

House of Representatives
Quezon City
Fifteenth Congress
Second Regular Session
HOUSE BILL NO. 5127

Introduced by: **HONORABLE AMADO S. BAGATSING**

EXPLANATORY NOTE

Throughout history the Filipinos have cultivated their taste for lotteries. Lotteries in the Philippines began as early as 1833 during the time when the Spanish government conducted lotteries through the *Empresa de Reales Loteria Espanolas de Filipinas*. Later, this was further developed by the National Charity Sweepstakes when in 1932, the first Sweepstakes draw was held by the Government to raise funds to support sports projects for the Filipino youth.

In March, 1935, President Manuel L. Quezon approved Act 4130 creating the Philippine Charity Sweepstakes as a way of raising funds for the promotion of public health and general welfare and particularly for fighting tuberculosis. On June 18, 1954, Republic Act No. 1169 entitled "An Act Providing for Charity Sweepstakes, Horse Races and Lotteries" was passed, which was later amended by Batas Pambansa Blg 42 and Presidential Decree No. 1157. By virtue of this law, the Philippine Charity Sweepstakes Office (PCSO) was designated as the principal agency for raising and providing funds for health programs and other services and charities.

After fifty six years, it is unfortunate that the law has remained in its current state of obsolescence. Nevertheless, despite the absence of appropriate legislative amendments, the PCSO has managed to survive and has even developed new forms of lotteries to keep up with the times. To their credit, the PCSO, through its Board of Directors, reinvented themselves

to cope with the changing demands of their operations. They maintained their present law and applied the provisions relevant to their operations.

However, this situation provided a loophole for manipulating the funds of the PCSO. The independence of the Board resulted to a lack of accountability and transparency in their operations. Hence, as evidenced by the current spate of investigations involving anomalies by their officials, we are saddened to find a weakness in their organization. It is high time to take a second look at the law that created the PCSO. We now witness that a weak PCSO will breed corruption in its organization and eventually ruin the very core of society that it intends to support.

This measure intends to put in place the proper legislation that will strengthen the PCSO as an organization. In the process, it is hoped that with a new law, the entire lottery gaming industry will eventually be developed to sustain the source of funds for health and medical assistance and other welfare programs. In the long run, this bill will prepare the grounds to make Government as the principal regulator of the private sector handling lottery operations. Government shall initiate moves to encourage the private sector to participate in the industry.

As an offshoot of this move, the timeliness of this measure is worth noting considering that with the world being globalized and with the growth of the internet, the future of the PCSO and the lottery gaming industry need to be determined by a stronger law which will guide them in their course and make them compete with other countries. Facing competition in the world scenario is going to be tough unless we act now to support the future of the lottery gaming industry.

It is therefore urged that the passage of this measure be given utmost priority by this Congress.



AMADO S. BAGATSING

Fifth District, Manila

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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**“AN ACT CREATING THE PHILIPPINE CHARITY SWEEPSTAKES AND
LOTTERY COMMISSION (PCSLC) REPEALING FOR THE PURPOSE
REPUBLIC ACT NO. 1169, AS AMENDED BY BATAS PAMBANSA BLG. 42
AND PRESIDENTIAL DECREE NO. 1157, OTHERWISE KNOWN AS ‘AN
ACT PROVIDING FOR CHARITY SWEEPSTAKES, HORSE RACES, AND
LOTTERIES’ AND FOR OTHER PURPOSES”**

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

SECTION 1. Title. - This Act shall be known as the Philippine Charity
Sweepstakes and Lottery Commission Act of 2011.

SEC. 2. Declaration of Policy. - The State recognizes the vital role of
the gaming industry in the promotion of the economic development of the
country as well as the need for generating funds for health and medical
assistance needed by the people, and, conscious that the continued growth
and success of the industry is dependent upon public trust and confidence,
it shall endeavor to safeguard and protect the public from unscrupulous
and dishonest operators through strict regulation of all persons, locations,
practices and activities and, for this purpose, it shall strengthen the agency
that handles lotteries and sweepstakes by making it at par with
international standards in its functions of coordination, regulation and
supervision of all forms of lotteries, sweepstakes and similar forms of games
of chance.

SEC. 3. Objectives.- This Act shall have the following objectives:

- a. To strengthen and integrate under one agency the policy making function, coordination and authority to grant permits and/or licenses to all private sector establishments which shall conduct and operate any form of lottery, sweepstakes and other similar activities;
- b. To generate sources of revenues to raise funds for health programs, medical assistance and services and charities of national character;
- c. To protect the interest of the public at all times in the proper implementation of its rules and regulations.

