

Republic of the Philippines
HOUSE OF REPRESENTATIVES

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL No. **5325**



Introduced by Rep. TEODORO BRAWNER BAGUILAT JR.

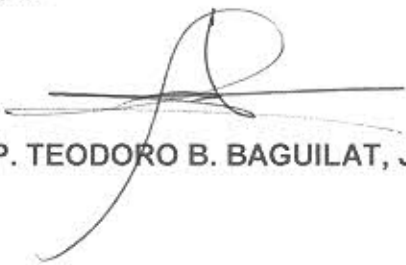
EXPLANATORY NOTE

It is a fact that the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) are the primary revenue raising agencies of the Philippine government, with a collection of about 80% of the total revenues. It cannot be overemphasized that improvement in their revenue collection effort should be done to keep up with the ever-increasing expenditures of the country. One of the most critical factors in ensuring that revenue is raised and collection targets are met is the capability of the officials and personnel that comprise these Bureaus.

While several reforms have already been introduced to improve collection, the need for performance and productivity based assessment of the workforce is key to increasing their revenue collection effort. A personnel management system that is performance- and productivity-focused should be adopted. Compensation would be strictly based on the collection of the Bureaus following a hierarchical schedule, thereby encouraging even the lowly-paid employee to move towards the success of revenue collection.

The expectation of commensurate reward is a positive motivation to officials and employees of the Bureaus considering that their efforts and hard work will not be put to waste but will in fact be the gauge of their remuneration. More efforts will mean better collection, and better collection will result to higher pay for all officials and employees.

Thus, employees of the Bureaus should be removed from the coverage of Republic Act No. 6758, otherwise known as the Salary Standardization Law, and their compensation be based solely on annual collection of their respective agencies. Needless to state, the BIR and the BOC will be encouraged to exert all efforts and use all means to improve collection, at the same time promote efficiency in their employees' performance. With the aforementioned, the approval of this bill is earnestly sought.



REP. TEODORO B. BAGUILAT, JR

Republic of the Philippines
HOUSE OF THE REPRESENTATIVE

CONGRESS

House Bill No. 5325

Introduced by Rep. Teodoro B. Baguilat Jr.

AN ACT STRENGTHENING THE BUREAU OF INTERNAL REVENUE (BIR) AND THE BUREAU OF CUSTOMS (BOC), APPROPRIATING FUNDS THEREOF AND FOR OTHER PURPOSES

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

SECTION 1. Declaration of Policy. – It is the policy of the State to reform revenue administration and ensure efficient and effective collection of taxes and duties to meet the fiscal requirements of the government, strengthen the organizational capability of the primary revenue-generating agencies of the government, the Bureau of Customs (BOC), by allocating a certain percentage of the actual hard collection of each agency per year for their annual budget, exempting the personnel and officials of the BIR and BOC from the Salary Standardization Law, and instituting a program to professionalize and continuously enhance their skills.

SECTION 2. Definition of Terms. – For purposes of this Act, the terms:

- (a) "Actual collection" refers to all taxed and duties collected by the BIR and BOC, respectively, including cash as well as non-cash collections, receivables and other incomes.
- (b) "Hard collection" refers to taxes and duties collected by the BIR and BOC, respectively, net of collections from Tax Expenditure Fun (TEF), Tax Credit Certificates (TCC), Tax Revenue Advice (TRA) and tax subsidies.

SECTION 3. Basis of Annual Appropriation and Compensation. – The annual appropriation for the BIR and BOC shall be 2% of the actual hard collection of taxes and duties of the previous year which shall fund the agencies' personal services, maintenance and other operating expenses (MODE), capital outlay, and the setting up of the operations of the National Revenue Academy (NRA).

The determination of the compensation package for the two agencies shall be performance-based including the successful completion and passing of the trainings and other courses required by the National Revenue Academy, and the use of a comprehensive job analysis and evaluation of the actual duties and responsibilities of the officials and personnel of each agency, vis-à-vis the tax and duties collection of the BIR and BOC in the preceding year. The compensation package shall be approved by the Department of Finance (DOF), subject to periodic review by the BIR and BOC, in consultation with the Department of Budget and

Management (DBM) and the Civil Service Commission (CSC): Provided, that the annual collection performance shall be used to determine the adjustment in compensation for the two agencies.

The adjustments in the personal services and salaried thereto shall depend on the amount of the hard collection of the previous year; Provided, That the incremental increase in the previous year's actual collection shall not be less than 15% from the year immediately preceding it; Provided, further that the percentage increase in basic pay shall not be more than 30% from the previous year's rate.

SECTION 4. Creation of the National Revenue Academy. – The Department of Finance shall create a National Revenue Academy (NRA) which shall handle all the trainings, continuing education programs and other courses for all the officials and personnel of the BIR and BOC. The budget for the NRA shall be taken from its share of the 2% annual hard collection of taxes and duties by the BIR and BOC, respectively.

All existing officials and personnel of the BIR and BOC shall be required to undergo retooling and enhancement seminars and training programs to be conducted by the NRA. All applicant to the Bureaus shall also be required to pass the basic courses before they can be hired whether on contractual or permanent status.

SECTION 5. Appropriation Evaluation Board. – There is hereby created an Appropriation Evaluation Board in the BIR and the BOC, herein after referred to as the Board, each of which shall be composed of the Secretary of the Department of Finance (DOF) or his/her Undersecretary as the Chairman; the Secretary of the Department of Budget and Management (DBM) and his/her Undersecretary; and the Chairman of the Civil Service Commission (CSC) or his/her Commissioners; two representatives from the rank-and-file employees; and a representative from the officials, both of whom shall be duly nominated by their respective recognized organization.

SECTION 6. Powers and Functions of the Board. – The Board in the agencies shall have the following powers and functions:

- (a) To prescribe the rules and guidelines for the annual budget and review of subsequent adjustments, if any, of the basic salaries of the officials and personnel of BIR and BOC as provided for in Section 3 of this Act;
- (b) To approve the proposed budget prepared by each agency, based on the criteria, rules and guidelines it had earlier set.

SECTION 7. Application of the Attrition law. – This Act shall be implemented in conjunction with Republic Act 9335, otherwise known as the Attrition Law, which provides for a system rewards and sanctions in the above agencies for the purpose of encouraging their officials and employees to exceed their revenue targets. Under this Act, BIR and BOC officials and employees may still qualify for salary adjustment even if they do not meet their annual target, for as long as the year-on-year increase in actual collection of taxes and customs duties is less than 15%.

SECTION 8. Rules and Regulations. – The DOF, DBM, CSC, BIR and BOC shall jointly issue the implementing rules and regulations (IRR) of this Act within thirty (30) days after its effectivity.

SECTION 9. Separability Clause. — If any provision of this Act is declared invalid by a competent court, the remainder of this Act or any provision not affected by such declaration of invalidity shall remain in force and effect.

SECTION 10. Repealing Clause. — All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed.

SECTION 11. Effectivity. — This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.