

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. **8345**



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

On March 1935, then President Manuel L. Quezon approved Act 4130 – the law passed by the Philippine Legislature in October 30, 1934 creating the Philippine Charity Sweepstakes, replacing the then National Charity Sweepstakes. It aims to raise funds for the promotion of public health and general welfare. The mandate of the Sweepstakes found acceptance among the Filipino people; its humanitarian mission readily won public trust and support.

The traditional Sweepstakes has been the bread and butter of the PCSO. It has been their sole source of revenue for over fifty (50) years. However, PCSO has instituted several programs that are not in sync or not supported by their mandate. Thus, there is a need to amend the 83-year old charter of the PCSO to strengthen the agency's mandate to adopt and incorporate in their programs emerging worldwide trends in sweepstakes and lottery management that we can learn from and utilize to generate additional revenue for their services.

This measure therefore seeks to modernize the PCSO Charter to adapt to the changing system of and emerging variations of lotteries and similar activities. Likewise, the Bill also seeks to strengthen the Charter by one, making the PCSO more accountable to the public, and two, limiting its discretion in the distribution of its funds.

Hence in order to promote and strengthen PCSO and to generate additional funds for charity, the immediate enactment of this measure is earnestly sought.


GARY C. ALEJANO
Representative
Magdalo Para sa Pilipino Party-List

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AN ACT
CREATING THE PHILIPPINE CHARITY OFFICE

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

1 **SEC. 1. Short Title.-** This Act shall be known and cited as the “ Philippine Charity
2 Office Act of 2018.”
3

4 **SEC.2. Purpose.-** Consistent with the mandate of the State to provide for the welfare
5 of its people, the government shall operate lotteries, sweepstakes and other similar activities
6 to maximize revenue for the purpose of raising and providing funds for health programs,
7 medical assistance and services, and related charities.
8

9 **SEC.3. Philippine Charity Office.-** There is hereby created a body corporate to be
10 known as the Philippine Charity Office, hereafter referred to as the Office, with a primary
11 mandate of raising revenues to fund for health programs, medical assistance and services, and
12 related charities of the government.
13

14 Unless specified in this Act, the Office shall be the sole entity authorized to promote,
15 organize, operate, hold and conduct lotteries, sweepstakes and other similar activities in the
16 country.
17

18 **SEC.4. Powers and Functions of the Office.-** The Office shall have the following
19 powers and functions, subject to applicable laws, rules, and regulations, and in connection
20 with its operations authorized by the provisions of this Act, or as are essential to the proper
21 conduct of such operations:
22

- 23 1. Sue and be sued;
- 24 2. Adopt and use a seal;
- 25 3. Lease or own real and personal property, and sell or otherwise dispose of the
26 same;
- 27 4. Acquire and hold such assets and incur such liabilities, whether domestic or
28 foreign, in such terms and conditions as it may deem appropriate for the
29 accomplishment of its purposes;
- 30 5. Enter into contracts.
- 31

1 **SEC.5. Power and limitations to engage in investments, programs, projects and**
2 **activities.-** The Office may engage in health and welfare-related investments,
3 programs and activities which may be profit-oriented, by itself or in collaboration,
4 association or joint venture with any person, association, company or entity, whether
5 domestic or foreign, except operate, hold and conduct lotteries, sweepstakes and other
6 similar activities, for the purpose of providing for permanent and continuing sources
7 of funds for health programs, including the expansion of existing ones, medical
8 assistance and services, and/or charitable grants: *Provided*, That such investments will
9 not compete with the private sector in areas where investments are adequate, as may
10 be determined by the National Economic and Development Authority.

11
12 The Office may undertake any other activities that will enhance its funds
13 generation operations and funds management capabilities. Subject to the same
14 limitations provided for in the preceding paragraph.

15
16 **SEC.6. Board of Directors.-** The Office shall have a Board of Directors to be
17 composed of five (5) members, all of whom shall be citizens and residents of the
18 Philippines, without political affiliation, who shall be appointed, and whose term of
19 office shall be fixed, by the President. The members shall elect from among
20 themselves the Chairman of the Board.

21
22 The members of the Board shall be entitled to *per diem* for their actual
23 attendance in board meetings and reimbursement for actual and reasonable expenses
24 and incentives as authorized by the Governance Commission for Government-Owned
25 or –Controlled Corporations (GCG) pursuant to Republic Act No. 10149.

