

is the official language, and that language which will still be developed which is called Filipino.

MR. EXMUNDO. I would like to bring to the attention of the distinguished sponsor that our children in the Visayas and in Mindanao have really a very hard time understanding the present national language. For instance, "airplane" is translated as "salipawpaw." Why don't we call it "eroplano" so that it can be understood by the people in Ilocos, in Bicol, and those in the South? Now, "salumpuwit" means chair. Why don't we say "silya" or "upuan"?

Mr. Speaker, I was listening to the distinguished Gentleman from Pampanga and he even used the word "cuarta." In Tagalog that is "pera," but he used "cuarta" which is Spanish. He also used the word "oficina." So, even the Gentleman from Pampanga is not using the present national language that we have which is puristic in character.

THE SPEAKER. The Gentleman is presenting arguments and opinions, not interpellating for facts.

MR. EXMUNDO. I am sorry, Mr. Speaker, but this issue is very important and crucial especially now that our children in the provinces cannot understand the present national language.

THE SPEAKER. In any case, the period of extension has expired.

MR. EXMUNDO. Thank you, Mr. Speaker.

MR. DIEL. Mr. Speaker.

THE SPEAKER. What is the pleasure of the Gentleman from Misamis Oriental?

MR. DIEL. Mr. Speaker, anent Question No. 4 which has been set several times, I think we can easily dispose of this. May I offer to propose that in accordance with the Rules, the honorable Minister of Education and Culture, on whom I have all the trust, confidence and respect, just answer this humble Representation in writing?

THE SPEAKER. The Minister of Education and Culture may make his answer in writing to the fourth set of questions propounded by the Gentleman from Misamis Oriental.

MR. DIEL. Thank you, Mr. Speaker.

Mr. Speaker, does the honorable Minister agree that he will honor me with an answer in writing so we can dispose of Question No. 4?

MR. CORPUZ. The honor is mine, Mr. Speaker.

MR. DIEL. Thank you, Mr. Speaker.

MR. TATAD. Mr. Speaker.

THE SPEAKER. The Gentleman from Region V is recognized.

MR. TATAD. With the permission of the distinguished Gentleman, may we propose an amendment to that request, that the written answer be furnished not only to the proponent of the question but to all the Members of the Batasan?

THE SPEAKER. Probably the written answer may be included in the Calendar of Business of the Batasan.

MR. TATAD. Thank you, Mr. Speaker.

THE SPEAKER. Is there any objection to that proposal? (*Silence*) The Chair hears none; the amendment to the request is approved.

MR. ALBANO. Mr. Speaker, I move that we now close the Question Hour.

THE SPEAKER. Is there any objection? (*Silence*) The Chair hears none; the Question Hour is terminated.

CONSIDERATION OF C. B. NO. 34 (Continuation) PERIOD OF AMENDMENTS

MR. ALBANO. Mr. Speaker, I move that we now proceed to the continuation of consideration on Second Reading of Cabinet Bill No. 34.

THE SPEAKER. Is there any objection? (*Silence*) The Chair hears none; the motion is approved.

MR. ALBANO. Mr. Speaker, I request that the honorable Gentleman from Rizal, Minister San Juan, be recognized.

The parliamentary situation is that we are now in the period of amendments, and I understand that the committee is not presenting any amendment at all, so I move that we close the period of committee amendments so that we can proceed to the individual amendments.

THE SPEAKER. Is there any objection?

MR. FERNANDEZ (F.). Mr. Speaker, parliamentary inquiry.

THE SPEAKER. Will the Gentleman state his inquiry?

MR. FERNANDEZ (F.). Mr. Speaker, in the course of my interpellation last night, the distinguished Gentleman from Rizal intimated that the committee was presenting an amendment to cover the situation that I had presented. May I know whether the committee is abandoning that position?

MR. SAN JUAN. Mr. Speaker.

THE SPEAKER. Yes, the sponsor is recognized to answer the question.

MR. SAN JUAN. This Representation, in answer to the query of the Gentleman from Region VII, said that the committee was informed that there were amendments to be submitted. And we had gone over the amendments but they would be presented not as committee amendments, but in the form of individual amendments.

MR. FERNANDEZ (F.). I see. Thank you, Mr. Speaker.

THE SPEAKER. Is there any objection to the motion? (*Silence*) The Chair hears none; the period of committee amendments is closed. We will now go to the period of individual amendments.

MR. ALBANO. Mr. Speaker.

THE SPEAKER. The Acting Floor Leader is recognized.

MR. ALBANO. Before we proceed, may I ask that the staff of the Committee on Finance be allowed to occupy the seats assigned to them in the front row?

THE SPEAKER. Yes, the request is granted.

SUSPENSION OF SESSION

THE SPEAKER. The Chair declares a recess.

RESUMPTION OF SESSION

At this juncture, the Speaker relinquished the Chair to the Honorable Manuel M. Garcia.

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

We are now in the period of individual amendments.

MR. SAN JUAN. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Rizal is recognized.

MR. SAN JUAN. As it is the practice, we would go over the bill page by page for an orderly presentation of individual amendments. We are ready to receive any proposals for page 1 . . . 2 . . . 3 . . .

INDIVIDUAL AMENDMENTS

MR. PUYAT. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur is recognized.

MR. PUYAT. On page 3, Mr. Speaker, line 21.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. PUYAT. I propose the deletion of all the words appearing on that line, Mr. Speaker, and the insertion of a new line 21 and a new line 22. The new line 21 will read: NOT OVER P2,500—0%; and the new line 22 will read: OVER P2,500 BUT NOT OVER P5,000—1%.

If the honorable sponsor will accept that, then I will proceed to consequential amendments on the following lines.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The honorable sponsor has accepted the proposed amendment of the Gentleman from Surigao del Sur.

MR. PUYAT. I therefore propose, Mr. Speaker, that the present line twenty . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Before the Gentleman proceeds to further amendments, the first amendment will be submitted to a vote.

Is there any objection to the amendment as accepted by the committee? (*Silence*) The Chair hears none; the amendment is approved.

The Gentleman from Surigao del Sur may continue.

MR. PUYAT. Mr. Speaker, the present line 22, which has been supplanted by the new line 22 that this Representation proposed, will now become line 23, and the other lines will also be renumbered accordingly.

In addition, Mr. Speaker, on the present line 22 which will become line 23, I propose the following amendment: Delete "P50" and insert P25 so that it will read: "over P5,000 but not over P10,000—P25 + 3% of excess over P5,000."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, Mr. Speaker, delete "P200" and substitute it with P175.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P900" and replace it with P875.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P3,100" and substitute it with P3,075.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P6,100" and replace it with P6,075.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P13,700" and replace it with P13,675.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P49,700" and replace it with P49,675.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. On the next line, delete "P122,000" . . .

By the way, Mr. Speaker, the technical panel has informed me that this is an error, that it ought to read "P122,200." At any rate, I propose the deletion of this figure and its replacement with the new figure P122,175.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. Mr. Speaker, I would like it to be of record that Deputy Minister Roman is a co-author of this amendment. I would like also to acknowledge the sympathetic attitude of the Prime Minister and the members of the Finance Committee, although this proposed amendment was presented at a rather late date.

I also wish to acknowledge the contribution of the honorable sponsor, Assemblyman San Juan, in the formulation of this amendment, and the efforts that the personnel of the National Tax Research Center under Director Yoingco have contributed.

Thank you, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Let the statement be so recorded.

We now go to page 3.

MR. SAN JUAN. Page 3 . . . 4 . . .

MR. FUENTEBELLA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. If there is no anterior amendment, I would like to propose an amendment to line 10.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any anterior amendment? (*Silence*)

The Chair hears none; the Gentleman from Camarines Sur may propose his amendment.

MR. FUENTEBELLA. Substitute the letter "a" which is enclosed in parentheses after the word "paragraph" with letter B, such that this provision starting from line 8 would read: "Royalties, prizes (except prizes amounting to three thousand pesos or less which shall be subject to tax under paragraph (B))."

MR. SAN JUAN. It is accepted, Mr. Speaker, because that was really an error.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Hilario G. Davide, Jr., is recognized.

MR. DAVIDE. This amendment is on page 4, lines 15, 16 and 17.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any anterior amendment? (*Silence*) The Chair hears none; the Gentleman from Cebu may proceed.

MR. DAVIDE. On line 15, delete the comma (,) after "deposits," substitute it with the word AND, and insert between the words "yield" and "from" the following: OR ANY OTHER BENEFIT.

On line 16, delete the word "yield"; on line 17, delete the comma (,) after the deleted word "and," and insert after "yield" the following: AND ANY OTHER BENEFIT. Also, on line 18, delete the word "yield" . . .

MR. SAN JUAN. Can we have the entire amendment?

MR. DAVIDE. . . . so that it will read as follows, from line 15:

"(d). On interest from bank deposits AND yield OR ANY OTHER BENEFIT from deposit substitutes and yield from trust fund and similar arrangements.—Interest from Philippine Currency Bank deposits and yield, AND ANY OTHER BENEFIT from deposit substitutes and from trust fund and similar arrangements."

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The sponsor is recognized.

MR. SAN JUAN. Will the Gentleman from Region VII agree on modifying the proposed amendment to make it clear that the benefits referred to are monetary benefits?

MR. DAVIDE. I have no objection, Mr. Speaker, and, therefore, I would present it anew as modified, and it would be as follows: On line 15, delete the comma (,) after "deposits" and substitute it with AND; then insert after "yield" the following: OR ANY OTHER MONETARY BENEFIT.

On line 16, delete the word "yield."

On line 17, delete the comma (,) after "deposits" and change it to AND; and after "yield," insert the following: OR ANY OTHER MONETARY BENEFIT.

On line 18, delete the word "yield."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the sponsor say?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection?

MR. LEGASPI. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Valentino L. Legaspi, is recognized.

MR. LEGASPI. I respectfully object to the amendments, Mr. Speaker; but before I state my objection, will my colleague from Cebu answer a few questions?

THE PRESIDING OFFICER (Mr. Garcia, M.). The other Gentleman from Cebu, Assemblyman Davide, may yield if he so desires.

MR. DAVIDE. Gladly, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. LEGASPI. Thank you, Mr. Speaker.

