

COMMITTEE ON JUSTICE AND HUMAN RIGHTS
(CONSULTATION MEETING)

DATE : FRIDAY, MAY 03, 2002
TIME : 9:15 A.M.
VENUE : Senator Tañada's Room
Senate of the Philippines
Financial Center
Roxas Blvd., Pasay City
AGENDA : Dual Citizenship

MEMBER PRESENT:

HON. FRANCIS N. PANGILINAN - Chairman

SENATORS' STAFF:

Atty. Araceli Habaradas, Office of Sen. Pangilinan
Atty. Rusier I. Nolasco, Office of Sen. Pangilinan
Mr. Michael Pabalinas, Office of Sen. Drilon
Ms. Carmela Nerva, Office of Sen. Biazon
Mr. John Jeffrey Patron, Office of Sen. Biazon

RESOURCE PERSONS:

Ms. Mylene Masangcay Ceralde, SGV and Company
Ms. Elena C. Dalumpines, SGV and Company
Atty. Eufrocina Casasola, BIR

SECRETARIAT:

Ms. Assumption Ingrid B. Reyes, Legislative Committee
Secretary
Ms. Perla Marquez Mayor, Committee Stenographer
Ms. Bathaluman H. Gonzales, Committee Stenographer
Ms. Leah Catimbang, Committee Stenographer
Ms. Pilar Gutierrez, Committee Stenographer
Ms. Lolita Galapon, Committee Stenographer
Ms. Carol Driz, Committee Stenographer
Ms. Gina P. Dellomes, Assisting Clerk
Mr. Jimmy Gaviola, Assisting Clerk
Ms. Laarni C. Vidal, Legislative Page
Ms. Rosemelita B. Vidallon, Legislative Page
Mr. Edgardo R. Malyeda, Audito Technician
Ms. Christine Gamot, Committee "A"

AT 9:15 A.M., HON. FRANCIS N. PANGILINAN,
CHAIRMAN OF THE COMMITTEE ON JUSTICE AND HUMAN
RIGHTS, CALLED THE CONSULTATION MEETING TO ORDER.

THE CHAIRMAN. Good morning. This is a consultation of the Committee on Justice and Human Rights. So, this is not a public hearing.

We would like to thank our guests, Mylene Ceralde and Elena Dalumpines from the SGV and Company.

The consultation meeting is in connection with the bills that are pending before this Committee on the issue of dual citizenship.

We invited SGV as a resource...At least the individuals as resource persons in the area of possible tax consequences or implications of tax requirements or obligations on the part of individuals, who, assuming for the sake of argument that this particular bill becomes law, what are the implications in terms of income, in terms of--and other tax obligations, well, of citizens, 'no?

So, iyon nga, I would like to thank you for your presence. I understand that you received the bill yesterday, but I know SGV and Company to be superb in their understanding of tax laws and, therefore, we hope to be able to get some information today. And perhaps, maybe coordinate with your group also, with your office, because this is not going to...Well, this will take sometime before

we finally put together a law, 'no. There's a long process. We go through interpellation, we go through amendment, etcetera.

But offhand, having seen the bill yesterday and having gone through it, would you have any comments or observations or possible inputs as the tax consequences? I think it would be good to look at the particular provision on--where is this? Saan ba iyon, Rusier? Section 6, Line 4 and 5 actually, ah, 4, 5, 6. "Unless Philippine citizenship is lost in the manner provided in this Act and natural-born citizen of the Philippines who acquire--natural-born citizen who acquire foreign citizenship shall, except when placed under interdiction by a court...Continue to enjoy full civil and political rights and shall be subject to all attendant liabilities and responsibilities under existing laws of the Philippines."

MS. CERALDE. May we know what particular bill are we referring? We received...

THE CHAIRMAN. O, I'm sorry.

MS. CERALDE. ...actually five sets.

THE CHAIRMAN. It would be page 3 of that particular document, Line 5--4, 5. "...attendant liabilities and responsibilities..." Of course, this is very general, 'no, and under--I believe, under tax laws, we have to be specific, 'no.

