

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS

Second Regular Session

HOUSE BILL NO. 7045



Introduced by **HON. ROZZANO RUFINO B. BIAZON**

EXPLANATORY NOTE

This proposed measure seeks to mandate business establishments to implement price rounding on their cash transactions which will be anchored on the 25-Sentimo. Cash transactions will be restricted to values carrying 0, 25, 50 or 75 for the sentimo component as a result of this proposed legislation.¹

Coins function primarily as a medium of exchange. However, inflation erodes the purchasing power of coins over time. This limits the economic usage of coins in serving as medium of exchange for cash transactions, particularly low-denominations.

The market could adjust accordingly to this occurrence out of convenience. On one hand, buyers usually volunteer to accept change that is derived from a rounded total amount which is different from the exact value of the total transaction. On the other hand, sellers may

¹ Using the 25-Sentimo as the base currency on which the rounding scheme will be anchored, the rounding scheme could be implemented, as follows:

Pre-Rounding Terminal Digits	Rounding	Post-Rounding Terminal Digits
0.00-0.12	↓	0.00
0.13-0.25	↑	0.25
0.26-0.37	↓	0.25
0.38-0.50	↑	0.50
0.50-0.62	↓	0.50
0.63-0.75	↑	0.75
0.75-0.87	↓	0.75
0.88-1.000	↑	1.00

For example, if a cash transaction is valued at PhP13.64, the truncated sentimo component is 0.64 which falls in the range 0.625-0.750. Following the rounding scheme, the rounded centavo component is 0.75 and the value of the cash transaction would be rounded up to PhP13.75.

On the other hand, if a cash transaction is valued at PhP8.54, the truncated sentimo component is 0.54. This falls in the range 0.500-0.625. The rounded sentimo component is 0.50 and the value of the cash transaction would be rounded down to PhP8.50.

exploit price structures that anticipate rounded figures. Although individuals may enter into price rounding voluntarily, implementing price rounding as a policy that is mandated by law will prevent abuses from either buyers or sellers by setting forth the guidelines and legal framework that will govern price rounding. This policy will also ensure fairness to consumers as well as businesses.

Price rounding refers to the practice of rounding up or down the amount to be paid, as opposed to paying the exact amount. The most important benefit derived from the application of a rounding rule is the efficiency gains from the non-minting of low-denominated coins whose economic usage has been eroding over time. It may be noted that low-denominated coins have negative seigniorage.² The non-minting of low-denominated coins frees up financial resources meant for the production of these coins. Moreover, rounding will serve to minimize the handling costs for retailers and financial institutions.³ The convenience gains and reduction in costs represent reciprocal benefit to members of the public that are parties to cash transactions.

There are a number of countries that have implemented price rounding rules for cash transactions. Belgium, Finland, Netherlands, and Ireland are among the countries in the European Union that have adopted rounding. Sweden, Norway, Denmark, the Czech Republic, and Hungary are countries outside the Union that have also implemented rounding. Outside of Europe, Canada, Australia, New Zealand, South Africa, Malaysia, Singapore, the Eastern Caribbean Currency Union, and Israel have instituted a rounding policy in their respective jurisdictions.

To determine the feasibility of adopting a price rounding scheme for cash transactions in the Philippines, the Bangko Sentral ng Pilipinas (BSP) invited key stakeholders during its public consultations on price rounding. Representatives from cooperatives, transport groups, department stores, drug stores, government agencies, retailer groups, consumer protection groups, vendors, and amusement park associations participated in these meetings. They were held in the following key areas: Manila on 25 January 2017, Davao City on 13 February 2017, Cebu City on 28 April 2017, and San Fernando, La Union on 14 June 2017.

A survey was also conducted during the public consultations. Results of the survey showed that stakeholders expressed their overwhelming support for the initiative, with 98.1 percent of respondents expressing approval of price rounding. In addition, 92.4 percent of the respondents expressed preference for coursing the implementation of the policy through a legislative process. Respondents also favored the dropping of 10-, 5-, and 1-Sentimo coins, while 94.3 percent favored the retention of 25-Sentimo coins.⁴ Stakeholders were amenable to

²Seigniorage refers to the difference between the face value of the coin and the unit cost of producing and issuing it. Positive seigniorage means that the unit cost is less than the face value and producing the coin provides income to the state. Negative seigniorage on the other hand refers to the situation where the coin is more expensive to produce per unit as compared to the face value.

³ Mints produce vastly more coins than are circulated and the loss rate is much higher for coins of smaller value (Wood, 2010). This is the reason why central banks that try to service faithfully the demand for low-denominated coins would have to issue larger volume of coins (European Commission, 2013, p.10). The high loss rate is a manifestation that low-value coins, particularly 10-, 5- and 1-Sentimo coins are perceived to have insignificant or no value. Thus, these coins are often neglected and are not recirculated in the market but are kept at drawers, piggy banks, jars, or even outright discarded.

