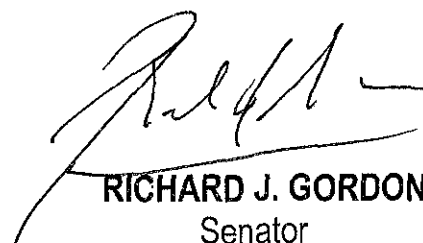
From 1957 until 2006, the Social Security System (SSS) collected P469.7 Billion in contributions from its members and earned P205.2 Billion from its investments and other activities. Expenditures amounted to a total of P475.8 Billion in benefits and P54.9 Billion in operating expenses. Taken over the 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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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,