Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
EIGHTEENTH CONGRESS
Second Regular Session

COMMITTEE REPORT NO. 548
Submitted by the COMMITTEE ON TRADE AND INDUSTRY on
OCT 01 2020

Re: House Bill No. 7808

Recommending its approval in substitution of House Bill No. 1911.

Sponsors: Representatives Wes T. Gatchalian, Aurelio D. Gonzales, Jr. and Ma. Theresa V. Collantes

Mr. Speaker:

The COMMITTEE ON TRADE AND INDUSTRY to which was referred House Bill No. 1911 introduced by Rep. Aurelio D. Gonzales, Jr., entitled:

"AN ACT
AMENDING SECTIONS 38, 39 AND 40 OF REPUBLIC ACT NO. 4566, OTHERWISE KNOWN AS THE CONTRACTORS’ LICENSE LAW"

has considered the same and recommends that the attached House Bill No. 7808, entitled:

AN ACT
AMENDING SECTIONS 35, 37, 38, 39 AND 40 OF REPUBLIC ACT NO. 4566, OTHERWISE KNOWN AS THE CONTRACTORS’ LICENSE LAW, MODIFYING THE CONTRACTORS’ LICENSE RENEWAL PROCESS, INCREASING FEES, AND IMPOSING PENALTIES FOR VIOLATIONS THEREOF

be approved in substitution of House Bill Number 1911 with Representatives Gonzales (A.), Collantes, Sagarbarria, Pimentel, Savellano, Gatchalian, Villar, Vergara, Zubiri, Singson-Meehan, Reyes, Tiangco, Garcia (J.E.), Matugas, Babasa, Go (M.), Bañas-Nogales, Garin (S.), Bordado, Quimbo, Bolilia, Haresco, Alvarez (F.), Biron, Ouano-Dizon, Suntay, Ty (A.), Duavit, Aumentado, Campos, Lopez, Baronda, Cueva, Revilla, Cua, Kho (E.), Olivarez, Martinez, Pacquiao, Panotes, Calixto, Espino, Garbin, Unabia, Villa, Canama, Mercado, Tan (Shernee) and Co (E.) as authors thereof.
Respectfully Submitted:

WEST T. GATCHALIAN
Chairperson
Committee on Trade and Industry

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City
Republic of the Philippines

HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7808
(In substitution of House Bill Number 1911)

Introduced by Representatives Gonzales (A.), Collantes, Sagarbarria, Pimentel, Savellano, Gatchalian, Villar, Vergara, Zubiri, Singson-Meehan, Reyes, Tiangco, Garcia (J.E.), Matugas, Babasa, Go (M.), Bañas-Nograles, Garin (S.), Bordado, Quimbo, Bolliha, Haresco, Alvarez (F.), Biron, Ouano-Dizon, Suntay, Ty (A.), Duavit, Aumentado, Campos, Lopez, Baronda, Cueva, Revilla, Cua, Kho (E.), Olivarez, Martinez, Pacquiao, Panotes, Calixto, Espino, Garbin, Unabia, Villa, Canama, Mercado, Tan (Shernee) and Co (E.)

AN ACT
AMENDING SECTIONS 35, 37, 38, 39 AND 40 OF REPUBLIC ACT NO. 4566,
OTHERWISE KNOWN AS THE CONTRACTORS’ LICENSE LAW, MODIFYING THE
CONTRACTORS’ LICENSE RENEWAL PROCESS, INCREASING FEES, AND
IMPOSING PENALTIES FOR VIOLATIONS THEREOF

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

SECTION 1. Section 35 of Republic Act No. 4566, as amended, otherwise known as the
“Contractors’ License Law” is hereby further amended to read as follows:

