



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

Seventeenth Congress  
First Regular Session

House Bill No. 4601

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**Introduced by Representative Dakila Carlo E. Cua**

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**EXPLANATORY NOTE**

Tax administration is the heart of taxation. Though the quality of tax laws as to what and how much to exact matters, it is still how taxes are actually collected which is the be-all and end-all of every government's fiscal standing. Tax collection indeed "brings the fruits," so to speak. And the Philippines, given the current hurdles it has in collecting the right taxes, knows fully well that effective tax administration is indispensable.

This measure aims to create data linkages between the Bureau of Internal Revenue (BIR) and the country's taxpayers who are utilizing cash-register and/or point-of-sales machines (CRM/POS machines) with the end view of increasing value-added tax (VAT) collections, removing burdensome compliance requirements and promoting transparency in businesses with bulk transactions. If enacted into law, it will greatly help in the early detection of misdeclaration committed by unscrupulous taxpayers, thereby reducing, if not removing, "errors" in the reporting of sales and purchases. This bill, which likewise mandates interconnectivity between the BIR and other appropriate government agencies, will provide the Bureau of Internal Revenue (BIR) with third-party information, easier VAT-refund mechanism and data collation, all of which it could handily use in plugging leakages and overall improvement of tax administration. Indeed, it puts the Philippines at par with other countries

already employing interconnectivity between the tax authority and sellers of goods and services.

Accordingly, passage of the measure is earnestly sought.



**REP. DAKILA CARLO E. CUA**  
Lone District, Province of Quirino



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**AN ACT MANDATING THE ESTABLISHMENT OF ELECTRONIC LINKAGE  
BETWEEN THE BUREAU OF INTERNAL REVENUE AND  
VAT-REGISTERED TAXPAYERS UTILIZING CASH-REGISTER  
AND/OR POINT-OF-SALE MACHINES**

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

SECTION 1. *Declaration of Policy.* – It is the policy of the State to improve tax collection and tax administration through the use of information technology in the processes of the Bureau of Internal Revenue (BIR). It shall also be the policy of the State to foster cooperation between the Bureau and the taxpaying public to raise tax collections and encourage compliance to tax laws. Towards this end, the state shall mandate the Bureau and sellers of goods and services subject to value-added tax (VAT) to develop a linkage system to record and simultaneously report sales to the Bureau.

SEC. 2. *Creation of the Electronic Sales Reporting System.* – The Bureau shall create an electronic system that will link sales and purchase data entered on cash register/point-of-sales machines (CRM/POS Machines) of VAT-registered taxpayers to the Bureau's servers for simultaneous reporting of sales and purchase data.

VAT-registered taxpayers shall acquire CRM/POS machines and secure said machines' linkage to the BIR's servers at their expense. They shall likewise ensure that the CRM/POS machines have the capacity to simultaneously transmit data entered on the machines to the servers of the Bureau of Internal Revenue.

The establishment by the Bureau of the electronic system and linkage thereto by VAT-registered taxpayers of their CRM/POS machines shall be done within one (1) year and six (6) months from the effectivity of this Act.

SEC. 3. *Electronic Interconnectivity with the Bureau of Customs (BOC), Land Transportation Office (LTO), Department of Trade and Industry (DTI), Department of Agriculture (DA), Securities and Exchange Commission (SEC) and Other Appropriate Government Agencies.* – Within one (1) year and six (6) months from the effectivity of this Act, the Bureau shall establish electronic interconnectivity with the BOC, LTO, DTI, DA, SEC and other appropriate government agencies to further enhance the revenue collection effort of government.

SEC. 4. *Confidentiality and Compliance with the "Data Privacy Act".* – The provisions of Section 270 of the National Internal Revenue Code of 1997, as amended, on unlawful divulgence of taxpayer information shall be strictly complied with.

The data processing of sales and purchase data shall also comply with the provisions of Republic Act No. 10173 or the "Data Privacy Act".

SEC. 5. *Failure to Link Sales and Purchase Data Entered on CRM/ POS machines to the BIR's Servers Due to Negligence or Intent to Defraud the Government.* – Any VAT-registered taxpayer who fails to utilize CRM/POS machines connected to the Bureau's servers in the said taxpayer's business operations/transactions due to negligence or with intent to defraud the government shall pay a penalty amounting to one-half of one percent (1/2 of 1%) of the annual net income as reflected in the VAT-registered taxpayer's audited financial statement for the second year preceding the current taxable year for each day of violation; *Provided*, that payment of the penalty shall be made simultaneously with the payment for VAT on a monthly basis as provided in Section 114 (A) of the National Internal Revenue Code of 1997, as amended; *Provided, further*, that should the aggregate number of days of violation exceed one-hundred eighty (180) days within a taxable year, an additional penalty of permanent closure of the business of the VAT-registered taxpayer shall be imposed.

SEC. 6. *Automated Sales Suppression Devices*- No person shall purchase, use, possess, sell or offer to sell, update, upgrade, keep, or maintain any software or device designed for, or is capable of:

- a) suppressing the creation of electronic records of sale transactions that a taxpayer is required to keep under existing tax laws and/or regulations; or
- b) modifying, hiding, or deleting electronic records of sales transactions and providing a ready means of access to them.

Any person convicted of a violation of this Section shall be punished by a fine of not less than Two hundred thousand pesos (P200,000.00) but not more than Five hundred thousand pesos (P500,000.00) and suffer imprisonment of not less than two (2) years but not more than four (4) years.

SEC. 7. *Appropriation Clause.* - The amount necessary to implement this Act shall be included in the General Appropriations Act of the year following its enactment into law.

SEC. 8. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the Secretary of Finance shall, in coordination with the Commissioner of Internal Revenue and stakeholders, promulgate the necessary rules and regulations to faithfully implement the intent and provisions of this Act.

SEC. 9. *Separability Clause.* - If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 10. *Repealing Clause.* - All other laws, acts, presidential decrees, executive orders, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly.

SEC. 11. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication either in the Official Gazette or in at least one (1) newspaper of general circulation.

Approved,