

endeavor, should be in consonance with the principle of subsidiarity and is therefore merely supplementary. This principle when applied in the field of education would disqualify the government from running certain kinds of schools when the parents, or groups of scholars delegated by them, want to conduct such schools by themselves. The responsibility of parents to educate carry with it the freedom to determine the kind of education and to select the school in which their children may be taught.

Having in mind the subsidiary role of the State in educational matters, its rights are: (1) the exclusive right to establish military and like institutions where public officials may receive instruction for a better discharge of their future duties; (2) the right to provide for civic education for all its citizens; (3) the right to establish a nationwide system of education subject to the right of any group of parents to establish any school similar to those of the State.

The duties of the State are: (1) to protect the prior rights of parents and the supernatural rights of the Church; (2) to protect the rights of the child and to supplement the parents' efforts when necessity demands its help; (3) to take measures to insure the civic and political education of its citizens and others; (4) to respect the rights of parents and the Church and to distribute the educational budget between public and private schools on the basis of school enrollment.

The Catholic Church by virtue of its divine mission has the right and duty to supervise the religious and moral education of Catholics in either public or private schools and every branch of learning insofar as religion and morality are concerned.

This article cites extensively from Encyclicals of the Catholic Church and makes observations on the laws, jurisprudence, policies and practices prevailing in the Philippines, the United States and other democratic countries on the topic discussed. (Rev. Fr. Benigno Benabarre, O.S.B., *The Tripartite Role of the Church, the State and Family in Education*, IV SAN BEDA LAW JOURNAL NO. 2, at 1-23 (1962). P. at San Beda College, Mendiola, Manila.)

LEGISLATION

COMMERCIAL LAW: INSURANCE. — Rep. Act No. 3124 introduces new provisions in the Insurance Act¹ creating and regulating what it calls "industrial life insurance". The innovation has been found to have contributed immensely to the wide acceptance of life insurance protection among low-income groups in western countries, hence, the legislative decision to engraft the same into our laws. The plan is especially designed to meet the requirements of industrial workers and their families who could not otherwise procure and enjoy the protection and benefits offered by life insurance. The size of policy, the frequency of premium payment, and the method of servicing and administration are especially adapted to the needs and limited means of low-income families.²

REPUBLIC ACT NO. 3124

AN ACT TO AMEND FURTHER ACT NUMBERED TWO THOUSAND FOUR HUNDRED AND TWENTY-SEVEN, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE LAW.

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

SECTION 1. The last paragraph of Section one hundred eighty-four of Act Numbered Two thousand four hundred twenty-seven, as amended, is hereby further amended to read as follows:

"Any of the foregoing provisions or portions thereof not applicable to single premium or non-participating or term policies shall to that extent not be incorporated therein; and any such policy may be issued or delivered in the Philippines which in the opinion of the Insurance Commissioner contains provisions on any one or more of the several foregoing requirements more favorable to the policyholder than hereinbefore required. The provisions of this section shall not apply to policies of reinsurance nor to policies of industrial life insurance."

SEC. 2. The same Act, as amended, is further amended by inserting between Sections one hundred eighty-four and one hundred eighty-five thereof the following new sections which shall read as follows:

¹ Act No. 2427, as amended.

² See Explanatory Note to H. No. 6011. Cong. Record, First Copy, Part iv, p. 117, May 5, 1961.

"SEC. 184-A. The term "industrial life insurance" as used in this Act shall mean that form of life insurance either (a) under which the premiums are payable weekly, or (b) under which the premiums are payable monthly or oftener, but less often than weekly, if the face amount of insurance provided in any policy is two thousand pesos or less and if the words "industrial policy" are printed upon the policy as part of the descriptive matter.

"SEC. 184-B. No policy of industrial life insurance shall be issued or delivered in the Philippines, unless the same shall contain in substance the following provisions:

"First, a provision that the insured is entitled to a grace period of four weeks within which the payment of any premium after the first may be made, except that where premiums are payable monthly, the period of grace shall be either one month or thirty days; and that during the period of grace, the policy shall continue in full force, but if during such grace period the policy becomes a claim, then any overdue and unpaid premiums may be deducted from any amount payable under the policy in settlement;

"Second, a provision that the policy shall be incontestable after it has been in force during the the lifetime of the insured for a specified period, not more than two years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to naval or military service, or services auxiliary thereto, and except as to provisions relating to benefits in the event of disability as defined in the policy, and those granting additional insurance specifically against death by accident or by accidental means, or to additional insurance against loss of, or loss of use of, specific members of the body;