Pero offhand, having gone through the bills that we

presented to you, that we forwarded to you, Ms. Ceralde, would you have any initial inputs regarding possible tax consequences because, I understand during one of the public consultations in the United States, the Americans were interested to know what the tax implications would be, if any, 'no, should they, well, reacquire their Filipino citizenship?

MS. CERALDE. The way we see it, sir, there would be an implication on their status, there can be a change from a resident alien to a resident citizen or a resident alien from a non-resident citizen, in which case, the tax-base and the tax rate would change.

THE CHAIRMAN. Okay.

MS. CERALDE. And then...

THE CHAIRMAN. Prior to the law--assuming this passes, 'no, prior to its enactment, they are classified as a resident alien?

MS. CERALDE. They may be classified as resident aliens or non-resident aliens.

THE CHAIRMAN. Or non-resident aliens.

MS. CERALDE. And they can either be non-alien engaged in trade or business...

THE CHAIRMAN. Right.

MS. CERALDE. ...or a non-resident alien not engaged in trade or business.

THE CHAIRMAN. Okay. So...And therefore, being

classified under--either there is a tax consequence?

MS. CERALDE. Yes, sir.

THE CHAIRMAN. And you're saying that, assuming this becomes law, these individuals who become--who reacquired their citizenship no longer will fall under the classification of resident alien or non-resident alien engaged in so forth and so on...

MS. CERALDE. Yes.

THE CHAIRMAN. ...but will now be...

MS. CERALDE. A resident citizen or a non-resident citizen.

THE CHAIRMAN. Which therefore means...?

MS. CERALDE. If you are a non-resident citizen, you would only be taxed on your income from the Philippines; if you are a resident citizen, you would be taxed on your worldwide income.

THE CHAIRMAN. And we are probably, well, again, hypothetically, you might have more non-resident citizens?

MS. CERALDE. Yes, sir, yes, sir. And if that is the case, since they are taxed only on sources from the Philippines, we still do not derive taxes from sources they get outside.

THE CHAIRMAN. So, if you are a non-resident citizen, you are based in New York, you have an income in New York as a professional, you come here, you establish a company here, you engage in business here, you will only be taxed as a

non-resident citizen, you will only be taxed as to your income derive from here?

MS. CERALDE. Yes, sir.

THE CHAIRMAN. And your income derived from the U.S., is exempt?

MS. CERALDE. Yes, sir.

MS. DALUMPINES. You have to...

THE CHAIRMAN. Yes, please.

MS. DALUMPINES. You have to qualify that because you need to be conscious of the sourcing of income, sometimes citizens who came here or change their status from non-resident citizen to that of resident citizen, they will only be exempt from tax from the time they end their non-residency status, which means, they derive income from the U.S. while working in the Philippines, then that would form part of their Philippine-source income.

THE CHAIRMAN. I'm sorry. I was sort of--I was slightly destructed, but before I pursue that, we acknowledge the presence of the representative from the BIR, Atty. Eufrocina Casasola. So, you are a lawyer also, pañera? Okay.

MS. CASASOLA. (Nodding her head).

THE CHAIRMAN. Going back to the point being pursued by Ms. Dalumpines. You qualify it because, again?

MS. DALUMPINES. The taxpayers should be conscious of the sourcing of income. Any income received while working

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abroad or considered as non-resident citizen, that is exempt from tax. Once he returned in the Philippines to do business and while doing business here he received income from the U.S., then that would form part of his Philippine source income.

THE CHAIRMAN. While doing business here and he receives income from the U.S.?

MS. DALUMPINES. Yeah. For services rendered in the Philippines. Because some individuals--yeah. When you become a resident, you are taxed on your worldwide income.

THE CHAIRMAN. No. But you were talking here first of non-resident citizen.

MS. DALUMPINES. Yeah. When you break your residency, that's the time you are again taxed on your worldwide income.

THE CHAIRMAN. Yes. But we're looking first at non-resident citizen who decides to invest here and derives income here. You are qualifying it by saying.../pmm



THE CHAIRMAN. ... you're qualifying it by saying that this non-resident citizen will also be taxed if he does business here and derives income here....

