

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



23 MAY -9 A8 :45

**SENATE**  
**S. No. 2145**

RECEIVED BY: \_\_\_\_\_

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**Introduced by Senator Jinggoy Ejercito Estrada**

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**AN ACT**  
**PROVIDING FOR A COMPREHENSIVE AND RATIONALIZED GRANT OF**  
**REWARDS TO INFORMERS FOR THE DISCOVERY OF VIOLATIONS OF**  
**INTERNAL REVENUE AND CUSTOMS LAWS**

**EXPLANATORY NOTE**

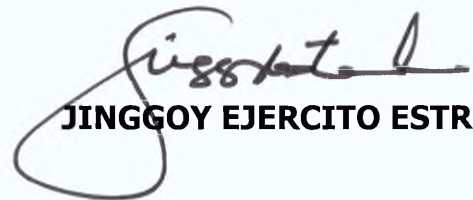
Republic Act No. 2338, or the Informer's Reward Law, was enacted to help Bureau of Internal Revenue and the Bureau of Customs to go after tax evaders, tax cheats and smugglers. The law provides an award of fifteen percent (15%) of the amount recovered to any person who voluntarily gives definite information to the BIR and BOC on any tax fraud or smuggling cases that will result to additional revenues to the concerned agencies.

However, Section 282 (A) of Republic Act No. 8424, also known as National Internal Revenue Code (NIRC) of 1997, amended RA No. 2338, the informer's reward shall amount to 10% of the revenues, surcharges or fees recovered and/or fine or penalty imposed and collected or P1 million per case, whichever is lower. This effectively discourages tax informers to report fraud involving P10 million or more because, no matter how big the tax frauds and liabilities are involved in a case, only P1 million maximum will be given to the informer.

Under the proposed measure, informers who will provide information on tax fraud will be given a reward of up to P10 million, or the equivalent of 10% of the tax

recovered by the government, whichever is lower. For informers on smuggling, a reward of up to P10 million will be awarded, or the equivalent of 20% of the total value of the confiscated smuggled goods, or whichever is lower. This bill intends to encourage public cooperation in reporting tax violations and improvement of tax collection, enforcement and administration in the BIR and BOC.

In this light, the immediate passage of this bill is highly recommended.



**JINGGOY EJERCITO ESTRADA**

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

1           Section. 1. *Informer's Reward for the Discovery of Violations of the National*  
2 *Internal Revenue Code.* – Any person, except an internal revenue official or  
3 employee, or any public official or employee or said official's or employee's relative  
4 within the third degree of consanguinity or affinity, who voluntarily gives definite and  
5 sworn information, not yet in the possession of the Bureau of Internal Revenue  
6 (BIR) stating facts personally known to the informer, leading to the discovery of  
7 fraud related to internal revenue laws or violations of any of the provisions thereof,  
8 thereby resulting in the recovery of revenues, surcharges and fees, and/or the  
9 conviction of the guilty party and/or the imposition of any of the fine or penalty,  
10 shall be rewarded in sum equivalent to ten percent (10%) of the revenues,  
11 surcharges or fees recovered and/or fine or penalty imposed and collected or Ten  
12 million pesos (P10,000,000.00) per case, whichever is lower.

13           The same amount of reward shall also be given to informers in cases where  
14 the violator has offered to compromise the violation of law committed and the offer  
15 has been accepted by the Commissioner of Internal Revenue and in such case, the  
16 reward shall be ten percent (10%) or Ten million pesos (P10,000,000.00), whichever

1 is lower, of the amount agreed upon in the compromise and actually collected from  
2 the violator.

3 *Sec. 2. Informer's Reward for Discovery and Seizure of Smuggled Goods. –*

4 Any person, except a customs official or employee, or any public official or employee  
5 or said official's or employee's relative within the third degree of consanguinity or  
6 affinity, who voluntarily gives definite and sworn information, not yet in the  
7 possession of the Bureau of Customs (BOC), stating facts personally known to the  
8 informer leading to the discovery and seizure of smuggled goods shall be rewarded  
9 in an amount equivalent to twenty percent (20%) of the actual proceeds of the sale  
10 of such smuggled and confiscated goods, or of the actual collection of additional  
11 revenues or surcharges or fees recovered and/or fine or penalty imposed and  
12 collected or Ten million pesos (P10,000,000.00), whichever is lower.

13 *Sec. 3. Non payment of Informer's Reward. –* The informer shall not be  
14 entitled to a reward if no additional revenue, surcharge or fee and/or fine or penalty  
15 is actually recovered or collected in accordance with Sections (1) and (2) of this Act,  
16 or if the information obtained refers to a case already pending or previously  
17 investigated or examined by the Commissioner of Internal Revenue or the  
18 Commissioner of Customs, or any of their deputies, agents or examiners, as the case  
19 may be.

20 The provisions of Sections (1) and (2) notwithstanding, all public officials,  
21 whether incumbent, retired or separated from service, who acquired the information  
22 in the course of the performance of their duties during their incumbency, are  
23 prohibited from claiming the informer's reward.

