



HOUSE OF REPRESENTATIVES

H. No. 2996

BY REPRESENTATIVES SUAREZ, MARCOS, DOMOGAN, NEPOMUCENO, LAPUS, ANDAYA, ABAYON, TEVES, SILVERIO, MAGSAYSAY (M.), ABAYA, ALCALA, BIAZON, CHUNGALAO, MACARAMBON, ORTEGA, REMULLA (J.C.), ROMAN, UMALI (A.V.), VILLAFUERTE, CODILLA, ALMARIO, SINGSON, FIGUEROA, PUENTEVELLA AND MACAPAGAL ARROYO, PER COMMITTEE REPORT NO. 28

AN ACT PROVIDING FOR OPTIMUM PERFORMANCE IN REVENUE COLLECTION THROUGH THE GRANT OF SPECIAL INCENTIVES AND REWARDS FOR EXEMPLARY SERVICE AND THROUGH LATERAL ATTRITION IN REVENUE-GENERATING AGENCIES OF GOVERNMENT 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 the policy of the State to
2 give highest priority to measures that will promote morale, efficiency,
3 integrity, credibility, responsiveness, progressiveness and optimization of
4 all potentials in revenue-generation of the government. Towards this end,
5 optimum performance of the government's revenue-generating agencies, at
6 all levels, shall be assured through the institution of a special reward-

1 incentive system for exemplary service and a system of lateral attrition in
2 these specific agencies.

3 SEC. 2. *Definition of Terms.* – As used in this Act, the following
4 terms shall mean:

5 (a) “Lateral attrition” - the transfer in post or assignment in
6 accordance with Civil Service laws, rules and regulations, of internal
7 revenue or customs officials/officers/employees and collection
8 officials/officers/employees of other revenue-generating units, who do not
9 meet their respective revenue or collection goals for the year with all due
10 considerations being taken;

11 (b) “Revenue-generating agencies” - refer to the following
12 government agencies categorized as follows:

13 (b.1) those primarily engaged in revenue generation like the
14 Bureau of Internal Revenue and Bureau of Customs;

15 (b.2) those under the different departments of the Executive
16 Branch earning an income of at least One hundred million pesos
17 (P100,000,000.00) per annum from fees and charges collected as
18 imposition of these concerned agencies; and

19 (b.3) those government owned and/or -controlled corporations
20 deriving their income from game of chance and/or lottery: *Provided,*
21 *however,* That the Bangko Sentral ng Pilipinas and the Bureau of Treasury
22 shall not be considered revenue generating agencies under this Act.

1 (c) "Revenue or collection goals" - refer to the original revenue
2 target of the agency concerned during a given budget year as reflected in
3 the Budget of Expenditures and Sources of Financing (BESF) submitted by
4 the President to Congress; and

5 (d) "Attributable officials/officers/employees" - are those employed
6 in revenue-generating agencies who are involved in the assessment,
7 licensing, examination, and collection of revenues (such as national
8 internal revenue taxes like income tax, value added tax, estate and donor's
9 tax, documentary stamp tax, excise tax and percentage tax), tariffs,
10 charges, duties, fees, penalties and other legal payments to the government.

11 SEC. 3. *Coverage.* - The system of special rewards and incentives
12 and the system of lateral attrition shall cover the revenue and customs
13 officials/officers from the district level up to the Commissioner of the
14 BIR/BOC and their parallel set-up in other revenue-generating agencies,
15 including those employed in government owned and/or -controlled
16 corporations (GOCCs) whose coverage shall be subject to the provisions of
17 their respective charters and oversight review by the concerned committees
18 of Congress.

19 SEC. 4. *System of Special Incentives and Rewards.* - A system of
20 special incentives and rewards in revenue collection shall be established to
21 motivate collection officials/officers/employees to render exemplary
22 service while upholding the highest ethical standards. This shall be

1 awarded to all those who have accomplished the revenue collection goal in
2 their respective units/areas of responsibility.