Mr. Speaker, by that amendment, does the Gentleman intend to include monetary prizes which are given by depository banks to its depositors?

MR. DAVIDE. Prizes?

MR. LEGASPI. Yes.

MR. DAVIDE. Those would not be included here, but in some other portions of the bill.

MR. LEGASPI. Is it not, Mr. Speaker, that a prize is a monetary benefit arising out of a deposit?

MR. DAVIDE. Mr. Speaker, we have to consider the fact that it refers to yield or any other monetary benefit arising out of the particular transaction or the nature of the deposit; but if there are any other fringe benefits like prizes, these would be taken into account in some other aspects of the bill.

MR. LEGASPI. By introducing these amendments, does the Gentleman intend to increase the taxable base on monetary deposits?

MR. DAVIDE. Well, Mr. Speaker, the idea here is actually to define more exactly the meaning of the term "yield," because it might be subject to an enlargement or a diminution of the interpretation.

MR. LEGASPI. Does the Gentleman intend to increase the amount to be taxed . . .

MR. DAVIDE. No . . .

MR. LEGASPI. . . . in the case of monetary deposits?

MR. DAVIDE. As a matter of fact, Mr. Speaker, I would have a proposal to reduce the amount of the tax.

MR. LEGASPI. Thank you, Mr. Speaker.

I was of the belief that the intention of the Gentleman was to increase the taxable base on monetary deposits by including benefits arising therefrom.

MR. DAVIDE. Not necessarily, Mr. Speaker; it is merely to define more clearly the provision of the law.

MR. LEGASPI. Because the word "yield," I expect, Mr. Speaker, refers to what is earned from a deposit, but this is not clear here.

MR. DAVIDE. This is the reason, Mr. Speaker, why the amendment "or any other monetary benefit" is proposed; it is precisely to give a meaning to the word "yield."

MR. LEGASPI. But "benefits" might include those things other than interest earnings.

MR. DAVIDE. No, the word "benefits" was already clarified to mean monetary.

MR. LEGASPI. I would, therefore, still object, Mr. Speaker. May I be allowed to state my reason for the objection?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Valentino L. Legaspi, may state his reason for the objection, and he has five minutes.

MR. LEGASPI. My reason will be short, Mr. Speaker; it is not only to allow additional taxable base . . . but on the part of the government to impose taxes on savings and other deposits, because as we all know, the depositor is already taxed too much on his deposit and there is no reason why other than what a depositor receives arising out of his deposit should also be taxed.

Thank you, Mr. Speaker.

MR. DAVIDE. Mr. Speaker, may I be allowed to respond?

THE PRESIDING OFFICER (Mr. Garcia, M.). Yes, the Honorable Hilario G. Davide, Jr. may respond.

MR. DAVIDE. There has been a misconstruction of the proposed amendment. It is not on interest from bank deposits. The qualification is only on deposit substitutes, trust funds and similar arrangements and, therefore, we are not trying to discourage savings deposits or similar deposits. And, besides, Mr. Speaker, the idea of the amendment is only actually to clarify the meaning of the word "yield," so that it should refer to certain benefits which would be monetary and only from deposit substitutes, trust funds and similar arrangements.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu has proposed an amendment to lines 15, 16, 17 and 18 which has been accepted by the committee. The Chair would put the amendment to a vote in view of the objection of the other Gentleman from Cebu, the Honorable Valentino L. Legaspi.

As many as are in favor of the amendment as accepted by the committee, say *yea*.

SEVERAL MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

FEW MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *yeas* have it; the amendment is approved.

MR. DAVIDE. On page 4, Mr. Speaker, as a consequence, may I propose the following amendments on line 22: Delete the comma (,) after "deposits" and substitute it with AND, and insert after "yield" the phrase OR ANY OTHER MONETARY BENEFIT. Then, after "substitutes," delete the comma (,) and the word "yield." So, the entire line will read: "Time deposits AND yield OR ANY OTHER MONETARY BENEFIT from deposit substitutes and from."

MR. SAN JUAN. The committee accepts the amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection?

MR. VILLEGAS. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Negros Oriental is recognized.

MR. VILLEGAS. Just a clarificatory question to the proponent of the amendment, if the Gentleman will yield, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu may yield if he so desires.

MR. DAVIDE. Gladly, Mr. Speaker.

MR. VILLEGAS. I just want to find out, Mr. Speaker, what other monetary benefits are referred to here besides interest, considering that our other distinguished colleague from Cebu, the Honorable Valentino Legaspi, had asked whether prizes might be included and to which the Gentleman replied that prizes are to be included not in this particular section but in another section of the proposed law.

May I ask what are these other monetary benefits referred to by the Gentleman?

MR. DAVIDE. Mr. Speaker, it should first be clearly understood that the item referred to is not on interest on bank deposits but on deposit substitutes, trust funds and similar arrangements. So, the premise of the question is not rather accurate. We are not adding anything on interest on bank deposits but merely on substitute deposits, and the idea here is that after the approval of this law, there might be certain arrangements by unscrupulous people which would actually benefit them to a certain extent in violation of the present wording.

So, we have to clarify, first, the meaning of "yield," and second, "any other monetary benefit" arising out of the so-called deposit substitutes, money market arrangements, other trusts and similar arrangements.

MR. VILLEGAS. Thank you, Mr. Speaker, I am satisfied.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection to the amendment? *(Silence)* The Chair hears none; the amendment is approved.

MR. DAVIDE. Mr. Speaker, on line 20.

THE PRESIDING OFFICER (Mr. Garcia, M.). We are going back to line 20?

MR. DAVIDE. Yes, Mr. Speaker, because this is only a corollary amendment.

On line 20, substitute "15%" with 10%, and on line 21, substitute "20%" with 15%.

MR. SAN JUAN. We regret, Mr. Speaker, that the committee cannot accept the proposed amendment of the Gentleman from Cebu.

MR. DAVIDE. Mr. Speaker, may I be allowed to explain?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu may proceed.

MR. DAVIDE. Although the difference may only be 5 percent in each of the classes, actually we would be encouraging people to make deposits in banks. And if the percentages would remain as indicated, we would be discouraging the Filipinos to invest their money in banks and it would be against the ethics of the Filipinos as savings-conscious people.

MR. SAN JUAN. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The honorable sponsor is recognized.

MR. SAN JUAN. Just to disabuse the mind of the Gentleman from Region VII, these are existing provisions of law and were prescribed only recently when interests from bank deposits and income from deposit substitutes have been subjected to final withholding tax by virtue of presidential decrees. They are now segregated from income of individuals. Before the issuance of the decrees, these were taxable incomes which were lumped with all other incomes of the individual and taxed at the rate of 3% to 70%. Now, they are segregated and are taxed on a final withholding scheme at the rate of only 15% on savings and 20% on time deposits. So, these are already tremendous advantages for the taxpayer and for which reason we regret we cannot accept further reductions thereon; thus, we cannot accept the proposal of the Gentleman from Region VII.

MR. DAVIDE. I submit it to a vote, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The proposed amendment has been rejected by the committee. The matter will be put to a vote.

As many as are in favor of the amendment of the Gentleman from Cebu, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

MR. DAVIDE. Mr. Speaker, if there are no anterior amendments, on lines 28 and 29 on the same page . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu may proceed.

MR. DAVIDE. On line 28, substitute "Eight Hundred Pesos (P800.00)" with ONE THOUSAND PESOS (P1,000.00). Then, on line 29, after "Hundred," insert FIFTY and the figure in parentheses should be changed to (P250.00), so that both lines will now read: "taxable period does not exceed ONE THOUSAND PESOS (P1,000.00) a year or Two Hundred FIFTY Pesos (P250.00) per quarter."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the proposed amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. SENO. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the Industrial Labor Sector is recognized.

MR. SENO. On the same line 29 . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). We are through with line 29.

MR. SENO. . . . between the word "quarter" and the semicolon (;) insert the following: BUT IN CASE OF EXCESS THE TAX SHALL BE IMPOSED ONLY ON THE EXCESS.

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The Gentleman from the Industrial Labor Sector is recognized.

MR. SENO. As I have said, Mr. Speaker, I have a proposed amendment.

MR. SAN JUAN. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). What is the pleasure of the sponsor?

MR. SAN JUAN. Mr. Speaker, the proposed amendment of the Gentleman from Region VII, or more specifically, from the Industrial Labor Sector, cannot be accepted by the committee because it will entail too much work for agents of the government in the collection of tax. It is here envisioned that the task of collecting shall be delegated to the employees of the bank. With the amendment, we will give them an added burden of quantifying how much is the excess and the tax that will be imposed only on the amount in excess of the ceilings here prescribed; so we feel that we cannot accept this proposition, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Honorable Januario Seno is recognized.

MR. SENO. May I be permitted to explain my proposed amendment before it is subjected to a vote?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. SENO. Thank you, Mr. Speaker.

Mr. Speaker, and colleagues of this Assembly, I am proposing this amendment in order to avoid an incongruity or perhaps injustice. Under the present wording, as amended, a depositor who earns P1,010 interest would be paying P150.50 tax. Had it been only P1,000, he would not pay any tax because he would be exempted; but for P10 more, he must pay P150.50. So that seems to me not only incongruous but unjust. I submit the same as the reason for proposing this amendment, in which case I ask for a vote.

Thank you, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been rejected by the committee so we put the matter to a vote.

As many as are in favor of the amendment, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

MR. SAN JUAN. On page 5, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Page 5 . . .

MR. FUENTEBELLA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. On line 1.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. FUENTEBELLA. On page 5, line 1, I propose to delete the period (.) after the caption title "ON DIVIDENDS" and insert the following: AND SHARE OF INDIVIDUAL PARTNER IN THE NET PROFITS OF TAXABLE PARTNERSHIPS. This line should then read as follows: "(e) ON DIVIDENDS AND SHARE OF INDIVIDUAL PARTNER IN THE NET PROFITS OF TAXABLE PARTNERSHIPS," all of which should be underlined, Mr. Speaker.

May I submit this amendment for approval?

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. Mr. Speaker, that is an amendment only to the title, so, if the Gentleman will introduce the consequential amendments on the body of this provision, then we will know whether or not we can accept the amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The honorable proponent will please state his amendment.

