

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

EIGHTEENTH CONGRESS  
First Regular Session

**HOUSE BILL NO. 4073**



Introduced by Representative Alfred Delos Santos

#### **EXPLANATORY NOTE**

The Philippine Charity Sweepstakes Office (PCSO) was created in 1954 by virtue of Republic Act No. 1169 (as amended) as the principal government agency for the generation and provision of funds for health assistance and medical services as well as charities of national character through the conduct of sweepstakes, lotto, and other similar activities.

The present tax laws have imposed new and more onerous tax obligations upon PCSO. RA No. 10963, in amending RA No. 8424, caused the following changes, among others: removed PCSO's previous exemption from corporate income tax, such that it is now subject to the 30% corporate income tax; subjected the winnings of individual bettors from PCSO sweepstakes and lotto (amounting to greater than P10,000.00) to 20% final tax; and increased the documentary stamp tax on the lotto and authorized numbers games from 10% to 20%.

These changes to PCSO's tax treatment unduly burden not only to the PCSO but more so to the thousands of indigent Filipinos who have no choice but to rely on the PCSO for immediate financial aid. About a third of the PCSO's net receipts are used in the charity fund which provides for health programs, medical assistance and services, and other charities of national character. These programs have made impacts on the lives of every day Filipinos, especially probinsyanos who are left with no alternative but to seek the aid of the PCSO's office in Metro Manila.

In light of the foregoing, the taxation of PCSO must be rationalized so that its ability to fulfill its mandate and ultimately alleviate part of the burden of the national Government.

  
**ALFRED C. DELOS SANTOS**  
Representative, Ang Probinsyano Party List



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**AN ACT**  
**RATIONALIZING THE TAX TREATMENT OF THE PHILIPPINE CHARITY**  
**SWEEPSTAKES OFFICE (PCSO)**

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

1       SECTION 1. *Declaration of Policy.* – The State recognizes the role of the  
2 Philippine Charity Sweepstakes Office in aiding the National Government by raising  
3 and providing funds for the health, medical, and other charitable services of  
4 national character to all persons within the State's jurisdiction and care.

5  
6       SECTION 2. Section 4 of RA 1169, as amended by Section 86 of RA No.  
7 10963, is hereby further amended to read as follows:

8  
9       “SEC. 4. *Holding of sweepstakes.* – The Office shall hold sweepstakes, lotto,  
10 and other similar numbers games under such regulations as shall be  
11 promulgated by the Board in accordance with Republic Act No. 309;  
12 Provided, however, That when the holding of a sweepstakes race to  
13 determine prizes is due to war, public calamity, or other unforeseen or  
14 fortuitous event, or where there is no sufficient number of horses to  
15 determine the major prizes, the Board of Directors may determine the  
16 procedure to be followed in the distribution of prizes in the most just,  
17 equitable, and expeditious manner. The tickers shall be printed by the  
18 Government and shall be considered government securities for the purposes  
19 of penalizing forgery or alteration.”

20  
21       SECTION 3. The following provision is hereby inserted in RA No. 1164 as  
22 Section 4-A thereof:

23  
24       SEC. 4-A. *Taxes.* – The tickets in lotto, sweepstakes, and authorized  
25 numbers games conducted by the Office, the sale of such tickets, and the  
26 receipts derived from such sales, shall not be subject to tax. The winnings  
27 of individuals in the authorized numbers games conducted by the Office  
28 shall be exempt from income tax.

29  
30       SECTION 4. Section 24 (B) of RA No. 8424, as amended by Section 5 of RA No.  
31 10963, is hereby further amended to read as follows:

