

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

House Bill No. 3014



Introduced by Hon. Neptali M. Gonzales II

#### Explanatory Note

This bill seeks to establish and accredit a **National Virtual Multichannel Video Platform Distributor (National Virtual MVPD)** that will assist the government in regulating and imposing appropriate taxes on digital suppliers which are technically doing business and earning income in the Philippines. The establishment and accreditation of the national virtual mvpd will enhance the government's revenue and tax collection efforts, especially with regard to providers of digital media products and services.

Digital technology profoundly changes the way we think and approach space and time as it has direct implications on the proper imposition and application of taxation. While nations are defining borders on land, sea, and air to organize production, property, and fiscal policy, it turns out that digital technology appears to be ubiquitous, as national borders become irrelevant. Western countries came out with their fiscal, economic, and social policies during the Second Industrial Revolution.

At its present level of development, digital technology is leading decision makers to redefine social, political, and economic. The multi-billion digital advertising present and pervasive in the Philippines, where the digital audience is counted in the tens of millions, is not subjected to Philippine tax. This situation results in billions of taxes due but unpaid to the Philippine government. The local digital entertainment and creative industry enjoy only a fraction of the total revenue derived from local view-ability which negatively impacts the local growth in terms of employment related to every business sector associated with media and creative industry. By establishing and accrediting a National Virtual MVPD PLATFORM which has the technology to filter and carry all digital suppliers coming in the country and, data collected from all of these digital suppliers will help the Bureau of Internal Revenue, the Department of Information and Communications Technology and various government agencies in monitoring, regulating, and imposing, the appropriate taxes on these digital suppliers whose servers are normally located abroad.

The urgency to regulate digital broadcasting will empower and recreate an equilibrium between local broadcasters, the Philippine media and creative industry and the overpowering and prominent triopoly of global media which continues to elude the payment of appropriate local taxes in the Philippines while virtually and actually earning income within the country.

A handwritten signature in black ink, appearing to read "Neptali M. Gonzales II".

NEPTALI M. GONZALES II

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HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

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AN ACT INSTITUTING THE MANAGEMENT, PROVISION AND  
REGULATION OF OVER THE TOP AND OTHER DIGITAL BROADCASTING  
SERVICES IN THE PHILIPPINES, ESTABLISHING THE NATIONAL VIRTUAL  
MULTICHANNEL VIDEO PLATFORM DISTRIBUTOR (NATIONAL VIRTUAL  
MVPD), AND APPROPRIATING FUNDS THEREFOR

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

**Section 1. Short Title** – This Act shall be known as the “*Over The Top And Digital Broadcasting Services Regulatory Act of 2019*”.

**Section 2. Declaration of Policy** – The state recognizes the emerging trend in the use of digital technology avenues and other digital services in the Philippines and its potential economic boost in the Philippine digital economy.

To realize such potential economic growth in the country’s digital economy, it is hereby declared the policy of the State to take measures and safeguard the collection of appropriate taxes from the digital suppliers in the country through the establishment of a digital platform capable of monitoring the activities of such digital suppliers relative to the Government’s right to collect fair taxes for income generated in the Philippines.

To this end, the State—through its platform—shall manage and monitor information content, broadcasting, quality, rates, provision, and use of digital free-to-air (FTA), digital

games, digital music, digital video and television and over the top services and the reception of foreign television channels directly from satellites and over the internet in Philippines.

**Section 3. Definition of terms** – For purposes of this Act, the following terms are defined as follows:

- (a) ***Advertising video on demand service*** – the provision of video with advertising prior to the start of a video or advertising within a video by means of video insertion, image overlay, or by playout via pausing a video given to users by a duly licensed provider.
- (b) ***Cable television service*** – a type of video and television service using a cable television network infrastructure using various technologies to distribute video and television program channels to subscribers including analog cable television, digital cable television, and internet protocol television (IPTV).
- (c) ***Content Providers*** – refers to studios, content producers, digital music publisher, digital game publisher, TV channels, licensed Over The Top (OTT) operating video and television activities in Philippines that have the copyright or legal copyright agreement on the video, digital music, digital games, TV channels, and information content provided on video and television services.
- (d) ***Digital FTA video and television service*** – a free service that a legally authorized provider offers to users applying digitally technical measure to manage, control or condition the reception of video, video channel and TV channel;
- (e) ***Domestic Program Channels*** – video programs, video channels, and television program channels wholly produced by local studios and content producers licensed for video and television operations (audio media and visual media) or jointly produced in accordance with legal provisions.