MR. FUENTEBELLA. As a consequence of the proposed amendment on the caption title of this paragraph, I propose to amend line 3 by inserting between the words "corporation" and "shall" the following: AND THE SHARE OF AN INDIVIDUAL PARTNER IN A PARTNERSHIP SUBJECT TO TAX UNDER SECTION 24 (a). The entire paragraph would now read as follows . . .

SUSPENSION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

Gentleman from Camarines Sur.

MR. FUENTEBELLA. Mr. Speaker, this Representation needs to propose also an amendment on line 2. May I restate my amendment *in toto* for this particular paragraph?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. FUENTEBELLA. On line 1, the caption title, in capital letters, shall be underlined and read as follows: (e) ON DIVIDENDS AND SHARE OF INDIVIDUAL PARTNER IN THE NET PROFITS OF TAXABLE PARTNERSHIPS.

Now, as a consequence of this amendment, I propose that on line 2, between the words "citizen" and "or," transpose the following phrase: "of the Philippines" which is on the same line; and after the word "resident," insert the word ALIEN; then delete "of."

On line 3, between the words "corporation" and "shall," insert the following clause: AND THE SHARE OF AN INDIVIDUAL PARTNER IN A PARTNERSHIP SUBJECT TO TAX UNDER SECTION 24 (a). The provision, as amended, would now read as follows:

"(e) ON DIVIDENDS AND SHARE OF INDIVIDUAL PARTNER IN THE NET PROFITS OF TAXABLE PARTNERSHIPS.—Dividends received by an individual who is a citizen of the Philippines or resident ALIEN from a domestic corporation AND THE SHARE OF AN INDIVIDUAL PARTNER IN A PARTNERSHIP SUBJECT TO TAX UNDER SECTION 24 (a) shall be subject to a final tax at the rate of fifteen percent (15%) on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code."

I move for the approval of this amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The sponsor is recognized.

MR. SAN JUAN. Mr. Speaker, may we ask the Gentleman a few questions to clarify the scope of his proposed amendment?

MR. FUENTEBELLA. Yes, Mr. Speaker.

MR. SAN JUAN. Is it clear from this, Mr. Speaker, that "taxable partnership" being referred to here does not refer to partnership of professionals?

MR. FUENTEBELLA. No, in fact when we speak of general professional partnerships, they are exempt by virtue of Section 24 (a) of the National Internal Revenue Code.

MR. SAN JUAN. They are not taxable entities?

MR. FUENTEBELLA. No, so that this proposed amendment refers only to partnerships which are taxable as corporations.

MR. SAN JUAN. The amendment is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. SAN JUAN. On page 6 . . . page 7.

MR. VALDEZ. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Sultan Kudarat is recognized.

MR. VALDEZ. With the indulgence of the sponsor, may I go back to line 1 and a portion of line 2 on page 5?

THE PRESIDING OFFICER (Mr. Garcia, M.). On page 5 . . . The Gentleman may proceed.

MR. VALDEZ. I propose, Mr. Speaker, that the words after "by" on line 1 and the word "is" on line 2 be deleted, such that line 1 and part of line 2, as amended, will read as follows: "Dividends received by a citizen."

MR. SAN JUAN. Will it not mean the same thing?

MR. VALDEZ. Precisely, Mr. Speaker, but to say "individual who is a citizen or a resident of the Philippines," will be saying the same thing in a long way. When we say "received by a citizen or resident," I think that is more precise.

MR. SAN JUAN. We have no objection, Mr. Speaker . . . just a minute.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair would like to remind the sponsor that this has been amended. This will read now, as amended: "an individual who is a citizen of the Philippines or resident alien."

MR. VALDEZ. But subject to amendment, Mr. Speaker.

SUSPENSION OF SESSION.

MR. ALBANO. Mr. Speaker, may I ask for a recess?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The Gentleman from Sultan Kudarat is recognized.

MR. VALDEZ. Thank you, Mr. Speaker.

After an explanation during the recess, Mr. Speaker, I was made to understand that the word "individual" here is to distinguish the individual taxpayer from a corporation. So, in the light of the explanation, Mr. Speaker, I withdraw my proposed amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment is withdrawn.

MR. SAN JUAN. Page 6 . . . 7 . . .

MR. FUENTEBELLA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. On page 7, line 1.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. FUENTEBELLA. On the caption title between the words "DIVIDENDS" and "INTEREST" in capital letters, I move to insert the following clause: SHARE IN THE NET INCOME OF A TAXABLE PARTNERSHIP, such that the caption title would now read as follows: "DIVIDENDS, SHARE IN THE NET INCOME OF A TAXABLE PARTNERSHIP, INTEREST, ROYALTIES, PRIZES AND OTHER WINNINGS," etc.

Now, as a consequence of this proposed amendment, Mr. Speaker, I further propose an amendment to line 2 by inserting between the words "corporations" and "interest" the following clause: SHARE IN THE NET INCOME OF A PARTNERSHIP TAXABLE UNDER SECTION 24 (a), such that the entire provision would read as follows:

"(2) DIVIDENDS, SHARE IN THE NET INCOME OF A TAXABLE PARTNERSHIP, INTEREST, ROYALTIES, PRIZES AND OTHER WINNINGS, etc.—Dividends from a domestic cor-

poration, SHARE IN THE NET INCOME OF A PARTNERSHIP TAXABLE UNDER SECTION 24 (a), INTEREST, ROYALTIES," etc.

May I move for the approval of this amendment?

THE PRESIDING OFFICER (Mr. Garcia, M.). The sponsor is recognized.

MR. SAN JUAN. Mr. Speaker, the committee accepts the proposed amendment of the Gentleman from Region V.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. SAN JUAN. Page 8 . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). On page 8.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. On page 8, line 7.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. DAVIDE. Between "and" and "emoluments" insert OTHER, and after "emoluments" put a comma (,) and the following: SUCH AS HONORARIA, BONUSES, PENSIONS AND ALLOWANCES FOR TRANSPORTATION, HOUSING, REPRESENTATION AND ENTERTAINMENT, so that the entire subparagraph (d) will read:

"(d) ALIENS EMPLOYED BY OFFSHORE BANKING UNITS.—There shall be levied, collected and paid for each taxable year upon the gross income received by every alien individual employed by offshore banking units established in the Philippines as salaries, wages, annuities, compensations, remunerations and OTHER emoluments, SUCH AS HONORARIA, BONUSES, PENSIONS AND ALLOWANCES FOR TRANSPORTATION, HOUSING, REPRESENTATION AND ENTERTAINMENT, from such offshore banking units a tax equal to (fifteen per centum) 15% of such gross income."

SUSPENSION OF SESSION

MR. SAN JUAN. Mr. Speaker, may I ask for a recess?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The honorable sponsor is recognized.

MR. SAN JUAN. Mr. Speaker, your committee would like to explain to the Gentleman from Region VII that all of these three paragraphs referring to offshore banking units and petroleum service contractors and subcontractors on page 8, and also on page 7—aliens employed by regional or area headquarters of multinational corporations—are all covered by a policy of government to attract these groups of people not only to do business here but to establish offices in the Philippines. And, therefore, the entire amendment of the Gentleman from Region VII might do violence to this policy. If, however, he shall limit the limitations to exclude therefrom those which are hard to control or which are beyond the control of our government, then, possibly we might reconsider our position.

Will the Gentleman kindly restate his proposed amendment?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. Mr. Speaker, I may modify the proposed amendment but I should just like to make it of record that the proposal is precisely intended to prevent any undue and unwarranted discrimination against, probably, an equivalent Filipino official or employee, and, therefore, this might be an expression of a colonial mentality, or, it could really be to discourage also Filipinos of equal talent to be employed in such character.

At any rate, I am willing to go along with a modification. May I go back to page 7 so we can start with paragraph (c)?

MR. SAN JUAN. Yes, on page 7.

MR. DAVIDE. On page 7, line 27, after the word "and," add the word OTHER; on line 28, after "emoluments," insert a comma (,) and the following words: SUCH AS HONORARIA AND ALLOWANCES; so that the two lines will read: "salaries, wages, annuities, compensations, remunerations and OTHER emoluments, SUCH AS HONORARIA AND ALLOWANCES, from such regional or area headquarters a tax equal to."

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. On page 8 . . .

MR. BATERINA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Ilocos Sur is recognized.

MR. BATERINA. Since we went back to page 7, Mr. Speaker, may I ask that we reconsider the amendment of the Gentleman from Camarines Sur?

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the motion is approved.

MR. BATERINA. On page 7, line 1.

May I read the amendment of the Gentleman from Camarines Sur on the caption title? It says: "Share in the net income of taxable partnership," and so on and so forth. I propose to change the word "income" to PROFITS, Mr. Speaker. Then as a consequence, in the text of the said provision on line 2, also change the word "income" to PROFITS.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment is to change the word "income" to PROFITS.

MR. BATERINA. And then on line 4, change (a) to (B). They are all amendments on page 7, Mr. Speaker.

MR. SAN JUAN. The committee accepts, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair will first entertain a motion to reconsider from the Gentleman from Ilocos Sur.

MR. BATERINA. I move for a reconsideration.

MR. SAN JUAN. We have no objection to the reconsideration, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Ilocos Sur seeks reconsideration.

Is there any objection? (*Silence*) The Chair hears none; the amendment is reconsidered.

MR. BATERINA. I move that my proposed amendments be approved.

MR. SAN JUAN. We accept, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendments have been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendments are approved.

The Gentleman from Cebu is recognized.

MR. DAVIDE. On page 8, Mr. Speaker, line 7.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. After the word "and," insert OTHER, and after "emoluments," put a comma (,). then insert the phrase SUCH AS HONORARIA AND ALLOWANCES, then another comma (,).

MR. SAN JUAN. The amendment is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. On line 16, Mr. Speaker, of the same page.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. Between "and" and "emoluments," insert the word OTHER, and after "emoluments," insert a comma (,) and the following: SUCH AS HONORARIA AND ALLOWANCES (,).

MR. SAN JUAN. The amendment is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. If there is no anterior amendment, may I move on to line 29 of the same page 8?

