



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

Eighteenth Congress  
First Regular Session

HOUSE BILL NO. 4424

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**Introduced by Representative Jorge Antonio P. Bustos**

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**EXPLANATORY NOTE**

The Philippine Charity Sweepstakes Office (PCSO) was created to be the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through the conduct of charity sweepstakes races, lotteries, and other similar activities. At present, PCSO remains as an indispensable arm of the government that provides funding for essential health and welfare activities and programs nationwide.

However, under Republic Act No. 10963, otherwise known as the "*Tax Reform for Acceleration and Inclusion (TRAIN)*," amending the National Internal Revenue Code of 1997, as amended, which was approved on December 27, 2018, additional taxes were imposed on PCSO. These new tax impositions include, among others: a) 20% final tax on winnings above P10,000 from Philippine Charity Sweepstakes and lotto; b) 30% corporate income tax payment; and c) increase in the documentary stamp tax on tickets, lotto and other authorized number games from 10% to 20%.

These changes in PCSO's tax treatment are inconsistent with the nature of PCSO as a charitable institution. In line with settled jurisprudence, PCSO is a charitable institution because it provides services to the public which would otherwise fall on the shoulders of government. Thus, as a matter of policy, taxes are forgone in favor of charitable institutions because they assume part of the burden to address public needs, and the loss of taxes by the government is

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compensated by its relief from doing public works which would have been funded by appropriations from the National Treasury.

In view of the foregoing, the taxation of PCSO must be rationalized so that it may fulfill its mandate, and ultimately, assist the National Government in raising and providing funds for charity.

Hence, approval of this bill is earnestly sought.

  
**CONG JORGE ANTONIO P. BUSTOS**  




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AN ACT

RATIONALIZING THE TAX TREATMENT FOR THE PHILIPPINE  
CHARITY SWEEPSTAKES OFFICE, AMENDING FOR THE PURPOSE  
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS  
AMENDED

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

SECTION 1. Section 24 of the National Internal Revenue Code of 1997,  
as amended, is hereby further amended to read as follows:

"SEC. 24. *Income Tax Rates.* – xxx

“(A) xxx

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

“(1) *Interests, Royalties, Prizes, and Other Winnings.* – A  
final tax at the rate of twenty percent (20%) is hereby  
imposed upon the amount of interest from any currency  
bank deposit and yield or any other monetary benefit  
from deposit substitutes and from trust funds and



1 similar arrangements: royalties, except on books, as  
2 well as other literary works and musical compositions,  
3 which shall be imposed a final tax of ten percent  
4 (10%); prizes (except prizes amounting to Ten  
5 Thousand Pesos (P10,000) or less which shall be  
6 subject to tax under Subsection (A) of Section 24; and  
7 other winnings (except winnings ~~[amounting to Ten~~  
8 ~~thousand pesos (P10,000) or less]~~ from Philippine  
9 Charity Sweepstakes and Lotto which shall be exempt),  
10 derived from sources within the Philippines: *Provided,*  
11 *however,* That interest income received by an  
12 individual taxpayer (except a nonresident individual)  
13 from a depository bank under the expanded foreign  
14 currency deposit system shall be subject to a final  
15 income tax at the rate of fifteen percent (15%) of such  
16 interest income: *Provided, further,* That interest  
17 income from long-term deposit or investment in the  
18 form of savings, common or individuals trust funds,  
19 deposit substitutes, investment management accounts  
20 and other investments evidenced by certificates in such  
21 form prescribed by the Bangko Sentral ng Pilipinas

(BSP) shall be exempt from the Tax imposed under this Subsection: *Provided, finally*, That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5<sup>th</sup>) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:

“xxx.”

SEC. 2. Section 27 of the same Code is hereby further amended to read as follows:

"SEC. 27. *Rates of Income Tax on Domestic Corporations.* –

“(A) In General. – xxx

“xxx

“(C) *Government-owned or -Controlled Corporations, Agencies or Instrumentalities.* – The provisions of existing special or general laws to the contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the Government Service Insurance System (GSIS), the Social Security System (SSS), **THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO)**, the Philippine

1 Health Insurance Corporation (PHIC), and the local water districts  
2 shall pay such rate of tax upon their taxable income as are imposed  
3 by this Section upon corporations or associations engaged in  
4 similar business, industry, or activity.

5 “XXX.”

6 SEC. 3. Section 190 of the same Code is hereby further amended to read  
7 as follows:

8 “SEC. 190. *Stamp Tax on Jai-alai, Horse Race, Tickets, Lotto*  
9 *or Other Authorized Numbers Games.* – On each jai-alai, horse  
10 race ticket, lotto, or other authorized numbers games, there shall be  
11 collected a documentary stamp tax of [~~Twenty centavos (P0.20)~~]  
12 **TEN CENTAVOS (P0.10):** *Provided,* That if the cost of the ticket  
13 exceed One peso (P1.00), an additional tax of [~~Twenty centavos~~  
14 ~~(P0.20)~~] **TEN CENTAVOS (P0.10)** on every One peso (P1.00), or  
15 fractional part thereof, shall be collected.”

16 SEC. 4. The Secretary of Finance shall, within thirty (30) days from the  
17 effectivity of this Act, issue the rules and regulations necessary for the effective  
18 implementation of this Act.

19 SEC. 5. All laws, rules and regulations, or parts thereof inconsistent with  
20 the provisions of this Act, are hereby repealed or modified accordingly.

1        SEC. 6. This Act shall take effect fifteen (15) days after its publication in  
2        the *Official Gazette* or in a newspaper of general circulation.

3        Approved,