



Republic of the Philippines

HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
First Regular Session

COMMITTEE REPORT NO. 671

Submitted by the Committee on Ways and Means on **23 FEB 2011**
4270

Re : **House Bill No. 3816**
Recommending its approval in substitution of House Bill No. 3816

Sponsors : Reps. Hermilando I. Mandanas, Jerry P. Treñas and George P. Arnaiz

Mr. Speaker:

The Committee on Ways and Means to which was referred House Bill No. 3816 introduced by Reps. Jerry P. Treñas and George P. Arnaiz, entitled:

“AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES, AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX,”

has considered the same and recommends that the attached House Bill No. **4270**, entitled:

“AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES, AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX,”

be approved in substitution of House Bill No. 3816, with Representatives Jerry P. Treñas, George P. Arnaiz and Hermilando I. Mandanas, as authors thereof.

Respectfully submitted,



REP. HERMILANDO I. MANDANAS

Chairman

Committee on Ways and Means

The HONORABLE SPEAKER
House of Representatives
Quezon City

REP. GIORGIDI B. AGGABAO

Senior Vice-Chairman

REP. RODOLFO W. ANTONINO

Vice Chairman

REP. RODOLFO C. FARIÑAS

Vice-Chairman

REP. ERIC G. SINGSON, JR.

Vice-Chairman

REP. VINCENT P. CRISOLOGO

Vice Chairman

REP. ALFREDO D. MARAÑON III

Vice Chairman

REP. REYNALDO V. UMALI

Vice-Chairman

REP. PAOLO EVERARDO JAVIER

Vice-Chairman

FACT SHEET

House Bill No. 3816

AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES, AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX

*Introduced by Reps. Jerry P. Treñas and George P. Arnaiz
Committee Referral: Committee on Ways and Means
Committee Chairman: Hon. Hermilando I. Mandanas*

OBJECTIVE:

To provide assistance to medium-sized Asian cities so as to bridge the gap between their development plans and implementation of their infrastructure investments

KEY PROVISIONS:

The Cities Development Initiative For Asia (CDIA) seeks the following tax exemptions:

- The CDIA shall be exempt from the payment of gift, franchise specific, percentage, real property, exchange, import, export, and other taxes provided under existing laws and ordinances. This exemption shall extend to goods imported and owned by the CDIA to be leased or used by non-Filipino members of its staff;
- All gifts, bequests, donations and contributions which may be given to the CDIA from any source whatsoever, or which it may grant to any individual or non-profit organization for educational or scientific purpose, shall be exempt from payment of taxes imposed under Title III of the National Internal Revenue Code. All gifts, contributions and donations to the CDIA shall also be considered as allowable deductions for purposes of determining the income tax of the donor;
- Non-Filipino citizens on the technical and scientific staff shall be exempt from the payment of income tax on salaries and stipends in dollars received solely and by reason of service rendered to the CDIA;

RELATED LAW

National Internal Revenue Code of 1997, as amended



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 4270
(In Substitution of House Bill No. 3816)

Introduced by Representatives Jerry P. Treñas, George P. Arnaiz and Hermilando I. Mandanas

AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES, AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX

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

1 **SECTION 1.** The Cities Development Initiative for Asia (CDIA) is an
2 established Asia-wide regional technical assistance partnership facility supported by the
3 Asian Development Bank, and several of its Member Countries' Governments for the
4 purpose of providing assistance to Asian countries, specifically medium-size cities
5 located in urban provinces, to bridge the gap between their development plans and the
6 implementation of their infrastructure investments.

7 **SEC. 2.** The provisions of existing laws or ordinances notwithstanding, the CDIA,
8 or its successors, shall be exempt from payment of gift, franchise, specific, percentage,
9 real property, exchange, import, export, and other taxes provided under existing laws and

ordinances. This exemption shall extend to goods imported and owned by the CDIA to be leased or used by non-Filipino members of its staff.