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. Change the word "Three" to FOUR, so that line 29 will read: "of FOUR thousand pesos, if the person making the return is a."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. Mr. Speaker, we regret that we cannot accept the proposed amendment because this was just recently adjusted. Originally, the exemption was for ₱1,800 only and last January, this was increased to ₱3,000. Too frequent a change may be dangerous because there might be too much loss in government revenue. Furthermore, to ease the mind of the Gentleman from Region VII, this law provides that the Minister can recommend such adjustments but not more frequently than once

every three years. This is what we call the "indexation of cost of living." So, Mr. Speaker, we beg that the amount not be changed at this time.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. Yes, Mr. Speaker, attention now is invited to a possibility of an adjustment, that indeed is found on lines 16 to 20 of page 10; but, although there must have been a recent change in the rates of exemption supposedly last January, if we take into account the guidelines for the possible adjustment which are movements in consumer price indices, levels of minimum wages and bare subsistence levels, we can actually increase now the amount of exemption for a single individual taxpayer to P4,000. The reason for this is that since January when an increase was made, all these guidelines for such a possible adjustment had taken place. And in order to at least provide a better subsistence level to the individual and taking into account now the tax on compensation income which actually might fit the low-income bracket, it is necessary that we have also to increase the exemptions because for the compensation income bracket, no more deductions will be allowed.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has rejected the amendment.

What is the desire of the Gentleman from Cebu?

MR. DAVIDE. I submit it to a vote, Mr. Speaker.

MR. SAN JUAN. Mr. Speaker, before we vote, we would like to explain and we would like the Gentleman from Region VII to understand the position of the committee, that we are all in favor of making life better and more tolerable ...

MR. DAVIDE. Then we approve the amendment.

MR. SAN JUAN. ... for the less fortunate of our brothers, but certainly we are also faced with the task of funding essential government operations which ultimately can also redound to the benefit of the people he wants to directly help by his amendment. Mr. Speaker, there is a danger to this because if we paralyze government activity they will also be adversely affected.

We would like to point to the Gentleman from Region VII that an earlier amendment submitted by the Gentleman from Region X, the Gentleman from Surigao del Sur, gives an additional exemption already when the rate was altered to start from 0% rather than from 1%, and that will mean, Mr. Speaker, an additional compensation of P2,500, not only P1,000 that the Gentleman is proposing. But if he will insist on his amendment then it will

be a further change, a further relaxation and that might be too much to bear on the part of the government. So we ask that the Gentleman kindly understand the position of the committee.

MR. DAVIDE. Mr. Speaker, would the distinguished Gentleman yield?

MR. SAN JUAN. Very willingly, to the Gentleman from Region VII.

MR. DAVIDE. With the amendment of the honorable Assemblyman Jose G. Puyat, Jr., changing the ...

MR. SAN JUAN. ... starting point to 0% rather than 1%.

MR. DAVIDE. ... starting point of the schedule ...

MR. SAN JUAN. Yes, Mr. Speaker.

MR. DAVIDE. ... to what extent would the reduction of the increase of 6.1% in the take go?

MR. SAN JUAN. It will be seriously affected, Mr. Speaker.

MR. DAVIDE. It would be?

MR. SAN JUAN. The estimate of 6.1 percent gain might be wiped out, Mr. Speaker.

MR. DAVIDE. Do we have the necessary basis for a conclusion that it may wipe out the 6.1% increase in the take?

MR. SAN JUAN. It is very possible, Mr. Speaker, because this is almost doubling the exemption from P3,000 to P5,500 because of the 0% start.

MR. DAVIDE. Well, in that case ...

MR. SAN JUAN. This is a tremendous loss of income, Mr. Speaker.

MR. DAVIDE. Mr. Speaker, we are not really prepared to have a specific figure as to the extent of the reduction of the proposed increase in the take.

MR. SAN JUAN. Mr. Speaker, when the amount of exemption was increased from P1,800 to P3,000 with a difference only of about P1,200, the number of individuals affected was almost 800,000 ...

MR. DAVIDE. But, Mr. Speaker ...

MR. SAN JUAN. ... who were exempted. Now we are increasing this by P2,500 more and the Gentleman can imagine the number of tax filers that will be exempted from income tax payment if we accept the amendment.

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MR. DAVIDE. But the sponsor did not take into account the number of tax proposals or upward revisions of taxes which the Batasan had approved, and which the President may have decreed. And necessarily, what may have been lost because of the increase in the level of the exemption was easily recovered by new tax measures or upward revision of taxes.

MR. SAN JUAN. Mr. Speaker ...

MR. DAVIDE. In any case, Mr. Speaker, I will submit this matter ...

MR. SAN JUAN. . . . while we cannot quantify immediately, your committee truly cannot accept the proposed amendment of the Gentleman from Region VII. We agree with the Gentleman that we put this to a vote.

THE PRESIDING OFFICER (Mr. Garcia, M.). All right, the Gentleman from Cebu insists on putting the matter to a vote.

MR. DAVIDE. Yes, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been rejected by the committee.

As many as are in favor of the amendment, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

Page 8.

MR. LOGARTA. On page 8, line 30, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano Logarta, is recognized.

MR. BATERINA. Anterior amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). On what page, Gentleman from Ilocos Sur?

MR. BATERINA. Page 7.

THE PRESIDING OFFICER (Mr. Garcia, M.). Page 7.

MR. BATERINA. Yes, Mr. Speaker, on line 4 after letter "b" I wish to insert the following words: OF SECTION 21, to make it definite.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Section 21?

MR. BATERINA. OF SECTION 21.

MR. SAN JUAN. That is "paragraph (b) OF SECTION 21."

MR. BATERINA. To make it definite, Mr. Speaker, because as it now stands, it does not refer to any section.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. SAN JUAN. Page 8.

MR. LOGARTA. Page 8, line 30, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano Logarta, is recognized.

MR. LOGARTA. On lines 30 to 31, delete the phrase "or a married person judicially decreed as legally separated from his or her spouse." The reason for this is that, as the honorable sponsor has stated, the committee would like to make the tax tolerable. It would appear, Mr. Speaker, that "a married person judicially decreed as legally separated" would be penalized, because considering that he has the same responsibilities, why should his deduction be reverted to P3,000, when his previous deduction was P6,000? This is the reason for the amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the sponsor say?

MR. SAN JUAN. Mr. Speaker, we regret that we cannot accept the proposal because this provision here is designed to make marriages lasting, and to make the couples happy forever as they had pledged on the altar. So, we regret we cannot accept the proposed amendment.

MR. LOGARTA. But suppose ...

THE PRESIDING OFFICER (Mr. Garcia, M.). Gentleman from Cebu.

MR. LOGARTA. I submit it to a vote, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). All right, the amendment proposed by the Gentleman from Cebu has been rejected by the committee. We will now put the matter to a vote.

As many as are in favor, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

MR. LOGARTA. I move for a division of the House, Mr. Speaker.

SUSPENSION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

Is there any amendment to page 8?

MR. LOGARTA. Mr. Speaker, I am asking for a division of the House.

SUSPENSION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is asking for a division of the House.

The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The Gentleman from Cebu, the Honorable Mariano R. Logarta, is recognized.

MR. LOGARTA. After the appeal of those not separated from their wives, I withdraw the motion for a division of the House.

THE PRESIDING OFFICER (Mr. Garcia, M.). The motion is withdrawn.

Page 8 ...

MR. SAN JUAN. On page 9.

MR. DAVIDE. On page 9, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Hilario Davide, Jr., is recognized.

MR. DAVIDE. On lines 2 and 3 ...

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. On line 2, delete the word "Six" and in lieu thereof, insert the word SEVEN. On line 3, delete the words "Four thousand" and after the word "five," change "hundred" to THOUSAND, so that the two lines will read: "The sum of SEVEN thousand pesos, if the person making the return is a married man or a married woman, or five THOUSAND pesos x x x."

MR. SAN JUAN. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The sponsor is recognized.

MR. SAN JUAN. For the same reasons earlier given by this Representation, we cannot accept the proposed amendment of the Gentleman from Cebu. We regret it really because just before January, the exemption for married persons was increased from ₱3,000 to ₱6,000 as it is now provided, and for head of a family, it was increased from ₱3,000 to ₱4,500. And so, Mr. Speaker, it will be difficult for us to accept the proposal of the Gentleman from Cebu.

MR. DAVIDE. For the same reasons too, may I insist on a vote?

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment that has been rejected by the committee will now be put to a vote.

As many as are in favor, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

Page 10.

MR. DAVIDE. On page 9, lines 17 and 18, Mr. Speaker. I will take up line 17 first ...

THE PRESIDING OFFICER (Mr. Garcia, M.). Still on page 9, line 17? Please proceed.

MR. DAVIDE. Between the words "thousand" and "pesos," insert the words FIVE HUNDRED, for the same reason.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. Also for the same reason earlier mentioned by this Representation, we regret that we cannot accept the proposal, Mr. Speaker.

MR. DAVIDE. For the same reason, I ask for a vote.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment which has been rejected by the committee will now be put to a vote.

As many as are in favor, say *yea*.

FEW MEMBERS. *Yea*.

THE PRESIDING OFFICER (Mr. Garcia, M.). As many as are against, say *nay*.

SEVERAL MEMBERS. *Nay*.

THE PRESIDING OFFICER (Mr. Garcia, M.). The *nays* have it; the amendment is lost.

MR. DAVIDE. On line 18, Mr. Speaker . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. . . . delete the words "and living" between "upon" and "with."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a suspension, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

MR. DAVIDE. Mr. Speaker.

MR. SAN JUAN. Mr. Speaker, we would like to explain to the Gentleman from Cebu that the phrase "and living" is necessary in order to prevent possible loopholes because this is intended to cover the adoption of children. They might be adopted on paper only for the purpose of evading taxes. But certainly, it is not required that children should actually be living with their parents in the same house so as to be eligible for exemptions. They might be temporarily separated; perhaps they might have gone on travel, or they might be attending schools. So, that is the contemplation of this article.

MR. DAVIDE. With that explanation, Mr. Speaker, that the phrase "and living" should not be construed literally and strictly, I therefore withdraw my amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment is withdrawn.

MR. SAN JUAN. Thank you, Gentleman from Region VII.

MR. DAVIDE. If there are no anterior amendments, Mr. Speaker, on lines 26 and 27 . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Are there any anterior amendments?

MR. CONCEPCION (D.). Anterior amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the Youth Sector is recognized.