- (f) ***Foreign Program Channels*** – video, video programs, and television program channels produced by foreign media agencies, studio, content producer and owner, and television companies in foreign or local Philippine languages.
- (g) ***Internet video and television service*** – video and television service using internet connections via domain names of electronic information websites, smartphone application, connected TV application, broadcasting IP TV box or identified internet addresses to distribute video and television programs to service users.
- (h) ***Joint production of film, video content, and television programs*** – a cooperative activity to produce films, video, television show and domestic programs and program channels between companies which produce domestic program channels and their partners through joint venture or production co-investment contracts.
- (i) ***Mobile video and television service*** – a type of video and television service using mobile terrestrial television and Over The Top (OTT) technical infrastructure, a mobile satellite television network, or a mobile terrestrial telecommunications network to provide video and television program channels to service users.
- (j) ***National Virtual Multichannel Video Platform Distribution (National Virtual MVPD)*** – the official national platform which shall act as the digital video content, video entertainment and video education service provider and digital broadcaster to users. National Virtual MVPD shall operate without owning the content and the network infrastructure for content delivery.

- (k) **Digital FTA video and television service** – a free service that is a legally authorized Free to air channel provider offering to users access to a Free To Air channel streaming by applying digitally technical measure to manage, control or condition the reception of video, video channel and TV channel;
- (l) **Over the Top (OTT)** – content providers that distribute streaming media as a standalone product directly to viewers over the internet that effectively bypass telecommunications, multichannel television, and broadcast television platforms that traditionally act as a controller or distributor of such content.
- (m) **Over the top video platform service** – a service given to users by a duly licensed provider licensed to supply video and television service via computer, smartphone, connected and IP TV box applications;
- (n) **Pay TV service** – a paid video and television subscription service given to users by a duly licensed TV channel provider.
- (o) **Pay Television Terminal Device** – a terminal device having a capability suitable for requirements of protecting contents and managing subscribers of video and television service providers.
- (p) **Program channels serving political and essential propaganda tasks** – domestic program channels classified as such by competent authority in conformity with the need to serve political and propaganda tasks in certain periods;
- (q) **Receiving and Transmitting Center** – the place where video and television equipment is installed as a system to receive and process broadcasting signals, and distribute video and television signals to the signal distribution infrastructure to provide them to users.

(r) ***Service subscriber*** – a service user having an agreement with a Film, OTT, video or content provider and television service provider under a contract, an equally binding written or online agreement or by using a Video or TV/ video content service platform; or a service user either having an agreement with a pay video, content provider and television service provider under a contract, an equally binding written agreement or by using a digital FTA or TV/ video content service platform or subscribing to a free content provider or platform.

(s) ***Satellite television service*** – a type of video and television service using a technical infrastructure to broadcast via satellite to provide video and television program channels to service users.

(t) ***Signal Distribution Infrastructure*** – shall refer to a telecommunications network meeting requirements of supplying video and television services.

(u) ***Subscription Video On Demand*** – a paid subscription service given to users by a duly licensed video and video channel provider

(v) ***Terrestrial television service*** – a type of television service using a terrestrial television infrastructure to provide video and television program channels to service users.

(w) ***Terminal Device*** – shall refer to a device used by users to receive music, online game, video, video content and television signals at the end (terminal point) of the signal distribution infrastructure.

(x) ***Transaction Video On Demand*** – a single video service paid through a one-off fee given to users by a duly licensed video, video channel and TV channel provider.

(y) ***Value added services of online games, music, video and television services*** –services that add more values to game, music, video and television services.

(z) ***Video and television service*** – a service given by a duly licensed provider licensed to supply video and television service by applying technical measures to manage, control and condition the reception of programs, as well as services applying telecommunications to provide in their entirety of domestic and foreign video or TV channels and value added services on the technical infrastructure that transmits video, television channels and live television via digital signals or streams to users. Video and television services may be provided directly to service users without a storage or delay device (*online video and television service*), or upon a specific demand of service subscribers (*service on demand*).