Handling costs are incurred by retailers and financial institutions, which would factor into the storage, transportation, shipping, distribution and processing of superfluous coins. These cash-related costs can also become substantial. Leszko (2009) also discusses how, for example, in Canada, a cash transaction involving pennies would, on average, take two seconds longer than one that does not.

⁴ The results of the survey showed that out of 105 respondents, 78.1 percent, 75.2 percent, and 63.8 percent agreed to drop from circulation the 10-, 5- and 1-sentimo coins, respectively.

a price rounding scheme where cash transactions would be rounded upward or downward to the nearest 25-Sentimo.⁵ The results of the survey are consistent with the findings of a previous one conducted by the BSP in 2015.⁶

Price rounding implemented through legislation is expected to complement Republic Act No. 10909⁷ or the “No Shortchanging Act of 2016,” which mandates business establishments to give exact or excess change – not less than the amount due – to consumers. In a regulatory regime where the two policies are in effect, establishments are expected to adopt simplified price structures that would facilitate business transactions, while respecting the rights of consumers against unfair trade practices. The proposed legislation will also be in line with BSP’s mandate as the sole issuer of the currency (Section 50 of R.A. No. 7653).

In view of the foregoing, immediate approval of this bill is earnestly sought.


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Representative
Lone District, Muntinlupa City

⁵ For each cash transaction, rounding will be applied to the total cost of the items purchased, as opposed to it being applied to each individual item. Government fees or taxes are computed for the exact total value of the transaction prior to rounding.

⁶ In the third quarter of 2015, the BSP conducted two surveys on the usage of low-denomination coins by corporates and households in the Philippines. The results of the survey showed that for low-denominations coins such as 10-, 5- and 1-sentimo, only a small percentage of households (from 3.8 percent to 20.3 percent) still use these coins for payment of goods and services while those that used them for change ranged from 1.6 percent to 9.2 percent. More than three-fourths of the respondent households said that these coins (10-, 5-, and 1-sentimo) could already be dropped from circulation. Moreover, about three-fourths of the households wanted the 25-Sentimo coin to continue to be in circulation. Likewise, more than 95 percent of the corporate respondents prefer the 25-Sentimo to continue to be in circulation. The corporates regularly used the said denomination for change (70.3 percent) and payment for goods and services (49.2 percent).

⁷ Lapsed into law on 21 July 2016.

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HOUSE BILL NO. 7045

Introduced by **HON. ROZZANO RUFINO B. BIAZON**

**AN ACT GOVERNING THE ROUNDING OF THE TOTAL AMOUNT
OF CASH TRANSACTIONS**

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

SECTION 1. *Short Title.* – This Act shall be known as the “*Price Rounding Act of 2018*”.

Sec. 2. *Declaration of Policy.* – It is the policy of the State to protect the interests and promote the general welfare of the consumer as well as establish standards of conduct for business and industry. Towards this end, the State shall implement measures to achieve the following objectives:

- (a) Protection of consumers from deceptive, unfair and unconscionable sales acts and practices;
- (b) Promotion of sound business practice that facilitates the conduct of transactions; and
- (c) Maximization of resources of the State through policies responsive to the requirements of the economy.

Sec. 3. *Definition of Terms.* – As used in this Act, the following terms shall mean:

- (a) *Basis unit of rounding* – the basis unit of rounding shall be the 25-Sentimo;
- (b) *Business Establishment* – any person, natural or juridical, whether single proprietorship, partnership or corporation, including a government-owned and controlled corporation or a government entity exercising its proprietary functions, engaged in, or doing business in the Philippines, either in selling goods or providing services;

- (c) *Cash* – banknotes and coins considered to be legal tender and issued by the Bangko Sentral ng Pilipinas;
- (d) *Cash Payment* – the culmination at the point-of-sale for a reciprocal sales transaction where the medium of exchange by which the goods or services is paid for is cash;
- (e) *Consumer* – any natural or juridical person who purchases goods or services in cash;
- (f) *Goods* – all types of tangible property that could be bought and sold, and the possession of which could be transferred in whole or in part, temporarily or permanently;
- (g) *Gross sales* – the total invoice value of sales, before deducting for customer discounts, allowances, and returns;
- (h) *Net sales* – the total amount or value of a transaction, inclusive of applicable taxes, to be paid by a consumer;
- (i) *Non-cash Payment* – a payment made by means other than cash, such as those by means of electronic, online or mobile payment or with bank card, debit card or credit card;
- (j) *Prescribed terminal digits* – the multiples of the basis unit of rounding to which the terminal digits of the net sales, after rounding, are to be restricted. The prescribed terminal digits are as follows: 0.00, 0.25, 0.50 and 0.75;
- (k) *Price rounding* – the practice of rounding up or down the net sales of cash transactions in accordance with this Act;
- (l) *Rounding difference* – the difference between the net sales of the cash transaction before the application of rounding and the post-rounding value of the transaction;
- (m) *Services* – all types of commercial activities which enable the supply, access to, consumption or use of goods, intellectual property, or other services;
- (n) *Symmetric rounding* – a rounding scheme whereby the terminal digits of the net sales in a cash transaction is rounded up or down to the nearest prescribed terminal digits;
- (o) *Terminal digits* – the sentimo component of the figure representing the value of the transaction. In peso-denominated transactions, the terminal digits refer to the two digits to the right of and after the decimal point.

