

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

23 AUG -1 P 1 :38

RECEIVED BY: 

SENATE
S. No. 2383

Introduced by Senator MANUEL "LITO" M. LAPID

AN ACT
PROVIDING FOR PROTECTION OF THE REMITTANCES OF
OVERSEAS FILIPINO WORKERS

EXPLANATORY NOTE

The financial support from Overseas Filipino workers (OFWs) in the form of remittances has been helping their families and sustaining the economy. The inflow of remittances contributes to increased dollar earnings, which in turn supports a healthy balance of payments for the national economy. Over the years, the Philippines has experienced economic growth and GDP development. Among various industries, foreign remittances have remained a significant component that contributes to poverty eradication, job creation, increased investments, and the promotion of startups and small businesses. A continued rise in remittances signifies further growth for the country as a whole¹.

Personal remittances, encompassing net compensation of employees, personal transfers, and capital transfers between households, accounted for 8.9 percent of the country's gross domestic product (GDP) and 8.4 percent of the gross national income (GNI)². In December 2022 alone, the total remittances from OFWs reached a new

¹ <https://acemoneytransfer.com/blog/impact-of-remittances-on-the-philippines-economy>

² [https://www.philstar.com/business/2023/02/16/2245201/remittances-hit-record-high-361-billion-2022#:~:text=Personal%20remittances%20-%20the%20sum%20of,gross%20national%20income%20\(GNI\).](https://www.philstar.com/business/2023/02/16/2245201/remittances-hit-record-high-361-billion-2022#:~:text=Personal%20remittances%20-%20the%20sum%20of,gross%20national%20income%20(GNI).)

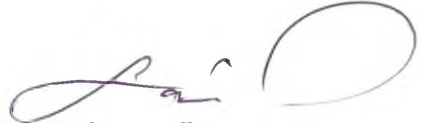
monthly record of USD 3.49 billion, culminating in an annual total of USD 36.14 billion—an increase of 3.6% and the highest recorded figure³.

Recognizing the significance of OFW remittances on families and the national economy, it is crucial to safeguard their hard-earned money from excessive interest rates and exorbitant fees imposed by financial institutions, which unfortunately diminish the value of their remittances. Thus, this bill aims to establish a limit on remittance fees and charges imposed by intermediaries, including both bank and non-bank financial institutions. It suggests granting up to a fifty percent (50%) discount to OFWs who send money to their immediate family members. To safeguard the welfare of these intermediaries, the discounts provided will be considered as ordinary and necessary expenses, deductible from their gross income when calculating payable taxes.

Additionally, it is essential to encourage OFWs and their families to effectively manage their finances by saving and investing their money. Thus, this bill also mandates relevant government agencies to conduct financial literacy education programs for OFWs and their families, covering topics such as financial management, budgeting, and investment options.

To further protect the remittances of OFWs, the bill requires bank and non-bank intermediaries offering remittance services to ensure that the exchange rate being implemented is readily accessible to their clients. Furthermore, these intermediaries are prohibited from raising their current remittance fees without prior consultation with the Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP), and the Department of Migrant Workers (DMW).

In view of the foregoing, early passage of this bill is earnestly requested.



MANUEL "LITO" M. LAPID
Senator

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<https://www.pna.gov.ph/articles/1195298#:~:text='OFW%20remittances%20at%20new%20record, economic%20growth%2C'%20he%20added.>

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1 **AN ACT**
2 **PROVIDING FOR PROTECTION OF THE REMITTANCES OF**
3 **OVERSEAS FILIPINO WORKERS**

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

4 **SECTION 1.** *Short Title.* – This Act shall be known as the "Overseas Filipino
5 Workers (OFWs) Remittance Protection Act."

6 **SECTION 2.** *Declaration of Policy.* – The Constitution affirms that labor is the
7 primary social economic force and mandates the State to protect the rights of the
8 workers and promote their welfare.

