



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
Fifteenth Congress
First Regular Session

COMMITTEE REPORT NO. 731

Submitted by the Committee on Ways and Means on **09 MAR 2011**

RE : House Bill No. **4361**
Recommending its approval in substitution of House Bill No. 3927
Sponsor : Rep. Hermilando I. Mandanas

Mr. Speaker:

The Committee on Ways and Means to which was referred House Bill No. 3927, introduced by Rep. Hermilando I. Mandanas, entitled:

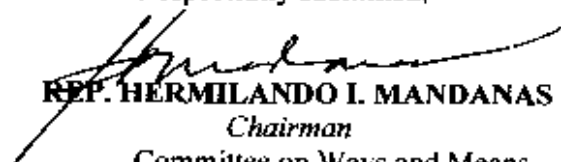
"AN ACT SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR CORPORATIONS AMENDING FOR THE PURPOSE SECTIONS 27(A) AND 28(A) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED "

has considered the same and recommends that the attached House Bill No. **4361**, entitled:

"AN ACT SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR CORPORATIONS AMENDING FOR THE PURPOSE SECTIONS 27(A) AND 28(A) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED "

be approved in substitution of House Bill No. 3927 with Representative Hermilando I. Mandanas as author thereof.

Respectfully submitted,


REP. HERMILANDO I. MANDANAS

Chairman

Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY



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

FIFTEENTH CONGRESS

First Regular Session

House Bill No. 4361
(in substitution of House Bill No. 3927)

Introduced by Representative Hermilando I. Mandanas

AN ACT
SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR
CORPORATIONS AMENDING FOR THE PURPOSE SECTION 27 (A)
AND 28 (A) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC)
OF 1997, AS AMENDED

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

1 **SECTION 1.** Section 27 (A) of the National Internal Revenue Code of 1997,
2 as amended, is hereby further amended to read as follows:

3 "SEC. 27. Rates of Income Tax on Domestic Corporations. –

4 "(A) In General. – x x x

5 x x x

6 x x x

7

1 ["Provided, further, That the President, upon the recommendation
2 of the Secretary of Finance, may, effective January 1, 2000, allow
3 corporations the option to be taxed at fifteen percent (15%) of gross
4 income as defined herein, after the following conditions have been
5 satisfied:

6
7 *(1) A tax effort of twenty percent (20%) of Gross National Product
8 (GNP);

9 *(2) A ratio of forty percent (40%) of income tax collection to total
10 tax revenues;

11 *(3) A VAT tax effort of four percent (4%) of GNP; and

12 *(4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector
13 Financial Position (CPSFP) to GNP.]

14 **PROVIDED FURTHER,** THAT CORPORATIONS HAVE THE OPTION
15 TO BE TAXED AT EIGHTEEN PERCENT (18%) OF GROSS
16 INCOME. SUCH ELECTION SHALL BE MADE IN THE BEGINNING
17 OF THE TAXABLE YEAR BY INFORMATION TO THE
18 COMMISSIONER OF THE TAXPAYER'S DECISION TO AVAIL OF
19 THE GROSS INCOME TAXATION. ONCE THE DECISION HAS BEEN
20 MADE, THE SAME SHALL BE IRREVOCABLE WITHIN THE
21 TAXABLE YEAR. **PROVIDED FURTHERMORE,** THAT A
22 CORPORATION WHICH IS ENTITLED TO AND IS OPTING FOR
23 GROSS INCOME TAXATION SHALL NOT BE REQUIRED TO
24 SUBMIT WITH ITS TAX RETURN SUCH FINANCIAL STATEMENTS
25 OTHERWISE REQUIRED UNDER THIS CODE. SUCH CORPORATE
26 TAXPAYER SHALL LIKEWISE ENJOY THE BENEFIT OF LAST

PRIORITY AUDIT. ***PROVIDED FINALLY***, THAT EXCEPT WHEN THE COMMISSIONER OTHERWISE PERMITS, THE SAID CORPORATION SHALL KEEP SUCH RECORDS PERTAINING TO ITS GROSS INCOME AS DEFINED HEREIN DURING THE TAXABLE YEAR, AS MAY BE REQUIRED BY THE RULES AND REGULATIONS PROMULGATED BY THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER.

