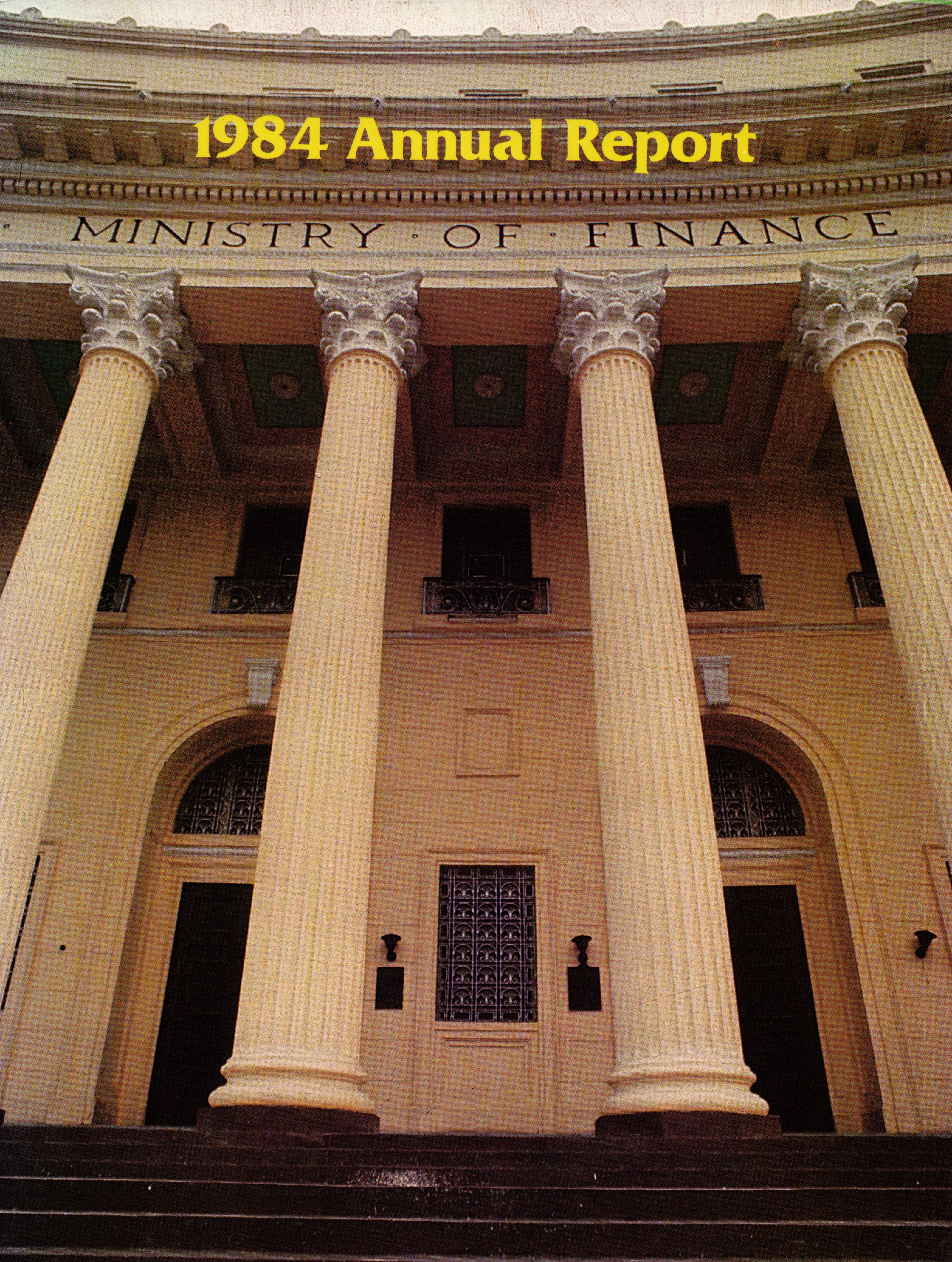
1984 Annual Report



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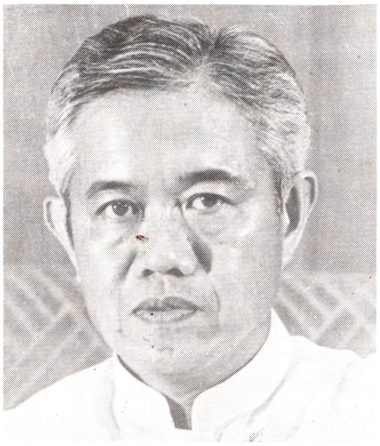


Economic stabilization was the major goal of the National Government in 1984. During the past year, the National Government geared all its policy tools toward the two-fold objectives of dampening inflationary pressures and strengthening the country's balance-of-payments position. Thus, as of yearend 1984 inflation had declined to 50.8 percent from 63.8 percent in October 1984. A balance-of-payments surplus of $258 million was recorded in 1984 compared with the previous year's deficit amounting to $2,068 million.

However, economic stability was achieved at the expense of economic growth. Industrial activity slowed down as higher interest rates and import costs adversely affected the financial viability of the less efficient firms. Unfortunately, the primary sector which was supposed to offset the decline in the manufacturing sector suffered serious reversals arising from the spate of natural calamities that befell the country's major food-producing areas and the continuous slump of international demand for most of the country's major traditional exports.

This economic scenario dented the country's public resource mobilization efforts. However, timely fiscal and financial reforms adopted by the Ministry succeeded in overcoming what would have been a steep cutback on government financial resources. During the year, National Government revenues rose from ₱46.6 billion last year to ₱57.6 billion, a 23.6 percent increase. Tax revenues accounted for 88.1 percent of total revenues while the rest was generated from non-tax revenues which include income, fees and charges collected by other offices, grants, and contributions.

The National Government supplemented revenues with borrowing from both domestic and foreign sources. During the year, it raised ₱17.1 billion from borrowings, higher than the previous year's level by 55.3 percent. Approximately 89.9 percent of borrowings were obtained from domestic sources while the rest came from external sources. The incremental increase in borrowings from external sources was mainly due to the availment by the National Government of credit facilities on behalf of the private sector which has been affected adversely by the scarcity of foreign exchange.

The operating bureaus and agencies of the Ministry contributed to the attainment of public resource mobilization targets. The Bureau of Internal Revenue (BIR) and the Bureau of Customs (BC) collected 55.3 percent and 29.6 percent, respectively of total revenues. Through its intelligence activities, the Finance Ministry Intelligence Bureau (FMIB) boosted total collections by ₱1.9 billion, 3.3 percent of total revenues. Meanwhile the Bureau of the Treasury ensured that the funds remitted to the National Government coffers are managed properly and utilized optimally.

The other operating arms of the Ministry likewise assisted in enhancing more intensive resource mobilization. The Office of Local Government Finance adopted policies to improve the self-financing capacity of local governments. The Securities and Exchange Commission (SEC) ensured the orderly operation of domestic securities markets. The Insurance Commission (IC) fostered public confidence in the insurance industry.

In 1985, as the successes in economic stabilization will become more profound, economic recovery will enable the National Government to loosen some of the tight financial constraints that have led to the slowdown of investments and other activities in the public sector. Rigorous fiscal and financial discipline will, however, remain the guiding factor in the Ministry's operations as the economy seeks to strengthen its foundations vis-a-vis the unpredictable vicissitudes of external economic conditions.

CESAR VIRATA
Prime Minister and Minister of Finance

I. REVENUE PERFORMANCE

For Calendar Year 1984 total revenues amounted to ₱57.6 billion as compared with the previous year's level of ₱46.6 billion. The 23.6 percent growth rate in 1984 exceeded the 22.1 percent growth rate registered in 1983. This was achieved despite the steep decline in economic growth – a major factor accounting for the reduction of revenue potential.

Tax revenues in 1984 constituted 88.1 percent of total revenues, as compared with 84.9 percent in 1983. Total tax collections registered for the year amounted to ₱50.7 billion, signifying a 28.2 percent increase over the previous year's level of ₱39.6 billion. The growth rate in tax revenues was higher than the previous year's growth rate of 17.2 percent. The major sources of tax revenues for the year were import duties, income taxes, excise taxes, license and business taxes, and import taxes.

Non-tax revenues of ₱6.9 billion in 1984 underwent a slight decline from the 1983 level of ₱7.0 billion, after the previous year's hefty 59.7 percent increase. The decline was due primarily to the more efficient utilization of loans which resulted in reduced interest earnings on temporarily invested loan proceeds. Non-tax revenues which accounted for 11.9 percent of total revenues are generally derived from interest income, fees and charges collected by other offices, grants and contributions, as well as shares in profits of government corporations.

A. Tax Revenues: Summary

Taxes on net income and profits derived from both corporations and individuals amounted to ₱13.1 billion in 1984, up by 49.2 percent from the ₱8.8 billion level registered in 1983. Taxes derived from corporate income increased by 19.7 percent. The overall increase in income and profits tax collections is attributed to the sustained tax information campaigns to encourage voluntary tax compliance and the collection of tax on inventory gains.

Taxes on domestic goods and services, which consist of excise taxes as well as license and business taxes, amounted to ₱18.8 billion, exhibiting a 44.3 percent growth rate from the previous year's level of ₱13.0 billion. This is due primarily to the upward adjustments in the tax rates on alcoholic beverages and petroleum products. Despite depressed business conditions, collections from license and business taxes increased by 30.8 percent over the previous year after growing by 0.1 percent in 1983.

Taxes on property (comprised of the real property tax, estate and donor's tax) amounted to ₱2622 million, decreasing by 5.1 percent from the previous year's level of ₱276 million. Real property taxes which constituted 58.4 percent of revenues derived from property taxes, decreased by 12.1 percent from the 1983 level of ₱174 million. Estate and donor's tax collections dropped from ₱98 million to nil. On the other hand, property collections surged from ₱4 million to ₱109 million. The decline in government receipts from property taxes was due to the natural calamities that struck various parts of the country and destroyed billions of pesos' worth of property thus eroding substantially the country's real property tax base.

Taxes on international trade and transactions amounted to ₱17.6 billion, up by 9.1 percent from the previous year's level of ₱16.2 billion. Import duty and tax collections declined slightly as stabilization policies succeeded in restraining imports to levels that are supportable by foreign exchange earnings. On the other hand, taxes on exports recovered from their three-year slump, increasing from ₱263 million in 1983 to ₱1.7 billion in 1984. This is primarily due to the recovery of coconut prices in international markets and the collection of taxes from some fast-growing non-traditional unmanufactured exports.

On the whole, however, recession dented public resource mobilization as tax revenues increased slowly compared with GNP at current prices. The tax revenue-GNP ratio declined from 10.5 percent in 1983 to 9.4 percent in 1984, a reversal from the increase recorded in 1983.

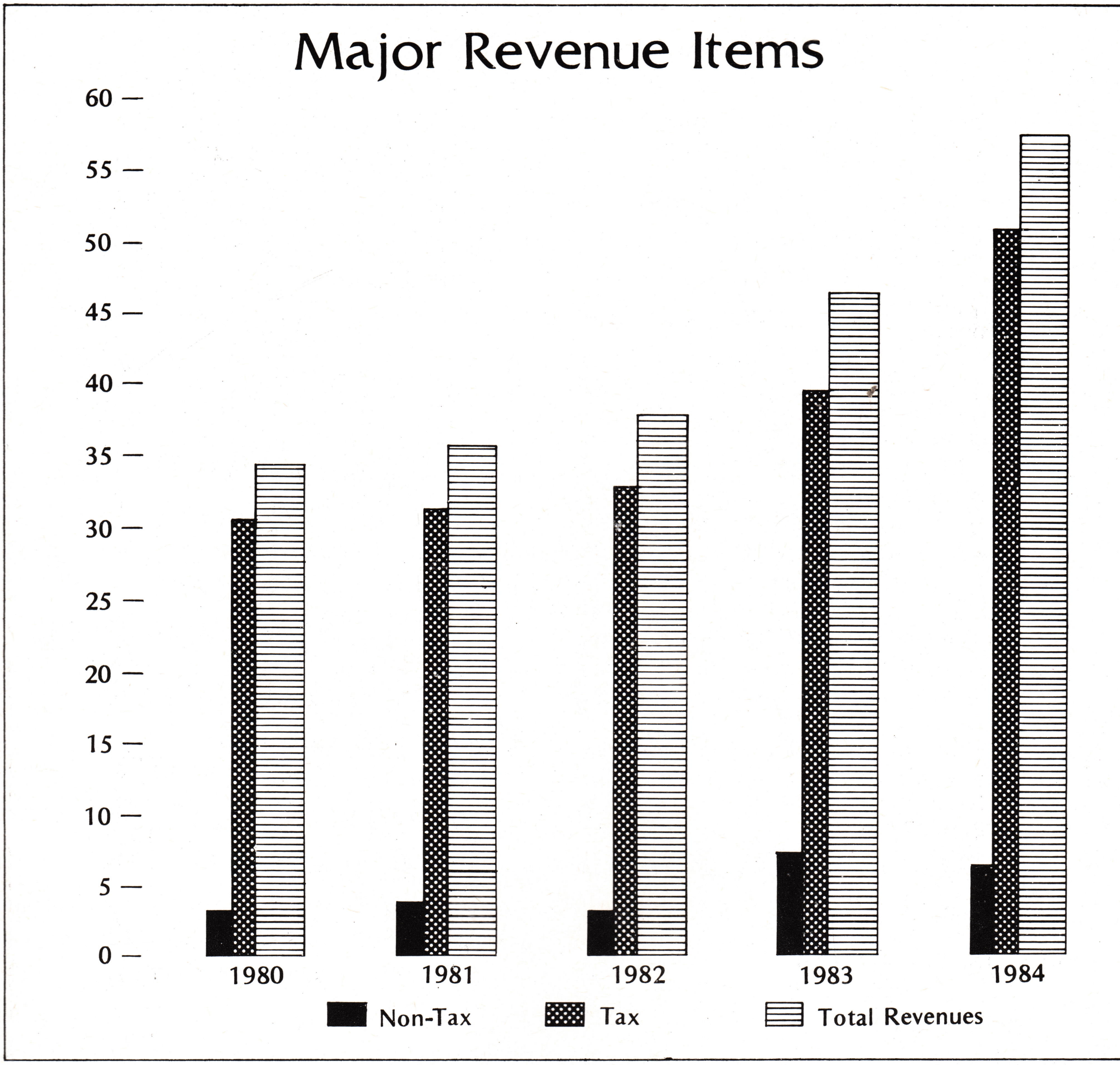
B. Collection Performance

During the year under review, continuous efforts were directed towards procedural, management, as well as organization improvements to effect more efficient tax administration and collection. Hence, of the ₱50.7 billion tax collection of the National Government, an estimated 96 percent was collected by the Ministry through the joint efforts of its major collection arms – the Bureau of Internal Revenue (BIR), and the Bureau of Customs (BC). The Finance Ministry Intelligence Bureau (FMIB) likewise made significant contributions vis-a-vis its intelligence network relative to economically subversive activities. The remaining tax collections (i.e., special oil impost which forms part of total excise taxes; tax on motor vehicle registration which forms part of license and business taxes; real property tax which forms part of taxes on property; fire code tax; Metro flood control tax) accrued to other offices.

