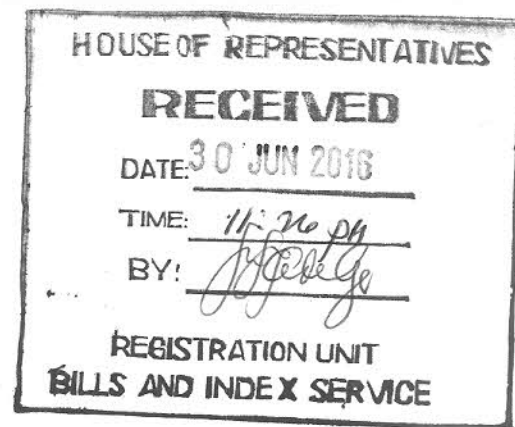


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 695



Introduced by Representative GLORIA MACAPAGAL ARROYO

**AN ACT
CREATING THE NATIONAL REVENUE AUTHORITY, PROVIDING FUNDS
THEREFOR**

EXPLANATORY NOTE

A persistent deficit creates doubt within the financial markets on government's ability to repay its debt, thus, pushing the cost of borrowing even higher. The markings of a financial crisis increasingly threaten the entire economy until a point is reached when business confidence is lost and creditors refuse to lend any further.

Thus, it is very important to dramatically reduce the National Government's deficit. One way is to cut on public expenditures. However, this runs counter to the need for more public investments particularly on health, education and infrastructure to combat poverty and encourage economic development. To reduce the deficit without compromising the development spending, government needs to significantly improve tax collection particularly the Bureau of Internal Revenue (BIR) which accounts for about 80% of total tax collection.

Past efforts to reorganize the BIR have proven to be short-lived because they were authorized by mere administrative fiat. At present, the BIR is hampered by at least three fundamental institutional constraints: (a) rigid personnel management system where promotion is based merely on loyalty and seniority rather than exemplary performance (e.g. exceeding the revenue target); (b) compensation structure that restricts the hiring of first-rate professionals; and (c) strict line-item budgeting that limits the flexibility in the allocation of funds.

There is an urgent for Congress to create a Revenue Authority to address the growing taxpayer dissatisfaction particularly over front-line services, high level of tax evasion/avoidance, and increasing perception of systematic corruption in the Bureau. It is expected that the new authority shall be free from political interference in terms of decisions pertaining to revenue rulings, audit and assessment personnel management, and budgeting.

The proposed bill shall have the following salient features:

1. The Authority shall be governed by a Revenue Board composed of four representatives from the government and three from the private sector. The government representatives shall include the heads of the Department of Finance (as Chairperson), the Department of Budget and

Management, the National Economic Development Authority and the Securities and Exchange Commission. Private sector representatives shall be nominated by peak professional organizations, and appointed by the President of the Philippines. They must be recognized experts in the fields of economics, accounting, law, business management and other allied professions. The members of the Board shall serve for a fixed tenure of office with different periods of expiry to avoid disruption of services, to prevent abandonment of approved plans/programs and to limit reversal of revenue rulings and regulations.

2. The Revenue Authority shall be headed by a Chief Executive Officer (CEO) responsible for the preparation of the following: work program, organizational structure, annual budget, compensation package, and appointment of rank and file employees, among many others. The CEO shall be appointed by the Revenue Board for a period of three years with possible reappointment under a performance-based contract.
3. The Authority shall receive an annual service fee of not less than 1% but not more than 2% of total collection of the immediate preceding year, net of local government shares.
4. Selection of personnel for the new Revenue Authority shall be strictly based on merit and fitness. An attractive separation/retirement package shall be offered to those who opt to not join the Authority.

In this light, the creation of an independent Revenue Authority should be pursued.


GLORIA MACAPAGAL ARROYO
2nd District, Pampanga

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CREATING THE NATIONAL REVENUE AUTHORITY, PROVIDING FUNDS THEREFOR

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

SECTION 1. *Short Title.* – This Act shall be known as the "National Revenue Authority Act."

