

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 398

**DIRECTING TIMELY AND COMPLETE PAYMENT OF TAXES AS A
PRECONDITION FOR ENTERING INTO, AND AS A CONTINUING
OBLIGATION IN CONTRACTS WITH THE GOVERNMENT, ITS
DEPARTMENTS, AGENCIES AND INSTRUMENTALITIES**

WHEREAS, the Arroyo Administration is committed to good governance, the expeditious implementation of development projects, and the speedy delivery of basic services;

WHEREAS, there is a continuing need to develop a comprehensive set of economic proposals that will raise government revenue;

WHEREAS, an increase in government revenue by the timely and complete payment of taxes, which are the lifeblood of the government, will improve and upgrade efficiency in the delivery of basic goods and services to the public;

WHEREAS, private parties contracting with the State shall benefit by the assurance of a stable source of funds, in the form of taxes, which the Government needs to compensate said private contracting parties for the goods and services to be delivered;

WHEREAS, to ensure the timely delivery of public services, it is imperative that all branches of the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units, be vigilant in their dealings with private contracting parties;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

Sec. 1. All persons, natural or juridical, local or foreign, desiring to enter into or participate in any contract with the government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units, shall, as a pre-condition, submit, along



ZONA - 29141

with their proposal and/or bid, a copy of their latest income and business tax returns duly stamped and received by the Bureau of Internal Revenue, and duly validated with the tax payments made thereon.

They shall also submit a tax clearance from the Bureau of Internal Revenue to prove full and timely payment of taxes.

Sec. 2. All departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units shall, before entering into a contract with a private contracting party, exert all efforts to determine that the private contracting party is free and clear of all tax liabilities to the government.

The private contracting party, through its responsible officer(s) shall, before entering into a contract with the public contracting party, certify under oath that it is free and clear of all tax liabilities to the government.

Sec. 3. To ensure continuing compliance with tax laws, all government contracts shall include a stipulation that the private contracting party shall pay taxes in full and on time and that failure to do so will entitle the government to suspend payment for any goods or services delivered by the private contracting party.

All government contracts shall likewise include a stipulation requiring the private contracting party to regularly present, within the duration of the contract, a tax clearance from the Bureau of Internal Revenue as well as a copy of its income and business tax returns duly stamped and received by the Bureau of Internal Revenue and duly validated with the tax payments made thereon.

Sec. 4. All departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units, shall regularly furnish the Bureau of Internal Revenue with the names of private contracting parties that they have contracted with, as well the amount of payments made to these private contracting parties, to enable the Bureau of Internal Revenue to scrutinize full and timely payment of taxes.


Sec. 5. The Department of Finance shall adopt such operating guidelines as may be necessary to implement this Executive Order.

Sec. 6. All executive issuances, rules and regulations, or parts thereof, which are inconsistent with this Executive Order are hereby revoked, amended or modified accordingly.



Sec. 7. This Executive Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

DONE in the City of Manila, this 12th day of January, in the year of Our Lord, Two Thousand and Five.

Flora Arago


By the President:

E. Ermita
EDUARDO R. ERMITA
Executive Secretary



CERTIFIED COPY:

L.R. Barbin
LAMBERTO R. BARBIN
Officer-in-Charge
Malacañang Records Office

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