NATIONAL GOVERNMENT REVENUES
(In Million Pesos)

	1983	1984
TAX REVENUES	39,598	50,751
Taxes on Net Income and Profits	8,786	13,109
Company	4,831	5,781
Individual	3,772	4,286
Taxes on Commercial Papers	41	167
Inventory Gains Tax	-	2,131
Others	142	744
Taxes on Property	276	262
Property Transfer Tax	4	109
Real Property Tax	174	153
Estate and Donor's Tax	98	—
Taxes on Domestic Goods and Services	13,023	18,795
Excise Taxes	7,394	11,432
License and Business Taxes	5,629	7,363
Taxes on International Trade and Transactions	16,161	17,632
Import Duties	11,592	11,457
Import Taxes	4,060	3,715
Export Taxes	263	1,737
Others	246	723
Other Taxes	1,352	953
NON-TAX REVENUES	7,043	6,887
Interest Income	1,160	1,438
Collections from Other Offices	4,034	4,390
Grants	316	311
Shares in Profits of Government Corporation	—	20
Other Earnings	1,533	728
TOTAL REVENUES	46,641	57,638

SOURCE: Bureau of the Treasury



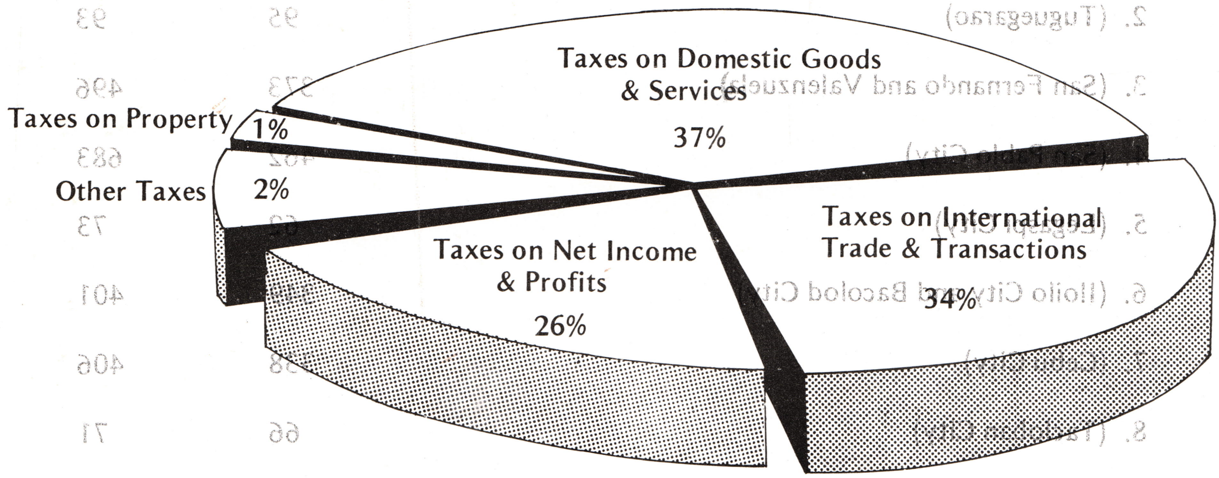
1. Internal Revenue Collections

Gross collections of the Bureau of Internal Revenue (BIR) were estimated at ₱32.9 billion, 45.3 percent higher than the previous year's level of ₱22.6 billion.

By major category, taxes on domestic goods and services, which constituted over a half of BIR collections, contributed a large bulk of the increase by posting a 43.2 percent growth over the previous year's level. The performance of individual taxes under this category was mixed. The most impressive growth levels were exhibited by taxes whose rates were adjusted upward. These included excise tax on fuels and oils which grew by 69.8 percent, franchise tax (61.1 percent); excise tax on alcoholic products (60.8 percent); tax on financial institutions (60.7 percent); and tax on insurance premiums (55.6 percent).

Due to the economic slowdown and the continued weak demand for most of the country's primary exports, steep decreases were recorded for certain taxes. These included forest charges (21.6 percent), energy tax (20.2 percent), and mining taxes (8.2 percent).

Percentage Distribution of Taxes By Source CY 1984



BIR collections from taxes on net income and profits continued to account for over a third of internal revenue collections. Despite the continued slowdown of domestic demand which squeezed the profits of many enterprises and reduced the revenue potential from this source, taxes on net income and profits underwent an unprecedented rise (54.0 percent). This is due primarily to the collection of the inventory gains tax, the improved implementation and monitoring of the withholding tax system, and new tax measures. The most impressive increases were exhibited by collections from bank deposits (529.1 percent), tax on commercial papers (273.9 percent), corporate income tax (70.5 percent) and stock transactions tax (51.0 percent). The growth of individual income tax collections slowed down to 14.8 percent as amnesty tax declined by 91.5 percent and capital gains tax by 56.9 percent.

Other taxes, which constituted 4.9 percent of total BIR collections in 1984 showed positive growth for all types of tax. The tax on firearms, travel tax, and tobacco inspection fee showed the way with increases of 183.3 percent, 79.5 percent, and 77.7 percent, respectively. Communications tax and foreign exchange taxes, both new tax measures grossed ₱63.7 million and ₱375.6 million, respectively.

Regional collections provided ₱21.5 million, approximately 67 percent of total internal revenues. Of total collections from regional sources, the National Capital Region (Manila and Quezon City) and Region 4 (San Pablo City) accounted for 84.2 percent and 3.2 percent, respectively. The rest of the regions accounted for less than 3 percent each. The most impressive collection performance was exhibited by Region I (Baguio City), 2 (San Pablo City) and National Capital Region (Manila and Quezon City) whose collections grew by 51.1 percent, 47.8 percent and 37.9 percent, respectively.

The BIR effected noteworthy management and administrative improvements which contributed to the increased efficiency in revenue collection. The most significant improvements are as follows:

a) Strengthening of Business Tax Enforcement and Administration — The BIR launched an immediate field investigation of all Business tax returns for 1983 and uninvestigated returns in prior years. It created a special task force to monitor the

REGIONAL INTERNAL REVENUE COLLECTIONS[1/]
(In Million Pesos)

REGION (STATION/S)	1983	1984[P/]
National Capital Region (Manila and Quezon City)	13,148	18.127
1. (Baguio City)	231	349
2. (Tuguegarao)	95	93
3. (San Fernando and Valenzuela)	373	496
4. (San Pablo City)	462	683
5. (Legaspi City)	62	73
6. (Iloilo City and Bacolod City)	349	401
7. (Cebu City)	338	406
8. (Tacloban City)	66	71
9. (Zamboanga City)	93	101
10. (Cagayan de Oro City and Butuan City)	334	437
11. (Cotabato City and Davao City)	227	289
TOTAL	15,778	21,526

[1/] *Excluding specific taxes which are all credited to the national office*

[P/] *Preliminary*

SOURCE: Bureau of Internal Revenue

results of this activity during an interim period from 1 November 1984 to 31 January 1985. Thereafter, the results of such activity will be reported by regional investigating units and the Audit Divisions in the Central Office to the National Assessment Office and the Sector Operations Office, respectively. In addition, BIR Offices conducted a census of business operating in their areas to update their masterfile of business establishments.

b) Stricter Supervision on the Reporting and Remittance of BIR Collection through the Banking System – On 1 July 1984, Executive Order No. 937 took effect vesting the BIR the responsibility to enforce the collection of national internal taxes through the banking system. The BIR instituted a revised accreditation system for authorized agent banks to accept tax payments. Collecting banks execute individual agreements with the BIR prescribing the terms and conditions under which banks act as collecting agents. The revised system provides for stiffer sanctions on non-reporting, delayed reporting and remittance, and non-remittance of tax payments.

c) Improved Criteria for Assigning Tax Return for Sectoral Audit — To improve the delineation of primary and functional audit jurisdiction of the Audit Divisions in the National Office in the investigation of tax cases, the BIR sectoralized assignments and scrapped individual taxpayer designations to particular offices. The primary criteria used in delineating jurisdiction among Divisions was the NEDA Industry Classification Guide. When the NEDA Guide proved inadequate, the BIR resorted to the "predominant scheme of industry factor" and the "final product factor".

d) Restructuring of the BIR Organization — The BIR reorganized various offices to enhance efficient implementation of tax laws. Under the Specific Tax Office, Six Specific Tax Area Teams replaced the 14 Specific Tax Branches in the Regional Offices. Three additional Revenue District Offices were created under Revenue Region 4-B (Quezon City). The Internal Central Unit formerly under the Accounting Division was transferred to the Financial Management Service to improve the cash management system.

e) Computerization Program — The BIR launched Phase II of the Pilot Test on the Computerization of the Tellering Function at the National Office Collection Station. This phase consisted of the installation of six electronic cash register machines.

f) Modified Inventory Valuation — To ascertain the taxable income of taxpayers, the BIR issued regulations prescribing modifications of inventory valuation. Manufacturing entities using the last-in, first-out method were required to adopt the moving average method.

2. Customs Collections

Total collections of the Bureau of Customs (BC) were estimated at ₱19.6 billion, 12.9 percent higher than the previous year's. This year's collection likewise exceeded the ₱19.0 billion revised budgetary target assigned to the Bureau for the year.

Import duties and taxes accounted for 83.3 percent of BC's collections and amounted to ₱17.9 billion in 1984; 11.9 percent over the 1983 collection of ₱16.0 billion. The impressive growth in collections from imports was achieved despite the 31.0 percent decline in import volume arising from foreign exchange restraints and the increasing cost of imports in turn brought about by the depreciation of the peso vis-a-vis the currencies of the country's major trading partners.

Meanwhile, export taxes underwent a swift recovery as their share to total BC collections increased from 1.6 percent in 1983 to 8.5 percent in 1984. This was due mainly to the price boom experienced by coconut exports and the 50.3 percent depreciation of the peso vis-a-vis the US dollar which boosted the peso proceeds of export earnings. However, most traditional products on which export taxes are imposed continued to suffer from the effects of the prolonged economic crisis. Non-dutiable exports continued to account for an increasing bulk of exportation.

The National Capital Region (Manila and MIA) accounted for ₱13.0 billion of total cash and non-cash collections. Region IV (Batangas) follows with ₱4.6 billion. The most impressive collection growth was attained by Regions 9 (Zamboanga City), 5 (Legaspi City) 11 (Davao City) and 1 (San Fernando) whose collections expanded by 537.5 percent, 300 percent, 196.1 percent, and 141.9 percent, respectively. The BC also effected reforms to streamline Customs procedures. Among the most noteworthy are as follows:

a) C.M.O. No. 3-84 which strengthened management control and improved the reconciliation of the Orders of Payment and Authorized Agent Banks issued Customs Official Receipts;
b) C.M.O. No. 6-84 which set forth the procedures in the clearance of importations of materials by small-scale industries for re-export at ports of entry outside Metro Manila;
c) C.M.O. No. 9-84 which prescribed procedures to process shipments covered by Central Bank alerts;
d) C.M.O. No. 11-84 which implemented the Revised Coasting Manifest;
e) C.M.O. No. 32-84 which specified procedures in the processing of entries under tentative liquidation; and
f) C.M.O. No. 45-84 which implemented procedures on the withdrawal of shut-out cargoes from the customs zone.

REGIONAL CUSTOMS COLLECTIONS[1/]
(In Million Pesos)

REGION (STATION/S)	1983	1984[P/]
National Capital Region (Manila and MIA)	12,623	12,992
1. (San Fernando)	74	179
4. (Batangas)	3,432	4,551
5. (Legaspi City)	4	16
6. (Iloilo City)	136	139
7. (Cebu City)	344	345
8. (Tacloban)	33	28
9. (Zamboanga)	24	153
10. (Cagayan de Oro City and Surigao City)	492	701
11. (Davao City)	153	453
TOTAL	17,315	19,557

P/ Preliminary

1/ Excluding unbooked payment compliance certificate, tax credit applications and deferred payments

SOURCE: Bureau of Customs

C. Tax Legislations

1. Tax Measures

To generate the desired level of revenues, taxes on inadequately-taxed industries were effectively increased. Likewise, tax adjustments were undertaken to discourage the consumption of certain goods, reduce outflows of foreign exchange, and mop up excess liquidity in the economy.

Among the revenue-generating legislative enactments during the year were Presidential Decrees No. 1917, No. 1933 and No. 1959 increasing the rates of specific taxes on petroleum products, domestic coal and coke, liquors and other products; Presidential Decree No. 1932 increasing the tariff rate on corn, coal, and coke; Executive Order No. 960 increasing the ad valorem tax and specific tax on cigarettes, Executive Orders No. 946 and No. 955 increasing the import surcharge; and Presidential Decree No. 1929 imposing a gradually declining stabilization tax on exports which was later replaced by a 1 percent tax on all foreign exchange transactions. Likewise, Presidential Decree No. 1959 increased the rates of various taxes including percentage tax on services, and documentary stamp tax rates.

2. Tax Incentives

Tax incentives were continuously improved to foster priority sectors and assist industries affected adversely by worldwide slump in market demand.

In 1984, LOI No. 1416 suspended the payment of all taxes, duties, fees, imposts and other charges whether direct or indirect, due and payable by copper mining companies. Likewise, export taxes on most traditional products remained suspended.

To curb the proliferation of tax incentives which has distorted efficiency in resource allocation and propped by some inefficient sectors of the economy, several tax incentives were withdrawn. Presidential Decree No. 1931 abolished the tax and duty-free privileges of government corporations and allowed the exercise of such privileges to a minimum number of government corporations involved in the most crucial activities. Presidential Decree No. 1995 also withdraw the tax and duty-free privileges of all private entities/persons except those granted to BOI-registered industries, firms located in export processing zones, copper mines, and those covered by international agreements and the non-impairment clause of the Constitution.

3. Other Legislative Enactments

Efforts were continuously geared toward infusing greater equity, fostering uniform tax treatment, and rationalizing the protective structure of the tax system.

To mitigate the impact on the lower income groups of the measures adopted by the Ministry to avert the continuous erosion by inflation of the tax base, public utility vehicles were not affected by the increase in motor vehicle fees under Presidential Decree No. 1958. To foster uniform tax treatment, a flat 10 percent tax on interest income was imposed under Presidential Decree No. 1959.

To rationalize the structure of protection of the indirect tax system, Executive Order No. 947 realigned specific tax rates on imported and domestic alcohol products and Executive Order No. 959 equalized the percentage tax on locally produced and imported oil. The fourth consecutive year of tariff reductions under the Tariff Restructuring Program was also implemented during the year. Furthermore, a uniform rate of import surcharge was adopted to avert the negative impact of extremely disparate protection rates on resource allocation. The provision of an adequate level of protection to nascent priority industries which have been discouraged by low effective protection rates was the object of Presidential Decree No. 1932 increasing the tariff rate on imports of maize, coal, anthracite, and coke.

D. Tax Treaties

Negotiations of tax treaties with other countries were continuously pursued to boost further the entry of foreign investments and redirect them into priority areas, as well as to prevent double taxation and strengthen tax law enforcement.

Hereunder were the developments for 1984:

1. RP-West Germany: Ratified 1984; effective 1 January 1985
2. RP-West Germany: Signed 17 February 1984; pending ratification
3. RP-Korea: Signed 21 February 1984; pending ratification
4. RP-India: Negotiations concluded 30 March 1984; pending signature.

The aforementioned developments brought the number of signed treaties to twenty-two (22), fourteen (14) of which have been ratified. Eleven (11) of the ratified treaties were already effective as of the end of 1984. Pending ratification were the tax treaties with Finland, Italy, Austria, Malaysia, Thailand, East Germany, Korea, and Brazil. Five (5) tax treaties were pending signature, namely those with Sweden, Romania Sri Lanka, India and Norway. Meanwhile, five (5) treaties were still under negotiation, namely those with Netherlands, Spain, Switzerland, Mexico and Nigeria.

