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I believe that in this particular case, we have to clarify and concede that the use of the PACC appears to be unauthorized.

Senator Webb: But, Mr. President, in that particular report of the PACC to the NSC, it stated that they have a total of 3,858 raids on illegal gambling joints and they netted P4,200,000. Being a former Chairman of the Committee on Games and Amusement, I would like to inform the Body also that this Representation is now in the process of crafting a bill which would take the possibility of somehow allowing the game of *jueteng* to be legalized.

And during that particular meeting, Mr. President,--I talked to the members of the PNP and even PAGCOR and the Philippine Charity Sweepstakes and found out that--they made a study on the matter. In fact, there was a report coming from the PNP which stated that in a certain province--just one province alone, Mr. President,--gross gross income from *jueteng* is P5 million.

If we talk of 3,858 raids and come up with P4,200,000 only--there might have been a typographical error here--it is like saying *na sa bawat raid, puro P1,000 lamang ang nakukuha nila, samantalang sa isang raid lamang, kung tala-gang mapupuntirya nila*, they can get that P4 million in one outing.

Senator Maceda: Mr. President, probably the Gentleman is correct. Let me just hasten to add that, I think, the report that he is talking about is the report of the entire PNP and was not really specifically purely PACC operation.

Now, as regards the proportion of the amount confiscated to the number of raids, then the Gentleman is probably correct, that it appears to be very low.

Senator Webb: Thank you, Mr. President.

The President: Thank you, Senator Maceda.

Senator Romulo: Mr. President, just one clarificatory question.

The President: The Majority Leader is recognized.

Senator Romulo: Senator Mercado asked that in view of the statements made by the Senate President Pro Tempore, is the Gentleman going to recommend the reduction of the budget either of the Vice-President or the PACC or both? Because, certainly, with a bigger budget there is more room for mischief.

Since I did not get the answer, may I ask the distinguished Senate President Pro Tempore for his answer to that question of Senator Mercado.

Senator Maceda: Mr. President, that is under the Finance subcommittee chaired by of the distinguished Gentleman from Bohol and Cebu. I understand that the subcommittee action so far was not to approve the requested budget. If that is the subcommittee action, I certainly will not question it.

Senator Romulo: Would the Gentleman not agree that the bigger the budget or if there is a budget, there is more room for this mischief and criminality?

Senator Maceda: That seems to be a reasonable deduction. On the other hand, what I am also trying to say is, if the Vice-President demonstrates a determined and actual cleanup of the PACC, then, certainly, we would be more sympathetic towards considering his budgetary request more seriously.

MOTION OF SENATOR ROMULO

(Referral of Senator Maceda's Speech to the Justice and Human Rights; and National Defense Committees)

Senator Romulo: Mr. President, I move that the privilege speech of Senator Maceda be referred...

Senator Maceda: To the Committee on Justice and Human Rights.

Senator Romulo: And also to the Committee on National Defense and Security.

The President: Is there any objection to the said motion? [Silence] There being none, the same is hereby approved.

Thank you, Mr. President Pro Tempore, for that very wonderful speech.

BILL ON SECOND READING

Senate Bill No. 968 - Monthly Payment of VAT

Senator Romulo: Mr. President, I move that we now consider Senate Bill No. 968 as reported out under Committee Report No. 42.

The President: Consideration of Senate Bill No. 968 is now in order.

With the permission of the Body, the Secretary will read only the title of the bill without prejudice to inserting in the *Record* the whole text thereof.

The Secretary: Senate Bill No. 968, entitled

AN ACT AUTHORIZING THE COMMISSIONER OF INTERNAL REVENUE TO REQUIRE THE PAYMENT OF THE VALUE-ADDED TAX EVERY MONTH AND TO ALLOW LOCAL GOVERNMENT UNITS TO SHARE IN VAT REVENUE, AMENDING FOR THESE PURPOSES SECTIONS 110 AND 282 OF THE NATIONAL INTERNAL REVENUE CODE.

The following is the full text of Senate Bill No. 968:

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

SECTION 1. Section 110 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

“SEC. 10. *Return and payment of value-added tax.* - [(a) Where to file the return and pay the tax. - Every person subject to value-added tax shall file a quarterly return of his gross sales or receipts and pay the tax due thereon to a bank duly accredited by the Commissioner located in the revenue district where such person is registered or required to be registered. However, in cases there are no duly accredited agent banks within the city or municipality, the return shall be filed and any amount due shall be paid to any duly accredited bank within the district, or to the Revenue District Officer, Collection Agent or duly authorized Treasurer of the city or municipality where such taxpayer has his principal place of business. Only one consolidated return shall be filed by the taxpayer for all the branches and lines of business subject to the value-added tax. If no tax is payable because the amount of input tax and any amount authorized to be offset against the output tax is equal or is in excess of the output tax due on the return, the taxpayer shall file the return with the Revenue District Officer, Collection Agent or authorized municipal treasurer where the taxpayer’s principal place of business is located.] (A) IN GENERAL. - EVERY PERSON LIABLE TO PAY THE VALUE-ADDED TAX IMPOSED UNDER THIS TITLE SHALL FILE A QUARTERLY RETURN OF THE AMOUNT OF HIS GROSS SALES OR RECEIPTS WITHIN 20 DAYS FOLLOWING THE CLOSE OF EACH TAXABLE QUARTER PRESCRIBED FOR EACH