MR. CONCEPCION (D.). Before I propound or propose my anterior amendment, will the distinguished sponsor yield to some questions?

THE PRESIDING OFFICER (Mr. Garcia, M.). The honorable sponsor may yield if he so desires.

MR. SAN JUAN. Willingly, Mr. Speaker.

MR. CONCEPCION (D.). From lines 16 to 21, paragraph (c) provides and I quote:

"The sum of Two thousand pesos for each legitimate, recognized natural or adopted child wholly dependent upon and living with the taxpayer if such dependents are not more than twenty-one years of age, unmarried, and not gainfully employed or incapable of self-support because of mental or physical defect."

Now, suppose the legitimate child is mentally defective or mentally invalid and more than 21 years of age, is he not within the coverage of the exemption provided for in paragraph (c), Mr. Speaker? Because under the provision it would seem that an invalid child who is more than 21 years of age is not covered by the exemption because of the conjunction "and" appearing on line 20.

MR. SAN JUAN. "Twenty-one years of age, unmarried, and not gainfully employed or incapable of self-support because of . . ." That is a different situation. The ruling element here would be the mental or physical defect that will prevent the child from earning and helping support the family.

MR. CONCEPCION (D.). But what is the intention of the law?

MR. SAN JUAN. That is the intention of the law.

MR. CONCEPCION (D.). What is the intention, Mr. Speaker? The invalid children more than twenty-one years of age will still be covered by the exemption?

MR. SAN JUAN. Yes, Mr. Speaker.

SUSPENSION OF SESSION

MR. CONCEPCION (D.). Then, I ask for a recess, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The honorable sponsor is recognized.

MR. SAN JUAN. Mr. Speaker, as explained to the Gentleman from the Youth Sector, the intent of the law (and that is how we understand its wordings now) is that those children who are mentally or physically defective and cannot, therefore, be capable of self-support, regardless of age, will be included among those entitled to exemptions.

MR. CONCEPCION (D.). I fully concur with the intention of the law, but to make the wordings of the law conform with that intention, I propose the following: On line 20, between the words "or" and "incapable," insert the phrase IF THEY ARE, such that the new subsection would read, from line 19: "dependents are not more than twenty-one years of age, unmarried, and not gainfully employed or IF THEY ARE incapable of self-support because of mental or physical defect."

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

The Gentleman from Cebu is recognized.

MR. DAVIDE. On page 10, line 8.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. DAVIDE. Between the words "personal" and "exemption," insert the words AND ADDITIONAL, and after "exemption," place a comma (,) then

the words AS THE CASE MAY BE, followed by a comma (,) so the entire line will read: "personal AND ADDITIONAL exemption, AS THE CASE MAY BE, in full for such year."

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. We are just analyzing the effect of this, Mr. Speaker, for a few minutes. With the amendment the provision will read:

"If the taxpayer married or should have additional dependents as defined in subsection (c) above during the taxable year, the taxpayer may claim the corresponding personal AND ADDITIONAL exemption, AS THE CASE MAY BE, in full for such year."

Will the proponent kindly explain the philosophy behind his amendment?

MR. DAVIDE. Yes, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. DAVIDE. Actually, under paragraphs (b) and (c) on page 9, we made the distinction between personal exemption and additional exemption. The opening sentence of paragraph (d) on page 10, line 5, contemplates two situations: one, "the taxpayer married" and the other one, "should have additional dependents." For additional dependents, the taxpayer is entitled to the additional exemption and that is the reason why, on line 8, aside from the personal exemption, we have to also place AS THE CASE MAY BE.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted by the committee.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. On page 10, lines 17 and 18.

THE PRESIDING OFFICER (Mr. Garcia, M.). Lines 17 and 18.

MR. CAMARA. Anterior amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the National Capital Region, the Honorable Manuel Camara, is recognized.

MR. CAMARA. On line 12, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. CAMARA. I propose to insert between the words "or" and "become" at the end of the line

the words IF ANY OF SUCH DEPENDENTS, so that line 12 would read: "If the spouse or any of the dependents should die or IF ANY OF SUCH DEPENDENTS become."

MR. SAN JUAN. "ANY OF SUCH DEPENDENTS"?

MR. CAMARA. Yes. The phrase IF ANY OF SUCH DEPENDENTS should be inserted between "or" and "become" because the age of twenty-one years old here refers to the dependents, not to the spouse.

MR. SAN JUAN. Maybe we have to say "becomeS," if the Gentleman says "any of such dependents." It should be "if any of such dependents becomeS."

MR. CAMARA. "If any of such dependents . . ."

MR. SAN JUAN. . . . becomeS.

MR. CAMARA. ". . . become."

MR. SAN JUAN. It should be "becomeS."

MR. CAMARA. That is right, "becomeS."

MR. SAN JUAN. It is accepted, Mr. Speaker.

MR. CAMARA. Thank you, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. On page 10 . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. . . . line 18, delete . . .

MR. VALDEZ. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is that an anterior amendment?

The Gentleman from Sultan Kudarat is recognized.

MR. VALDEZ. With the indulgence of the Gentleman from Cebu, may I propose an amendment to line 17?

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. VALDEZ. I propose, Mr. Speaker, that between the words "not" and "often," insert the word MORE, such that the whole line will read: "the Minister of Finance, the President may not MORE often than once every," etc.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The sponsor has the floor.

MR. SAN JUAN. Mr. Speaker, we are now on page 10.

THE PRESIDING OFFICER (Mr. Garcia, M.). Are there any amendments on page 10?

The Gentleman from Cebu is recognized.

MR. DAVIDE. On line 18, Mr. Speaker . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. . . . delete the word "adjust" and in lieu thereof, put the word INCREASE.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the sponsor say?

MR. SAN JUAN. It is accepted, Mr. Speaker.

MR. DAVIDE. Thank you, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. SAN JUAN. Page 11.

MR. DAVIDE. On page 11, Mr. Speaker.

MR. VALDEZ. On page 10, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Sultan Kudarat is recognized.

MR. VALDEZ. On line 25, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. VALDEZ. I propose to change the word "in" to OF, such that the line will read: "OF the country of which he is a subject," because this refers to the tax law of the country, Mr. Speaker.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. VALDEZ. On line 28, same page . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Line 28. Please proceed.

MR. VALDEZ. The amendment is only on the tense, Mr. Speaker. On line 28, I propose that the word "file" between the words "alien" and "a" should be "fileS"—add S—because "nonresident alien" is singular, Mr. Speaker.

MR. SAN JUAN. Mr. Speaker, what is the proposal of the Gentleman?

MR. VALDEZ. Instead of "file," Mr. Speaker, it should be "fileS."

MR. SAN JUAN. Mr. Speaker, the understanding of this Representation is that this is in the subjunctive mood so that it should be "alien should file."

MR. VALDEZ. But as worded, Mr. Speaker . . .

MR. SAN JUAN. It is correct, Mr. Speaker, as worded.

MR. VALDEZ. As worded, I . . .

MR. SAN JUAN. This phrase is correct, Mr. Speaker—"Alien file"—because as I said, this is in the subjunctive mood so it is understood that there is a word "should" between "alien" and "file."

MR. VALDEZ. Will it be, therefore, Mr. Speaker, a case where there is a silent "should" in the sentence?

MR. SAN JUAN. Yes, Mr. Speaker, when it is in the subjunctive mood.

MR. VALDEZ. Will it be in order if we insert the word "should"?

MR. SAN JUAN. No harm, Mr. Speaker, to be clear.

MR. VALDEZ. Therefore, Mr. Speaker, I withdraw my original proposal and instead propose to insert the word SHOULD between "alien" and "file," such that the whole proviso on line 28 will read: "Provided, That said nonresident alien SHOULD file a."

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. VALDEZ. Thank you, Mr. Speaker.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. On page 11, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). On page 11, what line?

MR. DAVIDE. Line 19.

THE PRESIDING OFFICER (Mr. Garcia, M.). Line 19.

MR. CONCEPCION (D.). Anterior amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). There is an anterior amendment.

The Gentleman from the Youth Sector, the Honorable Danilo L. Concepcion, is recognized.

MR. CONCEPCION (D.). On line 15.

THE PRESIDING OFFICER (Mr. Garcia, M.). Line 15. Is there any anterior amendment? (*Silence*) The Gentleman from the Youth Sector will now proceed.

MR. CONCEPCION (D.). I move to change the word "made" appearing after the word "payments" to RECEIVED, such that the new line would read: "income includes all income payments RECEIVED as a result of an employer-employee relationship," etc.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. PUYAT. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur is recognized.

MR. PUYAT. On line 16 of the same page, Mr. Speaker . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Line 16. Please proceed.

MR. PUYAT. . . . I propose the deletion of the phrase "but not limited to the following," so that line 16 will read: "employee relationship such as," and then proceed to line 17, "salaries, wages," etc. May I explain, Mr. Speaker, before the honorable sponsor makes a ruling on this?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

MR. PUYAT. I thank the honorable sponsor.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. LOGARTA. On line 18, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano R. Logarta, is recognized.

MR. LOGARTA. I would like to ask one clarificatory question, Mr. Speaker, regarding the meaning of the term "non-monetary compensation."

To our mind, Mr. Speaker, we feel that in the context of the proposed amendments, the words "non-monetary" and "compensation" exclude each other. May we know the real meaning of this phrase?

MR. SAN JUAN. The Gentleman might wish examples of "non-monetary compensation" for clarity?

MR. LOGARTA. Well, to our mind, this would include a pat in the back. It is compensation enough for me to be patted in the back for services rendered, or to be kissed.

MR. SAN JUAN. But this would refer to non-monetary compensation that can be quantified in terms of pesos.

MR. LOGARTA. Precisely, Mr. Speaker, that is why I would like to make an amendment. Delete the word "non-monetary" and in lieu thereof, insert the word QUANTIFIABLE, so that the phrase shall read: "QUANTIFIABLE compensation."

MR. SAN JUAN. "QUANTIFIABLE . . ."

MR. LOGARTA. . . . "compensation" or, "PECUNIARILY QUANTIFIABLE . . ."

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The honorable sponsor is recognized.

MR. SAN JUAN. Mr. Speaker, I conferred with the Gentleman from Region VII and I think there are some modifications to be submitted on the proposed amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano R. Logarta, is recognized.