SEC. 3. All gifts, bequests, donations, and contributions given to CDIA from any source whatsoever, or which it may grant to any individual or non-profit organization for educational or scientific purpose, shall be exempt from payment of the taxes imposed under Title III of the National Internal Revenue Code. All gifts, contributions, and donations to the CDIA shall be considered as allowable deductions for purposes of determining the income tax of the donor.

SEC. 4. Non-Filipino citizens on the technical and scientific staff of the CDIA shall be exempt from the payment of income tax on salaries and stipends in dollars received solely and by reason of service rendered to the CDIA.

SEC. 5. Separability Clause. – If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in full force and effect.

SEC. 6. Repealing Clause. – All laws, decrees, orders, rules and regulations or other issuances inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 7. Effectivity. – This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3816

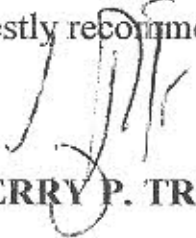
Introduced by Representatives Jerry P. Treñas and George P. Arnaiz

EXPLANATORY NOTE

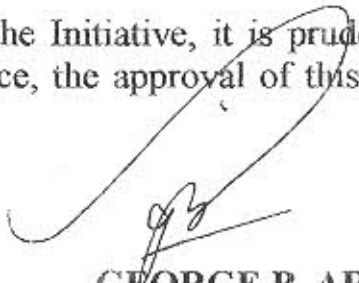
The Cities Development Initiative for Asia (CDIA) is an established Asia-wide regional technical assistance partnership facility supported by the Asian Development Bank, the Swedish SIDA, and the respective Governments of Germany, Austria, Singapore, and Spain. It is the intent of CDIA to solicit sustainable support from the countries of the Asian region.

The Initiative provides assistance to medium-sized Asian cities to bridge the gap between their development plans and implementation of their infrastructure investments. CDIA uses a demand-driven approach to support the identification and development of urban investment projects in the framework of existing city development plans, emphasizing environmental sustainability, pro-poor development, climate change, and good governance. In view of the laudable goals of the Initiative, the Republic of the Philippines has agreed to host the CDIA headquarters in Manila, and to be a member of its Governing Council.

Considering the non-profit nature of the Initiative, it is prudent to exempt CDIA from taxation in the Philippines. Hence, the approval of this bill is highly and earnestly recommended.



JERRY P. TREÑAS



GEORGE P. ARNAIZ

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3816

Introduced by Representatives Jerry P. Treñas and George P. Arnaiz

AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES. AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX.

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

Section 1. -- The provisions of existing laws or ordinance notwithstanding, the Cities Development Initiative for Asia, or its successors, shall be exempt from payment of gift, franchise, specific, percentage, real property, exchange, import, export, and other taxes provided under existing laws and ordinances. This exemption shall extend to goods imported and owned by the Cities Development Initiative for Asia to be leased or used by members of its staff.

Section 2. -- All gifts, bequests, donations, and contributions which may be received by the Cities Development Initiative for Asia from any source whatsoever, or which may be granted by the Initiative to any individual or non-

profit organization for educational or scientific purpose, shall be exempt from payment of the taxes imposed under Title III of the National Internal Revenue Code. All gifts, contributions, and donations to the Initiative shall be considered allowable deductions for purposes of determining income tax of the donor.

Section 3. – Non-Filipino citizens on the technical staff and scientific staff of the Cities Development Initiative for Asia shall be exempt from the payment of income tax on salaries and stipends in dollars received solely and by reason of service rendered to the Initiative.

Section 4. **Separability Clause.** – If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in full force and effect.

