

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City, Metro manila

THIRTEENTH CONGRESS
Second Regular Session

House Bill 4657



Introduced by: **HON. RENE M. VELARDE**

EXPLANATORY NOTE

In line with the government's thrust of increasing and enhancing revenue collection and prevention of tax fraud, this bill seeks to require documenting of receipts, invoices, permits, licenses, clearances and official papers that will ensure the full accounting and proper documentation of all business and commercial transactions in the country.

This bill involves the use of security paper upon which receipts, Invoices, permits, licenses, clearances and all other official papers and documents used by government and private entities are printed. The paper upon which these documents are printed shall be "*watermarked*" and shall bear the seal of the collecting agencies like the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). In this manner, a fool-proofed way of documenting and verifying the correctness of transaction by mere naked eye examination can be done. Consequently, tax monitoring and collection will be greatly enhanced and strengthened if the use of security water-marked papers in all receipts and other documents will be made a mandatory requirement in all commercial and business transactions. This will minimize, if not completely eliminate, the use of falsified receipts and other documents in all commercial and business transactions.

A handwritten signature in black ink, appearing to read "Rene M. Velarde".

RENE M. VELARDE

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AN ACT REQUIRING ALL GOVERNMENT AGENCIES, INSTRUMENTALITIES, LOCAL GOVERNMENT UNITS, AND GOVERNMENT OWNED AND/ OR CONTROLLED CORPORATIONS (GOCCs) AND PRIVATE ESTABLISHMENTS TO USE SECURITY WATER-MARKED PAPER IN ALL RECEIPTS AND INVOICES, PERMITS, LICENSES, CLEARANCES, OFFICIAL PAPERS OR DOCUMENTS

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

SECTION 1. Short Title. – This Act shall be known as the “Use of Security Water-Marked Paper in all Receipts and Invoices, Permits, Licenses, Clearances, Official Papers or Documents Act of 2005.”

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to:

- (a) Enhance tax monitoring and collection;
- (b) Increase revenue collection;
- (c) Avoid tax fraud and graft and corruption in the tax collection efforts.

SEC. 3. Definition of Terms. – The following definition of terms are hereby adopted:

(a) **“Receipt”** is a written admission or acknowledgement of the fact of payment in money or other settlement between seller and buyer of goods, debtor and creditor, or person rendering services and client or customer printed in accordance with these regulations.

(b) **“Sales or commercial invoice or delivery receipts”** is a written account of goods or services rendered and the price charged therefore, or a list of goods consigned and the value at which the consignee is to receive them or any other list by whatever name is known which is used in the ordinary course of business evidencing sale and transfer or agreement to sell

or transfer goods and service, e.g. purchase orders, delivery receipts, job orders, provisional and temporary receipts, and others;

(c) **“Security watermarked paper”** shall refer to a paper material which bear watermark containing such authorized security feature duly etched and embedded in the paper during its manufacturing process. It is especially designed for the printing of receipts or sales or commercial invoices.

SEC. 4. Covered Institutions/ Establishments. – All government agencies and instrumentalities, including Government-Owned and/or Controlled Corporations, and all Local Government Units and private and commercial establishments, shall use water-marked paper in all receipts, invoices, forms, permits, licenses, clearances, official papers and documents which they issue to all natural and juridical persons transacting business with them.

SEC. 5. Procedure for Printing of Security Watermarked Paper. – The said agencies, GOCCs and LGUs shall develop procedures such that receipts, invoices, forms, permits, licenses and clearances, whenever applicable and possible, shall be printed on security water-marked paper, the sizes and forms of which shall be uniform.

SEC. 6. Size and Form of Security Watermarked Paper. - The Department of Finance (DOF), the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) shall prescribe and formulate within a period of two (2) months from the effectivity of this Act, the appropriate uniform size and forms of security watermarked paper to be used for all transactions in the Philippines.

SEC. 7. Covered Forms. – All receipts, invoices, permits, licenses and clearances, shall, after a period of six (6) months from the effectivity of this Act, all be printed in security water-marked paper: *Provided*, That any such receipts, invoices, commercial documents, permits, licenses and clearances which remain unused and unconsumed after the lapse of said six-month period may still be used: *Provided, further*, that appropriate inventory thereof as confirmed and approved by the BIR is conducted and: *Provided, finally*, That, after a period of six (6) months thereafter, the said unused receipts, invoices, permits, licenses and clearances shall no longer be allowed for use in any transaction in the Philippines.

SEC. 8. Penalty. – Any person who fails to comply with the requirements of this Act, including the parties involved in a transaction where the use of security water-marked paper is prescribed, as well as government functionary involved in the monitoring of regulating these transactions, shall be subject to all the appropriate sanctions and penalties provided for in the National Internal Revenue Code and other pertinent laws, rules and regulations.

SEC. 9. **Implementing Agency.** – The Secretary of the Department of Finance, upon the recommendation of the Commissioner of Internal Revenue and the Commissioner of Customs, shall promulgate appropriate rules and regulations, including the identification and setting of the standards upon which the security water-marked paper shall be sourced and supplied and such other details as would be necessary and appropriate for the effective implementation of this Act.

SEC. 10. **Separability Clause.** – If for any reason any provision of this Act is declared unconstitutional or invalid, the remainder or any provisions hereof not affected thereby shall remain in force and effect.

SEC. 11. **Repealing Clause.** – The provisions of any law, executive orders, presidential decrees or other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 12. **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.