26
27 The Board shall meet at such times as may be necessary or expedient for the
28 transactions of its business and the meetings shall be held at such place and time and
29 on such days as the Board determines.

30
31 **SEC.7. Disqualification and Liability of the Directors of the Board.-** No
32 person convicted of any crime involving moral turpitude, or a violation of this Act,
33 shall qualify as a director of the Board.

34
35 Directors who willfully and knowingly vote for or assent to patently illegal or
36 unlawful acts of the Office, or who are guilty of gross negligence or bad faith in
37 directing the affairs of the Office, or acquire any personal or pecuniary interest in
38 conflict with their duty as such directors shall be disqualified for the position, and
39 shall be liable jointly and severally for all damages resulting therefrom suffered by the
40 Office, and other persons.

41
42 **SEC.8. Powers and Functions of the Board.-** The Board shall have the
43 following powers and functions:

- 44
45 1. Adopt policies and implement programs to promote the charitable
46 activities of the government.
47 2. Control and supervision over the operations of all lotteries, sweepstakes
48 and similar activities throughout the country.

3. Establish rules and regulations governing the establishment, operation and conduct of all lotteries, sweepstakes and similar activities throughout the country.
4. Adopt programs, measures and schemes for the elimination of illegal numbers game.
5. Issue licensing to agents and determine the amount and manner of compensation.
6. Apportion its revenues in accordance with the provision of this Act.
7. Make a continuous study and investigation of the lottery in country.
8. Hear and decide on appeal any approval or denial by the General Manager of the licensing or suspension, or of any renewal or revocation or refusal to renew the license of a lottery agent or Authorized Agent Corporation (AAC)
9. Consistent with the purpose of this Act, to determine and approve the most effective organizational framework and its staffing pattern; to fix the salaries and determine the reasonable allowances, bonuses, and other incentives of its officers and employees as may be recommended by the General Manager; and to prescribe the manner of hiring and compensating on a contractual basis such sales and other personnel as may be required for its operations, subject to pertinent civil service and compensation laws.
10. Promulgate and implement such rules and regulations necessary to implement this Act.
11. Do and perform any and all things that may be necessary or proper to carry out the purpose of this Act.

SEC.9.General Manager.- The General Manager shall be appointed by the Board of Directors and he/she can be removed or suspended only for cause as provided by law. He/She shall have the direction and control in all matters which are not specifically reserved for action by the Board. Subject to the approval of the Board of Directors, he/she shall also appoint the personnel, except the Auditor and the personnel of the Office of the Auditor who shall be appointed by the Chairman of the Commission on Audit.

SEC.10. National Lotteries.- No person or entity may operate, hold and conduct national lotteries, sweepstakes and other similar activities except for the Office. National lotteries, sweepstakes and other similar activities are to be operated nationwide and/or region wide and on such type, frequency, price of tickets and prizes determined by the Board. If feasible, the Office may conduct sweepstakes and similar activities in provinces, cities and municipalities.

SEC. 11. Online Lotteries.- The Office may promote, operate, hold and conduct online lotteries through internet or any form of remote technological communication that hereafter may be discovered. For this purpose, the Office shall operate and maintain a secured computer system to operate the online lotteries.

The Board shall issue rules and regulations for the operation of online lotteries subject to the provision of Republic Act No. 8484 (*Access Devices Regulations Act of 1998*), Republic Act No. 10173 (*Data Privacy Act of 2012*), Republic Act No. 10175 (*Cybercrime Prevention Act of 2012*), and other pertinent laws.

1 **SEC.12. Local Lotteries.-** The Board may establish lotteries which shall only be
2 operated, held and conducted locally, within a municipality, city and province. The Board
3 may grant licenses to agents, to be called the AACs, for the operation and conduct of local
4 lotteries; Provided, That, The license herein granted is merely an extension of the authority to
5 operate lotteries granted solely to the Office by this Act; Provided, Further, That the Board
6 shall retain control and supervision in the operation, holding and conduct of all local lotteries,
7 including its AACs.