Section 5. **Repealing Clause.** – All laws, decrees, orders, rules and regulations or other issuances inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Section 6. **Effectivity.** – This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

COMMITTEE ON WAYS AND MEANS

MINUTES OF THE MEETING OF THE COMMITTEE ON WAYS AND MEANS HELD ON
FEBRUARY 1, 2011, ROLANDO ANDAYA HALL, HOUSE OF REPRESENTATIVES,
QUEZON CITY

I. GUESTS/RESOURCE PERSONS -

Ms. Stela Montejo	DOF
Ms. Yolanda delos Santos	DOF
Ms. Minda Serquena	DOF
Ms. Bianca Sison	DOF
Atty. Joanne Lim	DOF
Atty. Jemina Flores	BOC
Mr. Melchor Cruz	BOC
Mr. Nick Yson	BOC
Mr. Alfredo Edillon	BOC
Mr. Claro Ortiz	BIR
Ms. Florinda Bacena	BIR
Mr. Conrado Item	BIR
Atty. Precious Pojas	DOJ
Ms. Lolit Reyes	BOI
Ms. Madel Almazora	BOI
Ms. Gloria Rodriguez	BSP
Mr. Emmanuel Andaya	NPO
Atty. Sylvia Banda	NPO
Vice-Governor Jose Calimlim	Pangasinan
Mr. Rafael Baranan	Pangasinan
Mr. Julian Linsangan III	Mighty Corp.
Mr. Michael Lindfield	CDIA/ADB
Mr. Emiel Wegelin	CDIA
Ms. Elizabeth Lee	CAMPI
Mr. Homer Maranan	CAMPI
Ms. Cecille Santiago	CAMPI
Mr. Eric Talag	CAMPI
Ms. Catherine Bague	CAMPI
Mr. Edward Manares	UMC
Atty. Susan Carisma	UMC
Atty. Jose Cabrera	IBP
Atty. John Itoh	PICPA
Mr. Louis Valera	PRC

Mr. Blake Dy
Atty. Raul Academia

Anglo Tobacco
Philip Morris

II. CALL TO ORDER

Chairman Hermilando Mandanas called the meeting to order at about 9:30 A.M. The roll call was dispensed with on motion of Rep. Datumanong as seconded by Rep. Alvarez. Likewise, the reading of the minutes of the previous meeting of the Committee was dispensed with and approved on motion of Rep. Datumanong and seconded by Rep. Alvarez. The presiding officer acknowledged the members and guests present.

III. **FIRST DELIBERATION on House Bill No. 869**, entitled "AN ACT REQUIRING ALL GOVERNMENT AGENCIES, INSTRUMENTALITIES, LOCAL GOVERNMENT UNITS, AND GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS TO USE SECURITY PAPER MADE FROM INDIGENOUS MATERIALS OR WATER-MARKED SECURITY PAPER IN THEIR RECEIPTS AND INVOICES, PERMITS, LICENSES, CLEARANCES, OFFICIAL PAPERS OR DOCUMENTS" by Rep Datumanong, and

House Bill No. 3210, entitled "AN ACT REQUIRING ALL GOVERNMENT AGENCIES, INSTRUMENTALITIES, LOCAL GOVERNMENT UNITS, AND GOVERNMENT OWNED AND/OR CONTROLLED CORPORATIONS (GOCCs) AND ALL PRIVATE ESTABLISHMENTS TO USE SECURITY WATER-MARKED PAPER IN ALL RECEIPTS AND INVOICES, PERMITS, LICENSES, CLEARANCES, OFFICIAL PAPERS OR DOCUMENTS." By Reps. Velarde, Jr. and Tieng

In his sponsorship remarks, Rep. Datumanong informed the body that the proposed measure under consideration was approved on third reading by the House of Representatives but was unfortunately not acted upon by the Senate during the 14th Congress. While the measure is not a revenue measure, its enactment into law will enhance tax collection because it seeks to address the proliferation of fake receipts, invoices, orders of payments and other official government forms. Rep. Datumanong cited a House rule which gives preeminent consideration for similar House Bills that were filed and approved in the previous Congress or Congresses for as long as this information is acknowledged in the Explanatory Note of the bill presently under consideration, and upon instance by the majority of the members of the Committee that constitute a quorum. For this purpose, a Committee Report may now have to be prepared for submission to the plenary. Rep. Datumanong introduced certain amendments thereon, specifically on the definition of "security paper" in Sec. 3; in the names of the government agencies that will prescribe and formulate the appropriate uniform size and forms of security paper to be used for all transaction of government agencies in Sec. 6; and, the government agencies that will promulgate the rules and regulations for the implementation of the proposed Act in Sec. 9.