3 The special incentives system shall automatically allocate no less
4 than five percent (5%) of the collection in excess of the target as validated
5 by the Development Budget Coordinating Committee created under
6 Executive Order No. 232, series of 1970, as amended for the period under
7 consideration to be shared as follows:

8 (1) Sixty percent (60%) of the percentage allocated pursuant to the
9 preceding paragraph shall be given to the officials/officers/employees of
10 the local agency level which exceeded their target; and

11 (2) The remaining forty percent (40%) shall be centralized to the
12 national agency level to be distributed to the officials/officers/employees
13 of the whole agency, except when there is a nationwide shortfall.

14 Likewise, the rewards to revenue collection officials/officers/
15 employees may take the form of bonuses, citations, local and foreign
16 scholarship grants, and the like, depending on the extent of involvement in
17 the attainment of the revenue targets.

18 SEC. 5. *Incentives and Rewards Fund.* — An incentives and rewards
19 fund shall be created from the amount equivalent to no less than five
20 percent (5%) of the collection in excess of the target
21 revenue of the year under consideration. The fund

1 which shall be treated as a Special Account in the General Fund shall be
2 automatically appropriated. All amounts accruing to the Special Account
3 shall be utilized for the payment of special incentives and rewards pursuant
4 to Section 4 of this Act.

5 S.C. 6. *System of Lateral Attrition and Procedures.* – There shall
6 be a system of lateral attrition which shall be an instrument to improve or
7 maintain the revenue-collection performance of the BIR, the BOC and
8 other revenue-generating agencies.

9 The form of lateral attrition shall depend on the percentage of the
10 shortfall with respect to the revenue or collection goal. It shall be in the
11 form of a transfer to a post of less responsible duties when the shortfall is
12 at least three percentum (3%) but does not exceed six percentum (6%) of
13 the revenue or collection goal, transfer of post or re-assignment to a lower-
14 ranking district or area or demotion to a lower post when the shortfall
15 exceeds six percentum (6%) but is less than ten percentum (10%), and
16 separation from service of the concerned attritable
17 official/officer/employee when the shortfall is at least ten percentum
18 (10%): *Provided,* That any separation under this section shall be made in
19 accordance with Civil Service laws and rules.

20 The system of lateral attrition shall be applied only after careful and
21 proper review by the Revenue Performance Evaluation Board as provided
22 for in Section 8 hereof and after compliance with the substantive and

1 procedural due processes as required by the Civil Service laws and rules:
2 *Provided*, That an official/officer/employee affected by lateral attrition
3 shall be given the right to appeal with the Civil Service Commission in
4 accordance with Civil Service laws and rules, and finally to the Supreme
5 Court without prejudice to implementation of the decision of the Revenue
6 Performance Evaluation Board during the pendency of the case.

7 *SEC. 7. Separation Benefits of Officials/Officers/Employees*
8 *Affected by Lateral Attrition.* – National government officials/officers/
9 employees displaced or separated from the service as a result of lateral
10 attrition shall be allowed to retire under existing retirement laws to which
11 they are entitled to or to receive separation pay and other benefits in
12 accordance with existing laws, rules and regulations. However, they are
13 perpetually disqualified from holding public office.

14 *SEC. 8. Revenue Performance Evaluation Board for Special*
15 *Incentives and Rewards and Lateral Attrition.* – An administrative body, to
16 be known as the Revenue Performance Evaluation Board, hereinafter
17 referred to as the Board, is hereby created. For the BIR and the BOC, the
18 Board shall include the Secretaries of the Departments of Finance (DOF)
19 and Justice (DOJ), one representative from the Office of the President, the
20 Deputy Commissioner of Internal Revenue/Deputy Commissioner of
21 Customs in charge of Administration, two representatives from the
22 academe and/or non governmental organizations, the thrust of which

1 relates primarily to public accountability or good governance, a
2 representative from the recognized employees' organization in the agency
3 concerned, and a representative of a recognized officers' organization if
4 any. Said Board shall be chaired by the Secretary of the DOF. For other
5 revenue-generating agencies under the Executive Branch, the same level
6 and composition of the Board shall be created.