TAXPAYER: *PROVIDED*, THAT ANY PERSON WHOSE REGISTRATION HAS BEEN CANCELLED IN ACCORDANCE WITH SECTION 107 HEREOF SHALL FILE A RETURN AND PAY THE TAX DUE THEREON WITHIN 20 DAYS FROM THE DATE OF CANCELLATION OF REGISTRATION: *PROVIDED, FURTHER*, THAT ONLY ONE CONSOLIDATED RETURN SHALL BE FILED BY THE TAXPAYER FOR HIS PRINCIPAL PLACE OF BUSINESS OR HEAD OFFICE AND ALL BRANCHES.

[“(b) Time for filing of return and payment of tax. - The return shall be filed and the tax paid within 20 days following the end of each quarter specifically prescribed for a VAT-registered person under regulations to be promulgated by the Secretary of Finance: *Provided, however*, That any person whose registration is cancelled in accordance with paragraph (c) of Section 107 shall file a return within 20 days from the cancellation of such registration.]

(B) WHERE TO FILE THE RETURN AND PAY THE TAX. - THE RETURN SHALL BE FILED WITH AND THE TAX PAID TO ANY GOVERNMENT BANKING INSTITUTION LOCATED WITHIN THE REVENUE DISTRICT WHERE THE TAXPAYER IS REGISTERED OR REQUIRED TO REGISTER: *PROVIDED, HOWEVER*, THAT VAT-REGISTERED PERSONS SHALL PAY THE VALUE-ADDED TAX ON A MONTHLY BASIS: *PROVIDED, FURTHER*, THAT IN CASE NO GOVERNMENT BANKING INSTITUTION IS LOCATED WITHIN THE REVENUE DISTRICT, THE RETURN SHALL BE FILED WITH AND THE TAX PAID TO THE REVENUE DISTRICT OFFICER, COLLECTION AGENT OR DULY AUTHORIZED TREASURER OF THE MUNICIPALITY WHERE THE PLACE OF BUSINESS IS LOCATED IN THE ORDER MENTIONED.”

[“(c) Initial returns. - The Commissioner may prescribe an initial taxable period for any VAT-registered person for his first return, which in no case shall exceed 5 months...].

SEC. 2. Section 282 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

“SEC. 282. Disposition of national internal

revenue. - [(a) In general. -] National Internal Revenue collected and not applied as hereinabove provided or otherwise specially disposed of by law shall accrue to the National Treasury and shall be available for the general purposes of the Government, with the exception of the amounts set apart by way of allotment [under the next succeeding section] AS PROVIDED FOR UNDER REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991.

["(b) Share of Local Governments. - Twenty percentum (20%) of the collections from the national internal revenue taxes shall accrue to local governments to be computed on the basis of the collections of the third fiscal year preceding the current fiscal year. This allotment shall be distributed as follows: thirty percentum (30%) to provinces; forty-five percentum (25%) to cities and sixty-five million pesos (P65M) to the barangays. The share of each province, city and municipality shall be determined on the basis of the following formulae: seventy percentum (70%) - population; twenty percentum (20%) - land area; and ten percentum (10%) equal sharing.]

["For the new fiscal year commencing on January 1, 1977 and ending on December 31, 1977, the annual allotment of any local government as determined under this paragraph, shall not increase by more than twenty-five percentum (25%), or, no less than, the annual allotment it shall actually receive for the fiscal year from July 1, 1975 to June 30, 1976.]

["(c) Five percent (5%) of the total tax collected on subsequent sale under Section 165(B) of this Code shall accrue to the city or municipality in which the tax is collected, and another five percent (5%) of the total annual tax collected on said subsequent sales shall accrue to the Department of Education, Culture and Sports.]

["Thereafter, or beginning January 1, 1978, the annual allotment shares of each local government shall be determined solely on the basis of this paragraph.]

["In addition, five percentum (5%) of the collection from national internal revenue taxes not otherwise accruing to special funds and special accounts in the general fund shall accrue to a local

government fund which shall be released by the President as financial aid to local governments or to projects.]