MS. DALUMPINES. And abroad.

THE CHAIRMAN. And abroad.

MS. DALUMPINES. Yes.

MS. CERALDE. Yes, sir, because in that case, he might have reverted to the status of a resident citizen, in which case, he is taxable as well....

THE CHAIRMAN. Yes. But he can do business here as a non-resident citizen.

MS. CERALDE. So, there would be criteria to determine whether or not he already has become a resident citizen or he remains to be a non-resident.

THE CHAIRMAN. Right. Right. Of course, they may say that in some instances, to be an officer of a corporation, you must be a resident, a particular officer—a secretary or is it treasurer or...? So, in that case, you're going to be taxed with your income here....

MS. DALUMPINES. Worldwide.

THE CHAIRMAN. Worldwide 

MS. DALUMPINES. Yeah. Also, for personal services, regardless where your payment is made if it's rendered in the Philippines, that is Philippine source.

THE CHAIRMAN. Can we qualify personal services?

MS. DALUMPINES. For example, you're not being paid here but you render services here. I mean, as an officer or as an employee of a company here, but your remunerations and compensations are coming from the US, then that would form part of your Philippine source income.

THE CHAIRMAN. So, if you're an agent, for example....

MS. DALUMPINES. Yeah.

THE CHAIRMAN. ... representing a company abroad and you work here, the company abroad pays your services as you perform your functions here.

MS. DALUMPINES. Correct.

THE CHAIRMAN. If you're a non-resident citizen?

MS. DALUMPINES. Well, since you're a citizen, the rule, you're still taxed as an ordinary citizen, because the residency breaks, because for personal services, it's where the services is rendered—for citizens.

THE CHAIRMAN. For personal services, whether you're a resident or not, is immaterial.

MS. DALUMPINES. Correct.



THE CHAIRMAN. When you're taxed worldwide, because you're a resident citizen, then you have to make the necessary... you're required to make the necessary reports as to your income worldwide.

MS. DALUMPINES. Correct.

THE CHAIRMAN. Di ba?

MS. DALUMPINES. Yes.

THE CHAIRMAN. And, of course, that's the first step of being taxed—you report.

MS. DALUMPINES. Uh-huh.

THE CHAIRMAN. Okay. I have a question about non-resident citizens taxed worldwide.

Yes.

MS. DALUMPINES. Non-resident citizens are taxed only on the Philippine sources, but for personal services, it's where the services is rendered. Like for example, you are considered non-resident citizen, but you work here for a number of days but you're not being paid in the Philippines, you're paid in the US. That would form part of your Philippine source income, if you are a citizen and you work here for a number of days.

THE CHAIRMAN. As a non-resident citizen.

MS. DALUMPINES. As a non-resident citizen.

THE CHAIRMAN. For personal services.



MS. DALUMPINES. Yes. Because the general principle is that non-resident citizens are taxed only on the Philippine source income.

THE CHAIRMAN. Can we have Atty. Casasola? You were provided copies of the bills. Just as a background, when there was a consultation/public hearings held in the US on the issue of dual citizenship, most or quite a number were interested in the issue of taxation and how they are to be taxed assuming that they reacquired Philippine citizenship. Would you have any inputs at this after going through the proposed bills?

MS. CASASOLA. It has just been given to me just this morning.

THE CHAIRMAN. Okay.

MS. CASASOLA. So, I haven't read it yet. But just listening from you, you're correct that an individual is taxed as to whether he is a resident or a non-resident citizen. So, if you are a resident citizen and you are taxed worldwide and if you are a non-resident, then you are only taxed on the income derived from within the Philippines.

THE CHAIRMAN. Okay. So, you can come in and anytime give your inputs po, ano.

What about the issue of the possibility of being taxed twice?

MS. DALUMPINES. Individuals who.... Like as we said, non-resident citizens are taxed only on their Philippine source income, so that there's no double taxation.

THE CHAIRMAN. Right.