[The option to be taxed based on gross income shall be available only to firms whose ratio of cost of sales to gross sales or receipts from all sources does not exceed fifty-five percent (55%).]

[The election of the gross income tax option by the corporation shall be irrevocable for three (3) consecutive taxable years during which the corporation is qualified under the scheme.]

"For purposes of this Section, the term 'gross income' derived from business shall be equivalent to gross sales less sales returns, discounts and allowances and cost of goods sold. 'Cost of goods sold' shall include all business expenses directly incurred to produce the merchandise to bring them to their present location and use.

"For a trading or merchandising concern, 'cost of goods sold' shall include the invoice cost of the goods sold, plus import duties, freight in transporting the goods to the place where the goods are actually sold, including insurance while the goods are in transit.

"For a manufacturing concern, 'cost of goods manufactured and sold' shall include all costs of production of finished goods, such as raw materials used, direct labor and manufacturing overhead, freight cost,

1 insurance premiums and other costs incurred to bring the raw materials
2 to the factory or warehouse.

3 "In the case of taxpayers engaged in the sale of service, 'gross income'
4 means gross receipts less sales returns, allowances [and] discounts[.]
5 AND COST OF SERVICES. '**COST OF SERVICES**' SHALL MEAN
6 ALL DIRECT COSTS AND EXPENSES NECESSARILY INCURRED
7 TO PROVIDE THE SERVICES REQUIRED BY THE CUSTOMERS
8 AND CLIENTS INCLUDING (A) SALARIES AND EMPLOYEE
9 BENEFITS OF PERSONNEL CONSULTANTS AND SPECIALISTS
10 DIRECTLY RENDERING THE SERVICE AND (B) COST OF
11 FACILITIES DIRECTLY UTILIZED IN PROVIDING THE SERVICE
12 SUCH AS DEPRECIATION OR RENTAL OF EQUIPMENT USED AND
13 COST OF SUPPLIES; *PROVIDED, HOWEVER*, THAT IN THE CASE
14 OF BANKS, '**COST OF SERVICES**' SHALL INCLUDE INTEREST
15 EXPENSE."

16 **SEC. 2.** Section 28(A) of the National Internal Revenue Code of 1997, as
17 amended, is hereby further amended to read as follows:

18 "SEC. 28. Rates of Income Tax on Foreign Corporations. –

19 "(A) Tax on Resident Foreign Corporations. –

20 (1) In General. – x x x

21 x x x

1 Provided, however, That a resident foreign corporation shall be granted
2 the option to be taxed at [fifteen] EIGHTEEN percent [(15%)] (18%) on
3 gross income under the same conditions, as provided in Section 27
4 (A)."

5 **SEC. 3.** The Secretary of Finance shall, upon the recommendation of the
6 Commissioner of Internal Revenue, promulgate the necessary rules and regulations
7 for the effective implementation of this Act.

8 **SEC. 4.** All laws, decrees, executive orders, rules and regulations or parts
9 thereof which are contrary to or inconsistent with this Act are hereby repealed,
10 amended or modified accordingly.

11 **SEC. 5.** This Act shall take effect fifteen (15) days after its publication in the
12 Official Gazette or in any two newspapers of general circulation.

13 Approved,

FACT SHEET

HOUSE BILL NO. **4361**

(In substitution of House Bill No. 3927)

AN ACT SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR CORPORATIONS AMENDING FOR THE PURPOSE SEC. 27(A) AND 28 (A) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

Introduced by: **REP. HERMILANDO I. MANDANAS**

Committee Referral: **WAYS AND MEANS**

Committee Chairperson: **REP. HERMILANDO I. MANDANAS**

OBJECTIVES:

- To increase revenue collection by providing additional option of gross income taxation for corporate taxpayers.
- To simplify the computation of the taxable corporate income.
- To reduce the tax examiner's discretion in the determination of the net taxable income.

KEY PROVISIONS:

- Deletes the conditions before a corporation can be taxed based on gross income.
- Provides corporations the option to avail of gross income taxation regardless of their ratio on cost of sales to gross sales or receipts.
- Deletes the condition for the corporations who wish to avail the gross income for three (3) consecutive taxable years.
- Clarifies the definition of the cost of services in relation to the computation of the gross income.
- Aligns the gross income tax rates with the resident foreign corporation.
- Dispenses the requirement of the submission of tax return like financial statements.
- Grants the privilege of last priority audit.

