

FIFTEENTH CONGRESS
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES

House Bill No. 4832

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

EXPLANATORY NOTE

Gross income is defined by Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended, as "Except when otherwise provided in this Title, gross income means all income derived from whatever source, including (but not limited to) the following items:

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(9) Prizes and winnings;

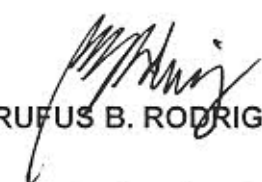
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As such, it would seem that there is no reason why Philippine Charity Sweepstakes and Lotto winnings cannot be taxed.

It cannot be denied that there are instances when the jackpot prizes for the numbers game lotto reach hundreds of millions of pesos and it is not uncommon for jackpot prizes of lotto to reach 100, 200, 300 million and higher. This could amount to much needed tax revenues for the Philippine government.

In the most recent case of the balikbayan winner of the P741 million jackpot, the US government received over P200 million as tax revenues because the winner is a US citizen. That P200 million could have instead gone to the Philippine government if only lotto winnings are taxed in the Philippines.

In view of the foregoing, immediate passage of this bill is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

HOUSE OF REPRESENTATIVES

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Representative Maximo B. Rodriguez, Jr.*

AN ACT

FURTHER AMENDING REPUBLIC ACT 8424, OTHERWISE KNOWN AS
"AN ACT AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED, AND FOR OTHER PURPOSES" BY REMOVING THE TAX
EXEMPTION ON SWEEPSTAKES AND LOTTO WINNINGS IN THE
PHILIPPINES

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

SECTION 1. Prizes from the Philippine Charity Sweepstakes and all forms of
the numbers game Lotto are hereby declared to be taxable.

SEC 2. Sec. 24 (B)(1) is hereby amended to read as follows:

SEC. 24. Income Tax Rates. -

(B) Rate of Tax on Certain Passive Income.

(1) Interests, Royalties, Prizes, and Other Winnings. - A final tax at the
rate of twenty percent (20%) is hereby imposed upon the amount of interest
from any currency bank deposit and yield or any other monetary benefit from
deposit substitutes and from trust funds and similar arrangements; royalties,
except on books, as well as other literary works and musical compositions,
which shall be imposed a final tax of ten percent (10%); prizes (except prizes
amounting to Ten thousand pesos (P10,000) or less which shall be subject to
tax under Subsection (A) of Section 24; and other winnings [(except Philippine
Charity Sweepstakes and Lotto winnings)], derived from sources within the
Philippines...

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SEC. 3. Sec. 25 (A)(2) is hereby amended to read as follows:

SEC. 25. Tax on Nonresident Alien Individual. -

(A) Nonresident Alien Engaged in trade or Business Within the
Philippines. -

(2) Cash and/or Property Dividends from a Domestic Corporation or
Joint Stock Company, or Insurance or Mutual Fund Company or Regional

Operating Headquarters or Multinational Company, or Share in the Distributable Net Income of a Partnership (Except a General Professional Partnership), Joint Account, Joint Venture Taxable as a Corporation or Association., Interests, Royalties, Prizes, and Other Winnings. - Cash and/or property dividends from a domestic corporation, or from a joint stock company, or from an insurance or mutual fund company or from a regional operating headquarters of multinational company, or the share of a nonresident alien individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or the share of a nonresident alien individual in the net income after tax of an association, a joint account, or a joint venture taxable as a corporation of which he is a member or a co-venturer; interests; royalties (in any form); and prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (B)(1) of Section 24) and other winnings [(except Philippine Charity Sweepstakes and Lotto winnings)]; shall be subject to an income tax of twenty percent (20%) on the total amount thereof...

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SEC. 5. *Implementing Rules and Regulations* – The Philippine Charity Sweepstakes Office and the Bureau of Internal Revenue shall issue the rules and regulations necessary for the full implementation of this Act.

SEC. 6. *Separability Clause* – If for any reason, any provision or section of this Act is declared unconstitutional, such portions not affected thereby shall remain in full force and effect.

SEC. 7. *Repealing Clause* – All laws, decrees, executive orders, department or memorandum orders and other administrative issuances or parts thereof which are inconsistent with the provisions of this Act are hereby modified, superseded or repealed accordingly.

SEC. 8. *Effectivity Clause* – This Act shall take effect after fifteen (15) days following the completion of its publication in the Official Gazette or in at least two (2) newspapers of general circulation in the Philippines.

Approved,