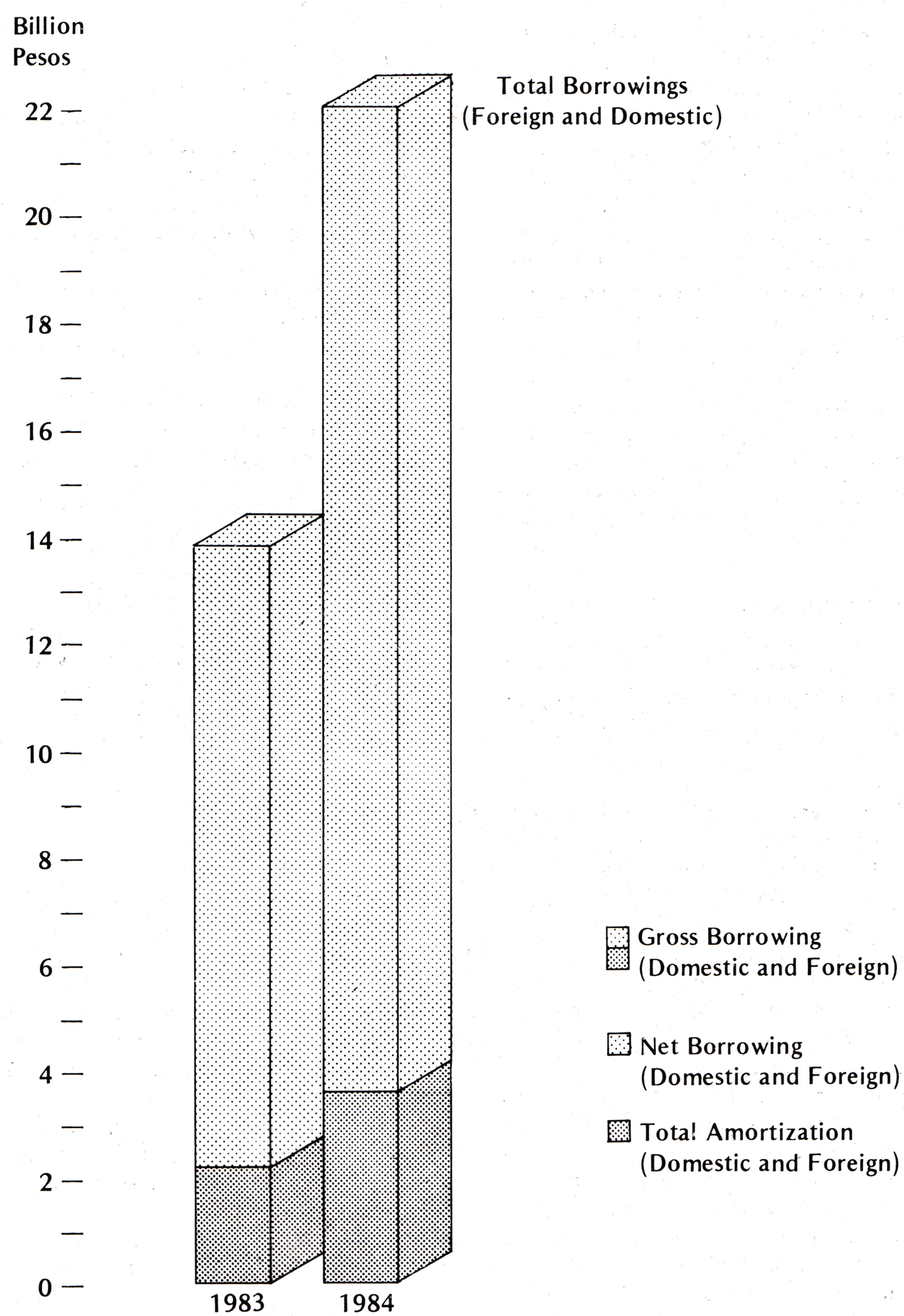
II. BORROWING PERFORMANCE

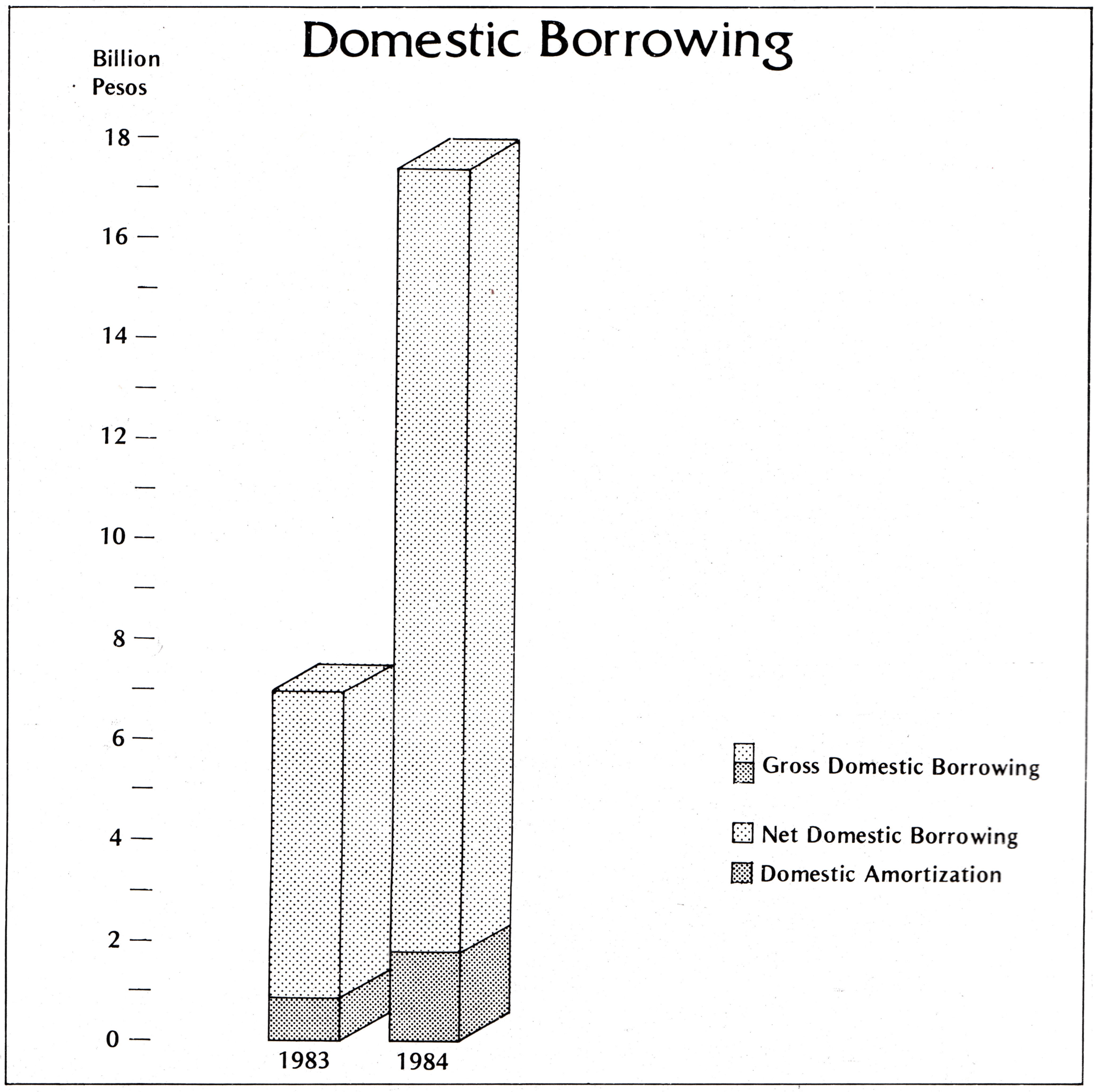
Due to the increased cost of foreign borrowing and the need to scale down foreign exchange outflows, the Government slowed down on borrowings from external sources. However, the slowdown was tempered by the need for foreign exchange to finance the import requirements of ongoing development projects and alleviate the scarcity of foreign exchange for vital imports of the private sector. Gross foreign borrowing thus declined from ₱6.7 billion in 1983 to ₱4.6 billion in 1984.

On the other hand, the need to mop up excess liquidity from the economy and dampen inflationary measures boosted gross domestic borrowing almost three-fold, from ₱6.6 billion in 1983 to ₱17.1 billion in 1984. Thus, total gross borrowing expanded by 63.9 percent during the year – from ₱13.3 billion in 1983 to ₱21.8 billion in 1984.

Total debt amortization reached ₱4.7 billion in 1984, accounting for 21.4 percent of gross borrowings. The rest

Comparative Borrowing Performance CY 1983 and CY 1984





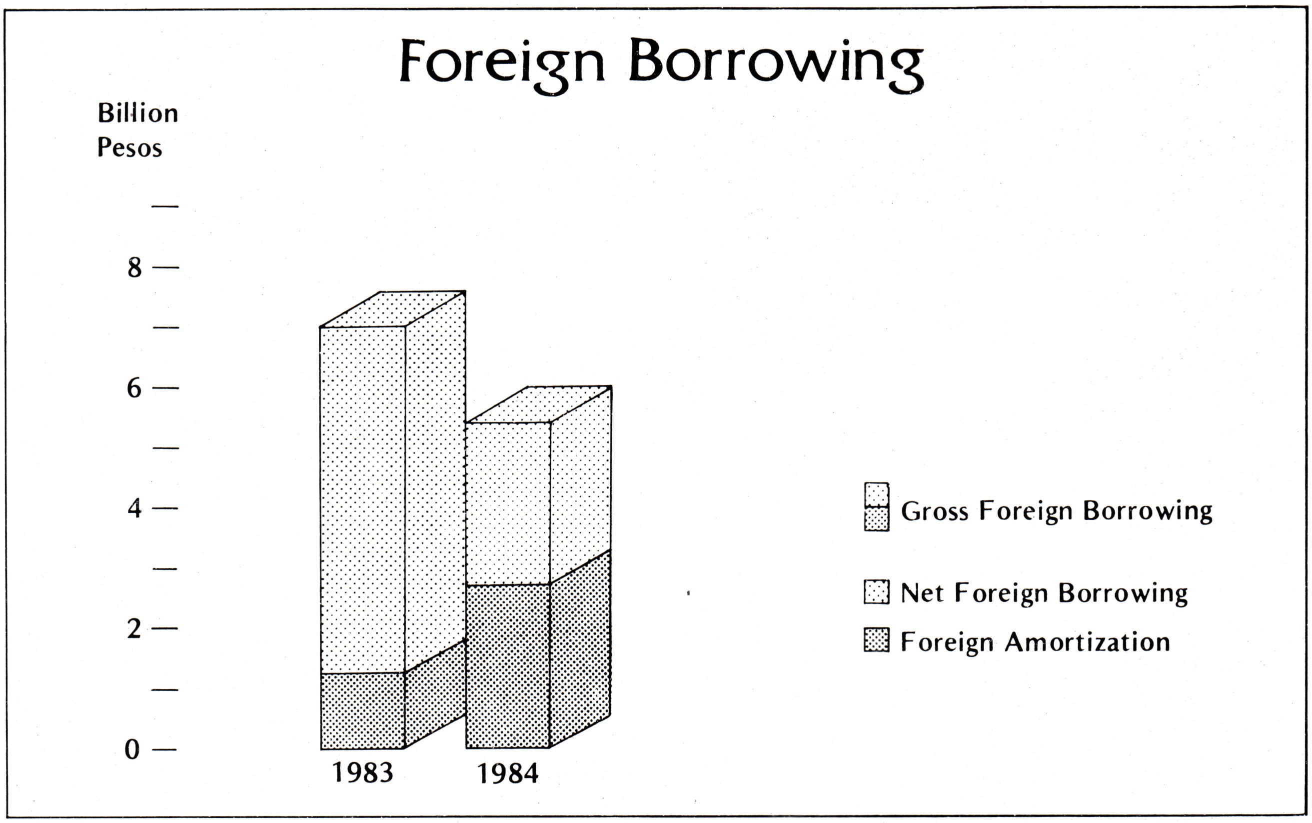
of the proceeds of loans were used to finance the ₱8.7 billion budgetary deficit and boost the Treasury's cash balance.

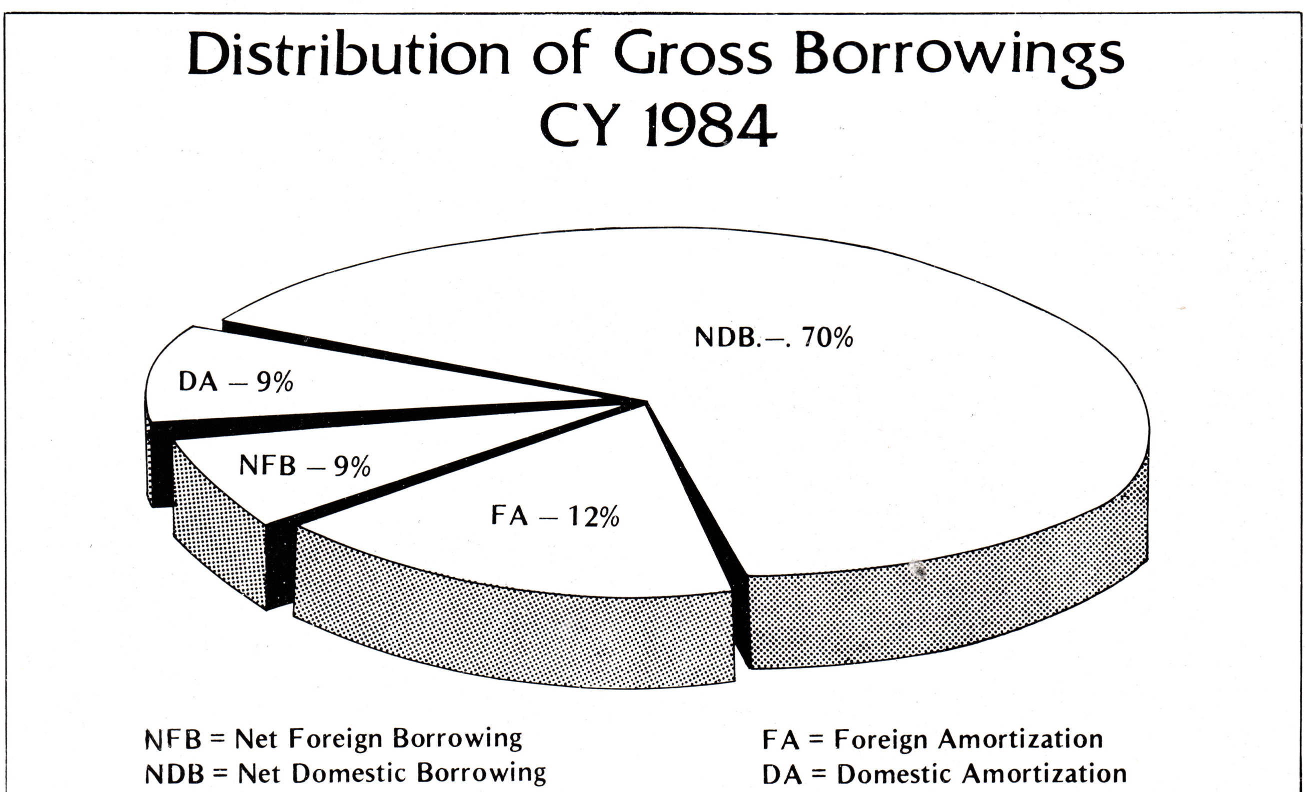
A. Domestic Borrowings

The gross domestic borrowings of the National *Government increased to ₱17.1 billion in 1984, higher* than the 1983 level by 161.6 percent. The stepped-up borrowing from domestic sources was engendered by the objective of reducing aggregate liquidity in support of the government's counter-inflationary policies.

A large bulk of domestic borrowings were generated through the flotation of securities. Of the ₱14.0 billion worth of domestic securities floated in 1984, 63.8 percent remained outstanding as of yearend.