DOF Director Montejo cited the cost implications of the proposal and its effect on the rate of fees and charges being collected by government. She also mentioned that the proposal to designate the Department of Finance to prescribe the appropriate size and forms for local government units may not be in keeping with the autonomous nature of the LGUs. Atty. Jose Cabrera of the Integrated Bar of the Philippines remarked that the proposal will provide integrity to the particular public documents that are subject of the bill, and that local government units although autonomous are still within the confines of the powers of Congress.

On motion of Rep. Alvarez and as duly seconded by Rep. Pichay, the Committee approved the consolidation of the bills and a substitute bill shall be prepared for the purpose that will incorporate the amendments that were endorsed by Rep. Datumanong.

IV. **FIRST DELIBERATION** on HB 3816, entitled "AN ACT TO EXEMPT THE CITIES DEVELOPMENT INITIATIVE FOR ASIA OR ITS SUCCESSORS FROM THE PAYMENT OF GIFT, FRANCHISE, SPECIFIC, PERCENTAGE, REAL PROPERTY, EXCHANGE, IMPORT, EXPORT, AND OTHER TAXES AND THE MEMBERS OF ITS SCIENTIFIC AND TECHNICAL STAFF FROM PAYMENT OF INCOME AND VALUE ADDED TAX," by Reps. Trenas and Arnaiz

In sponsoring the bill, Rep. Trenas cited the Cities Development Initiative for Asia (CDIA) as an established Asia-wide regional technical assistance partnership facility supported by the Asian Development Bank, the Swedish SIDA, and the respective governments of Germany, Austria, Singapore and Spain. It is the intent of CDIA to solicit sustainable support from the countries of the Asia region. The Initiative provides assistance to medium-sized Asian cities to bridge the gap between their development plans and implementation of their infrastructure investments. CDIA uses a demand-driven approach to support the identification and development of urban investment projects in the framework of existing city development plans, emphasizing environmental sustainability, pro-poor development, climate change, and good governance. In view of the laudable goals of the Initiative, the Philippines has agreed to host the CDIA headquarters in Manila and to be a member of its governing council. Considering the non-profit nature of the Initiative, Rep. Trenas stressed that it is prudent to exempt CDIA from taxation in the Philippines.

Mr. Michael Lindfield, Program Manager of Asia Development Bank and the principal proponent of CDIA, said that CDIA was formed three (3) years ago and had been active in several cities in Asia. It spends around \$10 million per year in the form of technical assistance to help cities realize their respective investment projects. Mr. Lindfield likened the Initiative to the International Rice Research Institute (IRRI) which was established precisely to attain certain development goals for the benefit of Asian countries. He believes that the Philippines will be benefited in hosting the CDIA. Mr. Emiel Wegelin, Program Coordinator of CDIA, remarked that to enable CDIA sustain its technical assistance program unless it is established as an international status institution in the country.

In reaction to the query from Rep. Suarez whether there would be no loss in revenue if CDIA is exempted from taxes, Ms. Montejo of DOF expressed support to the bill although she noted that there is that precondition that CDIA be recognized first as an international institution. Atty. Bernardo of BIR likewise expressed support to the measure but clarified that it is not revenue neutral and that it may support the bill for as long as CDIA is aligned with the tax exemption benefits given the international organizations. He promised to submit a position paper on the matter.

In reply to the observation of Rep. Suarez that provinces should likewise benefit from the program, Rep. Trenas remarked that inasmuch that CDIA will be based in the Philippines it will be prudent for it to seriously look into the matter and study how provinces could partake of the program's benefits.

Ms. Ma. Paz Javier of DOF manifested that DOF supports the grant of tax exemption to CDIA provided that Congress enacts the enabling law that will establish it as a regional-international institution so that it will qualify to the tax exemptions under the National Internal