SEC. 4.- Creation of the Philippine Charity Sweepstakes and Lottery Commission.- To implement the objectives of this Act, there is hereby created an agency of government to be known as the Philippine Charity Sweepstakes and Lottery Commission, hereinafter referred to as the Commission, under the Office of the President for general direction and coordination. This Act shall replace the former Philippine Charity Sweepstakes Office created under Republic Act No. 1169. The Commission shall establish its principal office in Metro Manila and shall be authorized to put up branches in the different regions of the Philippines.

SEC. 5. - Composition of the Commission.- The Commission shall be composed of a five-member body headed by a full-time commissioner and four full-time deputy commissioners, all to be appointed by the President of the Philippines. The compensation and term of office of the members of the Commission shall be determined by the President.

A member of the commission shall be at least thirty five (35) years old, familiar with the workings of lotteries and games of chance, of proven competence and with unquestioned honesty and integrity.

SEC. 6. - Exercise of Functions.- The commissioner and deputy commissioners thereof shall sit and act as a collegial body to exercise

general administrative, executive and policy-making functions. The commission shall be vested with regulatory and quasi-judicial functions and shall have supervision and control over the licensing, establishment, operation and management of sweepstakes and lotteries including, but not limited to, other forms of games of chance whether authorized under existing laws or not. The chairperson of the commission shall be the chief executive officer and shall be responsible for the implementation of the policies adopted by the commission.

SEC. 7.- Compensation and other Benefits.- Subject to the approval of the President, the commissioner and the four (4) deputy commissioners shall receive compensation and allowances and other emoluments and benefits authorized for the said position.

SEC. 8.- Powers and Functions .-

1. To regulate, supervise and control all lottery activities, sweepstakes and other related gaming activities covered by its mandate based on strict rules and regulations and industry standards;
2. To issue licenses and permits to operate to authorized private organizations, establishments and corporations conducting lotteries, as well as licenses to manufacturers, sellers and distributors of gaming paraphernalia subject to the rules and regulations determined by the commission;
3. To collect fees and impose fines and penalties to parties under its jurisdiction which shall accrue to the funds of the commission;
4. To engage in investments, programs, projects, and activities involving lotteries and gaming, either by itself or in collaboration, association or joint venture with any person, company, or entity, whether domestic or foreign, for the purpose of providing for continuing sources of funds for health programs, including the

expansion of existing programs, medical assistance and services, and/or charitable grants, subject to the approval of the President;

5. To ensure that lottery operations are honestly conducted and the public is protected from all forms of cheating and criminal elements;
6. To authorize expenditures of the Commission and its operations in accordance with a budget approved for the purpose;
7. To sue and be sued, enter into contracts, acquire, purchase, lease or dispose of property of any kind or nature necessary to carry out the purpose of this Act;
8. To hear and investigate cases arising from violations of its rules and regulations subject to strict observance of due process;
9. To hear petitions of any interested party or upon its own discretion, after notice of hearing, nullify, suspend or revoke any permit or licenses issued for failure to comply with its rules and regulations, and/or violation of any provision of laws, decrees, order and other issuances: *Provided that*, the commission may, for cause, without notice and hearing, order the temporary suspension any activity under its jurisdiction whenever such action in the judgment of the commission, shall be necessary for the best interest of the players and/or the public;
10. To seek assistance from any government agency and/or deputize them in the enforcement of laws, decrees, rules and regulations governing the conduct of sweepstakes games, lotteries and related activities;
11. To prepare an annual report of its accomplishments and activities to be submitted to the President and to the two Houses of Congress.

SEC. 9. Organization of the Commission .- The Commission shall determine the organizational structure of the office and its staffing pattern including the fixing of salaries, based on the Salary Standardization Act, and other allowances and bonuses of its officials and employees. The Commission shall appoint an executive director who shall handle the operations of the office. All officials and employees shall be appointed on the basis of merit and fitness consistent with Civil service rules and regulations.

SEC. 10. Holding of Lotteries, Sweepstakes and other forms of lotteries.- The Commission shall retain a special department which will be in-charge of conducting the holding of charity lotteries, sweepstakes and similar lottery forms in accordance with the policies set forth by the body including the sale of tickets and the marketing of these products. The Commission shall determine the procedure to be followed in the conduct of these lotteries based on international industry best practices.

SEC. 11. Licensing of Lottery Operations and Suppliers of Lottery Equipment and Supplies .- The Commission shall require all establishments operating lotteries and suppliers of lottery equipment and paraphernalia to be registered, licensed and regulated in accordance with the rules and regulations set forth by the Commission. After a public hearing, the Commission shall determine, impose and collect charges, fees, and assessments with respect to issuance of licenses and permits. The Commission shall monitor and supervise the draws conducted by these establishments to protect the interest of the public.