"IN ADDITION TO THE INTERNAL REVENUE ALLOTMENT PROVIDED FOR IN THE PRECEDING PARAGRAPH, FIFTY PERCENT (50%) OF THE NATIONAL TAXES COLLECTED UNDER SECTIONS 100, 102, 112, 113 AND 114 OF THIS CODE IN EXCESS OF THE INCREASE IN COLLECTIONS FOR THE IMMEDIATELY PRECEDING YEAR SHALL BE DISTRIBUTED AS FOLLOWS: (A) FIFTY PERCENT (50%) SHALL ACCRUE TO THE CITY OR MUNICIPALITY WHERE SUCH TAXES WERE COLLECTED AND SHALL BE ALLOCATED IN ACCORDANCE WITH SECTION 150 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991; AND (B) FIFTY PERCENT (50%) SHALL ACCRUE TO THE NATIONAL GOVERNMENT."

SEC. 3. All laws, decrees, orders, rules and regulations and other issuances inconsistent with this Act are hereby repealed or modified accordingly.

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

Senator Romulo: For the sponsorship speech, Mr. President, I ask that the distinguished Chairman of the Committee on Ways and Means, Senator Ernesto Herrera, be recognized.

The President: Senator Herrera, the Chairman of the Committee on Ways and Means, is hereby recognized.

SPONSORSHIP SPEECH OF SENATOR HERRERA

Senator Herrera: Thank you, Mr. President.

Mr. President, the Committee on Ways and Means is pleased to recommend the approval of Senate Bill No. 968, entitled

AN ACT AUTHORIZING THE COMMISSIONER OF INTERNAL REVENUE TO REQUIRE THE PAYMENT OF THE VALUE-ADDED TAX EVERY MONTH AND TO ALLOW LOCAL

GOVERNMENT UNITS TO SHARE IN VAT REVENUE, AMENDING FOR THESE PURPOSES SECTIONS 110 AND 282 OF THE NATIONAL INTERNAL REVENUE CODE,

authored by Senators Macapagal-Arroyo, Guingona, Romulo, and myself. It substitutes Senate Bill Nos. 624, 710, 716, and 914 and takes into consideration House Bill No. 1503 which has also been referred to the committee.

It is significant to mention here that the subject of the bill has been certified as a priority administrative measure by the President in his letter of August 31, 1992.

Mr. President, the value-added tax was introduced in 1988 to simplify the sales tax system, to lessen its distorted effects and, most importantly, to increase the yield and responsiveness of sales tax. However, the revenue performance of the VAT has been disappointing. The Bureau of Internal Revenue estimates that the VAT is losing perhaps one half of its potential collections.

In 1989, the VAT collected P10.1 billion, which was a 42 percent increase over 1988 collection but which was still below projection of P11.5 billion. Statistics further show that 74.3 percent of the total tax collections from VAT is paid by less than 1 percent of VAT filers. Hence, Senate Bill No. 968 seeks to enhance VAT collection efficiency even as it addresses two important concerns: One, the improvement of the cash flow and liquidity of the government; and two, the need for the full support and cooperation of local government units in the successful implementation of the VAT.

To this end, the bill proposes the empowerment of the Commissioner of Internal Revenue to require the payment of VAT by all VAT-registered entities and persons on a monthly basis, the filing of quarterly returns as practiced at present, and the provision of a fairer and larger share in the VAT and other percentage tax revenues to cities, municipalities and provinces. In this case, there will be an equal sharing by the local and National Government of 50 percent of the national tax collections in excess of the increase in collection for the immediately preceding year.

For this reason, Mr. President, the Committee on Ways and Means urges the approval of this bill.

The President: Will the distinguished Sponsor make some clarifications for the benefit of the Chair--

Senator Herrera: Gladly, Mr. President.

The President: --particularly as far as the amendment to the existing law is concerned. Under the last paragraph of Section 3, regarding the participation of the local government units in the proceeds or collections of the VAT as far as the amount in excess from the increase in the collection thereof is concerned, as a consequence of this law, does this provision intend to amend the revenue-sharing provisions of the Local Government Code?

Senator Herrera: No, Mr. President. This is in addition; this is an incentive to the local government units in order that they will be active in helping the National Government in the collection of VAT.

I think it is also important to mention here, Mr. President, that under the House version, the 50-50 sharing based on the increase of the collection will be taken from the average increase based on the last three preceding years. In our version, it is on the last preceding year.

The reason for this, Mr. President, is that, in my estimate, we will be collecting something like P14 billion to P14.5 billion VAT. And if we will base it on that share of 50-50 on the last preceding three years, the share will be very high. We will note that the collection last year was only something like P10.1 billion.

