

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 7919



Introduced by REPS. JOEY SARTE SALCEDA

AN ACT
IMPOSING TAXES ON OFFSITE BETTING ACTIVITIES
ON LOCALLY LICENSED GAMES, ADDING A NEW SECTION 125-A
TO THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Remote forms of placing wagers were not anticipated in the 1980s and 1990s, when the bulk of Philippine laws on gaming were formulated and crafted. With the rapid emergence of digital technologies, however, and compounded by the need to limit mobility and gatherings due to COVID-19, electronic betting, whether clearly legal or otherwise, has become a widespread activity.

The move towards electronic or remote betting activities is not new. Indeed, several local government units (LGUs) have already authorized these activities, at various levels, within their jurisdictions. However, because the regulatory framework for such activities has not been clarified, the national government has been unable to maximize the revenue potential of such activities. Not clarifying whether these activities fall under the revenue-collecting ambit of the national government also prevents more accountability and transparency in the system, as the Bureau of Internal Revenue (BIR) does not have clear and explicit legal oversight on the revenue-generating capacity of these activities.

The confusion is compounded by the fact that most of these activities are electronic derivatives of already licensed physically-conducted activities.

Republic Act No. 7160, or the Local Government Code granted the Sangguniang Bayan (at the Municipal and City level) the authority to “authorize and license the establishment, operation, and maintenance of cockpits, and regulate cockfighting and commercial breeding of gamecocks.”¹ The LGC, however, appears not to have been able to anticipate the limits of these powers in the case of electronic betting on such activities. Furthermore, many such activities do not fall within the purview of the government gaming agencies, such as the Philippine Amusement and Gaming Corporation (PAGCOR) or the Philippine Charity and Sweepstakes Office (PCSO)

¹ Local Government Code (LGC), Sec. 458, par. 3 (v) and Sec. 446, par. 3 (v).

While the law established LGU authority over cockfighting to be spatially limited as in the Local Government Code, which establishes the LGU power to license the establishment of cockpits, regulate cockfighting, and the commercial breeding of gamecocks, a key concern is the lack of clarity as to the extent of LGU powers over such electronic activities, which the Code was unable to anticipate.

As such there too is no clear tax regime on electronic betting activities on games already licensed by local authorities. It appears that electronic betting, as it concerns the national airwaves, can be regulated by Congress and the national government— but the games to be broadcast themselves will be regulated by the local governments concerned.

To maximize the revenue-generating capacity of the national government over these games without overstepping the powers of local governments and of the government gaming agencies, this bill proposes to impose a tax regime on “Offsite Betting Activities on Locally Licensed Games,” which shall exclude “games and activities specifically authorized by law to be performed by the government gaming authorities, such as the Philippine Amusement and Gaming Corporation (PAGCOR) and the Philippine Charity and Sweepstakes office (PCSO).” This regime will ensure that the government will still be able to collect taxes on activities where there is ambiguity as to regulatory purview.

The tax shall be 5% of gross revenues derives from Offsite Betting Activities on Locally Licensed Games as defined in this bill, and shall not be in lieu of taxes required by the local government units, and regulatory fees and charges imposed by government agencies. This is consistent with the bill’s intention not to overstep the authority of the local government units.

Furthermore, to establish transparency and accountability in these activities, it also empowers the BIR to “to accredit and inspect totalizators and other gambling devices used in the collection, consolidation, and recording of wagers made in offsite betting activities on locally licensed games.” This will allow the BIR to verify tax assessments.

It also requires relevant gaming operators to specify “Offsite Betting Activities on Locally Licensed Games” in disclosures and documentations required by the BIR and other regulatory government agencies and instrumentalities. This requirement will help ensure that the government can monitor the activities of such operators.

While the government seeks new revenue streams to fund its COVID-19 priorities, this bill responds to this government need by imposing new national government taxes on activities that already exist and will undoubtedly continue to exist as digital technologies grow more sophisticated, but are not being imposed such taxes. Unlike other tax proposals which may have adverse socioeconomic impacts and may dampen economic growth and recovery, this proposed regime will not impose taxes on any goods and services essential to the Filipino people.

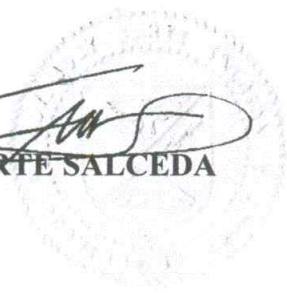
The regulatory checks that this bill establishes will also provide the government with more tools to regulate and monitor these activities and verify tax assessments.