Sec. 4. Regulated Acts. – It shall be the duty of the business establishment to apply the price rounding mechanism on the net sales of a cash transaction in accordance with this Act.

- (a) *In General.* Any business establishment which sells goods or provides services shall apply the price rounding mechanism on the net sales of a cash transaction using the basis unit of rounding pursuant to Section 5 hereof.

- (b) *Rounding difference.* The rounding difference shall be reflected on the receipt of the cash transaction, whether debited or credited from the original amount prior to price rounding. It shall not exceed 12.5 centavos for any particular total cash transaction, according to the 25-Sentimo basis for rounding.

Sec. 5. Price Rounding Mechanism of Cash Transactions. – If the terminal digits of the net sales of a cash transaction are not equal to 0.00, 0.25, 0.50 or 0.75, price rounding shall be applied using symmetric rounding, as follows:

- (a) If the terminal digits of the net sales of the cash transaction are from 0.00 to 0.12, then the net sales shall be rounded down to 0.00. The prescribed terminal digits of the cash transaction shall be 0.00.
- (b) If the terminal digits of the net sales of the cash transaction are from 0.13 to 0.25, then the net sales shall be rounded up to 0.25. The prescribed terminal digits of the cash transaction shall be 0.25.
- (c) If the terminal digits of the net sales of the cash transaction are from 0.26 to 0.37, then the net sales shall be rounded down to 0.25. The prescribed terminal digits of the cash transaction shall be 0.25.
- (d) If the terminal digits of the net sales of the cash transaction are from 0.38 to 0.50, then the net sales shall be rounded up to 0.50. The prescribed terminal digits of the cash transaction shall be 0.50.
- (e) If the terminal digits of the net sales of the cash transaction are from 0.51 to 0.62, then the net sales shall be rounded down to 0.50. The prescribed terminal digits of the cash transaction shall be 0.50.
- (f) If the terminal digits of the net sales of the cash transaction are from 0.63 to 0.75, then the net sales shall be rounded up to 0.75. The prescribed terminal digits of the cash transaction shall be 0.75.
- (g) If the terminal digits of the net sales of the cash transaction are from 0.76 to 0.87, then the net sales shall be rounded down to 0.75. The prescribed terminal digits of the cash transaction shall be 0.75.
- (h) If the terminal digits of the net sales of the cash transaction are from 0.88 to 1.00, then the net sales shall be rounded up to 1.00. The prescribed terminal digits of the cash transaction shall be 0.00 and the 1- peso unit in the latter shall be carried over and added to the peso unit digit.
- (i) If the terminal digits of the net sales of the cash transaction are exactly 0.00, 0.25, or 0.50, then price rounding shall not be applied.

Pre-Rounding Terminal Digits	Rounding	Post-Rounding Terminal Digits
0.00-0.12	↓	0.00
0.13-0.25	↑	0.25
0.26-0.37	↓	0.25
0.38-0.50	↑	0.50
0.51-0.62	↓	0.50
0.63-0.75	↑	0.75
0.76-0.87	↓	0.75

Sec. 6. *The No Shortchanging Act of 2016.* – For the avoidance of doubt, any change that is given to a consumer after application of price rounding pursuant to this Act shall not be considered a violation of Republic Act No. 10909 or the “No Shortchanging Act of 2016.”

Sec. 7. *Excluded Items/Transactions.* – The following items and transactions shall not be subject to price rounding as set forth in this Act:

- (a) Non-cash payments;
- (b) Cost of individual items in a cash transaction;
- (c) Gross sales;
- (d) Applicable customer discounts, allowances, or returns; and
- (e) Applicable fees, taxes, or other duties.

Sec. 8. *Implementing Rules and Regulations.* – The BSP, in consultation with the appropriate stakeholders and other government agencies shall, within one hundred twenty (120) days from the effectivity of this Act, promulgate the rules and regulations necessary to effectively implement the provisions of this Act.

Sec. 9. *Information Campaign.* – The BSP shall undertake to implement an information and education campaign to inform and provide knowledge to consumers of the provisions of this Act.

Sec. 10. *Separability Clause.* – If for any reason, any part or provision of this Act is declared invalid, such declaration shall not affect the other provisions of this Act.

Sec. 11. *Repealing Clause.* – All laws, decrees, executive orders, issuances, rules and regulations or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Sec. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,