MR. LOGARTA. Yes, Mr. Speaker, instead of "ANY QUANTIFIABLE compensation," insert the phrase INCLUDING THE QUANTIFIABLE VALUE OF ANY COMPENSATION PAID IN KIND.

MR. PUYAT. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur is recognized.

MR. PUYAT. I temporarily withdraw my proposed amendment to the amendment, Mr. Speaker, awaiting the sponsor's action.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. So, the proposed amendment would be: after "entertainment," put the phrase "any quantifiable compensation paid in kind," and delete the word "compensation." Is that correct, Mr. Speaker?

MR. LOGARTA. No; the phrase which would be placed after the word "entertainment" reads: "INCLUDING THE QUANTIFIABLE VALUE OF ANY COMPENSATION PAID IN KIND," etc.

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

MR. CONCEPCION (D.). Will the proponent of the amendment yield to a question?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the Youth Sector is recognized.

Will the proponent yield to the Gentleman?

MR. LOGARTA. With pleasure.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. CONCEPCION (D.). What does the Gentleman mean by "quantifiable"? We can quantify anything in terms of numbers.

MR. LOGARTA. No; quantifiable in terms of pesos.

MR. CONCEPCION (D.). He means, "capable of pecuniary estimation"?

MR. LOGARTA. Yes, yes, Mr. Speaker.

MR. CONCEPCION (D.). Would not the words "pecuniary estimation" be more advisable than to use the word "quantifiable"? Because "quantifiable" may be expressed in numbers. I see the intention or principle of the amendment, but to use "quantifiable" would not really be as accurate as using "pecuniary estimation."

MR. LOGARTA. We can modify the word "quantifiable," if the Gentleman would propose the amendment.

MR. CONCEPCION (D.). I propose that instead of "quantifiable," the phrase should be: "non-monetary compensation CAPABLE OF PECUNIARY ESTIMATION," such that line 18 would read: "transportation, representation, entertainment, non-monetary compensation CAPABLE OF PECUNIARY ESTIMATION."

SUSPENSION OF SESSION

MR. SAN JUAN. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The sponsor has the floor.

MR. SAN JUAN. Mr. Speaker, I understand that the two Gentlemen have agreed on the wordings of the proposed amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the Youth Sector is recognized.

MR. CONCEPCION (D.). As per our compromise, I withdraw my amendment and reintroduce another amendment on line 18 which would be to delete the phrase "non-monetary compensation" on line 18 of page 11, and in lieu thereof, insert the following: INCLUDING MONETARY VALUE OF ANY COMPENSATION PAID IN KIND, such that line 18 would read as follows: "transportation, representation, entertainment, INCLUDING MONETARY VALUE OF ANY COMPENSATION PAID IN KIND."

MR. SAN JUAN. The committee accepts, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment of the Gentleman from Cebu has been further amended and it seems it has been accepted by the committee.

MR. CONCEPCION (D.). This is the compromise between the proponents of the two amendments, Mr. Speaker.

MR. PUYAT. Mr. Speaker, may I propose an amendment now to that amendment?

SUSPENSION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

What is the pleasure of the Gentleman from Surigao del Sur?

MR. PUYAT. Mr. Speaker, may we ask the Secretary-General to read the wording of the amendment that was just accepted by the honorable sponsor?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Secretary-General will please read the amendment that has already been approved.

MR. PUYAT. Or would the proponent of the amendment kindly repeat it, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the Youth Sector will please restate the amendment that has been accepted.

MR. CONCEPCION (D.). Subsection (b) of Section 28 would read as follows:

"'Gross compensation income' includes all income payments received as a result of employer-employee relationship such as salaries, wages, honoraria, bonuses, pensions, allowances for transportation, representation, entertainment, INCLUDING

MONETARY VALUE OF ANY COMPENSATION PAID IN KIND, fees and other income of similar nature."

MR. PUYAT. Mr. Speaker, I thank the Gentleman from the Youth Sector. His amendment I believe starts from the word "including" on line 18.

THE PRESIDING OFFICER (Mr. Garcia, M.). Yes, that is correct.

MR. PUYAT. My proposal, Mr. Speaker, is to transfer that phrase starting from the word "including" up to the word "kind" from line 18 to line 19, adding it to the end of the paragraph.

MR. CONCEPCION (D.). I accept the amendment to the amendment, Mr. Speaker.

MR. BATERINA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Ilocos Sur is recognized.

MR. BATERINA. May I now ask the two Gentlemen to read the whole amendment as proposed?

THE PRESIDING OFFICER (Mr. Garcia, M.). To whom is the Gentleman referring this question?

MR. BATERINA. Any of the Gentlemen can read it for the benefit of the Batasan.

MR. PUYAT. The Gentleman from the Youth Sector will please . . .

MR. CONCEPCION (D.). I suggest that the proponent of the amendment read the subsection as amended.

MR. PUYAT. This amendment will read exactly as the Gentleman from the Youth Sector has read it except that the clause or phrase beginning with the word "including" and ending with the word "kind" will be added to the end of the paragraph so that the paragraph will end in this manner: "and other income of similar nature, INCLUDING . . ." the words that were proposed by the Gentleman from the Youth Sector.

MR. BATERINA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Ilocos Sur is recognized.

MR. BATERINA. May I just ask the Gentleman from Surigao del Sur one question? The amendment of the Gentleman from the Youth Sector has to do with monetary value, while what we are defining here is income. Now, is it the monetary value of the income or is it the compensation? As proposed by the Gentleman from the Youth Sector, the definition seems to lodge on the monetary value.

MR. PUYAT. Mr. Speaker, I think the question is addressed to the Gentleman from the Youth Sector.

MR. BATERINA. Nevertheless, Mr. Speaker, this is a joint effort of the two Gentlemen.

MR. LOGARTA. Mr. Speaker, for a privileged motion.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano R. Logarta, is recognized.

SUSPENSION OF SESSION

MR. LOGARTA. Considering that I was the original proponent of the amendment, may I ask for a recess so that we can reach a proper understanding?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

MR. LOGARTA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The honorable Gentleman from Cebu is recognized.

MR. LOGARTA. After a series of conferences, if we may call it that, Mr. Speaker, I would like to withdraw my original proposal and instead move to delete the words "non-monetary compensation," and on line 19 after the words "similar nature" delete the period (.) and the open quotation (") and insert the phrase AND INCLUDING COMPENSATION PAID IN KIND.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the sponsor say?

MR. PUYAT. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur is recognized.

MR. PUYAT. Will the distinguished Gentleman from Cebu accept an amendment to his amendment? This is very minor, Mr. Speaker. I just would like to propose the deletion of the word "and" at the start of the Gentleman's amendment so that it will start with the word "INCLUDING," Mr. Speaker.

MR. LOGARTA. It is accepted, Mr. Speaker.

MR. PUYAT. Thank you, Mr. Speaker.

MR. LEGASPI. Mr. Speaker, I was just wondering if the proponent, after accepting one amendment, would care to delete the words "other compensation paid in kind" because there is a theory in income taxation, which is known as the equivalent of cash rule, so, that would be unnecessary because any compensation paid in kind will always be determined in terms of cash and will still be computed as part of income earned. This would be redundant.

MR. LOGARTA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Mariano R. Logarta, is recognized.

MR. LOGARTA. In view of the information and elucidation by my distinguished colleague from Cebu, I accept the proposed amendment.

MR. PUYAT. I likewise accept, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). So the whole phrase inserted in lieu of the deleted words "non-monetary compensation" is withdrawn. Is that right?

MR. CONCEPCION (D.). How would the new subsection read now, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). It will read the same except for the words "non-monetary compensation," which are deleted.

MR. CONCEPCION (D.). And the proposed amendment on the phrase "compensation paid in kind" will also be deleted?

THE PRESIDING OFFICER (Mr. Garcia, M.). Yes, that is the effect.

MR. CONCEPCION (D.). And, therefore, "compensation paid in kind" will no longer be considered as an income?

THE PRESIDING OFFICER (Mr. Garcia, M.). In view of the . . .

MR. CONCEPCION (D.). That would be the result of the amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). Will the Gentleman from Cebu, the Honorable Valentino L. Legaspi, please state the reason?

MR. LEGASPI. Mr. Speaker, under the income tax theory, it is an accepted principle that "compensation paid in kind," can always be converted into cash. It does not have to be stated.

MR. CONCEPCION (D.). That is presuming that a "compensation paid in kind" is an income, but when we delete "compensation paid in kind," then why should we convert it into cash? It is not income anyway.

MR. LEGASPI. Compensation paid in kind is always income to a taxpayer, Mr. Speaker, that is an accepted theory, it does not have to be stated. But when it comes as compensation, or salary even if paid in kind, that is still considered income to the taxpayer.

Like for example, a worker is given one sack of rice—the value of one sack of rice is considered income within the present law on taxation, because whatever is given is always reduced in its cash value. Another example is a stock option plan—and I think that is meant to be taxed—which is actually not in terms of cash, but in terms of benefits given to the taxpayer. Nevertheless, that is considered income to the taxpayer and will be determined at its cash value as if cash were given. That is what I meant, Mr. Speaker.

MR. CONCEPCION (D.). But, Mr. Speaker, subsection (b) of Section 28 enumerates those which may be included in the term "compensation." Now, the Gentleman is presuming that something paid in kind is part of compensation. That is not so, because in this section, we are enumerating those which are deemed to be included in the term "compensation." And if we exclude those paid in kind as part of compensation, there is no need to convert them into its cash value.

SUSPENSION OF SESSION

MR. ALBANO. May I ask for a recess, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The sponsor has the floor.

MR. SAN JUAN. Mr. Speaker, may the sponsor now be informed of the final wordings and placement of the proposed amendment?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. LOGARTA. Let me state the final version, Mr. Speaker, and should there be questions on the

matter, I would rather that the issue be put to a vote.

The final version is: after the word "entertainment," delete the words "non-monetary compensation" and on line 19, delete the period (.) and the close quotation (") and add the words INCLUDING COMPENSATION PAID IN KIND.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is the final amendment accepted?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The amendment has been accepted.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

The Gentleman from Cebu is recognized.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. I move for a reconsideration of the acceptance and the final approval of an earlier amendment on line 18, page 10.

THE PRESIDING OFFICER (Mr. Garcia, M.). On line 18, page 10.