7 The Board shall be responsible for issuing the rules and procedures
8 in the conduct of the revenue performance evaluation and shall receive
9 additional *per diem* in line with the performance of their added tasks as
10 specified in this Act.

11 The Board is given a maximum period of two months to resolve an
12 attritable case.

13 In the determination by the Revenue Performance Evaluation Board
14 of whether the form of lateral attrition is transfer of post or separation from
15 the service, the degree or level of nonperformance or nonattainment of
16 revenue targets, with all due considerations taken, shall be the determining
17 factor. No lateral attrition in the form of separation from the service
18 shall be applied or imposed by the Revenue Performance Evaluation
19 Board on an attritable official, officer, employee unless the
20 official's/officer's/employee's revenue collection falls short of the target
21 by ten percent (10%), with all due considerations taken, unless there is
22 evidence of graft and corruption.

1 SEC. 9. *Secretariat.* – The Revenue Performance Evaluation Board
2 shall have the Civil Service Commission Secretariat as the principal
3 secretariat in providing staff support to the Board, assisted by personnel
4 from the Departments of Finance and Justice.

5 SEC. 10. *Exemptions.* – The system of lateral attrition shall not
6 apply in the following instances:

7 (a) Where the district or area of responsibility covered by revenue,
8 customs, and other collection officials/officers/employees has suffered
9 from economic difficulties brought about by natural or man-made
10 calamities, industry setback in the market, regional financial crisis, and like
11 situations;

12 (b) Where the district or area of responsibility is newly-created, not
13 exceeding two years in operation, and has no historical record of collection
14 performance that can be used as basis for evaluation; and

15 (c) Where the revenue or customs official/officer/employee is a
16 recent transferee in the middle of the period under consideration unless the
17 transfer was due to nonperformance of revenue targets or potential
18 nonperformance of revenue targets.

19 SEC. 11. *Annual Reports.* – The Office of the Secretary of the
20 Department with revenue-generating agencies which are under its
21 jurisdiction and other revenue-generating agencies which are named in this

1 Act, shall monitor and render an annual report to the President and the
2 Congress and make public the extent of their compliance with the law.

3 Likewise, in close coordination with the Civil Service Commission,
4 the Department concerned shall also conduct a personnel effectiveness
5 audit of the revenue-generating agencies to determine the optimum
6 performance of officials/officers/employees and full utilization of
7 personnel.

8 SEC. 12. *Rules and Regulations.* – All revenue-generating agencies
9 named in this Act, together with the Civil Service Commission, shall issue
10 the necessary rules and regulations for the effective implementation of this
11 Act.

12 SEC. 13. *Congressional Oversight Committee.* – There is hereby
13 created a congressional oversight committee composed of the chairmen of
14 the House Committees on Ways and Means, Oversight and Appropriations
15 and their Senate counterparts.

16 The Oversight Committee shall have the power to promulgate its
17 own rules, to oversee the implementation of this Act, and to review or
18 revise the implementing rules issued by the Revenue Performance
19 Evaluation Board within thirty (30) days from the promulgation of the said
20 rules.

21 SEC. 14. *Separability Clause.* – If any of the provisions of this Act
22 is declared invalid by a competent court, the remainder of this Act or any

1 provision not affected by such declaration of invalidity shall remain in
2 force and effect.

3 SEC. 15. *Repealing Clause.* – All laws, presidential decrees,
4 executive orders, other executive issuances, or parts thereof, which are
5 inconsistent with this Act are hereby repealed or modified accordingly.

6 SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days
7 after its publication in at least two newspapers of general circulation.

Approved,

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