Reflecting uncertainties in the economy, investors shifted preference from long-term to shorter-term financial assets. *To maintain competitiveness vis-a-vis private* sector issues, government securities floated during the year had short maturities and yields reflective of market rates. However, to prevent unfair competition with


Foreign Borrowing
Billion
Pesos
8
6
4
2
0
1983
1984
Gross Foreign Borrowing
Net Foreign Borrowing
Foreign Amortization


Distribution of Gross Borrowings
CY 1984
NDB.—. 70%
DA – 9%
NFB – 9%
FA – 12%
NFB = Net Foreign Borrowing
NDB = Net Domestic Borrowing
FA = Foreign Amortization
DA = Domestic Amortization

GROSS DOMESTIC SECURITIES FLOATED
(In Million Pesos)

	1983	1983 Percent to Total	1984	1984 Percent to Total
Treasury Bills	1,439	36.8	13,232	94.7
Treasury Bonds	5	0.1	555	4.0
Treasury Notes	2,466	63.0	190	1.3
Premyo Savings Bonds	4	0.1	1	–
TOTAL	3,914	100.0	13,978	100.0

SOURCE: Bureau of the Treasury

private sector issues, the tax-free feature of government securities was removed.

In 1984, issues of Treasury Bills which have maturities of 15 days to one year amounted to ₱13.2 billion, up from only ₱1.4 billion in 1983. Their share to total securities floated increased from 36.8 percent in the previous year to 94.7 percent. On the other hand, long-term issues, i.e., Treasury Bond and Treasury Notes, declined from ₱2.5 billion in 1983 to ₱0.7 billion in 1984, thus, reducing their share from 63.1 percent to 5.3 percent of gross domestic securities floated. Issues of Premyo Savings Bonds which have perpetual maturities also declined to ₱1 million from ₱4 million in 1983.

The government tapped both the monetary and non-monetary systems in marketing its securities. In 1984, for instance, holdings of outstanding government securities were almost evenly allotted between the monetary and non-monetary systems. The commercial banks, holding 36.6 percent and Central Bank, 19.8 percent, accounted for the 56.4 percent share held by the monetary system. The remaining 43.6 percent was held by the non-monetary system, the bulk of which were distributed to government financial institutions (14.9 percent), trust funds (9.8 percent), investment houses (9.0 percent), and government non-financial institutions (4.4 percent).

In addition to the flotation of securities, the National Government through the Ministry also extended guarantees to five (5) government corporations amounting to ₱649.4 million during the year. This amount, guaranteed by the National Government as support for the various undertakings of the different corporations, represented a 75.0 percent decline over the previous year's level of ₱2,596.9 million. In both years, the National Home Mortgage Finance Corporation enjoyed the bulk of the guarantees for its Bahayan Mortgage Participation Certificate and Bahayan Certification comprising 27.5 percent and 43.1 percent of total guarantees extended in 1983 and 1984, respectively.

Direct internal debt outstanding of the National Government stood at ₱63.6 billion as of 31 December 1984. Compared with the previous year's level of ₱42.4 billion, which represented a 17.2 percent increase over the preceding year's level, this year's level increased at a faster rate of 49.8 percent over that in 1983.

B. Foreign Borrowings

In 1984 availment of foreign borrowings by the National Government and Government Corporations amounted to ₱9.6 billion, a 15.0 percent decline from

HOLDERS OF GOVERNMENT SECURITIES
(In Million Pesos)

	As of 31 December 1984
Monetary System	35,828.0
Central Bank	12,572.6
Commercial Banks	23,255.4
Non-Monetary System	27,694.6
Government Financial Institutions	9,491.3
Government Non-Financial Institutions	2,826.3
Trust Funds	6,210.9
Thrift Banks	1,853.9
Rural Banks	522.7
Investment Houses	5,723.9
Insurance Companies	401.3
Private Entities	207.1
Individuals	261.4
Bearers	195.8
TOTAL	63,522.6

SOURCE: Bureau of the Treasury

the 1983 level. Of this amount, ₱4.6 billion was incurred by the National Government, down from ₱6.7 billion in 1983.

The National Government maintained its policy of emphasizing borrowing from official development assistance (ODA) sources which carry longer maturities and lower rates. In addition, it focused its efforts on the availment of quick-disbursing loan facilities for ongoing projects and new material requirements of the private sector. In view of the stringent foreign exchange conditions which rendered it difficult for private firms to finance vital imports, the National Government had to obtain loans for import financing facilities for the private sector. Among these were the US Eximbank Supplies Credit Coverage Facility under which the Philippine International Trading Corporation obtained short- and medium-term credits in the amount of US$169 million to finance the purchase of raw materials, industrial commodities, and spare parts from the United States; two commodity loans totalling DM 30 million (US$10 million) from the Kreditanstalt Fur Wiederaufbau to make funding available for imports of

CORPORATE ISSUES GUARANTEED BY THE NATIONAL GOVERNMENT

	1983 Series	1983 Amount (₱M)	1984 Series	1984 Amount (₱M)
Development Bank of the Philippines, Bonds		10.8	—	—
Development Bank of the Philippines, Progress Bonds		0.4	—	—
Development Bank of the Philippines, Countryside Bills		890.4	—	134.2
National Home Mortgage Finance Corp. Bahayan Mortgage Participation Certificates		130.0	—	—
Export National Home Mortgage Finance Corp. Bahayan Certificates	1-4	610.0	5-13	279.9
Public Estates Authority Bonds	4	60.0	5	100.0
Land Bank Bonds		142.8	—	105.3
Land Bank of the Philippines Investors Series Bonds		100.0	—	—
National Food Authority Bonds	4-5	300.0	—	—
National Housing Authority Bonds	3-6	94.5	7	30.0
Light Rail Transit Authority Notes	1-2	285.0	—	—
		₱2,596.9	—	₱649.4

SOURCE: Bureau of the Treasury

TOTAL OUTSTANDING PUBLIC DEBT
(In Million Pesos)

	As of Yearend	
	1983	1984
I. Internal Debt	52,801	73,529
a) Direct[1/]	42,446	63,595
b) Guaranteed	10,355	9,934
II. External Debt	77,509	176,397
a) Direct	48,667	104,195
b) Guaranteed	28,842	72,202
Total Public Debt	130,310	249,926

SOURCE: Bureau of the Treasury

goods from the Federal Republic of Germany; a commodity loan in the amount of ¥35.2 billion from a portion of the 13th OECF Credit Package coursed through the Central Bank; and agricultural input credits from the World Bank and the Asian Development Bank.

Thus, despite the National Government policy to defer the implementation of new projects particularly those that require substantial external borrowing, availments of multilateral and bilateral loans declined only slightly, from ₱8.9 billion in 1983 to ₱8.6 billion in 1984. On the other hand, loans obtained from commercial sources were reduced to a trickle due to the combined impact of high interest rates prevailing in international financial markets which in turn discouraged further borrowing and the reluctance of foreign creditors to expand their exposure to developing countries adversely affected by the international debt crisis. The standstill on amortization payments on commercial loans except trade credits was in effect throughout 1984 as negotiations with the country's creditors continued, expected to result into new money component and debt rescheduling.

During the year, the Ministry of Finance, in behalf of the Government, entered into 23 loan agreements amounting to $1,343.2 million, 18.6 percent higher than the previous year's level. Of this amount, 36.9 percent were directly contracted by the National Government while the rest were borrowing of government corporations guaranteed by the National Government.

Guarantees in the amount of $847.9 million were granted on fifteen (15) loan contracts of different government corporations. Tnis represented a significant increase from the 11 guarantees amounting to $455.2 million extended to government corporations in 1983.

The bulk of loans contracted during the year were commodity loans and credit facilities amounting to $883.0 million and constituting 65.7 percent of total foreign loans contracted. Loans for industrial development power and electrification, and transport development constituted 9.6 percent, 9.4 percent and 8.3 percent, respectively of total loan. The residual was accounted for by loans for general infrastructure and water resources development. The decline of loans contracted by the Ministry for the economic sectors reflects the National Government's thrust to slow down investment expansion and strengthen the country's balance-of-payments position.

As of 31 December 1984, outstanding direct foreign borrowings of the National Government stood at $5.8 billion; in contrast to last year's $5.9 billion. On the other hand, guaranteed external debt outstanding stood at $4.0 billion in 1984, representing a 14.7

AVAILMENTS OF FOREIGN BORROWINGS BY THE NATIONAL GOVERNMENT AND GOVERNMENT CORPORATIONS
(In Million Pesos)

	1983	Percent to Total	1984 P/	Percent to Total
Multilateral Loans	7,268	64.5	6,753	70.5
Bilateral Loans	1,658	14.7	1,838	19.2
Yen Bonds	–	–	–	–
Consolidated Foreign Borrowing Program	702	6.1	–	–
US Dollar-Denominated Treasury Bills	–	–	–	–
Commercial Loans	495	4.4	95	1.0
Supplier's Credit	–	–	–	–
Other Loans	1,148	10.2	895	9.3
TOTAL	11,271	100.0	9,581	100.0

P/ Preliminary

SOURCE: Bureau of the Treasury

percent increase over the $3.5 billion level prevailing in 1983.

III. CASH MANAGEMENT

A. Cash Operations: Summary

The Bureau of the Treasury is tasked with the receipt, safekeeping and disbursement of the cash resources of the National Government.

In 1984, the Bureau recorded total cash inflows of ₱70.1 billion net of rollovers of government securities. Of this amount, 72.8 percent came from budgetary revenues which includes collections by the BIR, the BC and other offices, interest income, grants, contributions and other earnings, and 27.2 percent came from non-budgetary receipts, which includes receipts from the Consumer Price Equalization Fund, trust liabilities, loan proceeds for relending to government corporations, refund of cash advances and overpayments, and securities unloaded.

On the other hand, the Bureau disbursed ₱101.7 billion in 1984 net of rollovers of government securities. Of the total amount, 84.8 percent went to budgetary disbursements which include current operating expenditures and capital outlays, and payment of prior year's accounts, and the rest went to non-budgetary disbursements, which include tax refunds, purchase of securities, relending to government corporations, refund of cash advances and overpayments, payments of trust liabilities, and advances for servicing guaranteed obligations.

DIRECT AND GUARANTEED FIXED TERM FOREIGN LOANS CONTRACTED BY THE NATIONAL GOVERNMENT THROUGH THE MINISTRY OF FINANCE BY PURPOSE

In Million US Dollars

	1983		1984	
	Number	Amount	Number	Amount
Power and Electrification	55	$ 197.5	7	$ 126.5
Direct	—	—	—	—
Guaranteed	5	197.5	7	126.5
Agricultural Development	4	122.7	—	—
Direct	4	122.7	—	—
Guaranteed	—	—	—	—
Transport Development	4	65.4	2	111.8
Direct	1	2.6	2	111.8
Guaranteed	3	62.8	—	—
Water Resources Development	4	175.6	1	27.9
Direct	4	175.6	1	27.9
Guaranteed	—	—	—	—
Industrial Development	3	195.0	4	128.4
Direct	—	—	—	—
Guaranteed	3	195.0	4	128.4
Social Development	—	—	—	—
Direct	—	—	—	—
Guaranteed	—	—	—	—
National Defense	—	—	—	—
Direct	—	—	—	—
Guaranteed	—	—	—	—
Multipurpose	2	329.0	—	—
Direct	2	329.0	—	—
Guaranteed	—	—	—	--
General Infrastructure and Other Development	1	67.0	2	65.6
Direct	1	67.0	2	65.6
Guaranteed	—	—	—	-
Commodity Loan & Credit Facility	—	—	7	883.0
Direct	—	—	3	290.0
Guaranteed	—	—	4	593.0
TOTAL	23	$1,132.4	23	$1,343.2
Direct	12	677.2	8	495.3
Guaranteed	11	455.2	15	847.9

SOURCE: Ministry of Finance

B. Debt Servicing

In 1984, debt service expenditures on National Government loans reached ₱44.1 billion, of which 69.8 percent and 30.2 represented repayments of domestic loans and foreign loans, respectively.

Debt service payments on domestic debt reached ₱30.8 billion of which 99.4 percent represented loans directly contracted by the National Government and the rest were loans of government corporations guaranteed by the National Government. A large bulk of total payments (980.5 percent) accrued to principal repayments.

Of total expenditures on foreign loans, (₱13.3 billion), 58.6 percent represented payments on direct loans, 18.8 percent on loans relent to government corporations, and 22.6 percent on guaranteed loans. Repayments on maturing principal payments constituted 41.4 percent of total debt service payments. The rest represented interest commitment and other charges.

C. Subsidies to Government Corporations

Total subsidies released during the year amounted to ₱430 million, down by 61.1 percent from the previous year's level of ₱1.1 billion. Subsidies benefited 23 government corporations, offices, and instrumentalities.

Government entities involved in social services accounted for 64.0 percent of subsidies extended during the year, up from their 26.8 percent share in the previous year. A large bulk of subsidy allocation went to health-related entities (48.6 percent). Smaller shares were received by entities involved in housing (9.3 percent) and education and culture (5.8 percent).

Economic service-oriented corporations accounted for 31.2 percent of total subsidies. Under this classification, agricultural corporations received the largest share (13.5 percent) to total subsidy thus, supporting the government's shift in emphasis to the agricultural sector. Subsidies allocated to financial corporations also increased, from ₱34 million in 1983 to ₱45 million in 1984. Other recipients were entities involved in industrial development, transportation and construction.

Subsidies granted to public service-oriented entities hardly changed. The drop in the allocation to general research was offset by a significant rise in general services.

D. Equity Contributions

Investments in the equity of government corporations more than doubled, from ₱4.8 billion in 1983 to ₱9.8 billion in 1984 as corporations adversely affected by the slowdown in business activity required new capital infusions to enable them to assist in the national economic recovery effort.

Economic service-oriented corporations accounted for 96.7 percent of total capital infusions during the year, the bulk of which accrued to government financial corporations. Corporations involved in other economic sectors experienced cutbacks in capital infusions. Despite the cutbacks, equity contributions to the transportation and water sectors remained substantial as the implementation of projects already ongoing before 1984 received priority attention.

The share of social service-oriented corporations to total equity contributions declined from 9.0 percent in 1983 to 2.4 percent in 1984, primarily due to the slowdown in the implementation of the housing program. On the other hand, the share of general entities involved in public services increased from ₱8 million in 1983 to ₱81 million in 1984.

E. Budgetary Deficit

The faster increase of expenditures (25.0 percent higher compared to the previous year's level) over revenues (23.6 percent) resulted in a slight increase in the budgetary deficit, from ₱6.4 billion in 1983 to ₱8.7 billion in 1984. As a percent of GNP, however, this represented a decline from 1.7 percent to 1.6 percent.

The budgetary deficit was financed by a net borrowing of ₱17.1 billion, the excess of which was added to existing National Treasury cash balance.

F. Cash Balances

As of 31 December 1984, total cash balances of the National Treasury stood at ₱27.4 billion, 51.6 percent higher than the previous year's level of ₱18.1 billion. This is due to the combined effects of an increase in inflows from non-budgetary transactions and the increase in borrowings (domestic and foreign). This year's cash balances are expected to cover approximately 33 percent of expected expenditures for 1985.

The bulk of cash balances (96.7 percent) was deposited in banks while the rest was held in the Treasury Vault.