"Third, a provision that the policy shall constitute the entire contract between the parties, or if a copy of the application is endorsed upon and attached to the policy when issued, a provision that the policy and the application therefor shall constitute the entire contract between the parties, and in the latter case, a provision that all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties;

"Fourth, a provision that if the age of the person insured (or the age of any other person considered in determining the premium) has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium paid would have purchased at the correct age or ages;

"Fifth, a provision that if the policy is a participating policy, the company shall periodically ascertain and apportion any divisible surplus accruing on the policy under the condition specified therein;

"Sixth, a provision that in the event of default in premium payments after three full years premiums have been paid, the policy shall be converted into a stipulated form of insurance at the option of the policyholder, and that in the event of default in premium payments after five full years premiums have been paid, a specified cash surrender value shall be available in lieu of

the stipulated form of insurance. The net value of such stipulated form of insurance and the amount of such cash value shall be not less than the reserve on the policy and dividend additions thereto, if any, at the end of the last completed policy year for which premiums shall have been paid (the policy to specify the mortality table, rate of interest and method of valuation adopted to compute such reserve), exclusive of any reserve on disability benefits and accidental-death benefits, less an amount not to exceed two and one-half *per centum* of the maximum amount insured by the policy and dividend additions thereto, if any, when the issue age is under ten years and less an amount not to exceed two and one-half *per centum* of the current amount insured by the policy and dividend additions thereto, if any, if the issue age is ten years or older, and less any existing indebtedness to the company on or secured by the policy;

"Seventh, a provision that the policy may be surrendered to the company at its home office within a period of not less than sixty days after the due date of a premium in default for the specified cash value, provided that the insurer may defer payment for not more than six months after the application therefor is made;

"Eighth, a table that shows in figures the non-forfeiture benefits available under the policy every year upon default in payment of premiums during at least the first twenty years of the policy, such table to begin with the year in which such values become available, and a provision that the company will furnish upon request an extension of such table beyond the year shown in policy;

"Ninth, a provision that specifies which one of the stipulated form of insurance provided for under the sixth provision of this section shall take effect in the event of the insured's failure within sixty days from the due date of the premium in default to notify the insurer in writing as to which one of such forms he has selected;

"Tenth, a provision that the policy may be reinstated at any time within two years from the due date of the premium in default unless the cash surrender value has been paid or the period of extended term insurance expired, upon production of evidence of insurability satisfactory to the company and payment of arrears of premiums with interest at a rate not exceeding *six per centum* per annum payable annually;

"Eleventh, a provision that when a policy shall become a claim by death of the insured, settlement be made upon receipt of due proof of death, or not later than two months after receipt of such proof;

"Twelfth, a title on the face and on the back of the policy correctly describing its form;

"Thirteenth, a space on the front or the back of the policy for the name of the beneficiary designated by the insured with a reservation of the insured's right to designate or change the beneficiary after the issuance of the policy. The policy may also provide that no designation or change of beneficiary

shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. Such policy may also contain a provision that if the beneficiary designated in the policy does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than thirty days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give valid release, then the insurer may make any payment thereunder to the executor or administrator of the insured, or to any of the insured's relatives by blood or legal adoption or connections by marriage or to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred expense for the maintenance, medical attention or burial of the insured; and

"Fourteenth, a provision that when an industrial life insurance policy is issued providing for accidental or health benefits, or both, in addition to life insurance, the foregoing provisions shall apply only to the life insurance portion of the policy. Any of the foregoing provisions or portion thereof not applicable to non-participating or term policies shall to that extent not be incorporated therein. The foregoing provisions shall not apply to policies issued or granted pursuant to the non-forfeiture provisions prescribed in provisions sixth and ninth of this section nor shall provisions sixth, seventh, eighth and ninth hereof be required in term insurance of twenty years or less but such term policies shall specify the mortality table, rate of interest, and method of computing reserves.

"SEC. 184.-C. No policy of industrial life insurance shall be issued or delivered in the Philippines if it contains any of the following provisions:

"First, a provision that gives the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision which gives the insurer the right to declare the policy void if the insured has, within two years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or the claimant under the policy fails to show that the condition occasioning such treatment or attention was not of a serious nature or was not material to the risk;

"Second, a provision that gives the insurer the right to declare the policy void because the insured had been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract;

"Third, a provision that allows the company to pay the proceeds of the policy at the death of the insured to any person other than the named beneficiary, except in accordance with a standard provision as specified in the thirteenth provision of Section one hundred-four—B of this Act;

"Fourth, a provision that limits the time within which any action at law or in equity may be commenced to less than six years after the cause of action shall accrue; and