MS. DALUMPINES. But if they're considered resident of a foreign country for a year, then there's a double taxation to that foreign country.

THE CHAIRMAN. Uh-huh.

MS. DALUMPINES. Now, he has to check or that individual has to check if that country, where he is a resident, is allowing a tax credit for taxes paid in the Philippines.

THE CHAIRMAN. Right. Right. And if the....

MS. DALUMPINES. Because as far as the Philippines is concerned, there's no double taxation. He is taxed on his Philippine-sourced income, and, therefore, no foreign tax credit should be claimed in the Philippines.

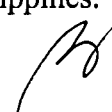
THE CHAIRMAN. Okay.

MS. DALUMPINES. But he can probably apply for a foreign tax credit when he files his return to that home country where he is a resident.

THE CHAIRMAN. Uh-huh. Uh-huh. You were going to say something, Miss?

MS. CERALDE. Actually, it was a corroborative statement on what she was saying.

THE CHAIRMAN. Uh-huh. So, we don't give—correct me if I am mistaken here again—we do not give tax credits here in the Philippines.



MS. DALUMPINES. Correct—only for citizens, resident citizens who are taxed on their worldwide income.

THE CHAIRMAN. Right. Right. Oo.

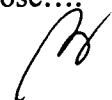
MS. DALUMPINES. But for those non-resident citizens, who have Philippine source and also being taxed abroad, as residents of that country probably, then they can claim foreign tax credit to that taxing authority, but not in the Philippines.

THE CHAIRMAN. Not in the Philippines.

MS. DALUMPINES. Yes.

THE CHAIRMAN. Okay. So, hypothetical situation—you have, let's say, a businessman, a Filipino-American, he is intending to invest here in the Philippines, assuming this becomes law and he becomes a... he has now reacquired his citizenship. He is to be... well, he is American or was American and now, he is recognized as Filipino, decides to buy property here and engage in real estate; derives income from his real estate business here, he will be subject to all taxes if he were a resident citizen. If he were a non-resident citizen, how do you...?

MS. DALUMPINES. There's no difference, because, as you said, Philippine-sourced income for non-resident citizens, they're taxed on their Philippine-sourced income. Now, the question is whether they can acquire real property if in case they'd be considered as alien for that purpose....



THE CHAIRMAN. No. In this case, they've reacquired their Filipino citizenship, so they can now buy property....

MS. DALUMPINES. They will be taxed the same rate as a citizen who is a resident.

THE CHAIRMAN. And subject to all, 'no.

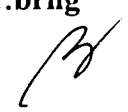
MS. DALUMPINES. Yes.

THE CHAIRMAN. Even if they're non-residents because the source is Philippines.

MS. DALUMPINES. Philippines, yes.

THE CHAIRMAN. Would you like to add to this, Atty. Casasola?
The microphone, I think, is not....

MS. CASASOLA. Well, the taxation of one who is engaged in business really depends on whether it is a domestic corporation or a domestic entity or it is a resident-foreign or a non-resident foreign, because in this case, it is already—well, I'm talking of corporations, 'no—so, it's different from an individual who is engaged in business. So, there is a difference if you're just an individual engaging in business and a corporation engaging in business. So, if it's a corporation, then it is as to whether you are a domestic...brhg



MS. CASASOLA. ... as to whether you are a domestic or a resident foreign or a non-resident foreign. But if it's...

THE CHAIRMAN. The purpose of the Dual Citizenship Bill, you're a Filipino, you reacquired citizenship, you used to be a non-Filipino.

MS. CASASOLA. Okay. So, we're talking here of just individual engaging in business.

THE CHAIRMAN. Or a corporation that is -- whose shareholders are all Filipinos.

MS. CASASOLA. Okay. So, in the case -- we talk first of corporations. If it is a corporation, a domestic corporation that is -- then it is subject to all income derived from within and without, meaning, global. But if it's a resident foreign, then it's only subject to income derived from within. And if it is a non-resident foreign, then it is subject only from -- again, on the income derived from within. Now, in the case of individual, it's the same, 'no, if you are a resident individual and you are engaged in business, then you are subject from within and in without. If you are a non-resident -- a non-resident individual engaged in trade or business, then, again it's -- you are subject on the income derived from within

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and also in the case of an individual considered not engaged in trade or business. So, the test is, "Are you a resident individual or are you a resident corporation?"