RELATED LAW:

- Republic Act No. 8424, as amended.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 3927

Introduced by Representative Hermilando I. Mandanas

EXPLANATORY NOTE

This bill seeks to amend Section 27 (A) of the National Internal Revenue Code (NIRC) of 1997, as amended, which provides for income tax rates on domestic corporations. Under the present law, the President may allow the option to be taxed based on the gross income upon the recommendation of the Secretary of Finance when the following conditions have been satisfied: (1) A tax effort ratio of twenty percent (20%) of Gross National Product (GNP); (2) A ratio of forty percent (40%) of income tax collection to total tax revenues; (3) A VAT tax effort of four percent (4%) of GNP; and (4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial Position (CPSFP) to GNP. However, the concurrence of these conditions are hardly attainable.

The proposal simplifies corporate income taxation by removing all of these unattainable requisites in taxing corporation based on gross income. This bill provides another option on the part of corporate taxpayers in paying their income. Taxpayers need not substantiate and specify all of the allowable deductions which entail tedious compliance and administration process and is perceived to be susceptible to abuse or manipulation by both taxpayers and tax examiners. Every item of expense can be subjected to scrutiny as to whether or not such is really a necessary or legitimate expense. This situation greatly erodes the tax base and consequently reduces the tax take of the government.

In consistency with one of the principles of a sound tax system, proper and efficient administration of the government and its enforcement with the least inconvenience to the taxpayer will be achieved. With this measure, tax administration will be much easier.

Further, areas of discretion are minimized as the tax examiners shall validate only the accuracy of the taxpayer's declared gross sales/receipts and cost of goods sold or cost of services. Cost of goods sold are business expenses directly incurred to produce merchandise. On the other hand, cost of services are all direct cost and expenses necessarily incurred to provide services required by the customers and clients.

It would lessen paper work for both the taxpayer and tax examiner as substantiation requirement will be significantly reduced. More taxpayers will be encouraged to file their returns. And with more taxpayers, tax collection will consequently increase.

The gain in terms of improved tax compliance and collection will definitely contribute to the country's economic stability.

Hence, approval of this bill is earnestly recommended.


HON. HERMILANDO I. MANDANAS
Second District of Batangas

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 3927

Introduced by Representative Hermilando I. Mandanas

**AN ACT
SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR
CORPORATIONS AMENDING FOR THE PURPOSE SECTION 27 (A) OF THE
NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED**

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

SECTION 1. Section 27 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 27. Rates of Income Tax on Domestic Corporations. -

"(A) In General. - x x x

x x x

x x x

[Provided, further, That the President, upon the recommendation of the Secretary of Finance, may, effective January 1, 2000, allow corporations the option to be taxed at fifteen percent (15%) of gross income as defined herein, after the following conditions have been satisfied:

"(1) A tax effort ratio of twenty percent (20%) of Gross National Product (GNP);

"(2) A ratio of forty percent (40%) of income tax collection to total tax revenues;

"(3) A VAT tax effort of four percent (4%) of GNP; and

"(4) A 0.9 percent (0.9%) ratio of the Consolidated Public Sector Financial Position (CPSFP) to GNP.]

PROVIDED FURTHER, THAT CORPORATIONS HAVE THE OPTION TO BE TAXED AT EIGHTEEN PERCENT (18%) OF GROSS INCOME.

"The option to be taxed based on gross income shall be available only to firms whose ratio of cost of sales to gross sales or receipts from all sources does not exceed fifty-five percent (55%).

"The election of the gross income tax option by the corporation shall be irrevocable for three (3) consecutive taxable years during which the corporation is qualified under the scheme.

"For purposes of this Section, the term 'gross income' derived from business shall be equivalent to gross sales less sales returns, discounts and allowances and 'cost of goods sold.' Cost of good sold' shall include all business expenses directly incurred to produce the merchandise to bring them to their present location and use.

"For a trading or merchandising concern, 'cost of goods sold' shall include the invoice cost of the goods sold, plus import duties, freight in transporting the goods to the place where the goods are actually sold, including insurance while the goods are in transit.

