EXPLANATORY NOTE

The Philippine Charity Sweepstakes Office (PCSO) was created in 1954 by virtue of Republic Act No. 1169 (as amended) as the principal government agency for the generation and provision of funds for health assistance and medical services as well as charities of national character through the conduct of sweepstakes, lotto, and other similar activities.

The present tax laws have imposed new and more onerous tax obligations upon PCSO. RA No. 10963, in amending RA No. 8424, caused the following changes, among others: removed PCSO's previous exemption from corporate income tax, such that it is now subject to the 30% corporate income tax; subjected the winnings of individual bettors from PCSO sweepstakes and lotto (amounting to greater than P10,000.00) to 20% final tax; and increased the documentary stamp tax on the lotto and authorized numbers games from 10% to 20%.

These changes to PCSO's tax treatment unduly burden not only to the PCSO but more so to the thousands of indigent Filipinos who have no choice but to rely on the PCSO for immediate financial aid. About a third of the PCSO's net receipts are used in the charity fund which provides for health programs, medical assistance and services, and other charities of national character. These programs have made impacts on the lives of every day Filipinos, especially probinsyanos who are left with no alternative but to seek the aid of the PCSO's office in Metro Manila.

In light of the foregoing, the taxation of PCSO must be rationalized so that its ability to fulfill its mandate and ultimately alleviate part of the burden of the national Government.

ALFRED C. DELOS SANTOS
Representative, Ang Probinsyano Party List
AN ACT
RATIONALIZING THE TAX TREATMENT OF THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSOS)

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

SECTION 1. Declaration of Policy. — The State recognizes the role of the Philippine Charity Sweepstakes Office in aiding the National Government by raising and providing funds for the health, medical, and other charitable services of national character to all persons within the State's jurisdiction and care.

SECTION 2. Section 4 of RA 1169, as amended by Section 86 of RA No. 10963, is hereby further amended to read as follows:

"SEC. 4. Holding of sweepstakes. — The Office shall hold sweepstakes, lotto, and other similar numbers games under such regulations as shall be promulgated by the Board in accordance with Republic Act No. 309; Provided, however, That when the holding of a sweepstakes race to determine prizes is due to war, public calamity, or other unforeseen or fortuitous event, or where there is no sufficient number of horses to determine the major prizes, the Board of Directors may determine the procedure to be followed in the distribution of prizes in the most just, equitable, and expeditious manner. The tickers shall be printed by the Government and shall be considered government securities for the purposes of penalizing forgery or alteration."

SECTION 3. The following provision is hereby inserted in RA No. 1164 as Section 4-A thereof:

SEC. 4-A. Taxes. — The tickets in lotto, sweepstakes, and authorized numbers games conducted by the Office, the sale of such tickets, and the receipts derived from such sales, shall not be subject to tax. The winnings of individuals in the authorized numbers games conducted by the Office shall be exempt from income tax.

SECTION 4. Section 24 (B) of RA No. 8424, as amended by Section 5 of RA No. 10963, is hereby further amended to read as follows:

"(B) Rate of Tax on Certain Passive Income:
(1) Interests, Royalties, Prizes, and Other Winnings. –
A final tax at the rate of twenty percent (20%) is hereby imposed upon
the amount of interest from any currency bank deposit and yield or any
other monetary benefit from deposit substitutes and from trust funds
and similar arrangements; royalties, except on books, as well as other
literary works and musical compositions, which shall be imposed a
final tax of ten percent (10%); prizes (except prizes amounting to Ten
thousand pesos (P10,000.00) or less which shall be subject to tax
under Subsection (A) of Section 24; and other winnings (except
winnings in lotto, sweepstakes, and other authorized numbers games
conducted by the Philippine Charity Sweepstakes Office, which shall be
exempt), derived from sources within the Philippines; Provided,
however, That interest income received by an individual taxpayer
(except a nonresident individual) from a depository bank under the
expanded foreign currency deposit system shall be subject to a final
income tax at a rate of fifteen (15%) of such interest income; Provided
further, That interest income from long-term deposit or investment in
the form of savings, common or individual trust funds, deposit
substitutes, investment management accounts and other investments
evidenced by certificates in such form prescribed by the Bangko Sentral
ng Pilipinas (BSP) shall be exempt from the tax imposed under this
Subsection: Provided, finally, That should the holder of the certificate
pre-terminate the deposit or investment before the fifth (5th) year, a final
tax shall be imposed on the entire income and shall be deducted and
withheld by the depository bank from the proceeds of the long-term
deposit or investment certificate based on the remainin maturity
thereof:

xxx.”

SECTION 5. The following provisions of RA No. 8424, as amended by RA
10963, are hereby amended, repealed, or modified by this Act:

(A) Section 27 (C) of RA No. 8424, as amended by Section 7 of RA No. 10963,
is hereby amended to read as follows:

“(C) Government-owned or controlled Corporations, Agencies, or
Instrumentalities. – The provisions of existing special or general
laws to the contrary notwithstanding, all corporations, agencies, or
instrumentalities, owned or controlled by the Government, except
the Government Service Insurance System (GSIS), the Social
Security System (SSS), the Philippine Charity Sweepstakes Office
(PCSO), the Philippine Health insurance Corporation (PHIC), and
the local water districts, shall pay such rate of tax upon their
taxable income as are imposed by this Section upon corporations or
associations engaged in a similar business, industry, or activity.”

(B) Section 190 of RA No. 8424 is hereby amended to read as follows:

“SEC. 190. Stamp on Jai-Alai, Horse Racing Tickets or other
Authorized Numbers Games. – On each jai-alai, horse race ticket, or
other authorized numbers games, there shall be collected a
documentary stamp tax of Ten centavos (P 0.10); Provided, That if
the cost of the ticket exceeds (P 1.00), an additional tax of Ten
centavos (P 0.10) on every One peso (P 1.00) or fractional part thereof, shall be collected; Provided further, That the tickets on the authorized numbers games conducted by the Philippine Charity Sweepstakes Office shall be subject to the provisions of Section 199 of this Code."

(C) Section 199 of RA No. 8424 is hereby amended to read as follows:

"SEC. 199. Documents and Papers Not Subject to Stamp Tax. – The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents, and papers shall be exempt from the documentary stamp tax:

(a) x x x

(b) x x x

(c) Lotto, sweepstakes, and other authorized number games conducted by the Philippine Charity Sweepstakes Office (PCSO)."

SECTION 6. Oversight from the Department of Finance. – The Department of Finance shall conduct a review on the effects of the tax exemptions granted to PCSO under this Act. The tax exemptions granted to the PCSO shall be subject to review by the Department of Finance and may be temporarily adjusted and temporarily suspended accordingly as per the principles of transparency and fiscal responsibility.

SECTION 7. Implementing Rules and Regulations. – The Department of Finance (DOF) shall, upon the effectivity of this Act, promulgate the necessary rules and regulations for the proper implementation of this Act.

SECTION 8. Separability Clause. – If any provision of this Act is held invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SECTION 9. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,