9 Recognizing the significant contribution of OFWs to the national economy
10 through their foreign exchange remittances, the State shall adopt measures to protect
11 the hard-earned money they remit home against usurious interest rates and exorbitant
12 fees charged by financial institutions that deplete the value of their remittances, and
13 provide them and their families adequate education and training on financial literacy,
14 such as financial planning and management of finances or savings, to help ensure a
15 source of livelihood even after their overseas employment.

16 **SECTION 3.** *Definition of Terms.* – As used in this Act:

17 (a) *Overseas Filipino Worker (OFW)* refers to a person who is to be engaged,
18 is engaged or has been engaged in a remunerated activity in a state of which the

1 person is not a citizen or on board a vessel navigating the foreign seas other than a
2 government ship used for military or non-commercial purposes or on an installation
3 located offshore or on the high seas; to be used interchangeably with migrant worker.

4 (b) *Remittance* refers to the foreign exchange earnings sent home by OFWs
5 or their employers or agents through formal channels.

6 (c) *Remittance Fee* refers to the service fee or charge imposed by bank and
7 non-bank financial intermediaries for sending money of OFWs through formal
8 channels.

9 **SECTION 4. *Applicability of this Act.*** – The provisions of this Act shall be
10 applicable to all OFW remittances, whether voluntary or mandated by law, orders,
11 issuances, or rules and regulations.

12 **SECTION 5. *Discount on Remittance Fees and Tax Deduction Granted to***
13 *Establishments.* – Bank and non-bank financial intermediaries may impose fees for
14 services rendered in sending money of OFWs to their immediate family members,
15 subject to a fifty percent (50%) discount granted to the OFWs.

16 Bank and non-bank financial intermediaries providing discounts on remittance
17 fees may claim the discounts granted as a tax deduction based on the cost of services
18 rendered to OFWs. The discounts granted should be treated as an ordinary and
19 necessary expense deductible from the gross income of the intermediary falling under
20 the category of itemized deductions: Provided, That the total deduction from the gross
21 income of establishments providing discounts on remittance fees shall be determined
22 by the Secretary of Finance upon the recommendation of the Commissioner of Internal
23 Revenue who shall issue the appropriate revenue regulation for the purpose.

24 **SECTION 6. *Requirement of Posting of the Peso Equivalent of the Currency***
25 *to be Exchanged.* – All bank and non-bank financial intermediaries offering remittance
26 services to OFWs shall be required to post in a conspicuous place within the
27 establishment's premises, their official websites, and their social media pages, the
28 Philippine peso equivalent rate of the foreign currencies being transacted. The

1 Philippine peso equivalent of the amount as remitted will be the same amount that
2 will be received by the beneficiary of the remittance.

3 **SECTION 7.** *Prohibition from Raising Remittance Fees.* – All banks and non-
4 bank financial intermediaries offering remittance services to OFWs are prohibited from
5 raising their remittance fees without prior consultation with the Department of Finance
6 (DOF), Bangko Sentral ng Pilipinas (BSP), and the Department of Migrant Workers
7 (DMW).

8 **SECTION 8.** *Financial Literacy Education for OFWs and their Families.* – The
9 DMW shall ensure that financial literary education programs are made available and
10 promoted to OFWs and their families.

11 The program shall include instruction on basic banking, financial management,
12 budgeting, investment options and similar topics, which shall educate the OFWs and
13 their families in the handling of their earnings and remittances.

14 **SECTION 9.** *Implementing Rules and Regulations.* – Within ninety (90) days
15 after the approval of this Act, the DMW shall, in consultation with appropriate
16 government agencies and stakeholder representatives, shall issue the necessary rules
17 and regulations for the effective implementation of this Act.

18 **SECTION 10.** *Repealing Clause.* – All laws, decrees, executive orders,
19 issuances, rules and regulations which may be inconsistent with any of the provisions
20 of this Act are hereby deemed repealed, amended or modified accordingly.

21 **SECTION 11.** *Separability Clause.* – If any provision of this Act is held
22 unconstitutional or invalid, the other provisions not affected shall remain in full force
23 and effect.

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

26 *Approved,*