"For a manufacturing concern, 'cost of goods manufactured and sold' shall include all costs of production of finished goods, such as raw materials used, direct labor and manufacturing overhead, freight cost, insurance premiums and other costs incurred to bring the raw materials to the factory or warehouse.

"In the case of taxpayers engaged in the sale of service, 'gross income' means gross receipts less sales returns, allowances, [and] discounts AND COST OF SERVICES. 'COST OF SERVICES'

SHALL MEAN ALL DIRECT COSTS AND EXPENSES NECESSARILY INCURRED TO PROVIDE THE SERVICES REQUIRED BY THE CUSTOMERS AND CLIENTS INCLUDING (A) SALARIES AND EMPLOYEE BENEFITS OF PERSONNEL, CONSULTANTS AND SPECIALISTS DIRECTLY RENDERING THE SERVICE AND (B) COST OF FACILITIES DIRECTLY UTILIZED IN PROVIDING THE SERVICE SUCH AS DEPRECIATION OR RENTAL OF EQUIPMENT USED AND COST OF SUPPLIES; PROVIDED, HOWEVER, THAT IN THE CASE OF BANKS, 'COST OF SERVICES' SHALL INCLUDE INTEREST EXPENSE.

SEC. 2. *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 3. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 4. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two newspapers of general circulation.

Approved,



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

Fifteenth Congress
First Regular Session

MINUTES OF THE MEETING OF THE COMMITTEE ON WAYS AND MEANS
HELD ON MARCH 1, 2011, 9:30 A.M., ROMANDO ANDAYA HALL, HOUSE OF
REPRESENTATIVES, QUEZON CITY

I. GUESTS/RESOURCE PERSONS

1. Mr. Nick Olino	-	DOF
2. Atty. Erwin Mendinueto	-	BIR
3. Atty. Juanito Balbastro III	-	BIR
4. Dep. Com'r Gregorio B. Chavez	-	BOC
5. Dir. Filomeno Vicencio, Jr.	-	BOC
6. District Coll. Juan Tan	-	BOC
7. District Coll. Ricardo Belmonte, Sr.	-	BOC
8. Mr. Donald M. Boo	-	NTRC
9. Com'r Edgardo Maralit	-	Tariff Commission
10. Dir. Estela de Guzman	-	NSO
11. Asst. Sec. Joji Aragon	-	IDOLE
12. Atty. Jessci Raci	-	PEZA
13. Atty. Jose V. Cabrera	-	IBP
14. Atty. Ma. Victoria Villaluz	-	TMAP
15. Atty. Rufino Margate, Jr.	-	FPI
16. Dr. Diampo J. Lim	-	Phil. Dental Association
17. Mr. Eduardo Uy	-	FFCCCII
18. Former Sec. Ernesto Ordóñez	-	Alyansa Agrikultura
19. Mr. Mario Jose E. Sereno	-	FPI
20. Mr. Max Cruz	-	AISL
21. Mr. Ferdie Legaspi	-	Phil. Chamber of Air Express Operators

II. CALL TO ORDER

The meeting was called to order by Chairman Hernando I. Mandanas at 9:43 a.m.. Upon motion of Rep. Giorgidi B. Aggabao, the roll call and the reading of the minutes of the previous meeting were dispensed with and the latter was considered approved. The Committee Secretary proceeded to acknowledge the presence of the guests and resource persons.

III. CONSIDERATION OF SUBCOMMITTEE REPORT NO. 1 RE: IIB NO. 3992 entitled: "AN ACT ADOPTING THE SIMPLIFIED NET INCOME TAXATION SCHEME FOR INDIVIDUALS ENGAGED IN TRADE/BUSINESS AND/OR PRACTICE OF PROFESSION, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED" by Rep. Aggabao

At the outset, Rep. Aggabao presented for consideration Subcommittee Report No. 1. He manifested that the Subcommittee on Oversight had extensively conducted three meetings and stakeholders both from the private sector and public agencies were present. The Department of Finance (DOF), Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) were also present in those meetings and expressed no objection; however, DOF conveyed it still has to submit its position paper. He further stated that he is amenable to resetting the deliberation of the measure to enable the DOF to submit its position paper.