THE CHAIRMAN. Earlier, Ms. Ceralde, you mentioned something about brackets. There is a distinction between the brackets of non-resident aliens...

MS. CERALDE. Yes.

THE CHAIRMAN. ... and resident aliens and non-resident citizens and resident citizens. Can we have a clarification as to what the distinctions are or what the differences are, for purposes of record?

MS. CERALDE. In cases of resident citizens and resident aliens... In cases of citizens and resident alien, they are taxed at a rate of five percent to 32 percent. It is a graduated rate.

THE CHAIRMAN. Can we have that again? In case...

MS. CERALDE. Let's start, sir, with a non-resident alien not engaged in trade or business.

THE CHAIRMAN. Non-resident alien.

MS. CERALDE. Not engaged in trade or business.

THE CHAIRMAN. So, it's a one-shot thing.

MS. CERALDE. Yes, sir.

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MS. DALUMPINES. Sir, individuals whose stay in the Philippines does not exceed 180 days in a year.

THE CHAIRMAN. Yes, yes, oo.

MS. DALUMPINES. They are taxed at a flat rate of 25 percent.

THE CHAIRMAN. Twenty-five percent...

MS. DALUMPINES. Yes, sir.

THE CHAIRMAN. ... of gross?

MS. DALUMPINES. Yes, sir, gross.

THE CHAIRMAN. Yes, that's a non-resident alien not engaged.

MS. CERALDE. In cases of those engaged in trade or business as well as citizens, they are taxed at a graduated rate of five to 32 percent.

THE CHAIRMAN. Non-resident alien.

MS. CERALDE. Yes, sir. Resident alien, citizens and non-resident alien engaged in trade or business...

THE CHAIRMAN. Okay.

MS. CERALDE. ... five to 32 percent.

THE CHAIRMAN. So, pareho iyong resident alien at saka iyong citizen.

MS. DALUMPINES. Yeah, but there is a difference in the basis.

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MS. CERALDE. Yes, sir.

MS. DALUMPINES. Like, citizens are taxed on their worldwide income. Resident alien, only on Philippine source as well as the non-resident alien engaged.

THE CHAIRMAN. What about a non-resident citizen?

MS. DALUMPINES. As far as non-resident citizens, they are only taxed on their Philippine-sourced income. So, if they don't have any sources in the Philippines, then they don't have taxes to pay for personal services.

THE CHAIRMAN. So, right now, without this bill, a non-resident alien not engaged will be taxed a flat rate of 25 percent.

MS. CERALDE. Yes, sir, on gross.

THE CHAIRMAN. And assuming that this becomes a law, and he is no longer a non-resident alien, he becomes a non-resident citizen, he is now taxed as to Philippine-sourced income...

MS. CERALDE. At a rate of five to 32.

THE CHAIRMAN. ... at a rate of five to...

MS. CERALDE. Thirty-two percent.

THE CHAIRMAN. ... thirty-two percent, which is -- of course, it could be more beneficial.

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MS. CERALDE. It could be more beneficial if he derived salaries which would fall on a lower bracket level.

THE CHAIRMAN. Right, right.

MS. CERALDE. But if his salary is on the P500,000.00 and above, he shall be taxed at a maximum rate of 32 percent.

THE CHAIRMAN. Thirty-two, which is higher.

MS. CERALDE. Yes, sir, instead of just 25.

THE CHAIRMAN. As a non-resident citizen with source -- engaged in business, and the source is...

MS. CERALDE. Is Philippines.

THE CHAIRMAN. ... is Philippines.

MS. CERALDE. Yes, sir. May we also add, sir, that in cases of non-resident citizen engaged in trade or business, they can only claim personal exemptions.

THE CHAIRMAN. Uh-huh.

MS. CERALDE. In cases, however, of resident aliens and citizens, they claim both personal and additional exemptions.