“Section 35. Penalties. Any contractor who, for a price, commission, fee or wage,
submits or attempts to submit a bid to construct, or contracts to or undertakes to construct, or
assumes charge in a supervisory capacity of a construction work within the purview of this Act,
without first securing a license to engage in the business of contracting in this country; or who
shall present or file the license certificate of another, give false evidence of any kind to the
Board, or any member thereof in obtaining a certificate or license, impersonate another, or use an
expired or revoked certificate, or license, shall be deemed guilty of misdemeanor, and shall, upon
conviction, be [sentenced to pay a fine of not less than five hundred pesos but not more than five
thousand pesos] PENALIZED WITH A FINE OF NOT LESS THAN ONE HUNDRED
THOUSAND PESOS (₱ 100,000.00) OR THE EQUIVALENT OF POINT ONE PERCENT
(0.1%) OF THE PROJECT COST, WHICHEVER IS HIGHER. IN ADDITION, THE
OFFENDING CONTRACTOR SHALL BE PROHIBITED FROM GAINING A
CONTRACTING LICENSE FOR A PERIOD OF NOT LESS THAN ONE (1) YEAR.
THE BOARD, IN CONSULTATION WITH ITS STAKEHOLDERS, IS
AUTHORIZED TO ADJUST THE PENALTY NOT MORE THAN ONCE EVERY
THREE (3) YEARS, BUT IN NO CASE SHALL THE PENALTY BE ADJUSTED OR
INCREASED BY MORE THAN FIFTEEN PERCENT (15%) OF THE FINE.”

SEC. 2. Section 37 of Republic Act No. 4566, as amended, is hereby further amended to
read as follows:

“Section 37. Individual License. It is unlawful for any person who is a responsible
managing partner, officer or employee of a licensed partnership, corporation, firm, association or
other organization to individually engage in the constructing business [of] OR individually act in
the capacity of a contractor within this jurisdiction without having a license in good standing to
so engage or act. ANY PERSON FOUND IN VIOLATION OF THIS PROVISION SHALL
BE PENALIZED WITH A FINE OF NOT LESS THAN FIFTY THOUSAND PESOS (₱
50,000.00) OR THE EQUIVALENT OF POINT ONE PERCENT (0.1%) OF THE
PROJECT COST, WHICHEVER IS HIGHER. IN ADDITION, THE OFFENDING
PARTY SHALL BE PROHIBITED FROM GAINING A CONTRACTING LICENSE
FOR A PERIOD OF NOT LESS ONE (1) YEAR.

THE BOARD, IN CONSULTATION WITH ITS STAKEHOLDERS, IS
AUTHORIZED TO ADJUST THE PENALTY NOT MORE THAN ONCE EVERY
THREE (3) YEARS, BUT IN NO CASE SHALL THE PENALTY BE ADJUSTED OR
INCREASED BY MORE THAN FIFTEEN PERCENT (15%) OF THE FINE.”

SEC. 3. Section 38 of Republic Act No. 4566, as amended, is hereby further amended to
read as follows:

“Section 38. Joint licenses. It is unlawful for any two or more licensees, each of whom
has been issued a license to engage separately in the capacity of a contractor, to jointly submit a
bid or otherwise act in the capacity of a contractor without first having secured an additional
license for acting in the capacity of such a joint venture or combination in accordance with the
provisions of this Act as provided for an individual, partnership or corporation. LICENSEES
FOUND IN VIOLATION OF THIS PROVISION SHALL EACH BE PENALIZED WITH
A FINE EQUIVALENT TO POINT ONE PERCENT (0.1%) OF THE PROJECT COST.
IN ADDITION, THE OFFENDING LICENSEES SHALL BE AUTOMATICALLY
DISQUALIFIED FOR AWARD OF CONTRACT.

THE BOARD, IN CONSULTATION WITH ITS STAKEHOLDERS, IS
AUTHORIZED TO ADJUST THE PENALTY NOT MORE THAN ONCE EVERY
THREE (3) YEARS, BUT IN NO CASE SHALL THE PENALTY BE ADJUSTED OR
INCREASED BY MORE THAN FIFTEEN PERCENT (15%) OF THE FINE.
SEC. 4. Section 39 of Republic Act No. 4566, as amended, is hereby further amended to read as follows:

"Section 39. Fee. The amount of fees prescribed by this Act shall be as follows:

(a) [Fifty] FIVE THOUSAND pesos (₱ 5,000.00) for an original license;
(b) [Sixty] SIX THOUSAND pesos (₱ 6,000.00) for examination of an applicant;
(c) [Fifty] FIVE THOUSAND pesos (₱ 5,000.00) for an annual renewal

THE BOARD IS AUTHORIZED TO COLLECT, RETAIN AND UTILIZE OR APPLY ALL FEES, FINES, AND OTHER CHARGES COLLECTED BY IT UNDER THIS ACT TO AUGMENT ITS OPERATIONS, THE PROVISIONS OF LAW TO THE CONTRARY NOTWITHSTANDING.