Chairman Mandanas manifested for the record which Rep. Aggabao concurred, that this measure was passed already in the 14th Congress with some modifications especially on the earmarking of the proceeds.

Dr. Diampo J. Lim of the Phil. Dental Association requested the inclusion of "Bad Debts" as allowable deduction among professionals as it creates havoc in the finances of the professionals.

On the query of Chairman Mandanas regarding the accounting method used by the dentist, Dr. Lim replied that they used the cash basis. The Chair then informed the body that corporation or individual has a choice to follow either accrual or cash system. If cash system is used, bad debt is not an issue. He added that legally, in computing income tax using cash basis, something that is still receivable is allowed not to be received as income.

Atty. Juanito Balbastro of the Law Division of the BIR agreed with the statement of the Chair and that under the cash method, income is recorded only when received and that one has no obligation to record it if income is not received.

The Chair added, on the issue raised by Dr. Lim, that there is no bad debt and considering that the dentist used cash basis, the issue of bad debts is irrelevant.

Rep. Aggabao added his thoughts on the issue of bad debts as a deductible item. He said, bad debts is a gray area normally encountered by the BIR and tax accountants because bad debts in order to be allowed as a deduction, there must be a certainty that it can no longer be collected and a judgment call, an area where a lot of abuses come in. He then added that these are the reasons why the Committee proposed to simplify the taxation of those individuals engaged in trade/business and/or practice of profession to do away with the gray areas by listing only those that are allowable deductions.

Upon motion of Rep. Aggabao, Chairman Mandanas deferred the consideration of the Subcommittee Report pending submission of the position paper by the Department of Finance.

IV. CONSIDERATION OF HB NO. 3927 entitled: "AN ACT SIMPLIFYING THE AVAILMENT OF THE GROSS INCOME TAX FOR CORPORATIONS AMENDING FOR THE PURPOSE SECTION 27 (A) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED" by Rep. Mandanas

Chairman Mandanas manifested that the essence of the bill is to give the corporate taxpayers the option to pay income tax equivalent to 18% of their gross income.

On the clarificatory question of Mr. Eduardo Uy of the Federation of Filipino Chinese Chamber of Commerce and Industries, Inc. (FFCCCII), the Chairman replied that upon the suggestion of the Federation, the Committee took out the limitation on the ratio of cost of sales to gross sales or gross receipts from all sources and the election of the gross income tax option by the corporation which shall be irrevocable for three (3) consecutive taxable years.

The Chair added that if it's a corporation engaged in trading business, gross sales less cost of sales is equal to gross profit x 18%; if it is a corporation in manufacturing, gross sales less direct cost is equal to gross profit x 18%. If the corporation avails of this option, said corporation will be last in the priority audit.

On the query of Rep. Godofredo V. Arquiza, Chairman Mandanas replied that it is not a revenue generating measure but rather a measure to simplify the availment of the gross income tax for corporations to avoid areas for corruption.

Given the floor, Atty. Ma. Victoria Villaluz of the Tax Management Association of the Philippines (TMAP) manifested for the record that they had submitted to Subcommittee Chairman Tomas V. Apacible their position paper last Feb. 23, 2011. She said that the measure is tax neutral and in the compilation presented, the present optional standard deduction (OSD) scheme will show that the 30% on the 60% after the 40% OSD is equivalent to 18% of gross income after the cost of goods and cost of sales. She added that the incentive for the corporation to take this 18% option other than simplification of tax examination process is the adoption of a provision "on the last priority audit".

The manifestation of Atty. Villaluz that between the OSD and the 18%, the tax is neutral on the part of the corporation so whether the corporation chooses the OSD or the 18%, the corporation pays the same amount of tax, brought to Rep. Aggabao's point which Atty. Villaluz agreed that for a corporate taxpayer to avail of the 18% gross income taxation inclusion of a provision in the bill that states that corporations who opt to avail of the 18% GIT will be audited last.

Rep. Aggabao then echoed that assuming the HB No. 3927 is approved, a corporation has three options (1) to file income tax using the itemized deduction; (2) to avail the OSD; and (3) to be taxed at 18% of gross income.