8
9 The Local Government Units (LGUs) having jurisdiction over the area shall be
10 consulted before local lotteries may be operated within their locality. The LGUs shall be
11 entitled to 7% of the Gross Sales/Receipts obtained from their locality, of which, 2% shall go
12 to the Barangay, 4% to the municipality or city and 2% to the province. The amount received
13 by the LGUs shall only be used to fund their healthcare or medical programs and services;
14 *Provided*, That the municipality or city shall appropriate 20% of their share for the programs,
15 activities and projects of their respective Peace and Order Councils.

16
17 Without dispensing with the authority of the Commission on Audit (COA), the Office
18 may conduct an audit as to the proper use of funds received by the LGUs. The release of
19 shares of LGUs shall automatically be suspended if there is a finding of any irregularity in the
20 use of funds based on a COA Report or audit of the Office.

21
22 The Board shall issue the necessary rules and regulations for the operation, holding
23 and conduct of local lotteries.

24
25 **SEC.13. Licensed Authorized Agent Corporations.-** AACs shall be corporations,
26 wholly owned by Filipinos, and duly registered with the Securities and Exchange
27 Commission (SEC) or with the Cooperative Development Authority (CDA). A non-
28 refundable license fee and cash bond shall be required from all AACs before they may be
29 granted a license. The Board may provide additional qualifications of and requirements from
30 AACs and impose conditions on their license. License granted shall be exclusive to the
31 license AAC and cannot be transferred nor assigned. No license shall be granted to an AAC
32 covering more than one locality. An AAC can only operate within the locality specified under
33 its license.

34
35 Licensed AACs shall be directly and solely liable for any complaint or liability that
36 may arise from their transactions with the public.

37
38 **SEC.14. Lottery Agents.-** The Board shall authorize agents to sell tickets, including
39 online lottery tickets. Only natural persons, not politically affiliated, may be authorized as
40 lottery agents. No person convicted of crimes involving moral turpitude shall be licensed.
41 Licensed agent shall be of legal age and shall not employ any person below 18 years old to
42 sell or vend tickets. License granted shall be exclusive to the licensee agent and is not
43 transferable or assignable.

44
45 An agent shall only operate on the location stated in its license and no license shall be
46 extended for more than one location.

47
48 Before a license may be issued, all agents shall give a bond, fee, guarantee, or other
49 security instrument in the amount and in such form as the Board may from time to time

determine. The Board may likewise impose certain qualifications, requirements and obligations to agents.

Lottery agents shall be entitled to a commission to be determined and set by the Board provided; it should not be less than 5% of the cost of the ticket. Likewise, the agent shall be entitled to a share of .5% on the winning ticket.

Licensed agents shall be directly and solely liable for any complaint or liability that may arise from their transactions with the public.

SEC.15. *Suspension and Revocation of License.*- The Office shall suspend, revoke or refuse to renew the license of AACs or Lottery Agents on the following grounds:

- a) Failure to maintain the qualifications, requirements and conditions imposed by this Act and the Rules and Regulations and issuances issued by the Office.
- b) Failure to file the required bond, pay the necessary fees and or charges within the period prescribed by the Office.
- c) Failure to account the tickets received and the proceeds of the sale or to file a return, report or keep records as required by the Office.
- d) Any act of fraud, deceit, misrepresentation or any conduct prejudicial to public confidence.
- e) Conviction of any offense involving moral turpitude.
- f) Violation of any provision of this Act or the terms of the license.
- g) Other grounds that the Office established under its Rules and regulations and issuances.

The General Manager shall temporarily suspend a lottery agent or AACs pending an investigation or hearing.

SEC.16. *Prohibited Acts.*-

- a) No ticket shall be sold or prize be paid to a minor, any member of the Board, officer or employee of the Office, lottery agents and their employees, shareholder, officer or employee of the AACs, or to any person, employee or officer of any entity that is providing services or goods directly related in the operation, conduct, holding of lotteries, sweepstakes and other similar activities.
- b) No lottery agents and AACs including all their officers and employees shall extend credit or lend money to a person for the purchase of tickets.
- c) No name of any government official or employee shall appear on the ticket or play slip of any lottery game or on any prize or on any instrument used for the payment of prizes.

Commission of the above-mentioned prohibited acts shall be penalized by not less than one (1) year but not more than three (3) years imprisonment and a fine of not less than Five Hundred Thousand Pesos but not more than One Million Pesos.

