

RECORD OF THE SENATE

MONDAY, JANUARY 15, 2001

OPENING OF THE SESSION

At 10:18 a.m., the Senate President, Hon. Aquilino Q. Pimentel Jr., called the session to order.

The President. The 44th session of the Third Regular Session of the Eleventh Congress is hereby called to order.

Let us all stand for a minute of silent prayer. Sen. Rodolfo G. Biazon is not here.

After the prayer, the Senate Choir will lead us in the singing of the national anthem.

Everybody rose for a minute of silent prayer.

NATIONAL ANTHEM

Everybody remained standing for the singing of the national anthem.

ROLL CALL

The President. The Secretary will please call the roll.

The Acting Secretary [Atty. Reyes], reading:

- Senator Teresa Aquino-Oreta ..... Present\*
Senator Robert Z. Barbers ..... Absent\*\*
Senator Rodolfo G. Biazon ..... Present
Senator Renato L. Compañero Cayetano ... Present\*
Senator Anna Dominique M.L. Coseteng ... Present\*
Senator Miriam Defensor Santiago ..... Present
Senator Franklin M. Drilon ..... Present
Senator Juan Ponce Enrile ..... Present\*
Senator Juan M. Flavier ..... Present
Senator Teofisto T. Guingona Jr. .... Present
Senator Gregorio B. Honasan ..... Present
Senator Robert S. Jaworski ..... Present\*
Senator Loren B. Legarda-Leviste ..... Present
Senator Ramon B. Magsaysay Jr. .... Present
Senator Blas F. Ople ..... Present
Senator John Henry R. Osmeña ..... Present
Senator Sergio R. Osmeña III ..... Present\*
Senator Ramon B. Revilla ..... Present
Senator Raul S. Roco ..... Present
Senator Vicente C. Sotto III ..... Present
Senator Francisco S. Tatad ..... Present
The President ..... Present

\* Arrived after roll call
\*\* On account of illness

The President. With 15 senators present, there is a quorum.

Senator Tatad. Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Senator Biazon is in the hall now. Perhaps we can ask him to say his prayer.

The President. Sen. Rodolfo G. Biazon will lead us in the prayer. Please all rise again.

Everybody rose for the prayer.

PRAYER

Senator Biazon.

In the book of Proverbs it is said,
'When people do not accept divine guidance, they run wild. But whoever obeys the law is happy.' (Proverbs 29:18)

Almighty God,
Not only do we accept divine guidance,
But we seek it.
Not only in obeying the law
But more so in making it.

Amen.

The President. The Chair would like to thank Senator Biazon.

The Majority Leader is recognized.

THE JOURNAL
(Consideration Deferred)

Senator Tatad. Mr. President, I move that we defer consideration and approval of the 43rd Journal of December 11 to 21, 2000 as it is still being finalized.

The President. Is there any objection? [Silence] There being none, consideration of the 43rd Journal of the Senate is hereby deferred.

Senator Tatad. Mr. President, I move that we proceed to the Reference of Business.

The President. Is there any objection? [Silence] There being none, the motion is approved.

The Secretary will read the Reference of Business.

AN ACT GRANTING THE PAMPANGA TELEPHONE COMPANY, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN LOCAL EXCHANGE NETWORK IN THE MUNICIPALITIES OF MACABEBE AND MASANTOL, PROVINCE OF PAMPANGA,

recommending its approval with amendments by substitution, taking into consideration Senate Bill Nos. 2077 and 2079.

Sponsor: Senator Sotto III

**The President.** To the Calendar for Ordinary Business

**The Acting Secretary** [Atty. Reyes]. Committee Report No. 525, submitted by the Committee on Public Services on House Bill No. 8022, introduced by Representative Fariñas, *et al.*, entitled

AN ACT GRANTING THE LAOAG INTERNATIONAL AIRLINES, INC. A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES,

recommending its approval without amendments.