MR. DAVIDE. Yes. The amendment then was to change the word "adjust" to INCREASE. I am asking for a reconsideration of the approval because eventually I will withdraw the proposed amendment.

MR. SAN JUAN. We have no objection, Mr. Speaker, to the reconsideration.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the reconsideration is approved.

MR. DAVIDE. May I be allowed, therefore, to withdraw that particular amendment and to retain the original provision?

MR. SAN JUAN. We have no objection.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection to the withdrawal of the amendment? (*Silence*) The Chair hears none; the amendment is withdrawn.

MR. DAVIDE. Still on page 11, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). We are on page 11.

MR. DAVIDE. Yes, on line . . .

MR. CAMARA. Mr. Speaker, anterior amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from the National Capital Region is recognized.

MR. CAMARA. May I request the indulgence of the distinguished sponsor because I would like to go back to page 10, lines 28 to 30? But before I propose my amendment, I have a question on this provision which says:

Provided, That said nonresident alien should file a true and accurate return of the total income received by him from all sources in the Philippines, as required by this Title."

My question, Mr. Speaker, is this: Supposing the nonresident alien fails to file a true and accurate return, what is the effect on the exemption?

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the honorable sponsor say?

MR. SAN JUAN. The Gentleman is perhaps looking for the wisdom of this . . .

MR. CAMARA. . . . proviso.

MR. SAN JUAN. . . . proviso . . .

MR. CAMARA. Yes, Mr. Speaker.

MR. SAN JUAN. . . . which reads thus:

Provided, That said nonresident alien should file a true and accurate return of the total income received by him from all sources in the Philippines as required by this Title."

This proviso, Mr. Speaker, entitles the nonresident alien to exemptions when he files his return. But if he should not file a return and then eventually our tax collectors would discover that some tax is due from him, then he cannot claim for those exemptions. That is the meaning of this proviso, Mr. Speaker.

MR. CAMARA. So if he does not file a true and accurate return, the exemptions provided in the early part of the paragraph . . .

MR. SAN JUAN. He cannot claim for those.

MR. CAMARA. . . . will not be allowed?

MR. SAN JUAN. Yes, they will not be allowed.

MR. CAMARA. Thank you, Mr. Speaker. I withdraw my proposed amendment.

THE PRESIDING OFFICER (Mr. Garcia, M.). All right, the proposal is withdrawn.

The Gentleman from Cebu has an amendment on page 11.

MR. DAVIDE. On page 11, Mr. Speaker, line 19 . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). Please proceed.

MR. DAVIDE. After the amendment introduced by the distinguished Gentleman from Cebu, but before the period (.), add the following: BUT EXCLUDING AWARDS FOR MORAL, EXEMPLARY AND NOMINAL DAMAGES AND ATTORNEY'S FEES WHICH THE EMPLOYEE OR HIS HEIRS MAY RECEIVE PURSUANT TO A JUDGMENT OR COMPROMISE AGREEMENT IN ANY CASE ARISING OUT OF OR RELATED TO AN EMPLOYER-EMPLOYEE RELATIONSHIP OR THROUGH ACCIDENT OR HEALTH INSURANCE OR UNDER WORKMEN'S COMPENSATION ACTS AS COMPENSATION FOR PERSONAL INJURIES OR SICKNESS PLUS THE AMOUNT OF ANY DAMAGES RECEIVED ON ACCOUNT OF SUCH INJURIES OR SICKNESS.

SUSPENSION OF SESSION

MR. SAN JUAN. Mr. Speaker, it is the impression of your sponsor that this is covered by jurisprudence already. But in any case, may we ask for a suspension so that we can confer with the Gentleman on this amendment?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu, the Honorable Hilario G. Davide, Jr., is recognized.

MR. DAVIDE. Mr. Speaker, may I be allowed to rephrase the proposed amendment?

THE PRESIDING OFFICER (Mr. Garcia, M.). Please restate the amendment.

MR. DAVIDE. On line 19, insert a comma (,) before the period (.) and the following: BUT EXCLUDING AWARDS RECEIVED FOR ACTUAL, MORAL, EXEMPLARY AND NOMINAL DAMAGES WHICH THE EMPLOYEE OR HIS HEIRS MAY RECEIVE PURSUANT TO A

JUDGMENT OR A COMPROMISE AGREEMENT IN ANY CASE ARISING OUT OF OR RELATED TO AN EMPLOYER-EMPLOYEE RELATIONSHIP.

MR. SAN JUAN. Mr. Speaker, the substance is acceptable; but may we suggest to the Gentleman from Region VII that instead of clogging up the definition of what is gross compensation income with those which are excluded therefrom, maybe his amendment can be incorporated as a new paragraph to be identified as paragraph (c) which can follow paragraph (b) with the title of "Exclusion from gross compensation income"? Perhaps, that will be more acceptable and clear.

MR. DAVIDE. It is accepted as modified, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). So, what is the final amendment?

MR. SAN JUAN. The entire amendment will be known as paragraph (c) and inserted between lines 19 and 20. Will the Gentleman now read the new paragraph?

MR. DAVIDE. The paragraph will read, between lines 19 and 20:

"(c) EXCLUSION FROM GROSS COMPENSATION INCOME.—AWARDS RECEIVED FOR ACTUAL, MORAL, EXEMPLARY AND NOMINAL DAMAGES WHICH THE EMPLOYEE OR HIS HEIRS MAY RECEIVE PURSUANT TO A JUDGMENT OR A COMPROMISE AGREEMENT IN ANY CASE ARISING OUT OF OR RELATED TO AN EMPLOYER-EMPLOYEE RELATIONSHIP ARE EXCLUDED IN THE COMPUTATION OF THE GROSS COMPENSATION INCOME."

MR. FUENTEBELLA. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. With the permission of the Gentleman from Cebu, if he would be amenable to further amend his amendment in view of the fact that this Representation will also propose an additional amendment to exclude another item, may we be allowed to consult each other before we finally present our proposed amendment to this particular paragraph?

SUSPENSION OF SESSION

MR. SAN JUAN. I ask for a recess, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Chair declares a recess.

RESUMPTION OF SESSION

THE PRESIDING OFFICER (Mr. Garcia, M.). The session is resumed.

The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. Mr. Speaker, after consultations with the Gentleman from Cebu and the distinguished sponsor, may I be allowed to withdraw my earlier manifestation? Instead, I would propose an anterior amendment, with the permission of the Gentleman from Cebu.

THE PRESIDING OFFICER (Mr. Garcia, M.). On what line?

MR. FUENTEBELLA. On line 19, after the word "kind," as amended.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. FUENTEBELLA. Before I propose my amendment, may I know the last word on line 19 as proposed by the Gentleman from Cebu, Assemblyman Logarta?

MR. SAN JUAN. The word is "kind."

MR. FUENTEBELLA. Delete the period (.) after the word "kind," and also the close quotation (") , and in lieu thereof, insert a semicolon (;) after the word "kind," and add the following proviso: PROVIDED, HOWEVER, THAT PAYMENTS MADE BY A GENERAL PROFESSIONAL PARTNERSHIP TO A PARTNER FOR SERVICES RENDERED SHALL NOT BE . . .

May I restate the provision, Mr. Speaker?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. FUENTEBELLA. The proviso should read as follows: PROVIDED, HOWEVER, THAT PAYMENTS MADE BY A GENERAL PROFESSIONAL PARTNERSHIP TO A PARTNER FOR SERVICES RENDERED SHALL NOT BE CONSIDERED AS GROSS COMPENSATION INCOME BUT AS A PARTNER'S DISTRIBUTIVE SHARE OF ORDINARY BUSINESS INCOME.

I move for the approval of this amendment, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). What does the sponsor say?

MR. SAN JUAN. It is accepted, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The committee has accepted the amendment.

Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

The Gentleman from Cebu, the Honorable Hilario G. Davide, Jr., is recognized.

MR. DAVIDE. Mr. Speaker, may I pursue the proposed amendment?

MR. PUYAT. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur is recognized.

MR. PUYAT. Before we proceed to that, may I ask the sponsor, the proponent of the amendment? I would like to have some clarification as I may seek reconsideration.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Camarines Sur is recognized.

MR. FUENTEBELLA. May I know the parliamentary situation, Mr. Speaker?

MR. PUYAT. Previously, the Gentleman from Camarines Sur proposed . . .

MR. FUENTEBELLA. May I first know the parliamentary situation?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur, before he seeks reconsideration, would like to clarify the effects of this proviso which we have approved.

MR. FUENTEBELLA. But the reconsideration has not yet been approved by the Body?

THE PRESIDING OFFICER (Mr. Garcia, M.). Yes, he will only seek reconsideration if he is not satisfied with the answer.

MR. FUENTEBELLA. Gladly, Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur may proceed.

MR. PUYAT. Mr. Speaker, earlier in the evening, the distinguished Gentleman from Camarines Sur proposed an amendment whereby the partners in a partnership that is taxed as a corporation will pay a final tax of 15% when they receive dividends from the partnership.

MR. FUENTEBELLA. Mr. Speaker, this proposed amendment does not apply to a partnership taxable as a corporation. The proposed amendment specifically refers to general professional partnerships.

MR. PUYAT. So this amendment is not in connection with the previous amendment on partnerships.

MR. FUENTEBELLA. This is entirely different, Mr. Speaker, because the intention of this amendment is merely to avoid the partners from minimizing their tax burdens by utilizing this as a scheme. If we consider the income of individual partners in a general professional partnership under the category of gross compensation income, then they will be taxed at a lesser amount; whereas, if they will be considered as part of the second category which is business income, then they will be taxed more.

The reason for this, Mr. Speaker, is the fact that under a general professional partnership, there is no such thing as employer-employee relationship between the partners. So that, since we consider under the scheme of gross compensation income basically the relationship between employer and employee, therefore, we are trying to exclude from the definition of gross compensation income the income received by the partners under a general professional partnership.

MR. PUYAT. That would be classified as business income.

MR. FUENTEBELLA. Business income.

MR. PUYAT. Whereas in the previous amendment introduced by the Gentleman, Mr. Speaker, in the case of partnerships that are taxed as corporations, the partners thereof, for services rendered to the firm, may be receiving gross compensation income. Is that correct, Mr. Speaker?