SEC. 12. Allocation of Net Receipts .- (A) For lotteries conducted by the Commission, a franchise tax of five percent (5%), which shall be paid immediately to the Bureau of Internal Revenue, shall be deducted from the gross receipts derived from the sales of lottery, sweepstakes and other forms of lotteries: *Provided that*, No other tax shall be imposed on the conduct of these charity lotteries. After deducting the franchise tax as well as the cost of printing of such tickets the net receipts shall be allocated as follows:

- a. Sixty five percent (65%) shall be set aside as a prize fund for the payment of prizes including shares of those sellers of winning tickets: *Provided that*, prizes that may be paid out from the resulting prize fund, after said five per cent has been deducted, shall be exempted from income tax. Prizes not claimed by the public within one year from the date of the draw shall be considered forfeited and shall form part of the charity fund;
- b. Twenty five percent (25%) shall be set aside as the charity fund which will address the health and welfare assistance programs offered to communities and indigents and the public in general, the Philippine National Red Cross, charities of national character, and other medical missions or grants based on the guidelines approved by the Commission;
- c. Ten percent (10%) shall be used for the operations of the Commission and its other offices including its capital expenditures.

Subject to the approval of the President, the Commission may amend the breakdown of the percentage sharing of the net receipts in accordance with the guidelines set by the Commission.

The Commission may apply part of the charity fund to approved investments of the office but in no case shall such applications to investments exceed ten percent (10%) of the net receipts.

Fifty percent (50%) of all unused balances for the year from these funds shall revert to the National Treasury to form part of the general fund while the remaining fifty percent (50%) shall revert to and form part of the charity fund of the Commission.

(B) For lottery operations of private corporations, the allocation of receipts after deducting the franchise tax, shall be as follows:

1. Twenty Five Percent (25%) of net receipts, after deducting the 5% franchise tax, shall be remitted to PCSO which will form part of the charity fund;
2. Sixty Five Percent (65%) of net receipts shall be set aside as prize fund: *Provided that*, prizes that may be paid out from the resulting prize fund shall be exempted from income tax;
3. Ten Percent (10%) of net receipts shall be used for the operations: *Provided that*, any income derived from their operations shall be exempted from all other forms of taxes.

SEC. 13. Auditing Requirement. - The entire funds of the Commission shall be subject to complete audit by the Commission on Audit. Full accountability and transparency shall be ensured in all cases.

SEC. 14. Submission of Annual Report .- The Commission shall be required to submit an annual report to the President and to the two Houses of Congress at the end of the calendar year.

SEC. 15. Congressional Oversight Committee .- To attain the objectives of this Act a Joint Congressional Oversight Committee is hereby created to monitor and ensure the implementation of this Act. It shall be composed of five (5) senators and five (5) members of the House of Representatives to be appointed by the Senate President and the Speaker of the House respectively. The Oversight Committee members shall not be entitled to additional compensation nor allowances except traveling and representation expenses and other expenses necessary to achieve its purpose. It shall exist for a period of six (6) years from the date this Act becomes effective. However, if necessary the two Houses of Congress may extend it until its purpose is achieved through a joint concurrent resolution.

SEC. 16. Penalties . -

Any person or entity who violates any of the provisions of this Act or its implementing rules and regulations shall, upon conviction, be fined in

an amount not less than P50,000.00 and suffer imprisonment for not less than one (1) year and not more than three (3) years.

SEC. 17. Implementing Rules and Regulations . - The Commission shall prepare its rules and regulations necessary to implement the provisions of this measure, within ninety days after the effectivity of this Act.

SEC. 18. Transitory Provisions . -

1. All qualified officials and employees of the Philippine Charity Sweepstakes Office (PCSO) shall be absorbed by the Commission and selected on the basis of merit and fitness: *Provided That*, all personnel who shall be separated because of this Act shall be given separation and retirement benefits and all other benefits that they may be entitled to under existing laws;
2. All existing records, equipment, assets, buildings, rights, interest and other properties, whether movable or immovable, belonging to the PCSO shall be transferred to the Commission;
3. All existing liabilities, debts and obligations of the PCSO shall be assumed by the Commission;
4. All existing laws deriving mandatory contributions from the former PCSO shall remain to be covered by the PCSLC under this Act;
5. The members of the existing PCSO Board shall be on holdover status until the members of the new Commission shall have been appointed.

SEC. 19. Separability Clause . - If any part or provision of this Act shall be declared unconstitutional or invalid, the other parts or provisions hereof which are not affected shall continue in full force and effect.

SEC. 20. Repealing Clause . - Republic Act No. 1169, as amended by *Batas Pambansa Bilang 42* and Presidential Decree No. 1157, is hereby

repealed. All laws, decrees, executive orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 21. Effectivity. - This Act shall take effect thirty (30) days after its publication in the *Official Gazette*.

Approved,