As a national internal revenue tax, the tax imposed by this bill will also generate revenues that will be shared with local government agencies, on top of the taxes that they themselves can impose, which this bill does not prevent them from doing.

In view of the bill's benefits, and in view of the government's need for revenue sources that do not dampen growth and instead impose taxes on non-essential activities, the approval of this proposal is urgently sought.



JOEY SARTE SALCEDA



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 7919

Introduced by REPS. JOEY SARTE SALCEDA

AN ACT
IMPOSING TAXES ON OFFSITE BETTING ACTIVITIES
ON LOCALLY LICENSED GAMES, ADDING A NEW SECTION 125-A
TO THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. A new Section 125-A of the National Internal Revenue Code of 1997, as amended, is hereby added to read as follows:

“SEC. 125-A. TAX ON SERVICES RENDERED BY OPERATORS OF OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES. – ANY PROVISION OF EXISTING LAWS, RULES, OR REGULATIONS TO THE CONTRARY NOTWITHSTANDING, THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED A TAX EQUIVALENT TO FIVE PERCENT (5%) BASED ON THE GROSS REVENUE OR RECEIPTS DERIVED FROM OFFSITE BETTING ACTIVITIES ON DULY LICENSED GAMES, AND FROM SIMILAR RELATED AND/OR DERIVATIVE ACTIVITIES OF ALL OPERATORS OF SUCH ACTIVITIES BY GAMING OPERATORS: PROVIDED, THAT SUCH REVENUES SHALL BE DIRECTLY REMITTED TO THE BUREAU OF INTERNAL REVENUE (BIR): PROVIDED FURTHER, THAT SUCH TAX SHALL NOT BE IN LIEU OF LOCAL GOVERNMENT TAXES AND REGULATORY FEES AND CHARGES APPLICABLE TO SUCH ACTIVITIES.

IN VERIFYING THE ASSESSED TAX DUE, THE BIR SHALL HAVE THE AUTHORITY TO ACCREDIT AND INSPECT TOTALIZATORS AND OTHER GAMBLING DEVICES USED IN THE COLLECTION, CONSOLIDATION, AND RECORDING OF WAGERS MADE IN OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES.

FOR PURPOSES OF THIS SECTION, “OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES” SHALL REFER TO ACTIVITIES WHICH INVOLVE PLACING WAGERS, BY REMOTE

AND/OR ELECTRONIC MEANS, ON GAMES DULY AUTHORIZED AND LICENSED BY LOCAL GOVERNMENT UNITS IN THE EXERCISE OF THEIR POWERS UNDER REPUBLIC ACT NO. 7160, AND WHICH DO NOT FALL UNDER THE GAMES AND ACTIVITIES SPECIFICALLY AUTHORIZED BY LAW TO BE PERFORMED BY THE GOVERNMENT GAMING AUTHORITIES, SUCH AS THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR) AND THE PHILIPPINE CHARITY AND SWEEPSTAKES OFFICE (PCSO).

OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO OFFSITE BETTING ON LOCALLY AUTHORIZED AND REMOTELY BROADCAST COCKFIGHTING MATCHES.

“GAMING OPERATOR” SHALL REFER TO THE DULY REGISTERED RESIDENT ENTITY, SUCH AS A CORPORATION, PARTNERSHIP, INDIVIDUAL OR ASSOCIATION, WHICH IS SUPERVISING, MANAGING AND OPERATING OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES AS DEFINED IN THIS SECTION. WHEREVER APPLICABLE, “OFFSITE BETTING ACTIVITIES ON LOCALLY LICENSED GAMES” SHALL BE INCLUDED BY THE GAMING OPERATOR IN DISCLOSURES AND DOCUMENTATIONS REQUIRED BY THE BIR AND OTHER REGULATORY GOVERNMENT AGENCIES AND INSTRUMENTALITIES.”

SEC. 2. *Implementing Rules and Regulations.* – Within thirty (30) days after the effectivity of this Act, the Commissioner of Internal Revenue shall promulgate the rules and regulations necessary for its implementation.

SEC. 3 *Separability Clause.* – If any part or provision of this Act is held invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 4. *Repealing Clause.* – All laws, decrees, orders, rules, and regulations inconsistent with the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 5. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,