The President: Is the VAT or value added tax an internal revenue tax?

Senator Herrera: This is supposed to be an internal revenue tax, Mr. President.

The President: Now, if it were an internal revenue tax, would not the local government units be entitled to a sharing-- for the first year of the enforcement of the Local Government Code, 30 percent; for the second year, 35 percent, and for the third year and subsequent years, 40 percent--not only of the increase but the entire collections from the proceeds of the VAT?

Senator Herrera: Correct, Mr. President. It means that the additional amount that will go to the VAT will be taken from the increase as a result of this refinement of the VAT.

The President: Now, with respect to this amount before the increase, are the local government units entitled to a share therein?

Senator Herrera: Yes, Mr. President.

The President: Which would be in accordance?

Senator Herrera: Yes, Mr. President.

The President: So this will be over and above the regular IRA shares for the local government units under the Local Government Code.

Senator Herrera: Yes, Mr. President.

The President: Is that very explicit in this bill itself? Can we not make this clearer?

Senator Herrera: We can do that during the period of amendments, Mr. President, as far as that is concerned.

The President: I hope that is done so that the issue will not cause some misinterpretation.

Senator Herrera: Of course, we have to interpret this in relation to the Local Government Code and the Bureau of Internal Revenue Code, Mr. President.

Let me also emphasize another important point here which is in variance with the House version. Under the House version, Mr. President, those required to pay on a monthly basis are only the large taxpayers--the 1 percent large taxpayers unit. Under our version, all will be required to pay monthly. This is supported by the position of the Philippine Chamber of Commerce and Industry. They are unanimous in this. They only request that the filing of the returns should be on a quarterly basis as practiced now.

The other important variation, Mr. President, is that under our bill, there is a requirement that payments to the banks be limited only to government banks in the municipalities and cities where there are government banks. This is so because we are talking here of something like P14 billion, and that is not a small amount. This will relieve the BIR Commissioner or the BIR regional collector or district head from pressures by private banks who request that they be included among the designated banks where payments will be made, because under the law the deposit can be retained for 10 days and that would mean so much income for the bank. That is the reason the committee decided that it be put in the bill that in places where we have government banks, payments should be made in these banks.

The President: One final question. Will the distinguished Sponsor kindly inform this Body how the committee arrived at the conclusion that some P14 billion will be an additional revenue if this bill were to be enacted?

Senator Herrera: This is based on the projection of the

BIR. I would have liked to raise some questions on the integrity of that projection; but the BIR, in a testimony before the Ways and Means Committee, asserted that they will be able to collect P14.6 billion, if this scheme will be implemented. Maybe because they can effectively monitor VAT payments if we require their payments on a monthly basis.

The President: So this is not in reality a new tax.

Senator Herrera: This is not in reality a new tax.

The President: This is not a new revenue measure.

Senator Herrera: No, Mr. President.

The President: But it is in reality a collection enhancement measure.

Senator Herrera: Correct, Mr. President.

The President: Thank you for making some clarifications.

Senator Guingona: Mr. President.

The President: The Minority Leader is recognized.

Senator Guingona: Just a few questions, Mr. President, if the distinguished Sponsor will yield.

Senator Herrera: Gladly, Mr. President, to my esteemed Colleague from Mindanao.

Senator Guingona: The meaning of accredited banks has already been explained to be limited to government banks and financial institutions, is this correct?

Senator Herrera: I feel that this has to be emphasized in the bill, Mr. President, because during the hearing the BIR position was to allow or include the private banks, even in places where there are government banks. In fact, I also asked the representative of the Philippine Chamber of Commerce and Industry in order to get the thinking of the banking industry, it being a member of the PCCI. And similarly, their position was also to allow the private banks. But the committee feels that we can minimize corruption, and at the same time eliminate pressure on the Commissioner of the Bureau of Internal Revenue if we put it clearly in the law that in places where there are government banks, payments should be made in these government banks. After all, if some earnings can be derived out of these taxes paid and deposited in these banks, then it should be the government banks that will make the earnings.

Senator Guingona: And since there is a PNB agency in practically all places, what is meant by accredited here would, in effect, be government banks.

Senator Herrera: Yes, Mr. President.

Senator Guingona: When there is a return that is filed by a subsidiary or a branch in Mindanao, the main office also files a return here in Manila. Under the Local Government Code, there would have to be two returns. Would that practice continue under this proposal, Mr. President?

Senator Herrera: As far as the filing of returns is concerned, there will be no changes, Mr. President. They will file that on a quarterly basis, the same number of returns that will be filed, except on the large taxpayers unit. Because if the large taxpayers unit bill will become a law, then the place or the collection agent to whom they will have to pay will be identified by the Commissioner.

