

**[ REPUBLIC ACT NO. 9335, January 25, 2005 ]**

**AN ACT TO IMPROVE THE REVENUE COLLECTION PERFORMANCE OF THE BUREAU OF INTERNAL REVENUE (BIR) AND THE BUREAU OF CUSTOMS (BOC) THROUGH THE CREATION OF A REWARDS AND INCENTIVES FUND AND OF A REVENUE PERFORMANCE EVALUATION BOARD AND FOR OTHER PURPOSES**

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

SECTION 1. *Short Title.* - This Act shall be known as the "Attrition Act of 2005."

SEC. 2. *Declaration of Policy.* - It is the policy of the State to optimize the revenue-generation capability and collection of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) by providing for a system of rewards and sanctions through the creation of a Rewards and Incentives Fund and a Revenue Performance Evaluation Board in the above agencies for the purpose of encouraging their officials and employees to exceed their revenue targets.

SEC. 3. *Coverage.* - The system of rewards, incentives and sanctions provided in this Act shall cover all officials and employees of the BIR and the BOG, regardless of employment status, with at least six months of service.

SEC. 4. *Rewards and Incentives Fund.* - A Rewards and Incentives Fund, hereinafter referred to as the Fund, is hereby created, to be sourced from the collection of the BIR and the BOC in excess of their respective revenue targets of the year, as determined by the Development Budget and Coordinating Committee (DBCC), in the following percentages:

<b>Excess of Collection Over the Revenue Targets</b>	<b>Percent (%) of the Excess Collection to Accrue to the Fund</b>
30 percent or below	- 15 percent
More than 30 percent	- 15 percent of the first 30 percent plus 20 percent of the remaining excess.

The Fund shall be deemed automatically appropriated the year immediately following the year when the revenue collection target was exceeded and shall be released on the same fiscal year. Revenue targets shall refer to the original estimated revenue collection expected of the BIR and the BOC for a given fiscal year as stated in the Budget of Expenditures and Sources of Financing (BESF) submitted by the President to Congress. The BIR and the BOC shall submit to the DBCC the distribution of the agencies' revenue targets as allocated among its revenue districts in the case of the BIR, and the collection districts in the case of the BOC. Any

incentive under this Section shall be apportioned among the various units, officials and employees of the BOC or the BIR, as the case may be, in proportion to their relative contribution to the aggregate amount of the excess collection over the targeted amount of tax revenue to be collected by the two bureaus respectively. The Fund shall be allocated, distributed and released by the Revenue Performance Evaluation Board in each agency, hereinafter created in Section 6 of this Act, in accordance with the rules and regulations issued by the same.

SEC. 5. *Incentives to District Collection Offices.* - In the event that the BIR or the BOC fails to meet its revenue target by less than ten percent (10%), the revenue districts, in the case of the BIR, or the collection districts, in the case of the BOC, which exceed their respective allocations of the revenue target (allocated target), shall be entitled to rewards and incentives (district incentive) amounting to ten percent (10%) of the excess over its allocated target: *Provided, however,* That any BIR revenue district or BOC collection office which deliberately foregoes any revenue collection in a given year as part of a scheme to avoid a higher allocated target for the subsequent year shall not be entitled to a district incentive in such subsequent year notwithstanding its having exceeded its allocated target: *Provided, further,* That the allocated target of any such district shall have been reported to and validated by the DBCC as required in the immediately preceding section. The district reward shall be deemed automatically appropriated the year immediately following the year when the revenue collection target was exceeded and shall be released in the same fiscal year.

The allocation, distribution and release of the district reward shall likewise be prescribed by the rules and regulations of the Revenue Performance Evaluation Board.

SEC. 6. *Revenue Performance Evaluation Board.* - There is hereby created a Revenue Performance Evaluation Board in the BIR and BOC, hereinafter referred to as the Board, each which shall be composed of the Secretary of the Department Finance (DOF) or his/her Undersecretary as the Chairman, Secretary of the Department of Budget and Management (DBM) or his/her Undersecretary; the Director General of the National Economic and Development Authority (NEDA) or his/her Deputy Director General; and as nonvoting members the Commissioners of the BIR and the BOC, or their Deputy Commissioners; two representatives from the rank-and-file employees; and a representative from the officials, both of whom will be duly nominated by their respective recognized organization.

SEC. 7. *Powers and Functions of the Board.* - The Board the agency shall have the following powers and functions:

- a. To prescribe the rules and guidelines for the allocation, contribution and release of the Fund due to the agency as provided in Sections 4 and 5 of this Act: *Provided,* That the rewards under this Act may also take the form of nonmonetary benefits;
- b. To set the criteria and procedures for removing from service officials and employees whose revenue collection falls out of the target by at least seven and half percent (7.5 %), a due consideration of all relevant factors affecting the level collection as provided in the rules and regulations promulgated under this Act, subject to civil service laws, rules and regulations compliance with substantive and procedural due process: *Provided,* That the following exemptions shall apply: