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COMMITTEE MEETING ON HOUSE MEASURES

COMMITTEE	MEASURES		SUBJECT MATTER	ACTION TAKEN/DISCUSSION
	NO.	PRINCIPAL AUTHOR		
Banks and Financial Intermediaries	HB 6646	Rep. Cua	Creating a Bangko Sentral Digital Peso (BSDP) as a medium of exchange or as money for use in all digital means, appropriating funds therefor	The Committee, chaired by Quirino Rep. Junie Cua, agreed to schedule another meeting to seek the comments and suggestions of international finance and banking experts on the bills.
	HBs 6652 & 6716	Rep. Garcia (J.E.) and Deputy Speaker Hernandez	Promoting the adoption of electronic money (e-money) as a medium of exchange for financial transactions of the government and all merchants	<p>Rep. Jose Enrique "Joet" Garcia III (2nd District, Bataan), author of HB 6652, said that the main objective of his bill is to hasten the adoption of e-money as this would be more convenient and safe for the people especially during this time of the COVID-19 pandemic where cashless payments could lessen the transmission of the virus. He said it would also increase economic activities in the country which would benefit all businesses, big or small.</p> <p>Rep. Cua, author of HB 6646, added that the primordial objective of the bills is to set up a legal framework through legislation on the regulation of e-money as medium of exchange.</p> <p>Committee Vice Chair Rep. John Reynald Tiangco (Navotas City) sponsored HB 6716 in behalf of Deputy Speaker Ferdinand Hernandez (2nd District, South Cotabato).</p> <p>Bangko Sentral ng Pilipinas' (BSP) Technology Risk and Innovation Supervision Department Director Melchor Plabasan presented the implications of the proposed Central Bank Digital Currency (CBDC). He said that among the potential benefits of the CBDC are the accuracy and efficiency of gathering economic data, and the reduction of money laundering and other illicit activities as investigations can be done easily with the availability of accurate economic data.</p> <p>However, Plabasan said that in a recent survey of the Bank for International Settlements (BIS), only 30% of all central banks in the world are considering the issuance of a CBDC and only 10% out of the 30% will potentially launch CBDC by 2023.</p> <p>The Bank for International Settlements (BIS) is an international financial institution owned by the world's central banks which fosters international monetary and financial cooperation and serves as a bank for central banks. (Source: BIS website)</p> <p>Plabasan added that the CBDC is not a one size fits all solution, thus further study is required. Each country will have to weigh the pros and cons of the CBDC depending on the country's particular</p>

<p>Continuation...</p> <p>Banks and Financial Intermediaries</p>				<p>circumstances. Issues on data privacy and cyber security, and the international requirements to combat money laundering and the financing of terrorism should also be equally considered as well as the need for a new robust technology to support the CBDC.</p> <p>Rep. Cua asked the BSP on its realistic objective for the CBDC and the feasibility of enacting a legislation to support it. Plabasan replied that the realistic objective is to first achieve a critical mass of those who use electronic payments. He said that as of 2018, electronic payments in the country were only 20% in terms of value and 10% in terms of volume.</p> <p>On the query of Committee Vice Chair Rep. Virgilio Lacson (Party-List, MANILA TEACHERS) on why other central banks are not pursuing the CBDC, Plabasan said that safety and security is an issue considering that the technology is still fairly new. He explained that the central banks that pursued CBDC are still in the pilot stages of implementation.</p> <p>BSP Senior Director and Officer in Charge for Financial Technology Subsector Vicente de Villa III emphasized that the country's readiness for the CBDC lies on the readiness of the internal and external infrastructure, which the BSP and telecommunications companies will have to be prepared for, and the acceptance of the public of online/digital payments.</p> <p>Rep. France Castro (Party-List, ACT-TEACHERS) asked to be clarified on the difference between the CBDC and the current mode of digital payments. Plabasan explained that right now electronic payments are made through the use of money that is deposited in existing accounts with various banks. With CBDC, the value of money itself will be stored in an individual's personal electronic device such as cellphones.</p> <p>Replying to the query of Rep. Garcia, Plabasan said that bank deposits can earn interest as opposed to e-money which is purely a payment instrument with no deposit insurance. With regard to accessibility, Plabasan said that it depends on the capability of the banking institution if it can enroll clients online or virtually instead of requiring them to appear physically in the bank.</p> <p>Rizal Commercial Banking Corporation (RCBC) Chief Executive Officer (CEO) Eugene Acevedo agreed with the BSP that there is still a need to develop the technology that will support the CBDC, while Standard Chartered Bank Philippines CEO Lynette Ortiz said that a thorough review and understanding of the CBDC should first be conducted.</p> <p>The Chair recommended to invite in the next meeting experts and resource persons from the World Bank, International Monetary Fund, central banks in the ASEAN region, and other banking institutions in the country in order for the Members to have a better</p>
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Continuation... Banks and Financial Intermediaries				<p>understanding and appreciation of the implications of the CBDC.</p> <p>The BSP agreed to help the Committee facilitate its meeting with these institutions.</p>
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AGENCY BRIEFING				
COMMITTEE	SUBJECT MATTER			DISCUSSIONS
Ways and Means	<p>Briefing by the Bureau of Internal Revenue (BIR) on the following revenue memorandum circulars (RMC):</p> <ul style="list-style-type: none"> RMC No. 57-2020 – prescribes the updated policy and checklist of documentary requirements for business registration with the BIR; and RMC 60-2020 – gives due notice to persons conducting business through any form of electronic media of their tax obligations and the need to register their business with the BIR 			<p>The Committee, chaired by Rep. Joey Sarte Salceda (2nd District, Albay), discussed with BIR issues and concerns raised by certain sectors relative to RMCs 57-2020 and 60-2020.</p> <p>At the outset, Rep. Salceda explained the importance of enticing business owners, including those who conduct their businesses online, to register their businesses with concerned government agencies such as the BIR and the Department of Trade and Industry (DTI). According to Rep. Salceda, the revenues that will be derived from the registration will provide the government additional funds to finance government operations amid the COVID-19 pandemic.</p> <p>BIR Commissioner Caesar Dulay said that under RMC 57-2020, a Mayor's Permit is no longer required for the registration of businesses. This is in line with the Bureau's efforts to streamline its processes with the end goal of making business registration in the country easier thus encouraging more registrants and expanding the tax base. When asked if local government units (LGUs) were consulted prior to the issuance of the RMC, BIR Deputy Commissioner Arnel Guballa replied in the negative.</p> <p>As for RMC 60-2020, Dulay said that it was issued to remind those doing business in any manner, especially those conducting their businesses online, to register their business and pay the appropriate taxes. Dulay said that the BIR, as a revenue collection agency, is mandated to think of ways on how to raise revenues even during this COVID-19 pandemic. The BIR looks at online business as an emerging major tax revenue source especially since it will be the new way of doing business as a consequence of the pandemic. He, however, clarified that the BIR does not intend to collect taxes from small online sellers or those with an annual income of P250,000 and below.</p> <p>Dulay informed the Committee that under RMC 60-2020, online businesses are given until July 31, 2020 to register their businesses without paying the penalties for late registration. However, they are encouraged to declare their past sales and pay the corresponding taxes due.</p> <p>DTI Secretary Ramon Lopez said the registration of businesses is good for both business owners and their customers as it promotes better traceability which increases consumer confidence. It also allows business owners to borrow from financial institutions and to avail themselves of government assistance programs and subsidies, Lopez added.</p> <p>Several lawmakers pushed for an extension of the July 31 deadline in consideration of the current situation. Rep. Stella Luz Quimbo (2nd District, Marikina City) wanted the BIR to set a deadline that can actually be complied with and will not disincentivize and discourage budding entrepreneurs. Senior Vice Chair Rep. Estrellita Suansing (1st District, Nueva Ecija) even suggested that the penalties be waived to further encourage business owners to register with the BIR.</p>

<p>Continuation... Ways and Means</p>	<p>Rep. Jesus "Bong" Suntay (4th District, Quezon City) likewise asked the Bureau to consider the effect the RMC has on the emerging entrepreneurs. He instead suggested that the BIR focus on the bigger online business companies considering the BIR's lack of capability to monitor and audit all online transactions.</p> <p>Guballa informed the Committee that big companies such as Netflix, Grab, Lazada, and Zalora are already registered with the BIR. Facebook, however, is not. He did not deny that the registration of the small online businesses or going after them could present problems to the undermanned Bureau.</p> <p>Rep. Jericho Jonas Nograles (Party-List, PBA) pointed out that the existing revenue regulations only cover Filipinos doing business in the Philippines. He added that the correct "situation (or place) of taxation" for foreigners selling to Filipinos has not yet been determined. He advised that before collecting taxes, the BIR has to determine and clarify the situs of taxation for online transactions and if it needs congressional action.</p> <p>Rep. Salceda said that his bill, HB 6765, provides for the establishment of a fiscal digital economy to address concerns such as the one raised by Rep. Nograles. In line with this, Rep. Nograles suggested including in the bill a provision which states that online sales and services that are viewable and accessible in the Philippines and intended for customers in the country should be taxable. He added that online sellers or service-providers who are non-residents of the Philippines should first register with the BIR before the Department of Information and Communications Technology allows them access within the country. He suggested the creation of a cyber-taxation division in the BIR which will deal with online selling. (HB 6765 is still pending with the Committee on Ways and Means.)</p> <p>Department of Finance (DOF) Assistant Secretary Dakila Elteen Napao said that the international community will be coming up with a digital taxation instruction. However, considering that the international consensus is not yet available, the DOF and BIR intend to capture the value-added tax imposable on these international companies doing online business in the country.</p> <p>Rep. Virgilio Lacson (Party-List, MANILA TEACHERS) also suggested that the BIR develop a program that will be used by online seller and service providers in issuing electronic receipts. Rep. Teodorico Haresco Jr. (2nd District, Aklan) asked that farmers and startup businesses be exempted from the registration requirement.</p> <p>Vice Chair Rep. Sharon Garin (Party-List, AAMBIS-OWA) suggested to streamline the process of registration with the BIR and waive the registration fees to really entice business owners to register and make them part of the formal economy.</p> <p>Dulay promised to consider the suggestions of the Members. The BIR was asked to submit the estimated revenues of online business registration to determine if this will have a significant effect on government revenues.</p>
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