THE BOARD, IN CONSULTATION WITH ITS STAKEHOLDERS, IS AUTHORIZED TO ADJUST THE FEES NOT MORE THAN ONCE EVERY THREE (3) YEARS, BUT IN NO CASE SHALL THE FEES BE ADJUSTED OR INCREASED BY MORE THAN FIFTEEN PERCENT (15%)."

SEC. 5. Section 40 of Republic Act No. 4566, as amended, is hereby further amended to read as follows:

"Section 40. Renewal. A license [may be renewed by the filing of a renewal application with the registrar not later than June thirtieth of each fiscal year, accompanied by the annual renewal fee.] ISSUED PURSUANT TO THE PROVISIONS OF THIS ACT SHALL BE VALID FOR ONE (1) YEAR FROM THE DATE OF ITS APPROVAL. A license renewed thereafter shall be subject to [an additional] A RENEWAL fee of [Twenty] FIVE THOUSAND Pesos (₱ 5,000.00) PURSUANT TO SECTION 39 OF THIS ACT."

"IN CASE THE CONTRACTOR HAS BEEN IN OPERATION IN GOOD STANDING FOR TWENTY FIVE (25) YEARS OR MORE, IT MAY RENEW ITS LICENSE EVERY THREE (3) YEARS. IF IT HAS BEEN IN OPERATION IN GOOD STANDING FOR TEN (10) YEARS BUT NOT MORE THAN TWENTY (25) YEARS, IT MAY RENEW ITS LICENSE EVERY TWO (2) YEARS. IF IT HAS BEEN IN OPERATION IN GOOD STANDING FOR LESS THAN TEN (10) YEARS, IT SHALL RENEW ITS LICENSE EVERY YEAR."

"APPLICATIONS AND ALL OTHER REQUIREMENTS FOR LICENSE RENEWAL MAY BE FILED WITH THE BOARD OR ITS DESIGNATED AGENCIES EITHER IN PERSON OR THROUGH ONLINE NOT EARLIER THAN NINETY (90) DAYS AND NOT LATER THAN THIRTY (30) DAYS BEFORE THE EXPIRATION OF THE LICENSE."

"THE BOARD, IN CONSULTATION WITH ITS STAKEHOLDERS, IS AUTHORIZED TO ADJUST THE FREQUENCY OF RENEWAL OF LICENSES NOT MORE THAN ONCE EVERY THREE (3) YEARS."
SEC. 6. **Separability Clause.** - If any portion of this Act is declared unconstitutional or invalid, the other portions which are not affected thereby shall continue in full force and effect.

SEC. 7. **Repealing Clause.** - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or is inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

SEC. 8. **Effectivity.** - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation. It shall also be published online, through the *Official Gazette* Online (www.officialgazette.gov.ph), and through the website of the Department of Trade and Industry (www.dti.gov.ph).

Approved,
FACT SHEET

HOUSE BILL NO. 7808
(in substitution of House Bill No. 1911)

AN ACT
AMENDING SECTIONS 35, 37, 38, 39 AND 40 OF REPUBLIC ACT NO. 4566, OTHERWISE KNOWN AS THE CONTRACTORS’ LICENSE LAW, MODIFYING THE CONTRACTORS’ LICENSE RENEWAL PROCESS, INCREASING FEES, AND IMPOSING PENALTIES FOR VIOLATIONS THEREOF

Introduced by: REPRESENTATIVES GONZALEZ (A.), COLLANTES, SAGARBARRIA, PIMENTEL, SAVELLANO, GATCHALIAN, VILLAR, VERGARA, ZUBIRI, SINGSON-MEEHAN, REYES, TIANGCO, GARCIA (J.E.), MATUGAS, BABASA, GO (M.), BAÑAS-NOGRALES, GARIN (S.), BORDADO, QUIMBO, BOLILIA, HARESCO, ALVAREZ (F.), BIRON, QUANO-DIZON, SUNTAY, TY (A.), DUAVIT, AUMENTADO, CAMPOS, LOPEZ, BARONDA, CUEVA, REVILLA, CUA, KHO (E.), OLIVAREZ, MARTINEZ, PACQUIAO, PANOTES, CALIXTO, ESPINO, GARBIN, UNABIA, VILLA, CANAMA, MERCADO, TAN (SHERNEE) AND CO (E.)