1 Any person, in case of Corporation its officers, who operate, hold, conduct, any
2 lottery, sweepstakes or similar activities without being a licensed agent or an AAC, shall be
3 penalized by imprisonment of not less than six (6) years but not exceeding twelve (12) years
4 and a fine of not less than Five Million Pesos but not more than Ten Million Pesos. All
5 proceeds capable of monetary value received from such prohibited activities shall be forfeited
6 in favor of the Office and to form part of its Charity Fund.
7

8 **SEC.17. Audit of Accounts and Transactions.-** An annual audit shall be conducted
9 by the Office on all its all lottery agents and AACs; Provided, that, the Office may conduct an
10 audit anytime at its discretion and shall have visitorial power over the premises of the lottery
11 agents and AACs.
12

13 The COA may its discretion conduct an audit on all accounts and transactions of the
14 Office and its lottery agents and AACs. The COA, in the conduct of its function, shall have
15 free and unhampered access to the premises, documents, papers and effects of the Office and
16 its lottery agents and AACs.
17

18 The presence of a COA representative shall be required during the drawings or
19 selection of winning tickets, otherwise the drawings or selections shall be void.
20

21 **SEC.18.Taxes.-** A tax equivalent to 10% shall be imposed on the prize of winning
22 tickets to be withheld by the Office. No other tax, charges, lien or deductions shall be
23 imposed except as provided under this Act.
24

25 **SEC.19. Allocation of Revenues.-** The primary cost of tickets for lotteries,
26 sweepstakes and other similar activities shall not exceed two 2% of the sales receipts of such
27 tickets. The sales receipts deducted by the printing cost shall constitute the net receipts, which
28 in addition to other income of the Office, shall be allocated as follows:
29

- 30 1. 55% shall constitute the prize fund, which shall be used for the payment of prizes,
31 commission of AAC and lottery agents, and taxes on prizes.
32

33 Prizes not claimed by the public within one year from date of draw shall be
34 considered forfeited, and shall form part of the charity fund.
35

- 36 2. 30% shall constitute the charity fund, which shall be used for health care or
37 medical programs and services, and related charities of national character.
38
39 3. 15% shall constitute the operating fund, which shall be used for the payment of
40 operating expenses and capital expenditures of the Office, and of other taxes and
41 duties.
42

43 All balances of any funds shall revert and form part of the charity fund.
44

45 **SEC. 20. Charity Fund.-** The balance of the charity fund, after deducting the
46 mandatory contributions provided by law, shall be distributed as follows:
47

- 48 1. 75% shall be deposited to the Philippine Health Insurance Corporation
49 (PHILHEALTH) to be used for medical assistance to indigents and low income

1 individuals, in addition to and separate from the individual's benefits under the
2 National Health Insurance Program.

- 3
4 2. 15% shall be deposited to public hospitals, rural health care units, and other public
5 healthcare facilities to be used for medical and healthcare-related purposes,
6 including purchase of ambulances.

- 7
8 3. 8% shall be deposited to the Department of Health to be used for free distribution
9 of medicine, and medical equipment such as wheelchairs, and for similar purpose.

- 10
11 4. 1% shall be deposited to the Philippine Council for Health Research and
12 Development.

13
14 **SEC.21. Separability Clause.-** If any provision of this Act shall be declared invalid or
15 unconstitutional, the remaining part or provisions not otherwise affected shall remain in
16 force.

17
18 **SEC.22. Repealing Clause.-** Republic Act No. 1169, as amended by Batas Pambansa
19 Bld. 42, is hereby repealed. Any law, decree, ordinance, administrative circulars not
20 consistent with any provision of this Act is hereby amended, repealed or modified
21 accordingly.

22
23 **SEC.23. Transfer of Powers.-** All powers, duties and functions vested by law in the
24 Philippine Charity Sweepstakes Office not inconsistent with the provision of this Act shall be
25 deemed transferred to the Philippine Charity Office. All references to the Philippine Charity
26 Sweepstakes Office in any law or special charters shall be deemed to refer to the Philippine
27 Charity Office.

28
29 **SEC. 18. Effectivity.** - This Act shall take effect after fifteen (15) days from its
30 publication in the Official Gazette or in at least two (2) newspaper of general circulation.

Approved,