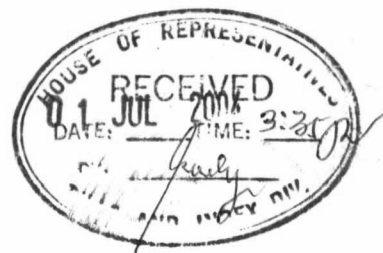


Republic of the Philippines
House of Representatives
Quezon City



First Regular Session

HOUSE BILL NO.: 420

Introduced By: **HONORABLE JOSE CARLOS V. LACSON**

Explanatory Note

This bill seeks to exempt from the withholding tax all interest earnings on bonds issued by the Land Bank of the Philippines to landowners for the sale of their lands covered by the Comprehensive Agrarian Reform Law.

Since the old concept of land, ownership by a few gave rise to violent conflict and social tension, then President Ferdinand E. Marcos issued Presidential Decree No. 27 dated October 21, 1972, emancipating the tenants from the bondage of the soil and transferring to them the ownership of the land they till. The Decree also provided that the value of the land to be transferred to the farmers shall be determined by crop productivity.

In order to complete the program "Operation Land Transfer" and hasten the payment to landowners and maintain the financial viability of the Land Bank of the Philippines (LBP), the financial arm of the Agrarian Reform Program of the government, President Corazon C. Aquino issued Executive Order No. 228. Under Section 3 of the said E. O. one of the modes of compensation to landowners is in the form of LBP bonds bearing market rates of interest that the aligned with 90-day treasury bill rates, and subject to net of applicable final withholding tax.

Further, in compliance with the Constitutional mandate that the State shall undertake an agrarian reform program founded on the right of farmers and regular farm workers, Republic act No. 6657 otherwise known as the Comprehensive Agrarian Reform Law of 1998 was signed into law on June 10, 1998. It provided for the evaluation and mode of compensation of landowners such as cash payments, shares of stocks in government-owned or controlled corporations, tax credits and Land Banks of the Philippines (LBP) bonds at ten (10) year maturity. However, the landowner could only sell the bond for cash at a discounted rate ranging from 10% to 20%. And worse, the interest earnings from the bonds issued by the LBP are subjected to withholding tax based on current treasury bill rates which defeats the very purpose of the law giving just compensation to landowners.

To ease the sufferings of the landowners, this bill which will give relief to their financial burden is therefore, being sought. Its approval is highly recommended.

JOSE CARLOS V. LACSON

Republic of the Philippines
House of Representatives
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First Regular Session

HOUSE BILL NO.: 420

Introduced By: ***HONORABLE JOSE CARLOS V. LACSON***

AN ACT EXEMPTING FROM WITHHOLDING TAX THE INTEREST EARNINGS ON BONDS ISSUED BY THE LANDBANK OF THE PHILIPPINES TO LANDOWNERS ON THE SALE OF THEIR LANDS COVERED BY THE COMPREHENSIVE AGRARIAN REFORM LAW.

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

SECTION 1. Any provision of existing laws to the contrary notwithstanding, all interest earnings on bonds issued by the Land Bank of the Philippines for the sale of lands covered by the Comprehensive agrarian Reform Law are hereby exempted from withholding tax imposed on bonds and similar bank notes.

SECTION 2. Paragraph (a), Section 3 of Executive Order No. 228 and all other laws, decrees, executive orders, rules and regulations, issuance or parts thereof contrary to or inconsistent with this Act are hereby repealed or amended accordingly.

SECTION 3. This Act shall take effect upon its approval.

Approved,