MR. FUENTEBELLA. No, Mr. Speaker, they will be receiving dividends. So, this will fall under category 3, which is, passive income.

MR. PUYAT. Will all their incomes from the partnership fall under the category of dividends and be taxed at 15 percent only?

MR. FUENTEBELLA. Yes, Mr. Speaker, that is the intention of the earlier amendment.

MR. PUYAT. Of the earlier amendment?

MR. FUENTEBELLA. Is the Gentleman referring to dividends on page 5, Mr. Speaker?

MR. PUYAT. Yes, Mr. Speaker. I was under the impression—when the Gentleman proposed that the tax the partners should pay on the dividends will be 15 percent, the same as what the stockholders of a corporation would pay on dividends received from a corporation—that this 15% tax would be in addition to the tax on gross compensation income that the partners would pay on salaries or like compensation received from the firm and that is why . . .

MR. FUENTEBELLA. That is not so, Mr. Speaker. Under the earlier amendment on dividends as found on page 5 of this proposed Cabinet Bill No. 34, there is a 15 percent tax imposed on dividends—alleged dividends—received by partners of a taxable partnership and this tax is considered final. Therefore, if this is the final tax, then this should no longer be considered for purposes of computation as part of the gross compensation income of the individual partners concerned.

MR. PUYAT. The effect of that, Mr. Speaker, is that the partners of a partnership taxable as a corporation will only be paying 15 percent on whatever income they receive from that corporation.

MR. FUENTEBELLA. Yes, Mr. Speaker, and that income, derived as dividend or as their share in the partnership would no longer be computed to form part of a gross compensation income, if they have any, other than the dividends they received. So, they would fall under category 3.

MR. PUYAT. Will that not result in a big reduction in collections, Mr. Speaker?

MR. FUENTEBELLA. I do not think so, Mr. Speaker, because the intention of this . . . I do not know if we are going too far, Mr. Speaker, because my proposal is on page 11. But if the Gentleman would care for my further explanation on this . . . may I just ask from the Chair if I can continue explaining the amendment which I earlier proposed and which was already approved?

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Surigao del Sur, I think, is asking questions on an amendment on page 5 which was already approved.

MR. PUYAT. No.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is that the intention of the Gentleman from Surigao del Sur?

MR. PUYAT. Yes. My questions, Mr. Speaker, have to do with my concern as to the effect of this on tax collections.

MR. FUENTEBELLA. No, may I just . . .

THE PRESIDING OFFICER (Mr. Garcia, M.). So the Gentleman is limiting himself to this proviso as proposed on page 11?

MR. PUYAT. No, Mr. Speaker, I am also propounding a question as to the amendment previously approved, because if it would result in a big diminution, I might seek reconsideration of that particular one.

THE PRESIDING OFFICER (Mr. Garcia, M.). Will the Gentleman from Camarines Sur . . .

MR. FUENTEBELLA. With the permission of the Chair and the distinguished sponsor, there is no diminution because the corporation has already been taxed, and we are taxing the dividends declared by the corporation in favor of the individual stockholders. Now, we are trying to place under the same situation partners of a partnership which are taxable, meaning the partnership itself was already taxed. And we are now concerned with the distribution of profits to the individual partners. Under this second scheme, the share of individual partners will be taxed as dividends. A final tax will be imposed which is 15%.

MR. PUYAT. Mr. Speaker, when I voted with the majority here earlier for that amendment on page 5, I was under the impression that what would be taxed at 15% was what remained of the partnership income and distributed to the partners, after they have been paid salaries or the like and after they have paid compensation income on the same. But from the Gentleman's explanation now, it would seem that the partners would be exempt from paying taxes on their salaries and would only pay 15% tax.

I would think, Mr. Speaker, that there is a difference here, and there is really no real parallel between this case and that of a corporation. Because while it is true that in the case of a corporation the stockholders will pay 15% tax on dividends, and the rationale for that is that the corporation has already paid the corporate income tax which the partnership, taxable as corporation, would also pay—in the case of the corporation, if the stockholders are also employed by that corporation, they are not exempt from paying tax on their salaries from the corporation. So why should the partners of a partnership be exempt from taxes on their salaries or similar compensation in the partnership, Mr. Speaker?

MR. FUENTEBELLA. Mr. Speaker, in order to avoid confusion on the discussion of this particular matter, may I be allowed to read to the Gentleman from Surigao del Sur the approved amendment? As approved, paragraph (e) on page 5 would read:

"Dividends received by an individual who is a citizen of the Philippines or resident alien from a domestic corporation and the share of an individual partner in a partnership subject to tax under Section 24(a) shall be subject to a final tax at the rate of fifteen percent (15%) on the total amount thereof, which shall be collected and paid as provided in Sections 53 and 54 of this Code."

So where does the disparity lie, Mr. Speaker?

MR. PUYAT. As I said, Mr. Speaker, I was under the impression that if the said partners were paid something in the nature of a salary or a regular monthly allowance, that this would be subject to gross compensation tax in the same manner that a stockholder of a corporation, if he is employed by the corporation, will not be exempt from tax on his salary. And at the same time, as a stockholder, he will again have to pay 15% tax on the dividend that he receives. It would seem, Mr. Speaker, that the partners in these partnerships that are taxable as corporations will be receiving, shall we say, a tax benefit that is much too great.

MR. FUENTEBELLA. Mr. Speaker, I think we have to differentiate the relationship of the stockholder with the corporation, and the relationship of the partner with the partnership. It is true that the stockholder may become the employee of the corporation because of the separate personality of the corporation. Whereas in the partnership, Mr. Speaker, I could not conceive of a situation whereby the partner himself will be the employee of the partnership. Because in the partnership, the partners share in the profits of the partnership; they share from the profits *pro rata*, whereas in the corporation, the sharing would depend on the stockholdings of stockholders. In a partnership, the rights and obligations of the partner would depend on the articles of partnership entered into by and among or between the partners themselves.

I think we have to go back to the basic distinctions between a corporation and a partnership.

MR. PUYAT. Mr. Speaker, it would seem that where it is convenient to draw a parallel with a corporation, it is claimed that there is a similarity, and that is why the 15% rate is being claimed to apply, the same way as the tax on corporate dividends received by stockholders is 15%. But where it is not convenient, the distinction is being drawn.

MR. FUENTEBELLA. Precisely, Mr. Speaker.

MR. PUYAT. It would seem to me that the result of this, Mr. Speaker, will be a reduction in tax collections.

MR. FUENTEBELLA. Precisely, Mr. Speaker, we are trying to make a parallel distinction simply because we would want to make the partners in the same situation as the stockholders of the corporation whereby they are subject to a 15% final tax. In fact, if I may be allowed, this proposal on dividends would even minimize the effect of economic double taxation, meaning to say that two persons are taxed by the same taxing authority on the same income.

MR. PUYAT. Yes.

MR. FUENTEBELLA. We can compare this with juridical double taxation whereby two states tax the same income of the same person for the same period. So, this proposal in effect minimizes the tax liability of the partners themselves. At least we impose a 15% higher tax on the income or the profits that they receive because we construe the same to be dividend.

MR. PUYAT. At any rate, the Gentleman has clarified previously that the new amendments he proposes will not add to the tax relief.

MR. FUENTEBELLA. Precisely, it will not.

MR. PUYAT. Given to the partners of . . .

MR. FUENTEBELLA. Yes, in fact, I intended to clarify that with the distinguished sponsor after all the amendments for the definition of the gross compensation income would have been finalized because we really have to distinguish, for instance, between an individual who would fall under a gross compensation income scheme and who at the same time, for instance, has a savings deposit with a bank. Now, since the savings deposit would be imposed a final withholding tax, then with respect to this particular aspect he would fall under category 3. But as I intimated earlier, and I think the distinguished sponsor will bear me out and he will agree to the thinking of this Representation, our intention really is, if an individual would fall under the gross compensation scheme and he has savings or time deposit in a bank the interest of which has been imposed a final withholding tax, then he would be deemed to fall under the gross compensation scheme for income he received as salaries or wages or as defined by this particular provision.

MR. PUYAT. And the Gentleman believes, Mr. Speaker, that his earlier proposal will not result in any great diminution of tax collection?

MR. FUENTEBELLA. No, Mr. Speaker.

MR. PUYAT. In that case, Mr. Speaker, I do not seek reconsideration, and I thank the distinguished Gentleman.

Thank you very much.

MR. DAVIDE. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman from Cebu is recognized.

MR. DAVIDE. Yes, Mr. Speaker.

The amendment would be on page 11 between lines 19 and 20.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Gentleman may proceed.

MR. DAVIDE. The amendment would consist in the insertion of a new paragraph which would read:

(C) EXCLUSION FROM GROSS COMPENSATION INCOME.—THE FOLLOWING ARE EXCLUDED FROM THE COMPUTATION OF A GROSS COMPENSATION INCOME:

(1) ACTUAL, MORAL, EXEMPLARY AND NOMINAL DAMAGES RECEIVED BY THE EMPLOYEE OR HIS HEIRS PURSUANT TO A FINAL JUDGMENT OR COMPROMISE AGREEMENT ARISING OUT OF OR RELATED TO AN EMPLOYER-EMPLOYEE RELATIONSHIP;

(2) ALL ITEMS EXCLUDED UNDER PARAGRAPHS [C] (1) TO [C] (8), INCLUSIVE, OF SECTION 29.

MR. SAN JUAN. It is accepted Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the amendment is approved.

MR. ALBANO. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Acting Floor Leader is recognized.

SUSPENSION OF CONSIDERATION OF C. B. NO. 34

MR. ALBANO. With the permission of the distinguished sponsor, I move to suspend consideration of Cabinet Bill No. 34 until tomorrow at ten o'clock in the morning.

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the motion is approved.

MR. ALBANO. Mr. Speaker.

THE PRESIDING OFFICER (Mr. Garcia, M.). The Acting Floor Leader is recognized.

RECONSIDERATION OF APPROVAL OF JOURNAL

MR. ALBANO. Mr. Speaker, may I seek reconsideration of the approval of yesterday's Journal to allow the distinguished Gentleman from Iloilo to make his correction?

THE PRESIDING OFFICER (Mr. Garcia, M.). Is there any objection? (*Silence*) The Chair hears none; the motion is approved.