Committee Referral: COMMITTEE ON COMMITTEE ON TRADE AND INDUSTRY
Committee Chairperson: REP. WES GATCHALIAN

OBJECTIVES:

- To promote growth of the contracting business and the upgrading of its construction capability both in public and private sectors

- To rectify the existing infirmities in Republic Act No. 4566, as amended by Presidential Decree No. 1746, by raising or imposing fines for violations of the law, increasing the amount of application fees which have remained unadjusted to inflation since 1965, and amending the license renewal process to make it easier and more flexible

KEY PROVISIONS:

- Increases the penalty to be imposed on any convicted contractor found guilty of misdemeanor who, for a price, commission, fee or wage, submits or attempts to submit a bid to construct, or contracts to or undertakes to construct, or assumes charge in a supervisory capacity of a construction work without first securing a license to engage in the business of contracting in this country; or who shall present or file the license certificate of another, give false evidence of any kind to the PCAB, or any member thereof in obtaining a certificate or license, from a fine of not less than Five hundred pesos (₱500.00) but not more than Five thousand pesos (₱5,000.00), to a fine of not less than One hundred thousand pesos (₱ 100,000.00) or the equivalent of point one percent (0.1%) of the project cost, whichever is higher. In addition, the offending contractor shall be prohibited from gaining a contracting license for a period of not less than one (1) year;
• Penalizes any person who is a responsible managing partner, officer or employee of a licensed partnership, corporation, firm, association or other organization who individually engages in the constructing business or individually acts in the capacity of a contractor within this jurisdiction without having a license in good standing to so engage or act with a fine of not less than Fifty thousand pesos (₱ 50,000.00) or the equivalent of point one percent (0.1%) of the project cost, whichever is higher. In addition, the offending party shall be prohibited from gaining a contracting license for a period of not less one (1) year;

• Penalizes licensees each of whom has been issued a license to engage separately as a contractor, who jointly submit a bid or otherwise act in the capacity of a contractor without first having secured an additional license to act in the capacity of such a joint venture or combination in accordance with the provisions of this Act as provided for an individual, partnership or corporation with a fine equivalent to point one percent (0.1%) of the project cost. In addition, the offending licensees shall be automatically be disqualified for award of contract;

• Increases the amount of application fees as prescribed by this Act as follows:
  (a) From Fifty pesos (₱ 50.00) to Five Thousand pesos (₱ 5,000.00) for an original license;
  (b) From Sixty pesos (₱ 60.00) to Six Thousand pesos (₱ 6,000.00) for examination of an applicant;
  (c) From Fifty pesos (₱ 50.00) to Five Thousand pesos (₱ 5,000.00) for an annual renewal.

• Authorizes the PCAB to collect, retain and utilize or apply all fees, fines, and other charges collected by it under this act to augment its operations, the provisions of law to the contrary notwithstanding;

• Authorizes the PCAB, after consultation with its stakeholders, to adjust all the proposed penalties as mentioned not more than once in every three (3) years, but in no case shall the penalty be adjusted or increased by more than fifteen percent (15%) of the fine;

• Provides that a license to be issued by PCAB shall be valid for one (1) year from the date of its approval. A license renewed thereafter shall be subject to a renewal fee of Five thousand pesos (₱ 5,000.00) pursuant to Section 39 of this Act;

• Provides that the license of a contractor who has been in operation in good standing for twenty five (25) years or more may be renewed every three (3) years. If the contractor has been in operation in good standing for ten (10) years but not more than twenty (25) years, its license may be renewed every two (2) years. If a contractor has been in operating in good standing for less than ten (10) years, its license shall be renewed every year;

• Provides that applications and all other requirements for license renewal may be filed with the PCAB or its designated agencies either in person or through
online not earlier than ninety (90) days but not later than thirty (30) days before the expiration of the license.

RELATED LAWS:

- Republic Act No. 4566, otherwise known as the "Contractors' License Law"
- Presidential Decree No. 1746, series of 1980 i.e. Creating the Construction Industry Authority of the Philippines (CIAP)