

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

House Bill No. 681

Introduced by Representative Abraham Kahlil B. Mitra

EXPLANATORY NOTE

The 12th Congress of the House of Representatives passed on Third Reading the proposal to rationalize the tax on winnings and documentary stamp tax on horse racing. Unfortunately, because of lack of material time the proposal did not see light in the Senate.

Executive Order 194, entitled "Restructuring and Providing for the Distribution of Receipts in Horse Racing and for Other Purposes" was implemented in 1988. Effectively, the said scheme reduced taxes on winnings by as much as five percent (5%). As such, the industry registered robust increase in gross sales by 48.34% and substantial number of new stakeholders.

Republic Act No. 7660 amended EO 194 in 1994, which increased the taxes of the industry. Consequently, the local (horseracing) industry registered a topsy-turvy growth. It became one of the most highly taxed among its counterpart abroad even higher than that of Hong Kong-considered the pioneer on horseracing in this part of Asia. Further, the said increase on taxation affected sales negatively and discourage new stakeholders.

This proposal seeks to rationalize the tax on winnings and documentary stamp tax on horseracing aimed to encourage wider public participation as well as increase on probable stakeholders.

Eventually, the beneficial effect of this proposal would duplicate the industries' 1988 experience that raised revenue collections of the government

In view of the above-stated facts, passage of this bill is earnestly sought.


ABRAHAM KAHLIL B. MITRA
Second District, Palawan

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House Bill No. **681**

Introduced by Representative Abraham Kahlil B. Mitra

AN ACT
RATIONALIZING THE TAX ON WINNINGS AND DOCUMENTARY STAMP
TAX ON HORSE RACING, AMENDING FOR THE PURPOSE SECTIONS 126
AND 190 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, SECTIONS 11 AND 13 OF REPUBLIC ACT NO. 8407 AND
SECTIONS 8 AND 10 OF REPUBLIC ACT NO. 7953

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

1 **SECTION 1.** Section 126 of the National Internal revenue Code of 199, as
2 amended, is hereby further amended to read as follows:

3 “Sec 126. *Tax on Winnings.* – Every person who wins in race horse races
4 shall pay the tax equivalent to ten percent (10%) of his winnings or ‘dividends,’
5 the tax to based on the actual amount paid to him for every winning ticket after
6 deducting the cost of ticket: [Provided, That in the case of winnings from double,
7 forecast/quinella and trifecta bets, the tax shall be four percent (4%).] **PROVIDED,**
8 **THAT IN THE CASE OF WINNINGS FROM THE FOLLOWING SPECIAL**
9 **BETS, THE TAX SHALL BE EQUIVALENT TO FOUR PERCENT (4%).**

10 (1) “the daily double event” is a racing event wherein the bettor
11 selects and bets on a number in each of two (2) consecutive races, and the
12 selected numbers in the two (2) races must finish “first” in order to win.

13 (2) “extra double event” is a racing event wherein the bettor selects
14 and bets on number in each of the two (2) designated races and the
15 selected numbers in the two (2) races must finish “first” in order to win.

16 (3) “forecast event” is a racing event wherein the bettor selects and
17 bets on two (2) numbers in a single race and the selected numbers must

1 finish "first" and "second" in their correct order of selection in order to
2 win.

3 (4) "double quinella event" is a racing event wherein the bettor
4 selects and bets on two (2) numbers in each of two (2) designated races
5 and the selected number in the two (2) races must finish "first" and
6 "second" in either order of selection in order to win.

7 (5) "trifecta event" is a racing event wherein the bettor selects and
8 bets on three (3) numbers in a single race and the selected numbers must
9 finish "first," "second" and "third" in their correct order of selection in
10 order to win.

11 (6) "daily double+1 event" is a racing event wherein the bettor
12 selects and bets in three (3) numbers in three (3) designated races and the
13 selected numbers must finish "first" in order to win.

14 (7) "Pari-mutuel event" is a racing event wherein the bettor selects
15 and bets on a number in a race and the selected number must finish:

16 (7.1) Win - First placer only in a race

17 (7.2) Place - First or second or third placer in a race.

18 In the case of owners of winning race horses, the tax shall be ten percent
19 (10%) of the prizes.

20 The tax herein prescribed shall be deducted from the 'dividends'
21 corresponding to each winning ticket or the 'prize' of each winning race owner
22 and withheld by the operator, manager or person in charge of the horse races
23 before paying the dividends or prizes to the person entitled thereto.

24 The operator, manager or person in charge of the horse races shall, within
25 twenty (20) days from the date the tax was deducted and withheld in accordance
26 with the second paragraph hereof, file a true and correct return with the
27 Commissioner in the manner or form to be prescribed by the Secretary of
28 Finance, and pay within the same period the total amount of tax so deducted and
29 withheld."

30 **SECTION 2.** Section 190 of the National Internal Revenue Code of 1997,
31 as amended, is hereby further amended to read as follows:

1 “Sec. 190. *Stamp tax on Jai-alai, Horse Race Tickets, Lotto or Other*
2 *Authorized Numbers Games.* - (A) On each jai-alai, [horse race ticket,]lotto, or
3 other authorized numbers games, there shall be collected a documentary stamp
4 tax of Ten centavos (P0.10): *Provided*, That if the cost of the ticket exceeds One
5 Peso (P1.00), an additional tax of Ten centavos (P0.10) on every One peso
6 (P1.00), or fractional part thereof, shall be collected.

7 **(B) Stamp tax on horse race tickets.** - on each horse
8 race ticket, there shall be collected a documentary stamp tax of ten
9 centavos (P.010): *provided*, that if the coist of the ticket exceeds One peso
10 (p1.00), an additional tax of ten centavos (P0.10), an additional tax of ten
11 centavos (p0.10) for every one peso (p1.00) or fractional part thereof shall
12 be collected: *provided, further*, that in the case of daily double, daily
13 double+1, extra double, forecast, double qinella, trifecta and pari-mutuel
14 bets, the tax shall be five centavos (p0.05) on every one peso (p1.00) worth
15 of ticket.”

16 **SECTION 3. *Implementing Rules and Regulations.*** - The Secretary of
17 Finance shall, in consultation with the Commissioner of Internal Revenue and the
18 Commissioner of the Philippine Racing Commission, promulgate the necessary
19 rules and regulations to effectively implement the provisions of this Act.

20 **SECTION 4. *Repealing Clause.*** - All other law, Presidential Decrees,
21 Executive Orders, Rules and Regulations or parts thereof, which are inconsistent
22 with any of the provisions of this Act are hereby repealed, amended or modified
23 accordingly.

24 **SECTION 5. *Separability Clause.*** - In case any provision of this Act or
25 any portion thereof is declared unconstitutional, other provisions shall not be
26 affected thereby.

27 **SECTION 6. *Effectivity Clause.*** - This Act shall take effect upon its
28 approval.

29 ***Approved,***