THE CHAIRMAN. This is, again, personal and additional exemptions for?

MS. CERALDE. Citizens and resident aliens.

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THE CHAIRMAN. Yes, yes, oo. Would you have additional inputs, ma'am?

MS. CASASOLA. I agree with them.

THE CHAIRMAN. So, simply put, in the area of brackets, depending on a -- it's a, really, a case-to-case basis whether it's going to be beneficial or not to the former alien who becomes now a citizen.

MS. DALUMPINES. Yes, sir.

THE CHAIRMAN. But it's really just a question of bracket. I mean, percentages.

MS. CERALDE. And sometimes residency.

THE CHAIRMAN. Yes, yes.

MS. CERALDE. If you become a citizen and yet you are a non-resident, you still are subject only to taxes on your Philippine-sourced income.

THE CHAIRMAN. Yes, yes, oo, oo.

So, if I were a -- again, hypothetical -- if I were a Filipino-American and this bill will be passed into law and -- what should I look out for in terms of them taxing the income that I'm deriving from the US?

MS. CERALDE. If the income...

THE CHAIRMAN. But I should not be a resident citizen, no?

MS. CERALDE. For you not be taxed, yes, sir.

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THE CHAIRMAN. So, I have reacquired my citizenship because of this law. I am worried and concerned, you know, my...

MS. CERALDE. US income.

THE CHAIRMAN. ... my US income might be subjected to Philippine tax. So, my option really is, to be able to avoid this, is not to establish residency here.

MS. CERALDE. Yes, sir.

THE CHAIRMAN. And not to establish residency here, means, I cannot vote here. I cannot be a voter. I mean, yeah, I am not entitled to... at least, as it stands, you have to be a resident -- yeah, that's the case, yeah. Yes.

MS. CERALDE. Yes, sir.

THE CHAIRMAN. Of course, we have to look into the implications of the -- Comsec. let us look at the implications of residency in terms of what are - - when is residency a requirement in terms of different aspects of investment, nego... Well, apart from economic and political rights, when is residency necessary? Because, in that case, that might be one concern of a Filipino-American or any other foreigner for that matter not only Filipino-Americans, 'no. Any other former Filipinos who have

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acquired foreign citizenship who will reacquire Filipino citizenship, if they establish residency here, then they will be taxed at to their worldwide income. Now -- so that could be -- they could be taxed twice. They're taxed there and they'll be taxed here. That's the consequence of that, when you're taxed as a resident citizen or -- yeah, as a resident citizen. If you are taxed with your income sa America o sa Europe, ita-tax ka ulit dito. Ganoon iyon ano? Okay.

MS. DALUMPINES. Can I add?

THE CHAIRMAN. Yes, please.

MS. DALUMPINES. Also aliens employed by multinationals are taxed at 15 percent flat rate.

THE CHAIRMAN. Fifteen?

MS. DALUMPINES. Yeah. So, if they change their citizenship, they would lose that preferential rate... /alice

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MS. DALUMPINES. ...preferential rate.

THE CHAIRMAN. It becomes...

MS. DALUMPINES. The five to 32 percent.

THE CHAIRMAN. And normally when you are employed by multinationals, do you go about the 500,000 bond?

MS. DALUMPINES. Yeah, we have this.

THE CHAIRMAN. You do ano?

MS. DALUMPINES. Yes.

THE CHAIRMAN. I mean, as a general rule seguro, there are some exceptions. But then you are taxed the full amount?

MS. DALUMPINES. Yes.

THE CHAIRMAN. Thirty-two rather than 15?

MS. DALUMPINES. Rather than 15.

THE CHAIRMAN. Yes.

MS. CASASOLA. May I say something? Even if you are a Filipino, if you're employed by a multinational and there is the counterpart alien, then you are taxed the same, 15 percent.

THE CHAIRMAN. When you say "counterpart alien", when they hire a counterpart?