Senator Guingona: Because I remember that under the Local Government Code or even under the autonomous regions, we required that businesses with branches, the branches should file returns in those places.

Senator Herrera: Yes, I think that is correct. But, as I said, Mr. President, in the large taxpayers unit bill, there will be amendments to that as far as the large taxpayers are concerned.

Senator Guingona: So there will be no changes. They can still file separately what should pertain to the branch and what should pertain to the main office.

Senator Herrera: Except those classified as large taxpayers unit, if the bill on the large taxpayers unit will become a law. If we will recall, we approved last week the large taxpayers bill. If it will become a law, then that will be a partial amendment to that because the large taxpayers will now be required to pay at a specified place or to an officer who will be designated by the BIR Commissioner.

Senator Guingona: At any rate, the funds, their share will go back to them under the Local Government Code.

Senator Herrera: Yes, Mr. President.

Senator Guingona: Thank you very much, Mr. President.

The President: It appears that there are no other interpellations.

Senator Romulo: Mr. President, I move that we close the period of interpellations.

The President: Is there any objection? [Silence] There being none, the motion is approved.

SUSPENSION OF THE SESSION

We shall suspend the session for one minute, if there is no objection. [There was none.]

It was 5:33 p.m.

RESUMPTION OF THE SESSION

At 5:37 p.m., the session was resumed.

The President: The session is resumed.

Senator Romulo: Mr. President, may I now move that we consider the Committee amendments, if any.

The President: Senator Herrera is recognized, if there are any Committee amendments.

Senator Herrera: There are no Committee amendments, Mr. President.

I recall that during the interpellations of the Senate President, he commented that we have to clarify the provision on the 50-50 sharing.

Except for the points that the Senate President raised, there is no other amendment.

I will write the appropriate clarifications which I will submit tomorrow.

The President: The Majority Leader is recognized.

Senator Romulo: Mr. President, I move that we close the period of Committee amendments.

The President: Is there any objection? [Silence] The Chair hears none; the period of Committee amendments is hereby closed.

Senator Romulo: Mr. President, I move that we now consider individual amendments, if any.

Senator Maceda: Mr. President.

The President: The Senate President Pro Tempore is recognized.

Senator Maceda: Mr. President, the idea was to collect more taxes by requiring them to pay monthly.

Senator Herrera: The idea, Mr. President, is to provide a continuous flow of funds to maintain a daily liquidity for the government, because right now VAT is paid on a quarterly basis.

So the idea is to require them to pay monthly so that the government will continue to have funds.

Senator Maceda: Yes, that was my understanding. And I thought that was the principal purpose of the bill.

Does the distinguished Gentleman not think that to allow local governments to share in VAT revenue might be a rider and might be a violation of the one subject rule? May we be enlightened as to how this is now dovetailed with the just newly established percentages that we passed under the Local Government Code?

Senator Herrera: First, let me address the first question, Mr. President. As I mentioned during the sponsorship speech and during the interpellation, the share that will go to the local government is more of an incentive in order that they will give full support in the enforcement of this particular law.

On the matter of percentages, Mr. President, this will be over and above their share, as provided under the Local Government Code. And the 50-50 share will be taken from the increase of collection as a result of the effort of the local government unit.

As I mentioned earlier, the recommendation of the House of Representatives on this particular matter is the 50-50 sharing, based on the average VAT tax paid, based on the preceding three years.

Senator Maceda: I think that the principal purpose for all these tax enhancement measures, as well as the new tax bills, is really to solve our budgetary deficit, to begin with, to support the General Appropriations Bill. I wonder whether we are playing the same tune. I understand what the Sponsor is saying. But this allocation of 50 percent looks like too much of an incentive just because they are going to be allowed to collect these taxes in the municipality. There are collection agents in every municipality. There is really no special effort that the local government unit will make in connection with this particular collection change.

Senator Herrera: Mr. President, if I may react. Frankly, I also expressed the same concern, because we have places like, for instance, Mandaluyong. Mandaluyong, is among the component cities and municipalities of Metro Manila, which is fast growing in terms of investment. So even if we have to base the sharing of 50 percent on the average of the preceding year, that is a windfall. *Talagang malaki.*

In the other areas, it might be negligible, or, for all we know, they do not have any share because there is no improvement in the tax collection. However, what is wrong if the local government will set a share? That is also the other point. This is now a matter of decision that we have to make. The sentiment in the House of Representatives is to provide an incentive.

Senator Maceda: Mr. President, first of all, I am saying that an incentive is not needed; second, if it is really an incentive, the amount is too much; third, we have just made a substantial devolution of funds which will go into 40 percent. And this early, again, to allocate this to local government units, I think, will not solve the basic problem that we have to solve. So I was wondering how the Gentleman will react to a proposed amendment to delete this particular part of the bill.