"Fifth, a provision that specifies any mode of settlement at maturity of less value than the amount insured by the policy plus dividend additions, if any, less any indebtedness to the company on the policy and less any premium that may by the terms of the policy be deducted, payments to be made in accordance with the terms of the policy. Nothing contained in this provision nor in the second provision of Section one hundred eight-four—B of this Act relating to incontestability shall be construed as prohibiting the life insurance company from placing in its industrial life policies provisions limiting its liability with respect to: (a) death resulting from aviation other than as a farepaying passenger on a regularly scheduled route between definitely established airports; and (b) military or naval service: *Provided*, That if the liability of the company is limited as herein provided, such liability shall in no event be fixed at an amount less than the reserve on the policy (excluding the reserve for any additional benefits in the event of death by accident or accidental means or for benefits in the event of any type of disability), less any indebtedness on or secured by such policy.

"Nothing contained in this section shall apply to any provision in an industrial life insurance policy for additional benefits in the event of death by accident or accidental means."

SEC. 3. This Act shall take effect upon its approval.

Approved, June 17, 1961.

POLITICAL LAW: TAXATION. — Rep. Act No. 35, as amended by Rep. Act No. 901, exempting new and necessary industries from certain taxes expires at the end of 1962.¹ Congress, recognizing the importance of basic industries in the development of our economy, enacted Rep. Act No. 3127, granting tax exemption to encourage their establishment, to close the gap that would be created by the expiration of Rep. Act No. 35.

The law enumerates and defines what are basic industries.²

Exemption is granted from payment of special import tax, compensating tax, foreign exchange margin fee and tariff duties in respect of the importation of machinery, spare parts and equipment.³

To carry out its purposes and objectives, the law creates a Board of Industries composed of the Chairman of the National Economic Council, the Secretary of Commerce and Industry, the Secretary of Agriculture and Na-

¹ Sec. 1, Rep. Act No. 901.

² Secs. 2 and 3.

³ Sec. 6.

tural Resources, the Chairman of the Joint Legislative-Executive Tax Commission, and three private citizens representing both the consumers and producers and labor sectors.⁴

REPUBLIC ACT NO. 3127

AN ACT AUTHORIZING THE EXEMPTION OF BASIC INDUSTRIES FROM THE PAYMENT OF CERTAIN TAXES AND FOR OTHER PURPOSES.

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

SECTION 1. *Declaration of policy.* — It shall be the policy of the government to encourage the establishment of basic industries through the grant of tax exemptions directed at accelerating the pace of economic and social development of our country.

SEC. 2. *Basic Industries.* — For purposes of this Act, the following are basic industries:

- (a) Basic iron, nickel, aluminum and steel industries;
- (b) Basic chemical industries, antibiotics and fungicides, including cement manufacture and its allied industries and fertilizers;
- (c) Copper and alumina smelting and refining;
- (d) Pulping and/or including the integrated manufacture of paper products;
- (e) Deep-sea fishing and the canning of sea foods and manufacture of fish meals; the manufacture of nets and other fishing gear;
- (f) Refining of gold, silver and other noble metals;
- (g) Mining and exploration of base or noble minerals or metals, and crude oil or petroleum;
- (h) Production of agricultural crops;
- (i) Shipbuilding and dry-docking;
- (j) Coal and dead burnt dolomite;
- (l) Logging and the manufacture of veneer and plywood;
- (m) Vegetable oil manufacturing, processing and refining;
- (n) Manufacture of irrigation equipment, farm machineries; spare parts and tools for such farm machineries, trucks and automobiles;
- (o) Production and manufacture of textiles, cotton, ramie, synthetic fibers, and coconut coir;

⁴ Sec. 4.

- (p) Manufacture of cigars from both native and Virginia tobacco;
- (q) Manufacture of gasoline and diesel engines.
- (r) Manufacture of ceramics, furnaces, refractories and glass; and
- (s) Manufacture of food products out of cereals, forest and/or agricultural products.

SEC. 3. *Definition of terms.* — The term "basic iron, nickel, aluminum and steel industries" shall refer to the manufacture of iron, nickel, aluminum and steel from ore materials, including all processes from smelting in blast furnaces to the semi-finished stage, namely, the production of pellets, billets, blooms, slabs or bars; re-rolling into basic forms, either separately or part of the integrated process in the industry, such as sheets, plates, strips, tubes, tubings, conduits, pipes, rails, rods, tin plates, rough castings and forgings.

The term "basic chemical industries, including fertilizers" shall refer to the manufacture of basic industrial chemicals, such as acids, alkalis, salts, except sodium chloride and calcium hydroxide intermediates, dyes colour lakes and toners; explosives, ammunitions, except fireworks; synthetic resins; synthetic rubber; fertilizers; all chemicals for the production of medicants and insecticides; petro chemical; sucro-chemical; and coke and coal chemicals.