MS. DALUMPINES. Actually, these individuals or expats work here for a project. Now the preferential rate is given to them at 15 percent. Now we are looking at the case wherein they married a Filipina or they are citizens who lose their Filipino citizenship and then they came back, then regain the citizenship,

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they will not be enjoying that 15 percent unless there is really an alien occupying the same position. So they would not lose the 15 percent preferential rate.

But what if they are, daw, aliens who are assigned here?

THE CHAIRMAN. I have a question. How can he be employed in the same position as the alien if there is only one job? Forgive my ignorance. What do you mean he will be taxed unless there is another employee who is an alien?

MS. DALUMPINES. I think the rationale there is...

THE CHAIRMAN. Exchange of...

MS. DALUMPINES. ...to be or not to be biased with the Filipinos occupying the same position. But if that alien becomes a citizen, then he lose the 15 percent.

THE CHAIRMAN. How do you occupy the same position if there is only...

MS. DALUMPINES. I would...

THE CHAIRMAN. I'm sorry.

MS. DALUMPINES. That's the question.

MS. CERALDE. I would like to think, sir, that it does not mean actual position.

THE CHAIRMAN. Like managerial level. I just want it clarified.

MS. CERALDE. But our concern was, what if this alien who becomes a Filipino citizen -- what if this alien becomes the Filipino citizen in which case he loses the 15 percent preferential tax rate. But that is applicable also to Filipinos in case there exist in the company an alien in the same category. *GA*

THE CHAIRMAN. Right.

MS. CERALDE. The Filipino would lose likewise the 15 percent preferential tax rate.

THE CHAIRMAN. Both of them.

MS. CERALDE. Both of them, yes.

THE CHAIRMAN. So both of them will now have to pay ...

MS. CERALDE. Five to 32 percent.

THE CHAIRMAN. Five to 32. But they will be entitled to certain exemptions.

MS. DALUMPINES. Yes additional and personal on the high end.

THE CHAIRMAN. Yes. So that will be good for the BIR.

MS. CERALDE. Yes, that will be good for the BIR.

THE CHAIRMAN. Because you are able to collect more...

MS. CERALDE. Generate more.


THE CHAIRMAN. ...generate more revenue. Not good for the...

MS. CERALDE. Not good for the company and for the Filipinos likewise.

THE CHAIRMAN. And for the individual.

MS. DALUMPINES. Yes. And also these are companies which are established for a project.

THE CHAIRMAN. Right.

MS. DALUMPINES. So this preferential is granted to encourage these projects. So that would not be attracting investors. 

THE CHAIRMAN. Yes. I would like to ask Atty. Casasola. I'm of the impression that you may have to come up with a new set of rules and regulations assuming this particular bill becomes law. I don't know, I could be mistaken. You now have a new set or maybe not a new set, but just more Filipino citizens. We don't know exactly how many they will be, some say anywhere between two to three million more.

So the BIR may probably have to look into its internal rules and see how this new batch of citizens will be taxed. But as it stands, it looks like, based on our discussion, it looks like they would be classified now either resident or non-resident citizens. But there might be some nuances like the one that you mentioned na may effect. They are really Filipinos..


MS. DALUMPINES. (inaudible) ...for aliens who were previously considered - before this law - as not engaged will be considered as citizen, then they would use the 25 percent, five to 32 already; no more the 25 percent because they are now considered citizen. And so therefore...

THE CHAIRMAN. They are non-resident aliens, not engaged....

MS. DALUMPINES. They cannot be considered after that.

THE CHAIRMAN. Aliens.

MS. DALUMPINES. Yes. So they are now citizens who has broken their residency or non-residency status; so, therefore, they will be subject to a regular rate of five to 32 percent.

MS. CASASOLA. But the good thing in five to 32 is you are entitled to so many deductions. 

THE CHAIRMAN. Right.

MS. CASASOLA. In the case of the 25 percent, it's based on the gross.

THE CHAIRMAN. Okay. Well, actually I don't have anymore question unless you have additional inputs. I know you only received the bill yesterday. I hope you don't mind if some of us, some members of the Committee secretariat will get in touch with you; if there are additional input you would like to relay to us, we would welcome that in the area of tax consequences and implications.