Senator Herrera: Mr. President, there are four other bills providing also a share for the local governments. If we can just suspend the proceedings for about a minute, so that I can consult Senator Macapagal-Arroyo, Senator Romulo and Senator Guingona and get their sentiments on this issue, because they filed a bill which provides sharing for the local government units. And the percentage that they are giving to the local government units is even higher than what is now recommended.

The President: Before we suspend consideration of this bill, just one clarificatory question from the Chair.

The 50 percent of the increase in the VAT collection over that of the preceding year will accrue or inure to the benefit of the city or municipality where such tax has been collected only. Is that the intention of the bill?

Senator Herrera: That is the intention, Mr. President.

The President: So that, in effect, there will be a struggle or competition among the cities and municipalities to have the VAT collection paid in their respective municipality. Will this not make the rich municipality richer and the depressed municipality remain poorer?

Senator Herrera: That is, precisely, my point, Mr. Presi-

dent. Because the other bills that have been consolidated in this bill provided for a higher percentage than what is recommended.

I have made consultation with the other authors, Mr. President, and they are unanimous in their position to delete this particular provision. So, with that, I think not only Senator Maceda will be pleased, the Sponsor also appreciates very much the decision of the other authors.

MACEDA AMENDMENT

Senator Maceda: I so move, Mr. President, that on page 5, all the proposed amendments in capitals be deleted.

The President: From what lines?

Senator Maceda: From lines 15 to 28.

The President: Starting from...

Senator Herrera: The whole paragraph, Mr. President.

The President: What does the Sponsor say?

Senator Herrera: It is accepted, Mr. President.

The President: Is there any objection to the amendment?
[Silence] There being none, the amendment is approved.

Senator Maceda: As a result of the amendment, Mr. President, the title has to be correspondingly amended to exclude that portion.

Senator Herrera: It is accepted, Mr. President.

The President: Is there any objection to the amendment?
[Silence] There being none, the amendment is approved.

What is the effect of the deletion brought under this amendment?

Senator Herrera: The effect, Mr. President, is that the local government unit will not get any incentive at all, whether there will be an increase, regardless of the increase in the collection of VAT in a particular locality.

The President: But then the entire proceeds...

Senator Herrera: Will go now to the National Government.

The President: And for which the LGUs will participate in accordance with the revenue-sharing provision under the Local Government Code.

Senator Herrera: Yes, Mr. President.

The President: I think that is better.

Senator Guingona: Mr. President.

The President: The Minority Leader is recognized.

Senator Guingona: In which case, can we leave untouched the provision in the Local Government Code that the filing of returns should be by branches and by main offices by the filing firm concerned?

The President: Is the Minority Leader proposing an amendment?

Senator Guingona: Yes, if the distinguished Sponsor will accept it.

Senator Herrera: I have no objection, Mr. President.

The President: Can we have the formal amendment now?

Senator Herrera: It will be on page 2, lines 20 to 23. This is the portion that the Gentleman would like to be amended.

GUINGONA AMENDMENT

Senator Guingona: Yes. We delete the phrase starting from the word "FURTHER" up to line 23, so that it will now read: "PROVIDED, FURTHER, THAT THE FILING OF RETURNS BY THE TAXPAYERS SHALL BE IN ACCORDANCE WITH THE PROVISION OF THE LOCAL GOVERNMENT CODE."

The President: So the amendment starts from what particular line?

Senator Guingona: From line 20, starting from the words "PROVIDED, FURTHER". Then delete the phrase "THAT ONLY" up to line 23, Mr. President.

The President: As a consequence, the colon (:) after "registration" on line 20 be changed to a period (.)

Senator Guingona: Yes, Mr. President.

The President: What does the Author say?

Senator Herrera: It is accepted, Mr. President.

The President: Is there any objection to this amendment? [Silence] There being none, the amendment is approved.

Senator Romulo: Mr. President, there being no other individual amendments, I move that we close the period of individual amendments.

The President: Is there any objection? [Silence] There being none, the period of individual amendments is hereby closed.

APPROVAL ON SECOND READING
OF SENATE BILL NO. 968, AS AMENDED

Senator Romulo: Mr. President, I move that we vote on Senate Bill No. 968 on Second Reading, as amended.

The President: We shall now vote on the bill, as amended, on Second Reading. As many as are in favor of the bill, as amended, will please say *Aye*. [Several Senators: *Aye*] As many as are against will please say *Nay*. [Silence] Senate Bill No. 968, as amended, is approved on Second Reading.