The term "copper smelting and refining" shall refer to the manufacture of copper into basic forms, such as ingots, bars, billets, sheets, strips, circles, sections, rods, pipes, tubes, castings and extrusions.

The term "pulping" shall refer to the manufacture of pulp from wood, rags, rice straw and bagasse.

The term "integrated manufacture" as used in subsection (d) of Section two hereir shall include all processes from pulping up to the manufacture of finished paper products.

The term "deep-sea fishing" shall refer to commercial fishing in sea and inland waters using any tonnage of fishing vessels of over three tons gross capacity, licensed by the Bureau of Fisheries.

The term "gold and silver refining" shall refer to the smelting of bars or bullion and treatment of chemical re-agents to remove other metal contents leaving gold or silver alone.

"Mining" shall mean the exploration for and extraction of minerals which occur in nature as either solids, liquids or gases; manufacture of ceramics, furnaces and refractories.

"Base metals" shall mean all metallic minerals except noble metals.

"Noble metals" shall refer to gold, silver, diamond, platinum and uranium.

The term "Production" as stated in sub-section (b) of Section two here-in shall refer to the activities of planting, caring, harvesting and preparation for manufacture of such agricultural products like lumbang, castor beans,

soya beans, peanuts, pili and cashew nuts, raw cotton, maguey, abaca, ramie, buri and buntal fibers, raffia, kenaf, rice and corn.

The term "Shipbuilding and dry-docking" shall refer to the manufacture of vessels, tugboats, barges, tankers and all component parts related to the industry, including dredging and dry-docking equipment.

The term "cattle industry" shall refer to the raising of cattles and the acquisition of equipment, materials and machineries related to the industry, including the manufacture and processing of meat and dairy products.

The term "cement manufacturing and its allied industries" shall refer to the manufacture of cement, roofing materials and pipes with cement as essential component materials, plaster of paris and other similar products.

The term "vegetable oil" shall refer to the manufacturing, processing or refining of vegetable oil from agricultural products such as coconuts, corn seeds, peanuts, soya beans and avocado, cotton seeds, palm nuts, castor beans and lumbang nuts, and the like, for either export or local consumption.

The term "logging and the manufacture of veneer and plywood" shall refer to the production of logs and the manufacture of lumber, plywood, and veneer.

The term "ceramics" shall refer to the manufacture of structural clay products such as bricks, tiles, pipes, crucibles, architectural terra cotta, stonelining chimney pipes and tops and refractories.

The term "glass" shall refer to an amorphous transparent or translucent brittle material usually made by fusion of silica, soda, ash, lime, and salt cake or similar materials.

The term "spare parts" shall include even non-metallic parts of such trucks and cars like batteries and bent-laminated safety glass.

The term "alumina smelting and refining" refers to the production and manufacture of aluminum from alumina into one or more basic forms such as ingots, billets, bars, sheets, strips, circles, tubes, rods, castings, pipes, sections and extrusions.

SEC. 4. *Creation and composition of Board of Industries.* — For the purpose of carrying out the objectives of this Act, there is hereby created a Board of Industries, hereinafter referred to as the "Board," to be composed of seven members, namely, the Chairman of the National Economic Council, the Secretary of Commerce and Industry, the Secretary of Agriculture and Natural Resources, the Chairman of the Joint Legislative-Executive Tax Commission, and three private citizens representing both the consumers and producers and labor sectors, the last three members to be appointed by the President of the Philippines with the consent of the Commission on Appointments.

The Board shall annually elect a chairman and a vice-chairman from its members. No member of the Board shall serve as chairman and vice-chairman for more than two consecutive years. The period of such service shall be counted from the date he shall have commenced to act as chairman or vice-

chairman. In the event of the absence or temporary disability of the chairman, his powers and duties shall be performed by the vice-chairman, and in the event of the absence or temporary disability of both the chairman and vice-chairman, the regular member designated by the Board shall preside over the meetings of the Board.

Four members of the Board shall constitute a *quorum*. In case of absence or temporary disability of any member who is a government official to sit in any meeting of the Board, he shall send his authorized representative who shall be the next ranking official in his Department, authorized by him to attend and vote for and in his behalf and whose act and vote shall bind the government official represented.

Members of the Board who are government officials shall serve without additional compensation. Private citizens who are appointed to sit in the Board shall receive a *per diem* of twenty-five pesos for each day of session of the Board actually attended by them. The Chairman and members of the Board shall, however, be allowed traveling and other necessary expenses.