32       “(B) *Rate of Tax on Certain Passive Income:*



1 (1) *Interests, Royalties, Prizes, and Other Winnings.* –

2 A final tax at the rate of twenty percent (20%) is hereby imposed upon  
3 the amount of interest from any currency bank deposit and yield or any  
4 other monetary benefit from deposit substitutes and from trust funds  
5 and similar arrangements; royalties, except on books, as well as other  
6 literary works and musical compositions, which shall be imposed a  
7 final tax of ten percent (10%); prizes (except prizes amounting to Ten  
8 thousand pesos (P10,000.00) or less which shall be subject to tax  
9 under Subsection (A) of Section 24; and other winnings (*except*  
10 *winnings in lotto, sweepstakes, and other authorized numbers games*  
11 *conducted by the Philippine Charity Sweepstakes Office, which shall be*  
12 *exempt*), derived from sources within the Philippines; Provided,  
13 however, That interest income received by an individual taxpayer  
14 (except a nonresident individual) from a depository bank under the  
15 expanded foreign currency deposit system shall be subject to a final  
16 income tax at a rate of fifteen (15%) of such interest income; Provided  
17 further, That interest income from long-term deposit or investment in  
18 the form of savings, common or individual trust funds, deposit  
19 substitutes, investment management accounts and other investments  
20 evidenced by certificates in such form prescribed by the Bangko Sentral  
21 ng Pilipinas (BSP) shall be exempt from the tax imposed under this  
22 Subsection: Provided, finally, That should the holder of the certificate  
23 pre-terminate the deposit or investment before the fifth (5<sup>th</sup>) year, a final  
24 tax shall be imposed on the entire income and shall be deducted and  
25 withheld by the depository bank from the proceeds of the long-term  
26 deposit or investment certificate based on the remaining maturity  
27 thereof:

28  
29 x x x.”

30  
31 SECTION 5. The following provisions of RA No. 8424, as amended by RA  
32 10963, are hereby amended, repealed, or modified by this Act:

33  
34 (A) Section 27 (C) of RA No. 8424, as amended by Section 7 of RA No. 10963,  
35 is hereby amended to read as follows:

36  
37 “(C) *Government-owned or controlled Corporations, Agencies, or*  
38 *Instrumentalities.* – The provisions of existing special or general  
39 laws to the contrary notwithstanding, all corporations, agencies, or  
40 instrumentalities, owned or controlled by the Government, except  
41 the Government Service Insurance System (GSIS), the Social  
42 Security System (SSS), the Philippine Charity Sweepstakes Office  
43 (PCSO), the Philippine Health Insurance Corporation (PHIC), and  
44 the local water districts, shall pay such rate of tax upon their  
45 taxable income as are imposed by this Section upon corporations or  
46 associations engaged in a similar business, industry, or activity.”

47  
48 (B) Section 190 of RA No. 8424 is hereby amended to read as follows:

49  
50 “SEC. 190. *Stamp on Jai-Alai, Horse Racing Tickets or other*  
51 *Authorized Numbers Games.* – On each jai-alai, horse race ticket, or  
52 other authorized numbers games, there shall be collected a  
53 documentary stamp tax of Ten centavos (P 0.10); Provided, That if  
54 the cost of the ticket exceeds (P 1.00), an additional tax of Ten



1 centavos (P 0.10) on every One peso (P 1.00) or fractional part  
2 thereof, shall be collected; Provided further, That the tickets on the  
3 authorized numbers games conducted by the Philippine Charity  
4 Sweepstakes Office shall be subject to the provisions of Section 199  
5 of this Code.”

6  
7 (C) Section 199 of RA No. 8424 is hereby amended to read as follows:  
8

9 “SEC. 199. *Documents and Papers Not Subject to Stamp Tax.* – The  
10 provisions of Section 173 to the contrary notwithstanding, the  
11 following instruments, documents, and papers shall be exempt  
12 from the documentary stamp tax:

13  
14 (a) x x x

15  
16 (b) x x x

17  
18 (c) Lotto, sweepstakes, and other authorized number games  
19 conducted by the Philippine Charity Sweepstakes Office  
20 (PCSO).”  
21

22 SECTION 6. *Oversight from the Department of Finance.* – The Department of  
23 Finance shall conduct a review on the effects of the tax exemptions granted to  
24 PCSO under this Act. The tax exemptions granted to the PCSO shall be subject to  
25 review by the Department of Finance and may be temporarily adjusted and  
26 temporarily suspended accordingly as per the principles of transparency and fiscal  
27 responsibility.  
28

29 SECTION 7. *Implementing Rules and Regulations.* – The Department of  
30 Finance (DOF) shall, upon the effectivity of this Act, promulgate the necessary rules  
31 and regulations for the proper implementation of this Act.  
32

33 SECTION 8. *Separability Clause.* – If any provision of this Act is held invalid  
34 or unconstitutional, the remaining parts or provisions not affected shall remain in  
35 full force and effect.  
36

37 SECTION 9. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
38 publication in the Official Gazette or in at least two (2) newspapers of general  
39 circulation.  
40

41 Approved,  
42  
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44