BILL ON SECOND READING
(Senate Bill No. 356 - Long-term Lease of
Private Lands to Foreign Investors)
(Continuation)

Senator Romulo: Mr. President, I move that we resume consideration of Senate Bill No. 356 as reported out under Committee Report No. 8.

The President: Resumption of consideration of Senate Bill No. 356 is now in order.

Senator Romulo: We are in the period of individual amendments, if any, Mr. President. I ask that the distinguished Sponsor and Author, Senator Gloria Macapagal-Arroyo be recognized.

The President: Senator Gloria Macapagal-Arroyo, Chairman of the Committee on Economic Affairs is hereby recognized.

What is the parliamentary status of this bill?

Senator Romulo: Mr. President, the Committee amend-

ments have already been proposed and approved. Before we suspended consideration of this bill last night, Senator Tañada was on the Floor and he had asked to be given until today to present a possible individual amendment.

The President. Senator Tañada is recognized for purposes of individual amendments.

Senator Tañada: Thank you, Mr. President.

I have gone over the bill filed by Senator Arroyo, Senate Bill No. 529, entitled "An Act Prescribing Limits on Peso Borrowings by Non-Filipino Entities Operating in the Philippines," and I find that this bill is similar, if not the same, to the bill that I had filed at the last Congress, Senate Bill No. 1276, entitled "An Act Prescribing A Credit Ceiling for Foreign Business Entities Operating in the Philippines."

In view of this, Mr. President, I will no longer propose the amendment I had intended to propose to Section 4 of the bill now under consideration. I know that that amendment had been accepted by the Sponsor, but I will give way to the preference that she had manifested last night that since there is this other bill providing for a ceiling on the peso borrowings of non-Filipino business entities operating in the Philippines, that would already sufficiently address the concern that I had raised last night. I would only hope that Senator Arroyo would work just as hard in seeing to the passage of Senate Bill No. 529.

Mr. President, I would, however, like to ask the Sponsor some clarificatory question on the other parts of the bill now under consideration.

The President: The Sponsor may yield if she so desires.

Senator Macapagal-Arroyo: Gladly, Mr. President.

Senator Tañada: On page 2, lines 12 to 14, Mr. President, and this refers to paragraph (c) of Section 3, it reads as follows: "The lease contract/agreement shall be entered into and implemented within five years (5) from the approval of this Act."

Would this mean, Mr. President, that after five years from the approval of this Act, the lease contracts envisioned under this bill could no longer be entered into?

Senator Macapagal-Arroyo: The meaning of this, Mr. President, is that only those who will sign a lease contract within five years from the approval of this Act and if the Act is approved this year, only those who entered the Philippines and

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Record of the Senate

FIRST REGULAR SESSION
OCTOBER 19 TO DECEMBER 18, 1992

VOLUME II, NOS. 29-44

Prepared by the Debate Reporters Division
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**BILL ON THIRD READING
Senate Bill No. 356--Long-term Lease of
Private Lands to Foreign Investors**

Senator Romulo: Mr. President, I move that we vote on Third Reading on Senate Bill No. 356. Copies of the bill have been distributed to all the Members of the Senate.

The President: Voting on Third Reading on Senate Bill No. 356 is now in order. The Secretary will please read only the title of the bill, if there is no objection. [*There was none.*]

The Secretary: Senate Bill No. 356, entitled

**AN ACT PROVIDING FOR LONG-TERM LEASE
OF PRIVATE LANDS TO FOREIGN
INVESTORS.**

The President: The Senate will now proceed to vote on the bill. The Secretary will please call the roll.

The Secretary called the roll and the result of the voting was as follows:

YES - 16

- | | |
|-------------------|-------------------|
| Senator Angara | Senator Ople |
| Senator Aquino | Senator Osmeña |
| Senator Biazon | Senator Roco |
| Senator Gonzales | Senator Romulo |
| Senator Guingona | Senator Shahani |
| Senator Macapagal | Senator Sotto |
| Senator Maceda | Senator Tañada |
| Senator Mercado | Senator Tolentino |

NO - None

ABSTENTION - None

RESULT OF VOTING

The President: With 16 affirmative votes, no negative vote, and no abstention, Senate Bill No. 356 is hereby approved on Third Reading.

**BILL ON THIRD READING
Senate Bill No. 968--Monthly Payment of VAT**

Senator Romulo: Mr. President, I move that we vote on Third Reading on Senate Bill No. 968. Copies of the bill have been distributed to all the Members of the Senate.