(aa) ***Video and Television Service Provider*** – a video and television service provider registered and legally incorporated under Philippine laws. Unregistered game, music, video and television service providers shall be classified as foreign unregistered video providers which shall be governed by the provisions of this Act.

**Section 4. Coverage** – This Act shall provide for the management and regulation of information contents, digital broadcasting, quality, rates, provision and use of digital FTA, online game, digital music, video, television and over the top (OTT) services in the Philippines; and the reception of foreign video, video games, music, video channel and television channels directly from satellites and over the internet, 3G, 4G and 5G in the Philippines. It shall cover domestic and foreign organizations and individuals involved in managing video and television contents, quality, rates, provision and use of video and television services in the Philippines; and the reception of foreign video and television channels directly from satellites and over the internet, 3G, 4G and 5G in the Philippines.

## **Section 5. DIGITAL Games, Music, Video and Television Service Management**

**Authority** – The Department of Information and Communications Technology shall establish a digital games, music, video, and television service management authority whose functions are as follows:

- a) Develop and promulgate strategies, master plans, plans and policies on video and television service operations as these affect games, music, video and TV channel broadcasting;
- b) Establish and accredit the **National Virtual Multichannel Video Platform Distributor (National VMVPD)** that will implement the DICT strategies, master plans, plans and policies on video and television service operations.

Through the National Virtual MVPD, the Department of Information and Communications Technology:

1. signs up content distribution agreement with multiple providers; hosts the content or the content streaming links for streaming over the internet, 3G, 4G and 5G;
2. provide the software needed to stream digital media content to smartphone devices, connected TV and TV box (android) to consumers, some of them pre-installed into device;
3. stream the content through customer's choice of broadband, 3G, 4G, 5G providers;
4. bill the customer on behalf of content provider for the subscription, transaction basis of the content;
5. offers all content under one roof such as free video content, advertising supported video on demand (AVOD), premium

- content, transaction video on demand (TVOD), video on demand (VOD), subscription video on demand (SVOD);
6. provide the ability to lay out TV and Video guide and online content side by side and present a holistic user experience.

National Virtual MVPD is key to transform video watching from a passive to an interactive user experience. National Virtual MVPD offers the ability to offer unbundled video and TV content, i.e., a la carte offer that the customer can pick and choose and offer to OTT players a federation service to enable customer to access the OTT original content and licensed content.

- c) Develop and promulgate technical standards for technical infrastructure providing Video and television services;
- d) provide for the registration, licensing, monitoring, and regulation of digital media content providers, their program and service offerings, fees, information content management, technical standards, and such other matters pertinent to the provision of digital media services.
- e) Conduct scientific research and modern technological application, develop technical standards applied in games, music, video, OTT and television service operations, and provide professional and technical training and advanced training in games, music, video and television service operations;
- f) Manage and organize international cooperation in games, music, video, and television service operations via service platform to ensure games, music, OTT, video and television providers to fully apply to Philippines taxation policies and regulations;

- (g) Provide guidance to the implementation of the DICT, reporting and statistics, and promulgate consistent forms used in games, music, OTT, video and television service operations;
- h) Manage, inspect, examine, supervise and resolve disputes and complaints, and handle violations of rules in games, music, OTT, video and television service operations, in its capacity.

All government agencies and instrumentalities shall cooperate with the Department of Information and Communications Technology in its mandate to manage games, music, OTT, video and television service operations.

**SECTION 6. Implementing Rules and Regulations** – The DICT, in consultation with the Senate Committees on Public Information and Mass Media, Science and Technology, Trade, Commerce and Entrepreneurship; the House Committees on Information and Communications Technology, Public Information, Science and Technology, Trade and Industry; and the Bureau of Internal Revenue, shall within sixty (60) days after the effectivity of this Act, issue the necessary rules and regulations for its effective implementation.

**SECTION 7. Appropriations** – The amount needed for the implementation of this Act shall be appropriated out of the funds of the DICT.

**SECTION 8. Repealing Clause** – Any other provisions of law or rules and regulations inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

**SECTION 9. Separability Clause** – If, for any reason, any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

**SECTION 10. Effectivity** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette and in at least two (2) newspapers of general circulation.

**Approved,**