MS. CERALDE. It will be our pleasure, sir.

THE CHAIRMAN. Thank you. Please thank Mr. Purissima for the support that you have given us, being a private corporation.

And sa BIR po, Atty. Casasola, we would like to request that you forward to us your comments on the bills. By and large, it really looks like the only difference now in terms of taxes is that you will be classified differently. There are existing classifications; as it stands, there is no need really to look into amending any particular provision of law, particularly in tax laws. Because as a whole, they would just be classified as either resident or non-resident citizens. And it is pretty much set when you are classified as such that there are already laws that govern your status and your tax obligations.

Is that a, more or less, a correct assessment and appraisal? Okay.

Yes, ma'am.

MS. CERALDE. This may be a little off tangent but upon reading the law, we were discussing yesterday, what if these laws are passed and we were looking into the investment that they can get into. What if in the future, they have

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to renounce their Philippine citizenship for one reason or another, whether voluntary or involuntarily. What happens to the investment?

We did not see any particular provision on how we should be dealing about it. Will they revert to...

THE CHAIRMAN. There will be consequences, definitely.

MS. CERALDE. Yes, sir.

THE CHAIRMAN. And automatically the law that limits participation of non-citizens will have to be...

MS. CERALDE. Applied.

THE CHAIRMAN. ...applied. Yeah, I'd like to think.

MS. CERALDE. Sir, that would be the same case -- that would be the case also where the Filipina would marry a foreign national and later on the foreign national would lose the Philippine citizenship. The treatment would likewise be...


THE CHAIRMAN. Filipina marries a foreigner.

MS. CERALDE. Yes, sir. In the proposed law, the foreigner automatically becomes a Filipino.

THE CHAIRMAN. One of the bills, yes.

MS. CERALDE. Yes, sir. In the event the marriage is terminated, except by death, what would be the consequences?


THE CHAIRMAN. We will note your observations. But I don't think we will be tackling that particular...

MS. CERALDE. Provision. 

THE CHAIRMAN. Yes because medyo... The dual citizenship bill really refers to Filipinos who lost -- natural born Filipinos who subsequently acquire foreign citizenship. So it really focuses more on this particular set of citizens. We are not concerned about American...

MS. CERALDE. An original alien...

THE CHAIRMAN. Yes.

MS. CERALDE. ...who becomes a Filipino.../PEG 

MS. CERALDE. ... who becomes a Filipino.

THE CHAIRMAN. In fact, that's where – based on the discussions of the Constitutional Commission of 1986, that was one of the issues raised, dual allegiance. You know, you have Chinese nationals coming to the Philippines, acquiring Filipino citizenship and then also having, for one reason or another, also possessing Chinese citizenship. That would be, in our understanding, dual allegiance. But a Filipino, natural-born Filipino, dito pinanganak, dito lumaki, at dahil sa hirap ng situwasyon nag-ibang bansa, napilitang kumuha ng citizenship ng ibang bansa. Pero, kung maaari lamang, hindi na niya gagawin 'yon, nagkataon lang. Habang siya'y sumusumpa, umiiyak pa siya, ano, at araw-araw ay nanaginip siya na, "Bakit ko ba kinuha itong citizenship ng ibang bansa? Kung maaari lang ako'y manatiling Pilipino, 'yan ang gagawin ko." This is the kind of, you know, this is the situation that is ... This is really the purpose of the law, to look at that – how do you call it – natural ... - former natural-born Filipinos. But we welcome your observations and your comments.

So, having no other questions and unless you have other inputs at this point, we'd like to thank the SGV and Company, as well as our resource person from the BIR, Atty. Casasola.

Are you both lawyers? You're both accountants?

MS. DALUMPINAS. (Shaking her head.)

MS. CERALDE. I am a lawyer.

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THE CHAIRMAN. Ah, okay. So, Atty. Ceralde and Ms. Dalumpinas,
maraming salamat. Thank you, thank you very much.

The consultation meeting is adjourned.

THE MEETING WAS ADJOURNED AT 9:57 A.M.

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