

REPUBLIC OF THE PHILIPPINES  
HOUSE OF REPRESENTATIVES  
QUEZON CITY

**FOURTEENTH CONGRESS**

*First Regular Session*

HB No. 4194

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Introduced by **REP. LORENZO R. TAÑADA III**

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**EXPLANATORY NOTE**

From 1957 until 2006, the Social Security System (SSS) collected P469.7 Billion in contributions from its members and earned P205.2 Billion from its investments and other activities. Expenditures amounted to a total of P475.8 Billion in benefits and P54.9 Billion in operating expenses. Taken over the 49-year period, the SSS has cumulative revenues of P675.1 Billion, exceeding its cumulative expenditures of P530.7 Billion.

However, the difference between cumulative contributions and cumulative benefits show a deficit of P6.1 Billion. The aforementioned deficit is attributable to the fact that thousands of financially-troubled employers are delinquent or have not remitted all contributions due and payable to SSS.

For the past two years, the SSS implemented condonation programs on penalties for housing and member loan delinquencies upon approval of the President of the Philippines. This enabled the SSS to improve its loan collection and update its loan accounts. However, for contribution delinquencies, a similar program would require an amendment to Republic Act No. 1161, as amended by Republic Act No. 8282 (or the Social Security Act of 1997). This was done in 1987 and again in 1997, when the SSS Charter was amended. By the end of 1997, was able to collect P859 Billion on delinquent contributions.

As of as of September 30, 2007, the total number of delinquent employers who failed in remitting the payment of mandatory Social Security System (SSS) contribution of their workers reached 500,611; of these, 164, 603 were from the National Capital Region; 175, 255 were from Luzon; while there were 89, 807 delinquent employers in the Visayas region and 70, 946 in Mindanao; the number doubling over a period of three months.

To complement the existing reform measures undertaken by the SSS, a one-time condonation of penalties on delinquent social security contributions may be implemented. This measure aims to offer a reprieve to thousands of employer facing financial difficulties, while enabling their employers to resume entitlement to benefits and loans. Hence, the approval of this bill is earnestly requested.

**HON. LORENZO R. TAÑADA III**  
**Representative**  
**4<sup>th</sup> District, Quezon Province**

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**AN ACT**  
**AUTHORIZING THE CONDONATION OF PENALTIES ON DELINQUENT**  
**SOCIAL SECURITY CONTRIBUTIONS, AND FOR OTHER PURPOSES**

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

**SECTION 1. Short Title.** – This Act shall be known as the “Social Security Condonation Law of 2008.”

**Sec. 2. Condonation of Contribution Penalty.** – Notwithstanding the provisions of Section 30 of Republic Act No. 1161, as amended by Republic Act No. 8282, otherwise known as the Social Security Act of 1997, any employer who is delinquent or has not remitted all contributions due and payable to the Social Security System (SSS) may, without incurring the prescribed penalty:

- a) remit in full such delinquent principal contribution exclusive of interest and/or penalties within a period of six months from the effectivity of this Act; or
- b) submit in writing a proposal to pay in installment such delinquent contribution within a period six months from the effectivity of this Act.

*Provided*, that the employer shall submit together with the remittance or installment proposal the corresponding collection list.

**Sec. 3. Installment Proposal.** – In the event an employer chooses to submit an installment proposal, the SSS shall give due course to and approve the same, subject to the implementing rules and regulations as the Social Security Commission shall prescribe; *Provided that*, the employer shall remit upon submission of the installment proposal, a downpayment of not less than ten percent (10%) of its total contribution delinquency; *Provided further*, that the employer shall remit the balance thereof in equal monthly installments within a period not exceeding thirty-six (36) months from the date of approval of

the proposal; and *Provided finally*, that such delinquent contributions covered in the installment plan shall bear an interest of not more than twelve percent (12%) per annum.

**Sec. 4. Effectivity of Condonation.** – The penalty provided under Section 22(a) of Republic Act No. 8282 shall be condoned by virtue of this Act, when and until all the delinquent contributions are remitted by the employer to the SSS; *Provided that*, in case the employer fails to remit in full the required delinquent contributions, or defaults in the payment of any installment under the approved proposal, within the availment period as provided in this Act, the penalties are deemed re-imposed from the time the contributions first became due, to accrue until the delinquent account is paid in full. *Provided further*, for reason of equity, employers who gave settled arrears in contributions before the effectivity of this Act shall likewise have their accrued penalties waived.

**Sec. 5. Repealing Clause.** – All laws, decrees, orders, rules and regulations or other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

**Sec. 6. Separability Clause.** – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

**Sec. 7. Effectivity.** – This Act shall take effect after fifteen (15) days following the completion of its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,