IV. OTHER OPERATIONS

A. Local Government Finance

The Office of Local Government Finance is the Ministry's arm in the formulation and execution of poli-

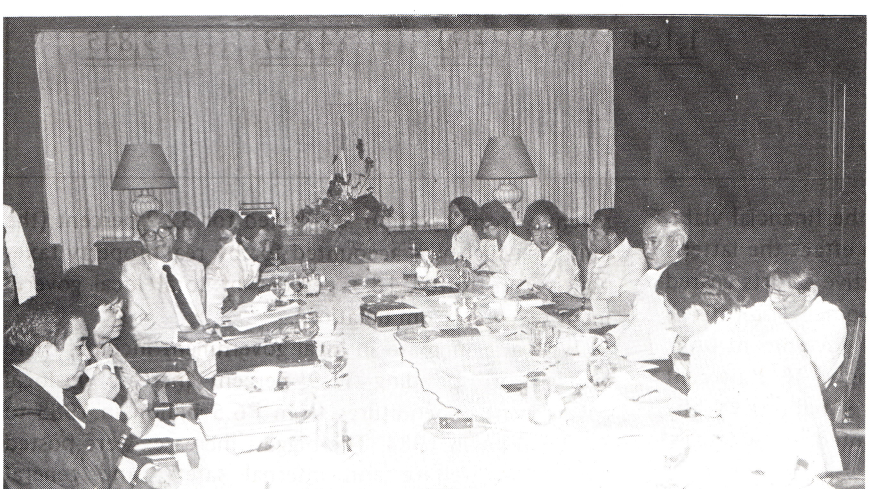
Beating the deadline for the filing of Individual Income Tax Return

Graduates of Employee Development Course conducted by the Training Section

Prime Minister and Minister of Finance Cesar Virata conducts the regular staff meeting with MOF officials

BIR Commissioner Ancheta receives the 65% surcharge on gains on petroleum products from Caltex Phils.

BIR Commissioner Ancheta and Basilio M. Estanislao of the Bankers Association of the Philippines sign an agreement settling a tax case involving commercial banks



Fiscal Incentives Review Board Meeting

NATIONAL GOVERNMENT CONTRIBUTIONS TO GOVERNMENT CORPORATIONS, BY SECTOR
(In Million Pesos)

SECTOR	Subsidies 1983	Subsidies 1984	Equity Contributions 1983	Equity Contributions 1984
Economic Services	268	134	4,395	9,523
Agriculture	195	58	1,142	462
Industry	12	15	756	212
Finance	34	45	249	7,205
Trade	1	*	—	—
Tourism/International Relations	—	—	—	—
Power	—	—	1,197	802
Transportation	8	9	296	446
Water	18	7	433	351
Construction	—	—	322	45
Social Services	296	275	436	241
Education and Culture	23	25	—	—
Health	238	209	—	—
Housing	34	40	436	241
Social Welfare	1	1	—	—
General Public Services	22	21	8	81
General Research	21	11	8	11
General Services	1	10	—	70
Unallocated	581	—	—	—
TOTAL	1,104	430	4,839	9,845

**Less than ₱500,000*

SOURCE: Bureau of Treasury

cies concerning the development of the financial viability of local governments in order to effect the latter's more effective participation in collective efforts geared towards accelerating national development objectives.

In 1984, the total income of local government units amounted to ₱7.5 billion, exhibiting a 10.2 percent increase from the 1983 level of ₱6.8 billion. Of the total income, 57.9 percent was accounted for by locally sourced revenues while 42.1 percent was accounted for by aids and allotments. Of locally sourced revenues, revenue from taxation accounted for 32.2 percent (the bulk of which was accounted for by real property taxes which constituted 18.3 percent of total local government revenues from taxation).

With the increase in local government income, there was a corresponding 11.9 percent increase in local government expenditures from ₱6.5 billion in 1983 to ₱7.2 billion in 1984. The biggest increases were posted by public welfare and internal safety, and general government which increased by 14.0 percent and 13.6

NATIONAL GOVERNMENT CASH OPERATIONS
(In Million Pesos)

	1983	1984
REVENUES	46,641	57,638
Tax	39,598	50,751
Non-Tax	7,043[1/]	6,887
EXPENDITURES	53,063	66,352
Operating	34,522	42,873
Capital	16,148	19,630
Infrastructure	6,945	6,261
Capitalization	5,739	9,844
Other Capital Outlays	3,464	3,525
Net Lending	2,393	3,849
OVERALL SURPLUS (DEFICIT)	(6,422)	(8,714)
NET BORROWING	11,019	17,110
Net Foreign Borrowing	5,437	1,890
Gross Foreign Borrowing	6,705	4,637
Less: Amortization	1,268	2,747
Net Domestic Borrowing	5,582	15,220
Gross Domestic Borrowing	6,551	17,140
Less: Amortization	969	1,920
NET NON-BUDGETARY TRANSACTIONS	(1,959)	925
INCREASE (DECREASE) IN CASH BALANCE	2,638	9,321

[1/] *Includes ₱1,000M – Gain on Exchange Rate*

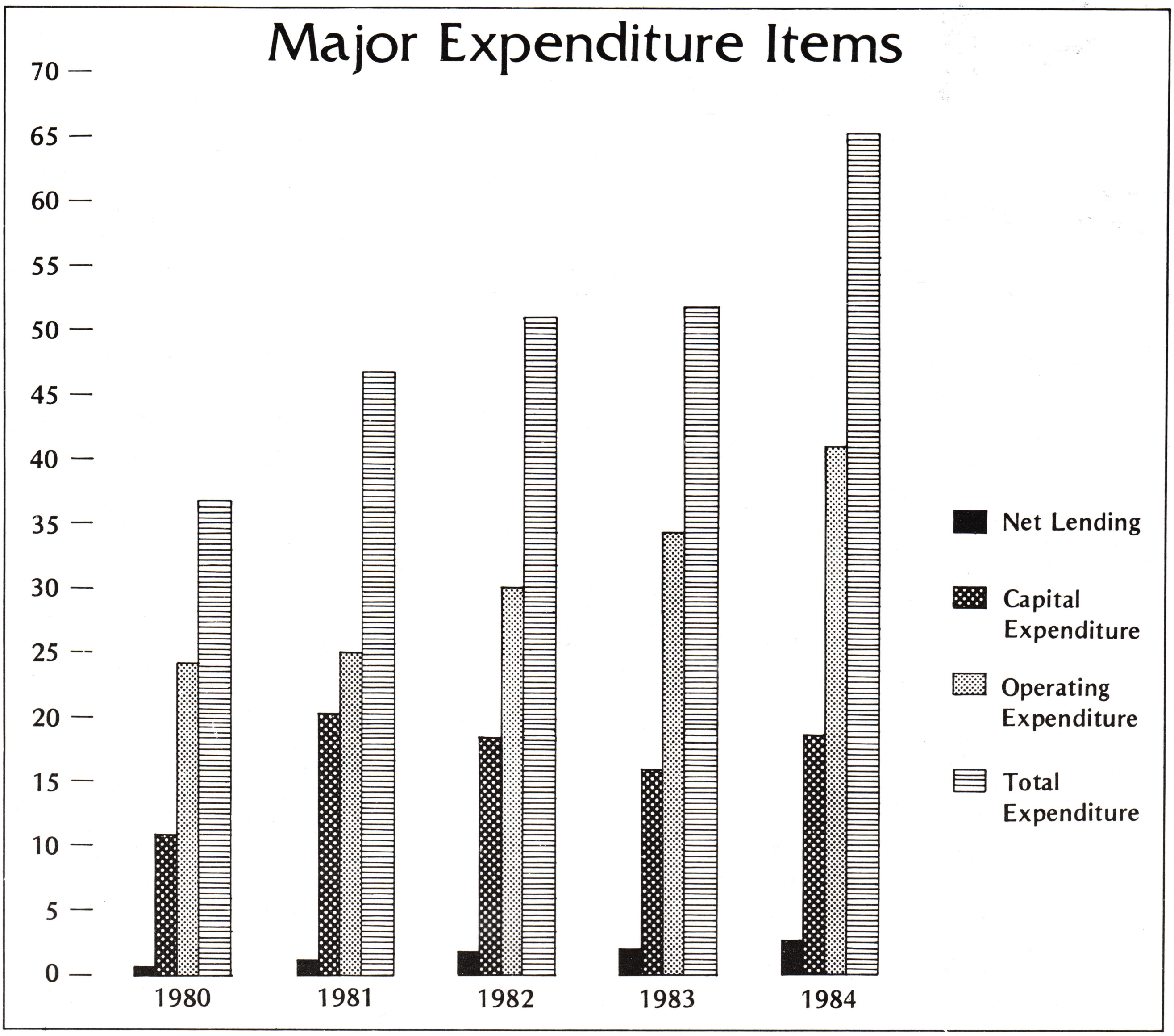
SOURCE: Bureau of the Treasury

percent, respectively over 1983 levels.

The operations of local governments resulted in a net surplus of ₱230 million, a slight decline from the net surplus of ₱314 recorded in 1983.

During the year, the Ministry continued to supervise local treasury offices by undertaking field surveys, analyzing reports on fiscal operations, and reviewing reconciliation accounts submitted by Regional Directors. It coordinated treasury and assessment projects including tax collection systems and tax information and education campaigns. To improve systems effectiveness, it formulated a local treasury field operations manual and installed a cash operations program at the local levels. It formulated guidelines to evaluate local treasury performance and issued regulations and circulars regarding local treasury operations.

The Ministry implemented several components of the Regional Cities Development Project (RCDP). These included the monitoring of municipal financial performance and the establishment of a system of municipal records management. The former component whose project cost amounts to $148,000 was intended to



monitor revenue performance and the implementation of accounting and financial systems of project cities. As of yearend 1984, standardized monitoring systems and procedures were being developed. The latter component which costs \$1.03 million is expected to improve access to, processing and storage of, and security for financial and accounting records to local governments. Proposals for consultancy services which are needed to assist project implementation have been evaluated.

The Ministry continued to undertake follow-up measures and projects to consolidate the gains and improvements attained from the implementation of the Real Property Tax Administration Project. Among these was the nationwide real property tax assessment revision and the tax mapping projects. The assessment revision covered 15 million parcels of land or units of buildings and machines. The tax map covered 100 cities and municipalities.

B. Securities and Exchange

The Securities and Exchange Commission (SEC) exercises absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, which have been granted franchise to operate.

Reflecting the difficult economic conditions that prevailed in 1984, the SEC registered 4,480 newly-formed entities, during the year, down by 19.6 percent from the 1983 level. This raised the number of existing entities to 165,476.

New capital investments of both newly-formed and existing entities reached ₱3,188 million, a decline of

LOCAL GOVERNMENT REVENUES AND EXPENDITURES
(In Million Pesos)

	1983	1984P/
INCOME	6,827	7,520
Local Source	3,943	4,337
Revenue from Taxation	2,191	2,425
Business Taxes	953	1,048
Real Property Taxes	1,238	1,377
Non-Tax Revenue	1,752	1,932
Receipts from Economic Enterprises	564	661
Fees, Charges and Other Receipts	1,188	1,271
Aids and Allotments	2,884	3,163
Internal Revenues and Specific Allotments	2,519	2,775
National Aids	365	388
EXPENDITURES	6,513	7,290
Current Expenditures	5,684	6,362
General Government	1,545	1,755
Public Welfare and Internal Safety	1,238	1,411
Economic Development	1,241	1,327
Other Charges	1,660	1,869
Capital Outlays	829	928

P/*Preliminary*

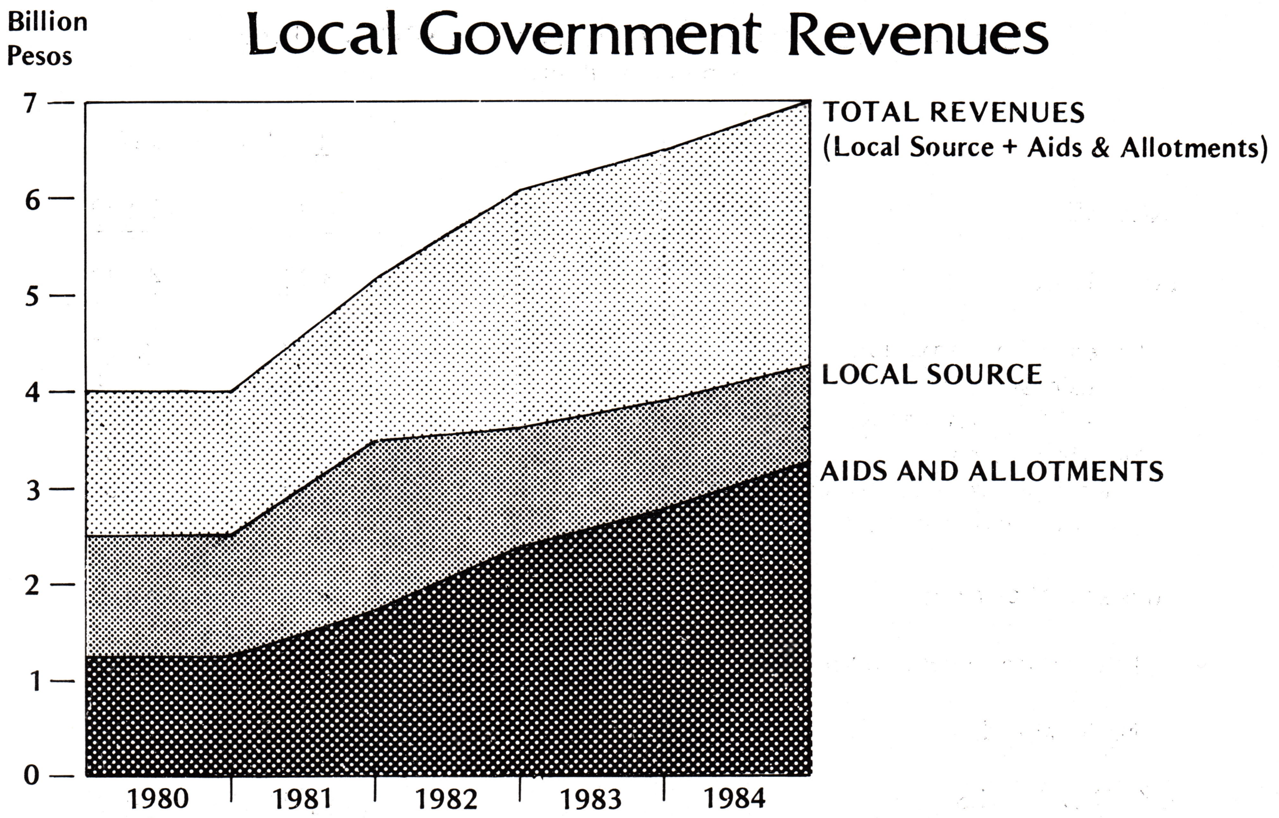
SOURCE: Office of Local Government Finance

33.4 percent from the previous year's level. The investment activities of newly registered and existing corporations dipped by 34.3 percent and 33.0 percent, respectively, during the year.