Sponsor: Senator Sotto III

**The President.** To the Calendar for Ordinary Business

**The Acting Secretary** [Atty. Reyes]. Committee Report No. 526, submitted by the Committee on Public Services on House Bill No. 9919, introduced by Representative Candazo, *et al.*, entitled

AN ACT GRANTING THE ZENITH TELECOMMUNICATIONS COMPANY, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN RADIO COMMUNICATIONS STATIONS FOR THE TRANSMISSION AND RECEPTION OF RADIO TELEPHONE COMMUNICATIONS WITHIN AND OUTSIDE THE PHILIPPINES,

recommending its approval with amendments by substitution.

Sponsor: Senator Sotto III

**The President.** To the Calendar for Ordinary Business

**The Acting Secretary** [Atty. Reyes]. Committee Report No. 527, prepared and submitted by the Committee on Public Services on Senate Bill No. 2233 with Senators Sotto III and Jaworski as authors thereof, entitled

AN ACT STRENGTHENING THE MANDATE OF INTERCONNECTION BETWEEN AND AMONG PUBLIC TELECOMMUNICATIONS ENTITIES, PROVIDING PENALTIES FOR ITS VIOLATION AND FOR OTHER PURPOSES,

recommending its approval in substitution of Senate Bill No. 1660, taking into consideration Proposed Senate Resolution No. 514.

Sponsors: Senators Sotto III and Jaworski

**The President.** To the Calendar for Ordinary Business

The Majority Leader is recognized.

SUSPENSION OF SESSION

**Senator Tatad.** Mr. President, I move that we suspend the session for one minute.

**The President.** The session is suspended for one minute, if there is no objection. [*There was none.*]

*It was 10:26 a.m.*

RESUMPTION OF SESSION

*At 10:30 a.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

CONFERENCE COMMITTEE REPORT ON  
S. NO. 2225/H. NO. 12237  
(Imposition of VAT on Certain Services)

**Senator Tatad.** Mr. President, I move that we now consider the Conference Committee Report on the disagreeing provisions of Senate Bill No. 2225 and House Bill No. 12237.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

**Senator Tatad.** For the sponsorship, I ask that Sen. Juan Ponce Enrile, chairman of the Senate panel, be recognized.

**The President.** Sen. Juan Ponce Enrile is recognized.

REPORT OF SENATOR ENRILE

**Senator Enrile.** Thank you, Mr. President. Ladies and gentlemen of this Chamber.

The Conference Committee on the disagreeing provisions of Senate Bill No. 2225 and House Bill No. 12237 met. After having met and after fully discussed the subject matter, they agreed to report out the result of the Bicameral Conference, and these are the following agreements:

1. The House version was adopted as the working draft;
2. Under Section 1 of the working draft, the imposition of the value-added tax on the services mentioned under Section 5, paragraphs (a), (b) and (c) of Republic Act No. 8424, as amended, was further deferred until December 31, 2002. Hence, the imposition shall take effect on January 1, 2003;
3. Under Section 4, the effectivity of the deferment was made retroactive to the first day of this month 2001; and
4. The title of the reconciled version shall read:

AN ACT TO FURTHER DEFER THE IMPOSITION OF THE VALUE-ADDED TAX ON CERTAIN SERVICES, AMENDING FOR THE PURPOSE SECTION 5 OF REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 8761

In case of conflict between the statements stated in this explanatory statement and that of the provisions of the reconciled version in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

Mr. President, the reason the extension was made for two years instead of 18 months was the fact that the conferees realized the very complicated nature of the proposed substitute system of taxing financial institutions in this country, including professions under the value-added tax system. In order not to do a hurried work and to give the government, especially its policy-formulating agencies—the economic managers most especially in the country—time to really reflect and work out a meaningful legislation, it was felt that the work must be done during a period of two years so that we can finally determine how the tax system applicable to banks, financial institutions and quasi-financial institutions, including those of professionals especially our singers, actors, athletes including broadcasters and those involved in brokerage business, would be handled under the value-added tax. This is the reason I agreed, Mr. President, that instead of 18 months extension, we should grant an additional six months. So, a total of two years.

Thank you. I submit, Mr. President.