The President: Voting on Third Reading on Senate Bill

No. 968 is now in order. The Secretary will please read only the title of the bill, if there is no objection. [*There was none.*]

The Secretary: Senate Bill No. 968, entitled

**AN ACT AUTHORIZING THE COMMISSIONER
OF INTERNAL REVENUE TO REQUIRE THE
PAYMENT OF THE VALUE-ADDED TAX
EVERY MONTH, AMENDING FOR THE
PURPOSE SECTIONS 110 AND 282 OF THE
NATIONAL INTERNAL REVENUE CODE,
AS AMENDED.**

The President: The Senate will now proceed to vote on the bill. The Secretary will please call the roll.

The Secretary called the roll and the result of the voting was as follows:

YES - 16

- | | |
|-------------------|-------------------|
| Senator Angara | Senator Ople |
| Senator Aquino | Senator Osmeña |
| Senator Biazon | Senator Roco |
| Senator Gonzales | Senator Romulo |
| Senator Guingona | Senator Shahani |
| Senator Macapagal | Senator Sotto |
| Senator Maceda | Senator Tañada |
| Senator Mercado | Senator Tolentino |

NO - None

ABSTENTION - None

RESULT OF VOTING

The President: With 16 affirmative votes, no negative vote, and no abstention, Senate Bill No. 968 is hereby approved on Third Reading.

SUSPENSION OF THE SESSION

Senator Romulo: Mr. President, we have another bill, the Amnesty Proclamation Nos. 10 and 10-A. Before we resume consideration of said bill, it is the desire of our Colleagues to have a short caucus. Therefore, I move that we suspend the session in the meantime so that we can have a caucus.

The President: Is there any objection to the motion? [*Silence*] There being none, the session is suspended to give way for a caucus, and all the Members of the Senate are

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As head of the panel, I would like to recommend to this august Body the adoption of the Conference Committee Report.

Mr. President, the amendments on the Senate version which the Conference Committee has adopted were only on two points. One is in the case of revenue-sharing.

If we will recall, Mr. President, the Senate version does not provide a share for the local government units based on the increment of the increase in the collection of VAT based on the preceding year.

The Conference Committee adopted the sharing of 20-80, Mr. President. That would mean that from the increase, based on the average of the preceding year, 20 percent will go to the local unit where the taxes have been collected, and 80 percent will go to the National Government which will provide a share to other local government units. In effect, Mr. President, there will be a share that will be given to all local government units, even to those local government units which do not have an increase in the collection of VAT. They will share from the 80 percent.

The other important provision that was adopted by the Conference Committee was the provision of the Senate version, which is to require payment of VAT by all registered VAT enterprises--on a monthly basis. That would mean that all will pay monthly, but the requirement of filing the returns will be on a quarterly basis as presently practiced.

So these are the two important provisions, Mr. President.

By the way, Mr. President, if we will also recall, in the Senate version, we require the payment of the tax only to government banks. Under this report, we adopted the House version to include accredited banks, because there are places where there are no government banks. According to experience, it is easier for a taxpayer to pay the tax at the same bank where he has also his own account.

**APPROVAL OF CONFERENCE COMMITTEE REPORT
ON SENATE BILL NO. 968/HOUSE BILL NO. 1503**

The President: Are there any comments, questions or objections? [*Silence*] There being none, the Conference Committee Report on the disagreeing provisions of House Bill No. 1503 and Senate Bill No. 968 is hereby approved.

The following is the full text of the Conference Committee Report:

Republic of the Philippines
CONGRESS OF THE PHILIPPINES

FIRST REGULAR SESSION

CONFERENCE COMMITTEE REPORT

The Conference Committee on the disagreeing provisions of House Bill No. 1503, entitled

AN ACT TO EMPOWER THE COMMISSIONER OF INTERNAL REVENUE TO REQUIRE THE PAYMENT OF THE VALUE-ADDED TAX EVERY MONTH AND TO ALLOW LOCAL GOVERNMENT UNITS TO SHARE IN VAT REVENUE, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE

and Senate Bill No. 968, entitled

AN ACT AUTHORIZING THE COMMISSIONER OF INTERNAL REVENUE TO REQUIRE THE PAYMENT OF THE VALUE-ADDED TAX EVERY MONTH, AMENDING FOR THE PURPOSE SECTIONS 110 AND 282 OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED,

has met, and after full and free conference, has come to an agreement, and the conferees hereby recommend to their respective Houses that House Bill No. 1503, in consolidation with Senate Bill No. 968, be approved in accordance with the attached copy of the bill as reconciled and approved by the conferees.

Approved,

*CONFEREES ON THE PART OF THE
SENATE*

(Sgd.) HON. ERNESTO HERRERA

(Sgd.) HON. ALBERTO G. ROMULO

(Sgd.) HON. ERNESTO M. MACEDA

(Sgd.) HON. LETICIA RAMOS-SHAHANI

HON. SANTANINA T. RASUL

(Sgd.) HON. JOHN H. OSMEÑA