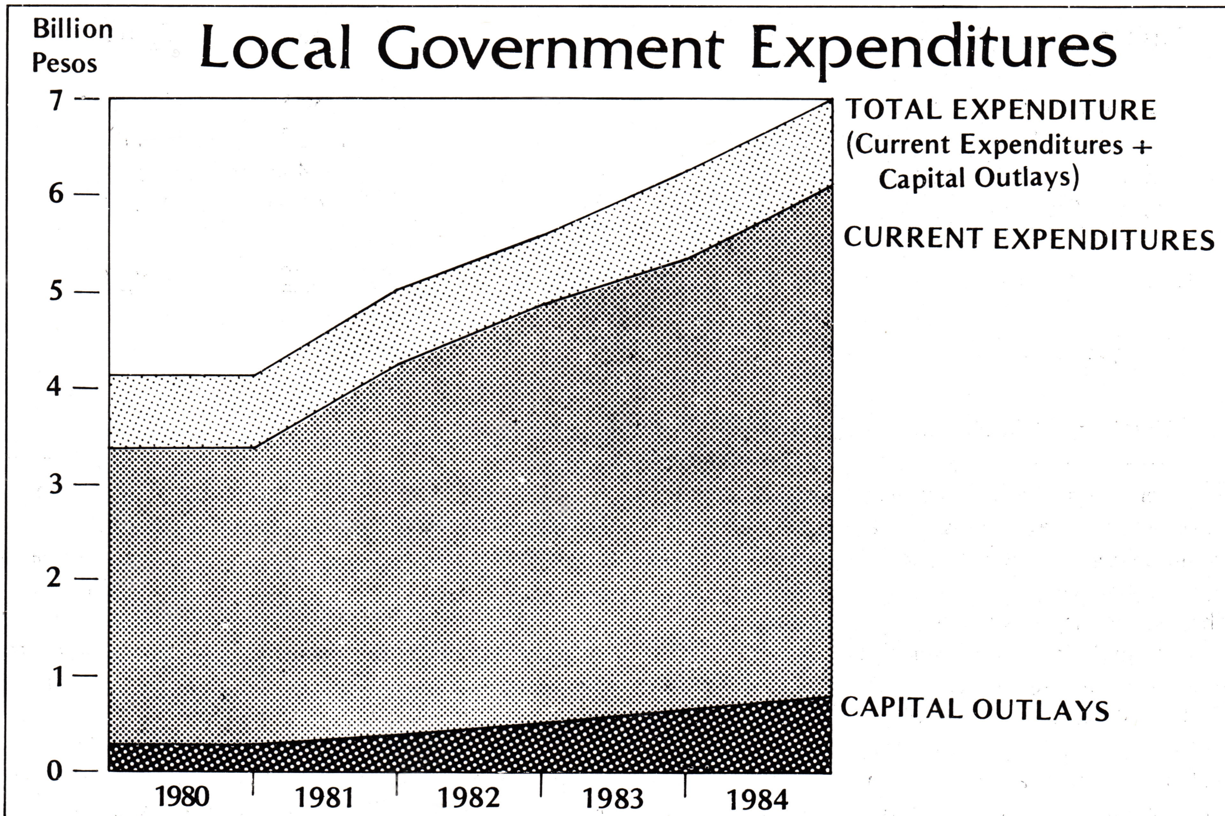
The economic downturn adversely affected the investment undertakings of almost all industries except mining and quarrying; agriculture, fishery and forestry; and wholesale and retail trade. The mining-quarrying industry experienced an almost four-fold expansion of capital investments as existing and newly registered entities prepared for the expected recovery of mineral exports. Likewise, the agriculture, fishery and forestry sector, encouraged by the government's policy shift, recorded a respectable investment expansion primarily due to the 10.2 percent increase in the capital investments of newly registered entities. However, a large bulk of capital investments remained concentrated in the financing insurance, real estate, and business services sector, and the manufacturing industry.

All regions in the country experienced slowdown in investment activity except Region 10 (Northern Mindanao), Region 7 (Central Visayas) and Region 5

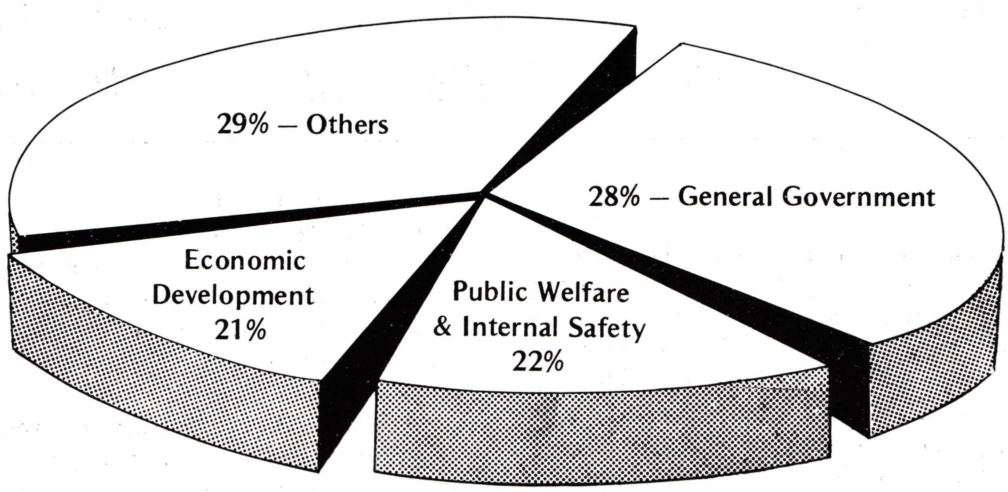
Local Government Revenues



Local Government Expenditures



Distribution of Local Government Current Expenditures CY 1984



(Bicol). Northern Mindanao experienced a significant upturn from the substantial disinvestment experienced in 1983. However, Metro Manila continued to account for the bulk of capital investments — 86.4 percent in 1984, a slight decline from 90.2 percent in 1983.

Of capital investments made in 1984, 11.5 percent was accounted for by foreign investors. Foreign investments recorded a significant recovery, from ₱451.7 million in 1983 to ₱580.8 million in 1984. Most of foreign investments were channeled to the wholesale and retail trade and the manufacturing industry. Japanese investors pumped in the biggest amount of foreign capital (₱10.1 million) dislodging the American investors who invested ₱6.6 million.

Business dissolutions in 1984 totalled 187 entities with paid-up capital of ₱389.8 million. This represented a decline from 207 entities recorded last year. The paid-up capital of firms dissolved during the year was only 2.0 percent of last year's.

In 1984, the SEC approved the issuance by 26 entities of commercial papers valued at ₱3.6 million of which 93.0 are short-term and 7.0 are long-term. It approved the registration by 12 entities of securities amounting to ₱2.8 billion. It authorized the listing by 5 issuers of shares valued at ₱325 million.

In the exercise of its functions, the SEC prepares and implements various rulings to guide the operations of entities under its jurisdiction. In 1984, the SEC implemented the New Rules on the Registration of Long-Term Commercial Papers. The New Rules specified the collateral requirements, the financial ratios, and the debt-equity ratios required of entities issuing such commercial papers. They also set the minimum principal amounts of commercial papers at ₱20,000 to ₱100,000 depending upon the maturity of papers issued.

In support of its objective of encouraging the mobilization of investments through formally organized institutions, the SEC examined financial statements; applications on the registration of securities, consolidations and mergers; applications for increase/decrease of capital stock, incorporation, and dissolution; and applications for the valuation of properties of corporations and other entities. It conducted spot audits of stock brokers, corporations issuing commercial papers, financing companies, and pre-need or pension companies.

NUMBER AND CAPITAL INVESTMENTS OF NEWLY REGISTERED AND EXISTING ENTITIES, 1983-1984

	Number		Investments (In Million Pesos)	
	1983	1984	1983	1984
Newly Registered Entities	5,575	4,480	1,748	1,149
Existing Entities	644	573	1,042	2,039
TOTAL	6,219	5,053	4,790	3,188

C. Insurance Supervision

As of the fiscal year ended 31 December 1984, the Insurance Commission has authorized 130 insurance companies to operate domestically, broken down as follows: 101 direct-writing non-life companies (87 domestic and 14 foreign); a composite direct-writing company; 23 direct-writing life companies (21 domestic and 2 foreign); and 5 professional reinsurers (4 domestic and 1 foreign). It also issued licenses to 11 mutual benefit associations and 26 trusts for charitable uses.

In 1984, the Commission issued 17,579 ordinary insurance agents' licenses (4,933 new licenses and 12,646 renewals), and 934 general agents' licenses (81 new licenses and 853 renewals). It issued licenses to 64 insurance brokers (6 new licenses and 58 renewals), 16 reinsurance brokers (3 new licenses and 13 renewals) and 85 insurance adjusters, 8 new licenses and 77 renewals). The Commission also issued certificates of registration to 351 non-life company underwriters (39 new certificates and 312 renewals) and 53 resident agents representing 180 foreign insurance companies and brokers not authorized to do business in the Philippines. It also granted official accreditation to 36 actuaries.

As of yearend 1984, contributions of insurance companies to the Security Fund which was created to pay for claims against insurance companies remaining unpaid due to insolvency were valued at ₱16.7 million of which 52.8 percent accrued to the Life Account and 47.2 percent to the Non-life Account. The aggregate amount refundable and interest payable to insurance companies reached ₱6.8 million. The Security Fund posted a net income of ₱3.2 million during the year. No disbursements were made under the Fund in 1984.

As of 31 December 1984, deposits of mutual benefit associations in the Guaranty Fund which was established to answer for any valid benefit claims of its members amounted to ₱8.7 million.

In 1984, the Commission examined the financial statements of insurance companies, mutual benefit associations, and trusts for charitable uses. As of yearend 1983, admitted assets and net worth of insurance companies amounted to ₱15.3 billion and ₱4.0 billion, respectively. In 1983, insurance companies recorded a net income of ₱424 million, signifying a 10.7 percent rate of return on net worth.

As of yearend 1983, mutual benefit associations and trusts for charitable uses had net worth valued at ₱261 million and ₱594 million, respectively. In 1983, mutual benefit associations posted a net income of ₱14 million representing a 5.4 percent rate of return on net worth. Meanwhile, trusts for charitable uses recorded a net loss of ₱4 million.

Despite the economic crisis, transactions of insurance companies continued to be brisk. As of yearend 1983, life insurance policies in force which numbered 3.0 million amounted to ₱73.4 billion. Total premiums collected amounted to ₱2.0 billion in 1983. On the other hand, non-life insurance companies wrote net risks amounting to ₱315.1 billion and received net premiums of ₱2.2 billion from 2.5 million policies written during the year.

In 1984, insurance companies invested ₱1.1 billion, down by 23.7 percent over the previous year's level. Of total investments, a large bulk are in the form of government securities (39.3 percent of total), real estate (9.1 percent), stocks (6.6 percent), short-term commercial papers (5.8 percent) and IBRD notes (5.8 percent). Reflecting the downturn of the economy, the investment portfolios of insurance companies shifted to lower-risk assets such as government securities, real estate, and IBRD notes. On the other hand, investments

CAPITAL INVESTMENTS OF NEWLY REGISTERED AND EXISTING ENTITIES BY REGION, 1983-1984
(In Million Pesos)

REGION	TOTAL 1983	TOTAL 1984	Newly Registered Entities 1983	Newly Registered Entities 1984	Existing Entities 1983	Existing Entities 1984
Metro Manila	4,320	2,754	1,532	972	2,788	1,782
1. Ilocos	23	20	18	10	6	70
2. Cagayan Valley	20	6	18	5	1	1
3. Central Luzon	79	48	45	38	34	10
4. Southern Tagalog	185	63	42	42	143	21
5. Bicol	11	14	6	5	6	9
6. Western Visayas	49	40	27	33	22	7
7. Central Visayas	56	66	21	16	34	50
8. Eastern Visayas	4	3	4	3	*	*
9. Western Mindanao	15	6	6	4	9	2
10. Northern Mindanao	(13)	144	7	11	(20)	133
11. Southern Mindanao	34	21	18	8	16	13
12. Eastern Mindanao	7	3	4	2	3	1
TOTAL	4,790	3,188	1,748	1,149	3,042	2,039

**Less than ₱500,000*

SOURCE: Securities and Exchange Commission

in stocks, guaranteed loans, and short-term commercial papers underwent steep declines.

During the year, the Commission issued new regulations to boost the operations of the insurance industry and enhance protection of the insuring public. Among the more noteworthy are as follows:

a) Increase in the minimum paid-up capital — On 17 January 1984, Ministry Order No. 2-84, as amended, was issued requiring an increase in the minimum paid-up capital of domestic insurance companies from ₱5 million to ₱6 million by 30 September 1984, ₱7 million by 30 June 1985, ₱8 million by 30 June 1986, and ₱10 million by 30 June 1987. The minimum paid-up capital previously set at ₱10 million for domestic professional reinsurers was increased to ₱11 million by 30 September 1984, ₱12 million by 30 June 1985, ₱13 million by 30 June 1986, and ₱15 million by 30 June 1987. Foreign insurance companies were likewise required to put up paid-up unimpaired capital or assets and reserves not less than that required of their domestic counterparts.

b) Liberalization of non-medical business — Circular Letter dated 5 April 1984 liberalized the solicitation of non-medical business by insurance companies. It lifted the limitation of the maximum face amount of the policy to ₱400,000 and the requirement that the soliciting agents should have been licensed for at least one year prior to solicitation of non-medical business and should have had a net paid for business of at least ₱100,000. The Circular only requires an insurance company engaged in non-medical business to report to the Insurance Comission its rules governing solicitation of the business including the qualifications required of the agents, the maximum amounts of insurance, and the age limits set for every plan sold on non-medical basis.

c) Creation of the Committee on Facultative Reinsurance Overseas — Circular Letter dated 9 January 1984

CAPITAL INVESTMENTS OF NEWLY REGISTERED AND EXISTING ENTITIES BY INDUSTRY, 1983-1984
(In Million Pesos)

	TOTAL		Newly Registered Entities		Existing Entities	
	1983	1984	1983	1984	1983	1984
Agriculture, Fishery & Forestry	224	229	108	119	116	110
Mining and Quarrying	115	380	14	75	101	305
Manufacturing	991	762	233	219	758	543
Electricity, Gas & Water	9	1	1	*	8	1
Construction	495	158	120	83	375	75
Wholesale & Retail Trade	210	358	215	242	(5)	116
Transportation, Storage & Communication	288	194	86	82	202	112
Financing Insurance, Real Estate & Business Services	2,238	957	898	275	1,340	682
Community, Social and Personal Services	220	149	73	54	147	95
TOTAL	4,790	3,188	1,748	1,149	3,042	2,039

**Less than ₱500,000*

SOURCE: Securities and Exchange Commission

created a Committee composed of representatives from a cross section of the insurance industry in the country, with the National Reinsurance Corporation of the Philippines as clearing house. The Committee was tasked to review all applications for facultative placements with foreign unauthorized companies to determine whether or not the reinsurance of a domestic risk being placed abroad is justified, and thereafter, to recommend to the Insurance Commissioner the approval or rejection of any application taking into consideration the guidelines laid down by the Commission.

d) Revision of rules on brokers' errors and omission policies and the prohibition on cross-ownership — The Commission issued a Circular Letter on 2 April 1984 amending rules on the filing with the Insurance Commission of two errors and omissions policies. The amendment allows a broker, in the event that no insurance company could issue a policy by the limit of liability (equivalent to 100 percent of the broker's insurance-related income for the preceding fiscal year but not lower than ₱500,000) to satisfy deficiencies, to deposit instead an equivalent amount in government securities. The Circular Letter also amended cross-ownership limitations prohibiting a broker, its stockholders and officers from having a controlling interest in an insurance company or vice-versa. Thus, cross-holding of shares is allowed under the Circular Letter provided equity ownership does not constitute controlling interest.

e) Revision of Motor Car Tariff — Due to the drastic change in claims experience because of increased re-

HIGHLIGHTS OF FINANCIAL STATEMENTS OF INSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS AND TRUSTS FOR CHARITABLE USES, 1983
(In Million Pesos)

	As of 31 December 1983			1983
	Admitted Assets	Liabilities	Net Worth	Net Income/ (Net Loss)
Insurance Companies	15,287	11,306	3,865	424
Life Insurance Companies	8,004	6,139	1,865	256
Non-Life Insurance Companies	6,535	4,591	1,944	149
Professional Reinsurers	748	576	172	19
Mutual Benefit Associations	512	251	261	14a/
Trusts for Charitable Uses	739	145	594	(4)

a/Net Receipts before Refund to Members

SOURCE: Insurance Commission

INVESTMENTS OF INSURANCE COMPANIES APPROVED BY THE INSURANCE COMMISSION
(In Million Pesos)

	1983	1984
Government Securities	291	435
Real Estate	61	101
Shares of Stocks	438	73
Short-Term Commercial Papers	261	64
IBRD Notes	—	22
Guaranteed Loans	376	18
Mortgage Loans	5	6
Lease Purchase Agreements	—	2
Long-Term Promissory Notes	17	—
Others	549	386
TOTAL	1,450	1,107

SOURCE: Insurance Commission

SUMMARY OF TRANSACTIONS OF INSURANCE COMPANIES, 1983

	Number of Policies (In thousands)	Net Risks[a/] Written & Renewed (In Million Pesos)	Net Premiums[b/] on Risks Written (In Million Pesos)
Life Insurance	2,978	76,013[c/]	1,991
Fire Insurance	592	139,216	807
Marine Insurance	137	46,771	300
Casualty Insurance	1,619	112,858	963
Suretyship Insurance	136	13,641	102
TOTAL	5,462	388,499	4,163

[a/] Less Risks Cancelled

[b/] Less Return Premiums

[c/] Includes policy amount of direct life insurance companies and net risks written and renewed by professional reinsurers

SOURCE: Insurance Commission

pair costs the Commission granted an increase in loadings, deductibles no claims bonus in the motor car tariff effective 1 July 1984. The increase was equivalent to a 100 percent maximum loading on the basic premium for voluntary motor car insurance coverage.