**The President.** The Majority Leader is recognized.

APPROVAL OF CONFERENCE COMMITTEE REPORT  
ON S. NO. 2225/H. NO. 12237

**Senator Tatad.** Mr. President, I move for the approval of the Conference Committee Report.

**The President.** There is a motion to approve the report on Senate Bill No. 2225 and House Bill No. 12237 consolidated in the Conference Committee Report that was explained by Senator Enrile.

Is there any objection? [*Silence*] There being none, the report is approved.

*The following is the whole text of the conference committee report:*

EXPLANATION OF THE CONFERENCE  
COMMITTEE ON THE DISAGREEING PROVISIONS OF  
SENATE BILL NO. 2225 AND HOUSE BILL NO. 12237

The Conference Committee on the disagreeing provisions of Senate Bill No. 2225 and House Bill No. 12237, after having met and fully discussed the subject matter, hereby report to their respective Houses the following, that:

1. The House version was adopted as the working draft,
2. Under Section 1 of the working draft, the imposition of the Value-Added Tax (VAT) on the services mentioned under Section 5, paragraphs "a", "b", and "c" of RA No. 8424, as amended, was further deferred until December 31, 2002, hence the imposition shall take effect on January 01, 2003;
3. Under Section 4, the effectivity of the deferment was made retroactive to January 01, 2001; and
4. The Title of the reconciled version shall read:

"AN ACT TO FURTHER DEFER THE IMPOSITION OF THE VALUE-ADDED TAX ON CERTAIN SERVICES AMENDING FOR THE PURPOSE SECTION 5 OF REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 8761".

In case of conflict between the statements stated in this Explanatory Statement and that of the provisions of the reconciled version in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

(Sgd.) JUAN PONCE ENRILE  
Chairman, Senate Panel

CONFERENCE COMMITTEE REPORT

The Conference Committee on the disagreeing provisions of House Bill No. 12237, entitled

AN ACT TO FURTHER DEFER THE IMPOSITION OF THE VALUE-ADDED TAX ON CERTAIN SERVICES, AMENDING FOR THE PURPOSE SECTION 5 OF REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 8761

and Senate Bill No. 2225, entitled

AN ACT IMPOSING THE VALUE-ADDED TAX ON CERTAIN SERVICES BEGINNING JULY 1, 2002, AMENDING FOR THE PURPOSE SECTION 5 OF REPUBLIC ACT NO. 8424, AS AMENDED, AND FOR OTHER PURPOSES,

after having met and discussed the subject matter in full and free conference, has agreed and does hereby recommend to their respective Houses that House Bill No. 12237, in consolidation with Senate Bill No. 2225, be approved in accordance with the attached copy of the bill as reconciled and approved by the conferees.

Approved,

CONFEREES ON THE PART OF THE  
SENATE OF THE PHILIPPINES

(Sgd.) HON. JUAN PONCE ENRILE

(Sgd.) HON. JUAN M. FLAVIER

(Sgd.) HON. ROBERT S. JAWORSKI

CONFEREES ON THE PART OF THE  
HOUSE OF REPRESENTATIVES

(Sgd.) HON. DANILOE SUAREZ

(Sgd.) HON. HERMINIO G. TEVES

(Sgd.) HON. MICHAEL T. DEFENSOR

AN ACT TO FURTHER DEFER THE IMPOSITION OF THE VALUE-ADDED TAX ON CERTAIN SERVICES, AMENDING FOR THE PURPOSE SECTION 5 OF REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 8761

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

SECTION 1. Section 5 of Republic Act No. 8424, as amended by Republic Act No. 9761, is hereby further amended to read as follows:

"SEC. 5. *Transitory Provisions. - Effectivity of the Imposition of VAT on Certain Services. -* The imposition of the value-added tax on the following services shall take effect on January 1, [2001] 2003:

"(a) Services performed in the exercise of profession or calling subject to the professional tax provided for under Republic Act No. 7160, otherwise known as the Local Government Code of 1991, and professional services performed by registered general professional partnerships; actors, actresses, talents, singers and emcees; radio and television broadcasters, choreographers; musical, radio, movie, television and stage directors; and professional athletes;

"(b) Services rendered by banks, non-bank financial intermediaries, finance companies and other financial intermediaries not performing quasi-banking functions; and