On the issue of last priority in the audit, Atty. Erwin Mendinueto of BIR manifested that it is already provided in the law that the Commissioner of Internal Revenue may issue Memorandum Circular that will help in the administration, assessment and collection of taxes which to him may be sufficient for the purpose.

Rep. Apacible concurred that to avoid areas of discretion that will not benefit both the government and the taxpayer but only the examiner, it is better that a provision be put in the law than in a Memorandum Circular as an incentive to corporation. Such a provision will not persuade unscrupulous examiners to examine corporations who avail of this option. He added that if there is fraud in the implementation in the availment of the gross income taxation then the BIR can still question the same considering that it is within the ambit of the authority of the Commissioner and that the powers of the Commissioner is not unnecessarily hampered by this provision.

Rep. Aggabao stressed that the taxpayers will still be audited, not a case of no audit, but just last in the priority audit. The power of the BIR to investigate the corporate taxpayers with the insertion of such a provision is not emasculated.

Rep. Apacible as Chairman of the Subcommittee on Oversight duly seconded by Rep. Aggabao, moved to include a provision that corporations who avail of this option as proposed in HB No. 3927 be last in the priority audit. The Chair, there being no objection, approved the motion.

Chairman Mandanas, upon motion of Rep. Apacible to approve HB No. 3927 duly seconded by Rep. Aggabao, approved the bill with amendments and subject to style. He then instructed that a Committee Report be prepared and filed accordingly.

V. UPDATE ON HB NO. 3224 AND 3760 re: CUSTOMS & TARIFF MODERNIZATION ACT by Rep. Reynaldo V. Umali

The Chair manifested that the Chairman of the TWG, Rep. Umali was not around but he had talked already with him. He echoed that there is urgency in passing the amendment with the Tariff and Customs Code; however, considering the House Bills filed regarding the matter and the consequences of the amendments being proposed there is really a need for full deliberation and an in-depth study. He said, he had advised the TWG and the Subcom to divide the issues by: 1. amending the Tariff and Customs Code to comply with the Revised Kyoto Convention; and 2. coming-up with a separate bill on anti-smuggling.

Former Secretary Ernesto Ordóñez manifested that he had just submitted the position paper of the Alyansa Agrikultura which is backed by the Federation of Filipino Industries (FPI). He then expressed his concerns on the passage of the bill on CTMA and support to the manifestation of the Chair that the bill on Anti-smuggling be given top priority.

Mr. Mario Jose E. Sereno of the FPI supported the position mentioned and emphasized that to address the P300 billion deficit, the bill on anti-smuggling will address the deficit and plug the leakages in tax collection. He then requested the Committee to approve the bill on anti-smuggling.

The Chair then informed the body that the merits and demerits of the bill will be discussed in a separate meeting.

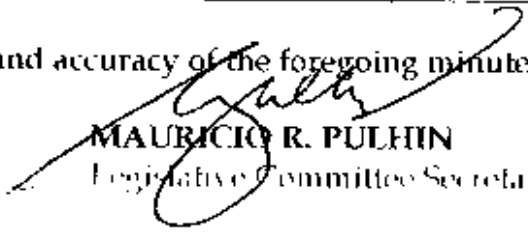
VI. AUTOMATIC REFERRALS from the Committee on Higher and Technical Education:

1. **Unnumbered Substitute to HB No. 1504 re: Granting Discounts on Basic and Education Services to Underprivileged Students in the Post-Secondary and Tertiary Levels** - Upon motion of Rep. Arnaiz duly seconded by Rep. Aggabao, there being no objection, Chairman Mandanas approved the tax provision of the unnumbered substitute bill.
2. **Unnumbered Substitute to HB No. 835, 1660 & 400 re: Open Learning and Distance Education Act of 2010** - Upon motion of Rep. Arnaiz duly seconded by Rep. Apacible, there being no objection, Chairman Mandanas approved the tax provision of the unnumbered substitute bill with amendments and subject to style.

VII. ADJOURNMENT

The Chairman, upon motion of Rep. George P. Arnaiz, adjourned the meeting at 10:57 a.m..

I hereby certify to the correctness and accuracy of the foregoing minutes.


MAURICIO R. PULHIN

Legislative Committee Secretary

Approved by:

HERMILANDO I MANDANAS

Chairman

Committee on Ways and Means