D. Intelligence Activities

The intelligence efforts of the Ministry, in coordination with the Bureau of Forest Development, the Armed Forces of the Philippines and other law enforcement bodies contributed ₱1.9 billion to the government's coffers — 35.0 percent higher than that of the previous year.

The 1984 collection was realized at a cost of ₱36.0 million, signifying a record high of ₱52.80 return for every peso out of the taxpayer's money.

CY 1984
HIGHLIGHTS OF PERTINENT LEGISLATIONS AFFECTING THE OPERATIONS OF THE MINISTRY, MINISTRY ORDERS, MINISTRY MEMORANDUM CIRCULARS AND MINISTRY CIRCULARS

Legislative Enactments

Thirty-four (34) legislations affecting the Ministry were effected during the year. Of these, eighteen (18) imposed new tax measures to generate additional revenues, six (6) simplified tax administration, five (5) infused greater equity in the tax system and five (5) introduced new tax incentives.

Presidential Decrees

P.D. No. 1917 — Increased the rates of specific taxes on certain petroleum products.

P.D. No. 1928 — Imposed a special excise tax on foreign exchange sold by the Central Bank of the Philippines and its agents based on the peso value of foreign exchange sold and prescribed the penalties for violations hereof and for other purposes, (repealed by P.D. No. 1954).

P.D. No. 1931 — Lifted tax exemption privileges of all government corporations.

P.D. No. 1932 — Increased the tariff duty rates on corn, coal, and coke.

P.D. No. 1933 — Increased the specific tax rate of domestic coal and coke from ₱0.20 to ₱50.00.

P.D. No. 1934 — Rationalized the levies on motor vehicles by revising the rates of the registration fees; imposed a road user's charge on all motor vehicles in lieu of the energy tax imposed on private motor vehicles under P.D. No. 843; and changed the rate structure of the common carrier's tax (amended by P.D. No. 1950).

P.D. No. 1935 — Increased the travel tax by levying the rates in US dollar equivalent (repealed by P.D. No. 1957).

P.D. No. 1937 — Amended Sections 216 and 220-A of the NIRC to increase the value of the merchandise or service rendered where issuance of invoices or receipts is required and modifying the penalties imposed for violations connected with the issuances or printing thereof.

P.D. No. 1950 — Amended P.D. No. 1934, by decreasing the rates on public utility jeepneys, and tricylces (repealed by P.D. No. 1958).

P.D. No. 1951 — Amended P.D. No. 1935, by restoring the tax rates for contract workers as provided under P.D. No. 1183 and P.D. No. 1876.

P.D. No. 1953 — Repealed P.D. No. 1928 which imposes a Special Excise Tax on Foreign Exchange sold by the Central Bank of the Philippines and its agents.

P.D. No. 1954 — Repealed P.D. No. 1929 — Economic Stabilization Tax.

P.D.No. 1955 — Withdrew subject to certain conditions, the duty and tax privileges granted to private business enterprises and/or persons engaged in any economic activity and for other purposes.

P.D. No. 1956 — Imposed an ad valorem tax on certain manufactured oils and other fuels, bunker fuel oil and diesel fuel oil; revised the rates of specific tax thereon; and abolished the Oil Industry Special Fund.

P.D. No. 1957 — Repealed P.D. No. 1935, as amended by P.D. No. 1951 (Travel Tax) and increased the international airport passenger terminal fee to ₱100.

P.D. No. 1958 – Repealed P.D. No. 1934 and P.D. No. 1950 and imposed a private motor vehicle tax.

P.D. No. 1959 – Amended certain sections of the National Internal Revenue Code of 1977, as amended, to include the following:
- Imposed a 1 percent tax on all foreign exchange transaction;
- Uniform rate of tax on interest income;
- Imposed an ad valorem tax on fermented liquor (beer);
- Increased the specific tax rates on distilled spirits;
- Increased the percentage tax on selected services;
- Increased the documentary stamp - tax rates;
- Increased the speicfic tax rates on matches and saccharine; and
- Increased the specific tax rates on cinematographic films.

Batas Pambansa

B.P. Blg. 798 – Amended Sections 318 and 319 of the National Internal Revenue Code so as to reduce the period of limitation for assessment of internal revenue taxes from five (5) to three (3) years.

Executive Orders

E.O. No. 937 – Vested to the Bureau of Internal Revenue the primary responsibility of enforcing the collection of National Internal Revenue taxes thru the banking system.

E.O. No. 946 – Imposed an additional 3 percent import surcharge making it 8 percent (repealed by E.O. No. 955).

E.O. No. 947 – Amended Sections 145, 146 and 147 of Title IV (Specific Taxes) of the NIRC by realigning the specific tax components on alcohol products in order to rationalize the structure of protection granted to domestic products thru the gradual removal of the protective element in the indirect tax system.

E.O. No. 955 – Imposed an additional 2 percent import surcharge making it 10 percent (repealed by E.O. No. 988).

E.O. No. 957 – Amended further Sections 153, 155 and 156 of Title IV (Specific Taxes) by increasing the specific tax rates on manufactured oil and fuels, bunker fuel oil and diesel fuel oil brought about by the restructuring of the oil prices due to the recent currency realignment.

E.O. No. 950 – Increased the percentage tax on locally produced crude oil to 33 percent to make it equal with the imported crude oil.

E.O. No. 960 – Imposed an ad valorem tax on cigarettes in addition to the specific tax thereon. (Revised by E.O. No. 978 but the revenue effect did not change).

E.O. No. 978 – Imposed an ad valorem tax and revised the specific tax rates and maximum retail prices of cigarettes.

E.O. No. 988 – Amended E.O. No. 955, series of 1984, by reducing the rate prescribed therein to 5 percent. This is the reduction of the rate of the additional import duty as imposed by E.O. No. 955 from 10 percent to 5 percent.

E.O. No. 990 – Allowed the tax credits on raw material purchases.

Letters of Instructions

L.O.I. No. 1416 – Suspended the payment of all taxes, duties, fees, imposts and other charges, whether direct or indirect, due and payable by the copper mining companies.

L.O.I. No. 1431 – Ordered/instructed the utilization of the Oil Price Stabilization Fund created under P.D. No. 1956 to reimburse to oil companies the additional cost of importation of crude oil and petrol products.

L.O.I. No. 1433 – Ordered the last day of filing of all percentage tax returns for the third quarter of October, 1984 be moved to November 5, 1984.

Ministry Orders

During the year 1984, forty-five (45) Ministry Orders were issued. Of the total Orders, thirteen (13) were concerned with the reclassification of local government units. The classifications and sub-classifications serve as the basis for determining the maximum amounts expendable for salaries and wages, representation allowances, administrative aids and other statutory contributions in the adoption of the annual budget.

M.O. 4 – 84 — Sub-classification of the City of Tangub The City of Tangub is sub-classified from First Class-C to First Class-A.

M.O. 5 – 84 — Reclassification of Municipality in the Province of Capiz: The Municipality of Pontevedra is reclassified from Fourth to Third Class.

M.O. 6 – 84 — Sub-classification of the Province of Camarines Norte: The Province of Camarines Norte is sub-classified from First Class-B to First Class-A.

M.O. 9 – 84 — Reclassification of Municipality in the Province of Laguna: The municipality of Siniloan maintains its present classification as Fourth Class.

M.O. 10 – 84 — Sub-classification of the Province of Catanduanes: The Province of Catanduanes is sub-classified from First Class-C to First Class-B.

M.O. 13 – 84 — Sub-classification of the Province of Sultan Kudarat: The Province of Sultan Kudarat is sub-classified from First Class-B to First Class-A.

M.O. 14 – 84 — Sub-classification of the Province of Misamis Occidental: The province of Misamis Occidental is sub-classified from First Class-C to First Class-B.

M.O. 19 – 84 — Sub-classification of the City of Dipolog: The city of Dipolog is sub-classified from First Class-B to First Class-A.

M.O. 26 – 84 — Classification of Municipality in the Province of Sulu: The newly-created municipality of Pandami is initially classified as Fourth Class.

M.O. 36 – 84 — Reclassification of Municipality in the Province of Camarines Norte: The municipality of Paracale is reclassified from Fifth Class to Third Class.

M.O. 37 – 84 — Reclassification of Municipality in the Province of Catanduanes: The municipality of San Andres is reclassified from Fifth Class to Fourth Class.

M.O. 38 – 84 — Classification of Municipality in the Province of South Cotabato: The municipality of Sto. Niño is initially classified as Third Class.

M.O. 43 – 84 — Reclassification of Municipalities: The municipalities of Itogon, Benguet; Ilagan, Isabela; Balanga, Bataan; Hagonoy and Malolos Bulacan; Nasugbu, San Pascual and Tanauan, Batangas; Bacoor and Imus, Cavite; Cabuyao, San Pedro and Santa Rosa, Laguna; Sagay, Negros Occidental; Mati, Davao Oriental; and Koronadal, South Cotabato are reclassified from First Class-C to First Class-B. Urdaneta, Pangasinan; Santiago, Isabela; Meycauayan, Bulacan; Sta. Cruz, Marinduque; Antipolo and Taytay, Rizal and Bislig, Surigao del Sur are reclassified from First Class-B to First Class-A; while Lubao, Pampanga is sub-classified from First Class-B to First Class-C. Mandaluyong, Makati, Malabon, Marikina, Navotas, Muntinlupa, Parañaque, Pasig, San Juan, Taguig, Valenzuela, and Las Piñas, Metro-Manila; San Fernando, Pampanga, Bauan, Batangas, Calamba, Laguna; Cainta, Rizal; and Tarlac, Tarlac maintain their present sub-classification as First Class-A; Mankayan, Benguet, Batac, Ilocos Norte; Limay and Mariveles, Bataan; Marilao and Norsagaray, Bulacan; Gapan, Nueva Ecija; Concepcion, Tarlac; Balayan and Lemery, Batangas; Sta. Cruz and Biñan, Laguna; San Jose, Occidental Mindoro; Calapan, Oriental Mindoro; Pililla and

Tanay, Rizal; Tabaco and Daraga, Albay; Daet, Camarines Norte; Masbate, Masbate; Sorsogon, Sorsogon; Kalibo, Aklan; Binalbagan, Escalante, Kabankalan, Sipalay, Talisay and Victorias, Negros Occidental; Tanjay, Negros Oriental; Talisay, Cebu; Baybay, Leyte; Malaybalay, Bukidnon; Panabo, Davao del Norte; Polomolok, South Cotabato and Kidapawan, North Cotabato; maintain their present sub-classification as First Class-C, while Tuguegarao, Cagayan; Baliwag, Bulacan; Guagua, Pampanga and Digos, Davao del Sur maintain their present sub-classification as First Class-B.

In addition to the afore-quoted Ministry Orders which had reference to the reclassification of provinces, municipalities and cities, the Ministry of Finance also issued other noteworthy Ministry Orders touching on various policy and administrative areas.

On January 17, 1984, Ministry Order No. 2-84 was issued in relation to Section 181, 2280 and 281 of the Insurance Code. And upon the recommendation of the Insurance Commissioner, the requirements, rules and regulation were outlined increasing the minimum paid-up capital to at least ten million pesos for insurance companies and fifteen million pesos for professional reinsurers transacting insurance business. On June 28, 1984, M.O. 20-84 amended said order increasing the minimum paid-up capital of insurance companies and professional reinsurers transacting business in the Philippines.

In compliance to LOI 1352, the rules and regulations governing the processing of crude oil and the export of refined petroleum products were outlined in M.O. 8-84. The scope of the order includes who may be considered as export processors, the processing, contract, incentives for processing and the price and currency of payment.

Pursuant to the provision of section 4 of the P.D. No. 1928, M.O. 17-84 was issued prescribing the rules and regulations applying to all sales of foreign exchange subject to the Special Excise Tax. This, however, was amended by M.O. 17-84 A which prescribes the rules and regulations on exceptions.

Implementing rules and regulations of P.D. No. 1929 were outlined in Ministry Order 18-84. The scope of this order includes the coverage of the Economic Stabilization Tax, the basis of tax, its rate, exceptions and the collecting agency which is the Bureau of Customs through authorized agent bank of the Central Bank of the Philippines. The Economic Stabilization Tax imposed under P.D. 1929 is in additon to the Export Duty and additional export duty prescribed in Executive Order No. 920, s. of 1983 and amended by E.O. 920-A. Said rules and regulations shall apply to all merchandise export from June 6, 1984 to December 31, 1984. Paragraph 4 of this order which touches on exception however, was further amended by M.O. 18-84 A.

Ministry Order No. 33-84 was also issued during the year to implement the provisions of P.D. 1931, which outlined the rules and regulations on withdrawal of all exemptions from the payment of duties, taxes, fees, imposts and other charges granted in favor of government-owned or controlled corporations, including their subsidiaries. However, exemptions withdrawn may be restored partially or totally by the President of the Philippines and/or the Minister of Finance upon the recommendation of the Fiscal Incentives Review Board. To further clarify the scope of P.D. 1931, M.O. 44-84 was issued wherein the withdrawal of the exemption from any preferential treatment in the payment of duties, taxes, fees, imposts and other charges of government-owned and controlled corporations including their subsidiaries shall not apply to the exemptions or preferential treatment which are provided in the four basic code. Interest income earned on or after October 15, 1984 as provided for under Section 2 of M.O. 39-84 shall be taxable.

In compliance also to P.D. 1955,

M.O. 35-84 was issued prescribing the rules and regulation in withdrawing, subject to certain exceptions the duty and tax privilege granted to private business enterprises and/or persons engaged in any economic activity and for other purposes. This was further clarified by M.O. 39-84 prescribing additional regulations. The withdrawal of exemptions from any preferential treatment in, the payment of duties, taxes, fees imposts and other charges provided under P.D. 1955, does not apply to exemptions or preferential treatment embodied in the following laws: The NIRC as amended, the Tariff and Customs Code, as amended; The Local Tax Code as amended and the Real Property Tax Code. Furthermore, any exemption from or preferential treatment in the tax on interest income from bank deposits and yields or any other Monetary benefit from deposit substitutes trust funds and other similar arrangements shall remain withdrawn pursuant to Sections 21(d), 24 (cc) and 53(d)(i). of the National Internal Revenue Code, as amended.