SECTION 2. *Declaration of Policy.* – It is the policy of the State to reform tax administration to meet the resource needs of government, satisfy the requirements of taxpayers as customers, and help ensure the efficient and effective collection of taxes by the Government. Towards this end, the State shall create an internal revenue agency that shall be endowed with fiscal and administrative powers necessary to discharge its mandate with excellence.

SECTION 3. *Creation of the National Revenue Authority; Corporate Powers.* – There is hereby established a public organization to be known as the National Revenue Authority, hereinafter referred to as the Authority, which shall be responsible for the implementation of internal revenue laws and shall be attached to the Department of Finance (DOF). It shall be organized within one hundred eighty (180) days from the effectivity of this Act. The Authority shall have the principal place of business in Metro Manila and may establish branches and offices in such other places as may be deemed necessary for the performance of its mandate.

SECTION 4. *Responsibility and Primary Objective.* – The primary responsibility and objective of the Authority is to raise revenues to finance the operations of the Government consistent with fiscal policy and revenue collection targets.

SECTION 5. *Powers and Functions.* – The Authority shall exercise the powers and duties heretofore exercised by the Bureau of Internal Revenue Code of 1997, hereinafter referred to as the Code, and other laws. Such powers and duties shall comprehend the assessment and collection of all national internal revenue taxes, fees and charges, and the enforcement of all forfeitures, penalties, and fines connected therewith, including the execution of judgments in

all cases decided in its favor by the Court of Tax Appeals and the ordinary courts. The Authority shall give effect to and administer the supervisory and police powers conferred to the Bureau of Internal Revenue by the Code and other laws.

The officials and employees of the Authority shall be hired on a fixed term performance-based contracts.

In addition, the Authority shall have the following corporate powers: to adopt, alter and use an official seal which shall be judicially noticed; to enter into contracts; to lease or own real and personal property; and to sell or otherwise dispose of the same; incur obligations necessary in the conduct of its operations; and to perform any and all acts necessary or proper to carry out the purposes of this Act.

The Authority may acquire and hold such assets and incur such liabilities in connection with its operations authorized by the provisions of this Act and other laws, or as are essential to the proper conduct of such operations.

SECTION 6. *Capitalization.* – The Authority shall have an authorized capital of Ten Billion Pesos (P10,000,000,000.00) which shall be fully subscribed by the Republic of the Philippines and shall be paid up by the transfer to the Authority of assets value in such amount. Initially, the national government shall transfer to the Authority such assets as may be determined pursuant to Section 19 of this Act.

SECTION 7. *Service Fee.* – The Authority shall receive an annual service fee from the Government for services rendered in the discharge of its mandate. Subject to the recommendation of the Development Budget Coordinating Committee (DBCC) created under E.O. 232, s. of 1970, as amended, said fee shall not fall below one percent (1%) nor go beyond two percent (2%) of revenues collected in the immediately preceding calendar year, net of collections accruing to Local Government Units, including Internal Revenue Allotment (IRA), and other agencies; *Provided*, however; that in the initial year of operation, the service fee shall be 2% of net revenues collected in the immediately preceding year. Said amount shall be appropriated in the annual General Appropriations Act.

The Authority shall likewise be entitled to five percent (5%) of annual collection in excess of its annual collection target set by the DBCC; *Provided*, however, that no portion of the performance bonus shall accrue to members of the Revenue Board.

SECTION 8. *Composition of the Revenue Board; Qualification of Members.* – (a) There is hereby created a Revenue Board, hereinafter referred to as the Board, composed of the Secretary of Finance, as chairperson, and the following as members: the Director-General of the National Economic Development Authority, Secretary of the Budget and Management, and the Chairperson of the Securities and Exchange Commission, all of whom shall serve *ex officio* and with no compensation, and three (3) representatives from the non-government sector to be appointed by the President, who shall serve full-time for a term of three (3) years, and may be reappointed once; *Provided*, however, That reappointment of representatives from the non-government sector shall follow the nomination process outlined in this Section.

(b) The three members from the non-government sector shall include an economist, an accountant, and a lawyer. Each shall be selected and appointed by the President from a pool of candidates to be nominated by peak professional