"(c) Services rendered by stock, real estate, commercial, customs and immigration brokers: *Provided*, That for the yearS beginning January 1, 2001 up to December 31, [2000] 2002, the aforementioned brokers shall, in lieu of the value-added tax prescribed under Title IV of the National Internal Revenue Code of 1997, be subject to a tax equivalent to seven percent (7%) based on gross receipts from brokering services which shall be paid in the manner and in accordance with the provisions of Title V of the said Code: *Provided, further*, That beginning January 1, [2001] 2003, the aforementioned brokers shall be subject to the value-added tax in lieu of the seven percent (7%) tax.

"The taxpayers rendering services mentioned under paragraphs (a) and (b) hereof, shall pay the applicable taxes prescribed under the pertinent

provisions of the National Internal Revenue Code, as amended."

SEC. 2. The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 3. All laws, decrees, orders, issuances, rules and regulations and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. The effectivity of this Act shall retroact to January 1, 2001.

*Approved,*

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**Senator Roco.** Mr. President.

**The President.** Sen. Raul S. Roco is recognized.

**Senator Roco.** Just to record my conformity with my *yes* vote, but by way of disclosure, I think I do belong to a registered general partnership and I want it on record.

**The President.** Thank you.

**Senator Enrile.** So do I, Mr. President, and I think most of us here are also members of the profession. I think that is a matter of knowledge amongst us.

**The President.** Yes. And in my case, I already made that disclosure during the debates on Second Reading, which I reiterate.

**Senator Tatad.** Some of us are aspiring to become lawyers. We will soon be after the impeachment trial.

CONFERENCE COMMITTEE REPORT ON  
S. NO. 2048/H. NO. 3380  
**(The AFP Tax Exemption for Pay and  
Allowances Act of 2000)**

Mr. President, I move that we now consider the Conference Committee Report on the disagreeing provisions of Senate Bill No. 2048 and House Bill No. 3380.

**The President.** There is a motion to discuss the Conference Committee Report on Senate Bill No. 2048 and House Bill No. 3380. Is there any objection? [*Silence*] There being none, the report is now under consideration.

**Senator Tatad.** I ask that Sen. Juan Ponce Enrile be recognized to sponsor the report.

**The President.** Senator Enrile is recognized.

REPORT OF SENATOR ENRILE

**Senator Enrile.** Thank you, Mr. President.

I must state into the *Record* that I find special honor and pleasure in sponsoring this measure.

Incidentally, this proposed law was authored in this Chamber by the distinguished senator from Pasay and the Ilocos region, Sen. Rodolfo G. Biazon. It was my special privilege to sponsor it, and so it was passed here in this House and with the cooperation of all the members of the Chamber.

I would like to state, Mr. President, that the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 2048 and House Bill No. 3380 met and after having met and after fully discussing the subject matter, agreed on the following:

1. The Senate version was adopted as the working draft.
2. Under Section 3 of the bill, as passed, dealing with "Exclusions from Gross Income," it was provided that the following AFP personnel's benefits shall be granted tax exemption: (a) Longevity Pay; (b) Mandatory Allowances; (c) Collateral Pay; and (d) Collateral Allowances.
3. In Section 3 of the working draft, the phrase "INSTRUCTOR'S DUTY PAY" was inserted as Item 7 among the enumerations mentioned in paragraph (c) Collateral Pay.
4. Under Section 3 again, the entire paragraph (e) "Special Incentives Pay" was deleted, the reason being, I understand, that this is not being enjoyed at the moment by the members of our military organization.
5. In Section 4, it was provided that the retirement and separation benefits, pensions, death and disability benefits being enjoyed by our military personnel from the highest to the lowest rank shall also be exempted from any tax of whatever nature.
6. In Section 5, all benefits, pay, and allowances mentioned in the working draft which is the Senate version shall likewise be exempted from attachment, levy, and execution.
7. Section 6 of the working draft was amended to read as follows, and I quote:

"SEC. 6. *Rules and Regulations.* - THE SECRETARY OF FINANCE, IN CONSULTATION WITH the Commissioner of