Ministry Circulars and Ministry Memorandum Circulars

During the year, a number of Ministry Circulars and Ministry Memorandum Circulars were issued, the more pertinent of which follow:

Ministry Circular 1-84 – Issued on March 19, 1984 addressed to all Regional Directors for Local Government Finance, Provincial, City, Municipal Treasurers/Assessors regarding the appointments or assignments of Municipal Treasurers and designation of Assistant Municipal Treasurers as Officer-in-Charge of Municipal Treasuries who are close relatives of respective Municipal Mayors.

M.C. No. 1–84 – Requires strict compliance to the provisions of Memorandum Circular No. 00313-3 s. 1983 of the Ministry of Human Settlements and Local Government establishing guidelines for the remittance of the Local Government Special Fund (LGSF) Repayment proceeds.

M.C. No. 3–84 - Requires that Provincial and Municipal Treasurers/Assessors refrain from allowing the detail and/or reassignment of management employees, whether permanent, casual or temporary to the provincial auditors office or any auditing unit.

M.C. No. 6–84 – Requires that local government contributions to the hospital fund pursuant to R.A. No. 1939 be remitted directly to the Provincial Health Office who in turn shall release the agreed upon shares of the qualified hospitals.

M.C. No. 7–84 – Provides guidelines governing travel abroad by officials and employees under the Ministry of Finance.

M.C. No. 8–84 – Requires all District Assessors of Metro Manila and Provincial and City Assessor to submit the Certification of Completion of the 1981-1984 General Revision of Real Property Assessments on or before September 30, 1984.

M.C. No. 12–84– Requires all heads of bureaus and offices under this Ministry and Chiefs of Service, Ministry (Proper) to submit their Accomplishment Reports for CY 1984 and a list of Programs and Projects for CY 1985.

Customs Memorandum Orders and Administrative Orders

The Bureau of Customs issued several Customs Memorandum Orders and two (2) Administrative Orders outlining in detail the rules and regulations to be followed in the exercise of its functions. Of these Memorandum Orders, a number dealt on operations and procedures in the ports, three (3) pertained to revenue collection, two (2) on tax fuel importations, one (1) on application of tax credit certificates, and one (1) on exemption from payment of customs duties and taxes for a foundation.

The most significant of such orders are as follows:

CMO No. 1–84 – Guidelines in the transfer and/or release of importations of explosives/explosive ingredients.

CMO No. 2–84 – Procedures in the delivery of goods from Auction and Cargo Disposal Division Warehouses.

CMO No. 3–84 – Processing of Warehousing Entry under prior appraisal system for Semi-conductor/Electronic Companies duly registered at the Manila International Airport.

CMO No. 4–84 – Implementation of Executive Order No. 918.

CMO No. 5–84 – Management control and reconciliation of the Orders of Payment and/Authorized Agent Banks issued Customs Official Receipts.

CMO No. 6–84 – Procedures in the clearance of importations of materials by Small Scale Industries for re-export under CMO No. 29-82 at the other ports of entry outside Metro Manila, as amended.

CMO No. 7–84 – Import entries covering shipments imported directly or indirectly from Socialist and other Centrally Planned Economy Countries (SOFEC).

CMO No. 9–84 – Procedures in the processing of shipments under CB alerts such as those covered by CB Circular No. 758, 850 and 918 and MAAB No. 42-82, 37-83 and 49-83.

CMO No. 11–84– Implementation of the Revised Coasting Manifest.

CMO No 17–84– Control and monitoring of Bad Order cargo at International Airports.

CMO No. 18–84– Procedures in the duty-free entry of crude oil to be refined into finished petroleum products for sale to Marinduque Mining and Industrial Corporations (MMIC), and to be used exclusively for Nonoc Mining Operations, tax and duty-exempt activity under R.A. 1828, as amended.

CMO No. 19–84– Prescribing guidelines for the treatment and processing of documents of PITC/End-User imports under Eximbank Credit Facility.

CMO No. 20–84– Guidelines in the implementation of PD No. 1900 exempting "Save the Children Foundation, Inc." from payment of customs duties and taxes.

CMO No. 21–84– Supplemental guidelines in the release/withdrawal of motor vehicles sold at Public Auction by the Port of Manila.

CMO No. 23–84– Guidelines in the computation of percentages differences in undervaluation, misclassification and misdeclaration.

CMO No. 26–84– Prohibiting the exportation of antiques of the Philippines.

CMO No. 27–84– Assessment and collection of duty on Philippine export products pursuant to PD No. 1464 as amended.

CMO No. 29–84– Export duty on Coconut products per EO No. 920-A.

CMO No. 30–84– Procedures in the Processing of Entries under Tentative Liquidation.

CMO No. 32–84– Guidelines and procedures to implement LOI No. 1415 Re: Customs Duty-Free Purchases of Fuel and other oil product by PAL for domestic operations.

CMO No. 35–84– Guidelines in the discharge of domestic steel cargo of the National Steel Corporation (NSC) from Berths 1 and 2 of Pier 13, South Harbor, Port of Manila.

CMO No. 38–84– Guidelines in the Issuance and Application of Tax Credit Certificates as provided for in PD No. 1929 implemented by Ministry Order No. 18-84(a).

CMO No. 40–84– Procedural guidelines in the processing of import entry covering Motor Vehicles.

CMO No. 41–84– Implementing guidelines to LOI No. 1416, directing the Suspension of payments of all taxes, duties, imports, etc., certain mining companies to the National Government.

CMO No. 44–84– PCCI – CCG Mechanics on Alert.

CMO No. 45–85 – Procedures in the Withdrawal of Shut-Out Cargoes from the customs zone.

CAO No. 1–84 – Amendment to CAO No. 3-78 implementing rules and regulations governing tax free importations of Small Scale Industries under Section 105(d) of the Tariff and Customs Code, as amended by PD No. 34.

CAO No. 2–84 – Schedule of Service, storage and other charges on articles/merchandise stored at the Philippine Sky-landers, Inc., Warehouses and Philippine Airline International Cargo Warehouse, International Cargo Terminal Building, MIA Complex.

Insurance Commission's Circular Letters

The Insurance Commission issued twenty one (21) Circular Letters for the Year 1984 outlining the rules and regulations to be carried out in the exercise of its functions. The most important of these are as follows:

Circular Letter, Jan. 9, 1984 – Creation of a Committee on Facultative Reinsurance Placements with Foreign Unauthorized Reinsurers.

Circular Letter, Jan. 17, 1984 – Increase of Minimum Paid-up Capital to at least Ten Million Pesos for Insurance Companies and Fifteen Million for Professional Reinsurer's Transacting Insurance or Reinsurance Business, as the case may be, in the Philippines.

Circular Letter, Feb. 3, 1984 – Operating Guidelines of Committee on Facultative Reinsurance Placements with Foreign Unauthorized Reinsurers.

Circular Letter, Feb. 23, 1984 – Amendment of Insurance Memorandum Circular No. 3-81, dated October 7, 1981, Revising the Schedule of Indemnities of the Compulsory Motor Vehicle Liability Insurance covers (CMVLI) and the Premium rates therefor

Circular Letter, Mar. 14, 1984 – Implementation of Republic Act No. 6539, otherwise known as the "Anti-Carnapping Act of 1972".

Circular Letter, Mar. 15, 1984 – Ministry Order 2-84 dated January 17, 1984.

Circular Letter, April 2, 1984 – Organization and Monitoring of Activities of Insurance and Reinsurance Brokers.

Circular Letter, April 9, 1984 – Submission of monthly statement of Foreign Exchange Receipts.

Circular Letter, June 28, 1984 – Amendment of Ministry Order No. 2-84 Increasing the Minimum Paid-up Capital of Insurance Companies and Professional Reinsurers Transacting Business in the Philippines.

Circular Letter, Jul. 19, 1984 – Inward remittances from Unauthorized Foreign Reinsurers.

Circular Letter, Oct. 1, 1984 – Insurance Agents Examination.

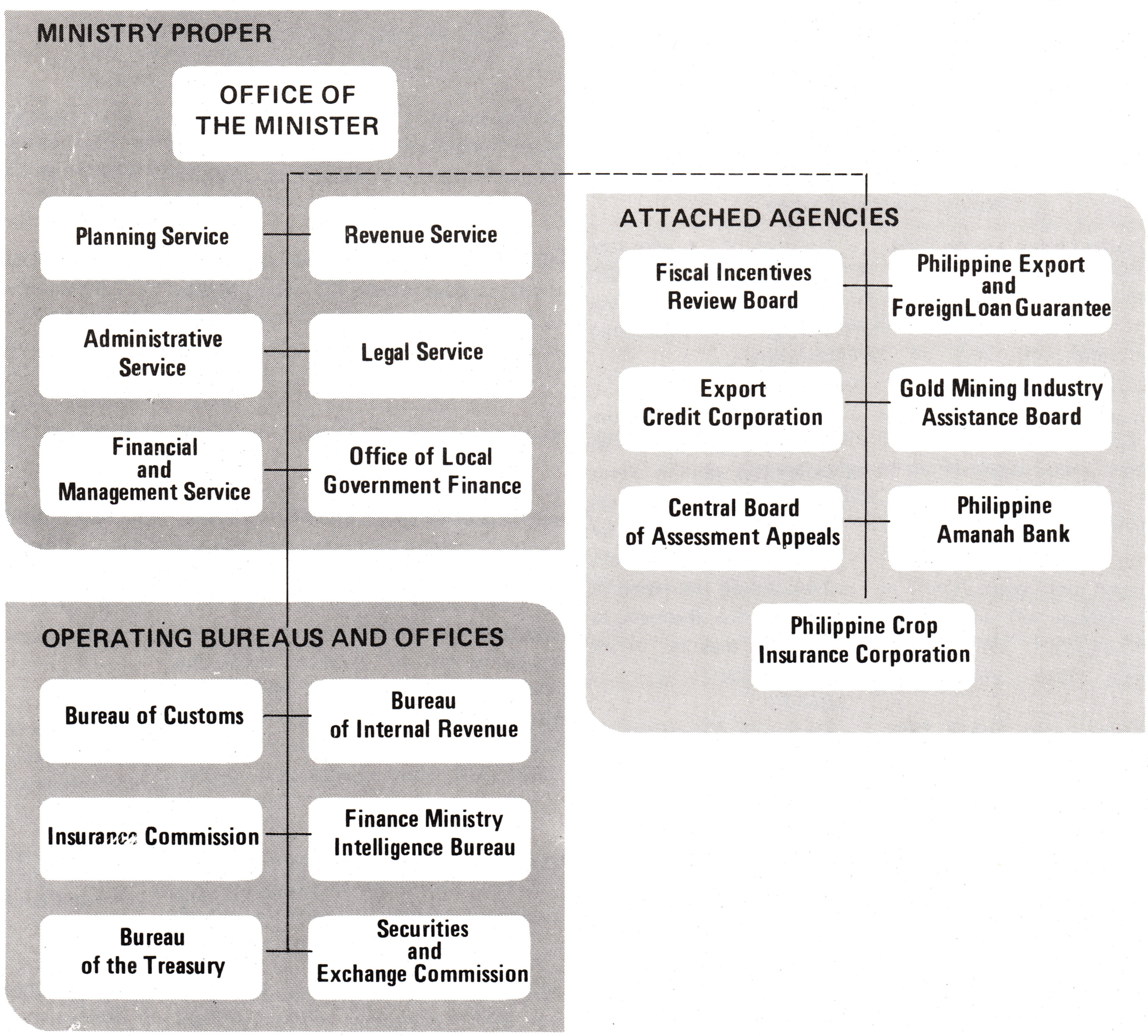
Circular Letter, Oct. 18, 1984 – Reinsurance Sessions of Major Fire Risks, Special Fire Covers, and Rates of Premium therefor.

Circular Letter, Oct. 31, 1984 – Inventory of all Eligible Foreign Exchange Remittances.

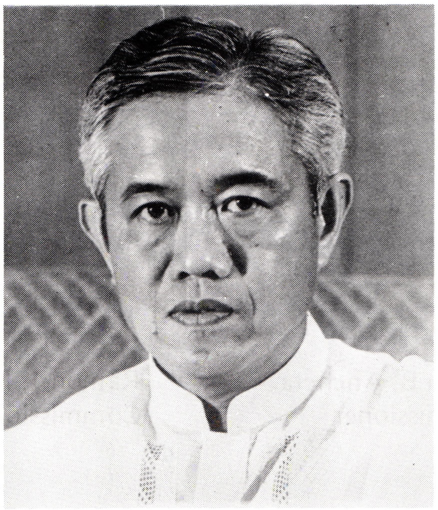
Circular Letter, Nov. 20, 1984 – Foreign Exchange Regulations on Reinsurance.

Circular Letter, Dec. 19, 1984 —	Guidelines on Qualification and Incentives available to CB-Certified Export Oriented Service Exporters.
Circular Letter, Dec. 28, 1984 —	Scheme for the Settlement of Foreign Exchange Arrears on Service Payments, excluding Interest, which are outstanding as of Oct. 15, 1984.
Circular Letter, Dec. 28, 1984 —	Statements of Paid-up Capital, Reserves and Investments.

Ministry of Finance Organizational Chart

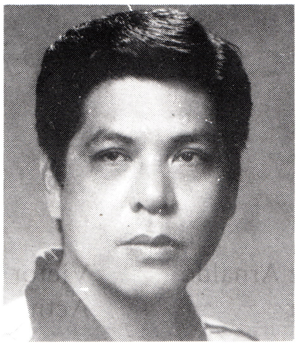


Directory of Officers



CESAR VIRATA
Minister

ALFREDO PIO DE RODA, JR.
Deputy Minister



VICTOR C. MACALINCAG
Deputy Minister

ANTONINO P. ROMAN, JR.
Deputy Minister

RODOLFO V. OCAMPO
Acting Assistant Secretary
for Personnel Management
and Development

ERNEST C. LEUNG
Assistant Secretary
for International
Monetary Affairs

RICARDO T. KWEK
Assistant Secretary
of Finance

Operating Bureaus and Commissions

Bureau of Internal Revenue
National Internal Revenue Building
Diliman, Quezon City
Tel. 99-16-83

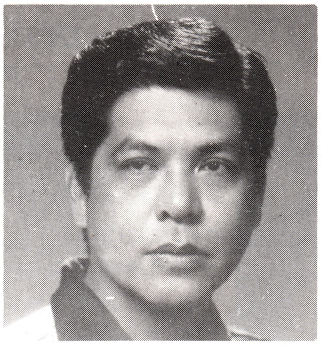
Ruben B. Ancheta
Commissioner

Ramon J. Farolan
Commissioner

Bureau of Customs
Bureau of Customs Bldg.
Port Area, Manila
Tel. 48-13-23

Insurance Commission
Insurance Commission Building
United Nations Avenue
Manila
Tel. 59-92-21

Gregoria Cruz Arnaldo
Commissioner



Victor C. Macalincag
Acting Treasurer

Bureau of the Treasury
Palacio del Gobernador
Intramuros, Manila
Tel. 40-91-29

Finance Ministry Intelligence Bureau
Camp General Emilio Aguinaldo
Quezon City
Tel. 79-41-33

Gen. (Ret.) Pelagio A. Cruz
Commissioner

Manuel G. Abello
Chairman

Securities and Exchange Commission
SEC Bldg.
E. delos Santos Avenue, Greenhills,
Mandaluyong, Metro Manila
Tel. 70-67-69

MINISTRI NG PANANALAPI
REPUBLIKA NG PILIPINAS

MINISTRY OF FINANCE
Ministry of Finance Building, Agrifina Circle
Ermita, Manila Tel. 59-52-62