24 *Sec. 4. Filing and Claiming of Rewards. -* Applications for rewards granted  
25 under this Act shall be filed by the informer with the Office of the Commissioner of  
26 Internal Revenue or the Commissioner of Customs, as the case may be, who shall  
27 approve of the same. Rewards granted herein amounting to more than One million  
28 pesos (P1,000,000.00) shall, upon the approval of the reward, be automatically  
29 reviewed by the Secretary of Finance. In both cases, the rewards granted shall be  
30 paid to the informer only after revenues, surcharges or fees and/or fine or penalty  
31 are actually recovered or collected in accordance with law, and after all reports and  
32 documents required for the evaluation and approval of the claim for informer's

1 reward, including the endorsement by the Commissioner of Internal Revenue or the  
2 Commissioner of Customs, as the case may be, shall have been submitted to the  
3 Department of Finance (DOF) in appropriate cases.

4 In all instances, a definite and sworn information given for the purpose of  
5 claiming the reward shall be filed personally by the person having such information,  
6 prohibiting representation by any other person, organization, or any other similar  
7 group facilitating rewards.

8 *Sec. 5. Rewards Payable from Proceeds.* – The reward authorized under this  
9 Act shall be paid out of revenues, surcharges or fees and/or fine or penalty actually  
10 recovered or collected and accounted for in accordance with a law as a result of the  
11 information furnished by the informer and in accordance with the rules and  
12 regulations issued by the Secretary of Finance.

13 The rewards of the informers shall be subject to income tax, collected as a  
14 final withholding tax, at the rate of twenty percent (20%).

15 *Sec. 6. Confidentiality of Informer's Identity; Penalties for Unauthorized*  
16 *Disclosure.* – It shall be unlawful for any official or employee of the BIR, the BOC, or  
17 the DOF to disclosure or reveal the name of any informer. The identity of the  
18 informer shall not be revealed except:

- 19 a) When the informer has given written consent; or  
20 b) When the information that the informer provided is proven to be malicious  
21 or false.

22 Any provision of general or special law to the contrary notwithstanding,  
23 disclosure of such confidential information shall be punished by a fine of not less  
24 than Five hundred thousand pesos (P500,000.00) but not more than One million  
25 pesos (P1,000,000.00), and imprisonment of not less than ten (10) years but not  
26 more than fifteen (15) years. The offender shall likewise suffer an additional penalty  
27 of perpetual disqualification to hold public office, to vote and to participate in any  
28 public election.

29 *Sec. 7. Action in Cases Involving False or Malicious Information.* – If the  
30 information provided by the informer later turns out to be false or has been made  
31 only for the purpose of harassing, molesting or in any way prejudicing the person so

1 denounced, the person so denounced is entitled to take criminal or civil action as the  
2 facts may warrant.

3 Any application which may be found unwarranted based on law or  
4 jurisprudence, or which contains false facts, may be denied for malicious filing and  
5 without prejudice to any action, civil or criminal, against the informer. Any  
6 application that is denied for malicious filing or misrepresentation may not be refiled.

7 *Sec. 8. Appropriations.* – All proceeds resulting from the recovery of revenues,  
8 surcharges, fees, and/or imposition of fine or penalty, and/or from the sale of  
9 smuggled and confiscated goods, shall automatically be appropriated as follows:

10 a) Ten percent (10%) shall be allocated and used as informer’s reward in  
11 accordance with Section 1 hereof and ninety percent (90%) shall be  
12 remitted to the General Fund; and

13 b) Twenty percent (20%) shall be allocated and used as informer’s reward in  
14 accordance with Section 2 hereof and eighty percent (80%) shall be  
15 remitted to the General Fund.

16 The informer’s rewards shall be deposited with the National Treasury and  
17 recorded as trust receipts in accordance with E.O. No. 338, s. 1996.

18 *Sec. 9. Implementing Rules and Regulations.* – Within thirty (30) days from  
19 the approval of this Act, the Secretary of Finance shall, upon the recommendation of  
20 the Commissioner of Internal Revenue and the Commissioner of Customs,  
21 promulgate the necessary rules and regulations for the effective implementation of  
22 this Act.

23 *Sec. 10. Separability Clause.* – If any provision or part hereof is held invalid or  
24 unconstitutional, the remainder of the law or the provision or part not otherwise  
25 affected shall remain valid and subsisting.

26 *Sec. 11. Repealing Clause.* – The following are hereby repealed:

27 a) Section 282 of Republic Act No. 8424, otherwise known as the "*Tax*  
28 *Reform Act of 1997*";

29 b) Section 1512 of Republic Act No. 10863, otherwise known as the "*Customs*  
30 *Modernization and Tariff Act*;" and,

31 c) Republic Act No. 2338, as amended entitled "*An Act to Provide for Reward*  
32 *to Informers of Violations of Internal Revenue and Customs Laws*".

1 All laws, decrees, executive order, issuances and rules and regulations or  
2 parts thereof that are contrary to and inconsistent with and provisions of this Act are  
3 hereby repealed, amended or modified accordingly.

4 Sec. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
5 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*