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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



THIRTEENTH CONGRESS
FIRST REGULAR SESSION

HOUSE BILL NO. 678

INTRODUCED BY HONORABLE ALIPIO CIRILO V. BADELLES

EXPLANATORY NOTE

This is the third re-filing of this legislative proposal, it was originally registered in the 11th Congress as House Bill No. 12609 and in the 12th Congress it was enrolled as House Bill No. 1906 and consolidated into Committee Bill No. 6530.

This bill's intent is to address the problem of various forms of unfair trade practices that has reached alarming proportions. This economic malady that has affected the entire country and our people cannot be left to pass. The increasing budget deficits and the resultant inability of government to fund basic services should be addressed squarely and promptly.

Much of the budgetary deficit is caused by insufficiency in the collection of revenues. The imposition of additional taxes to raise more revenues for the government is not only highly unfair but is counterproductive. The loss of and/or insufficiency in government funds to support its operations is not only attributable to effectiveness in the revenue collection but also in the proliferation of unfair trade practices, such as smuggling, technical smuggling, misclassification of imported products and dumping.

The proliferation of these unfair trade practices have seriously affected the economy, not only in the deterioration of revenues that are otherwise due in form of taxes and duties from imported goods and materials, but its adverse effects upon the local manufacturing sector is disastrous since it has cause numerous plant shutdowns or reduction of operating capacities, loss of employment and displacement of tens of thousands of direct workers and loss of income for the indirect beneficiaries of these local manufacturing firms.

Clearly, the criminal motive in the unfair trade practices is to defraud the government of revenues and kill the local enterprises. These practices cannot be anything else than *acts of economic sabotage*.

This legislative proposal is intended to minimize, if not end the nefarious activities of the perpetrators of these acts by declaring it as a criminal act with the attendant punishment.

Immediate approval of this Act is earnestly sought.

ALIPIO CIRILO V. BADELLES

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AN ACT
DECLARING DIRECT AND TECHNICAL SMUGGLING AS ACTS OF ECONOMIC SABOTAGE, PRESCRIBING PENALTIES THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *Declaration of Policy.* – It shall be the policy of the State to contain all forms of economic sabotage that endangers the country's attainment of economic growth and development. The State, therefore, declares that any act of smuggling is inimical to national interest and derails economic growth and development. To this end, the State shall institute measures to ensure that any act of smuggling shall be contained and penalized.

SEC. 2. *Definition of Terms* – Under this Act:

a.) Economic Sabotage – refers to any and all activities that undermines, weakens or renders into disrepute the economic system or viability of the country of tends to bring about such effects.

b.) Smuggling – also known as direct or outright smuggling, refers to the act of importing or bringing into or assisting in importing or bringing into the Philippines, any article, good or product without the corresponding documents, permits or licenses when these are required by existing laws, orders, rules and regulations including the receipt, concealment, or sale of such article, after importation, knowing the same have been imported contrary to law.

c.) Technical Smuggling – refers to the act of importing or bringing into the Philippines, any article, good or product through fraudulent, falsified or erroneous declarations for the purpose of, or which shall result into, evasion of payment of the applicable duties and taxes and/or evasion of the rules and regulations of the Bureau of Customs, the Bureau of Product Standards and the Tariff and Customs Code.

d.) Revision Order – refers to a document issued by the Bureau of Customs indicating the latest values of a product/s arrived at after consultation with industry representatives.

SEC. 3. *Smuggling and Technical Smuggling as Acts of Economic Sabotage*. – The acts of smuggling and technical smuggling are acts inimical to national interest, economic growth and development. Any person regardless of nationality or citizenship found guilty of engaging in smuggling or technical smuggling of a minimum aggregate amount of one million pesos (PhP 1,000,000.00) worth of goods or articles as valued by the Bureau of Customs utilizing methods of value verification such as but not limited to Revision Orders and/or appropriate agencies and entities identified, accredited or certified by the Bureau of Customs, shall be guilty of economic sabotage.

SEC. 4. *Offenses and Penalties*. – Any person, natural or juridical, regardless of nationality or citizenship found guilty of engaging in smuggling or technical smuggling of a minimum aggregate amount of one million pesos (PhP1,000,000.00) worth of goods or articles shall suffer the following penalties:

a) Fine equal to twice the fair value of the smuggled articles;
b) Fine equal to the aggregate amount of the taxes, duties and other charges avoided;
c) Imprisonment of a minimum of eight (8) years and one (1) day up to life imprisonment or death; and
d) Confiscation of the smuggled articles.

If the violator is a juridical person, the penalties shall be imposed on the President or Chairman and the responsible officers thereof. In addition, the business permits and licenses of the business entity shall be revoked or cancelled.

The broker of the importing person or entity shall likewise be liable and shall be charged as principal.

If the offender is a government official or employee acting in connivance with private individuals or entities or other government officials or employees, he shall be imposed the same penalty as the principal offender. In addition, he shall be absolutely disqualified from holding any public office, whether by election or appointment.

SEC. 5. *Powers of the Bureau of Customs.* – In addition to the existing powers of the Bureau of Customs under the Tariff and Customs Code, as amended, in relation to the disposition of confiscated articles, the following shall apply in the case of confiscated goods or articles under this Act in the following order:

a. Re-exportation of the confiscated articles to the point of origin at the expense of the importer;

b. Donation of the confiscated articles to the Department of Social Welfare Development (DSWD) except where prohibited by law, and/or to the Armed Forces of the Philippines (AFP) if the articles are finished products, or to the domestic industry that can make use of the articles, if these are raw materials; or

c. Destruction of the articles in the presence of representatives from the Bureau of Customs, Bureau of Product Standards, Tariff Commission and the relevant industries, if neither of the above-mentioned options are practicable.

SEC. 6. *Implementing Rules.* – The Bureau of Customs in coordination with the appropriate agencies shall promulgate the implementing rules and regulations of this Act within thirty (30) days after its effectivity.

SEC. 7. *Repealing Clause.* – All laws, decrees, orders, rules and regulations, or portions thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 8. *Separability Clause.* – If for any reason, any provision of this Act is declared unconstitutional or invalid, the other parts or provisions hereof which are not thereby affected shall continue to be in full force and effect.

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

Approved,