The Board shall, for administrative purposes, be under the Office of the President of Philippines.

SEC. 5. *Powers and duties of the Board.* — The Board shall have the following powers and duties;

(a) To process and approve all applications filed with it for exemptions provided for in Section six of this Act of firms duly qualified under this Act to engage in basic industries and issue the necessary certificates of registration therefor, subject to the requirements prescribed by Section eight and the limitations imposed in Section nine of this Act and to follow up the activities of the applicant for the purpose of determining compliance therewith.

(b) To conduct surveys of the domestic market as to availability of locally-manufactured and locally-processed machineries and equipment required by tax-exempt firms and determine whether these are available in sufficient quantities and are of reasonable quality and price.

(c) To gather and compile statistical data from firms exempted under this Act.

(d) To appoint and fix compensations of a technical staff and other personnel as it deems advisable in accordance with the provisions of the Civil Service Law.

(e) To promulgate the enforcement and to carry out the intents and purposes of this Act.

(f) Generally, to exercise all the powers necessary to attain the purposes for which it is organized.

SEC. 6. *Exemption from taxes and period of exemption of basic industries.* — Any person, partnership, company or corporation who or which

is now engaged or shall engage in a basic industry shall be exempted from payment of special import tax, compensating tax, foreign exchange margin fee and tariff duties in respect of the importation of machinery, spare parts and equipment as follows:

(a) One hundred per centum of the taxes due during the period from the date of approval of this Act to December thirty-first, nineteen hundred sixty-six;

(b) Seventy-five *per centum* of the taxes due during the period from January first to December thirty-first, nineteen hundred sixty-seven;

(c) Fifty *per centum* of the taxes due during the period from January first to December thirty-first, nineteen hundred sixty-eight; after which such person, partnership, company or corporation shall be liable in full to all taxes: *Provided*, That packaging and assembly plants shall not be entitled to the benefits granted in this Act: *Provided, further*, That exemptions from taxes for spare parts as mentioned in this section shall only apply to spare parts imported at the time of the original importation of the machinery and equipment.

SEC. 7. *Determination of period of exemption.* — For the purpose of determining the commencement of exemption provided for in Section six of this Act, the benefits of exemption of basic industries from the payment of taxes under this Act shall, upon approval of the application of exemption by the Board, retroact as of the date of the filing of the application for exemption.

SEC. 8. *Requirement prior to importation.* — The exemption from special import tax, compensating tax, foreign exchange margin fee and tariff duties on machinery, spare parts and equipment granted to basic industries shall be made only when the Board after investigation, finds that (a) no machinery, spare parts and equipment of domestic manufacture are available in reasonable quantity and quality at reasonable prices; (b) the said machinery and equipment are directly and actually needed and will be used exclusively in the manufacture of articles by the grantee of exemption under this Act; and (c) the shipping documents covering the importation are in the name of the tax-exempt firms to whom the goods shall be delivered directly by the customs authorities.

SEC. 9. *Limitations in the grant of exemption.* — Where several applications for exemption are filed in connection with the same industry, the Board shall approve them in the order in which they have been filed and for this purpose the date appearing on the registry book of the Board and stamped on the application shall be considered the date of filing: *Provided*, That where two or more applications are pending at the same time and not all the applications should be approved as they are in excess of the demands of the market, the applicant which has the greater Filipino participation and/or control shall be given preference: *Provided, further*, That applications heretofore filed before the National Economic Council or the Central

Bank for established industries covered under this Act as well as applications before the Department of Finance for tax exemptions for industries covered by this Act shall be considered as filed before the Board of Industries as of their original date of application and the date of such filing shall be considered in determining the priority defined herein.

SEC. 10. *Penal Provisions.* — Any grantee under this Act who shall make use of the privileges granted hereunder for purposes other than those for which such privileges were granted or who shall in any other manner violate the provisions of this Act or any rules or regulations promulgated by the Board in accordance therewith shall be penalized with imprisonment of not less than five years but not exceeding ten years and fine of not less than eight thousand pesos but not exceeding two hundred thousand pesos, and in addition, such violation shall *ipso facto* cause forfeiture of the exemption.

Any officer or employee of the Government who by himself or through his agent, acting under his direction and authority, shall connive, abet, or tolerate the violation of the provisions of this Act or any rules and regulations promulgated thereunder or who fails to report within thirty days any violations thereof to the fiscal or chief of police in the place where the violation has taken place shall suffer the penalties prescribed in the preceding paragraph including perpetual disqualification to hold public office.

Any person who shall connive with the grantee of tax exemption or with any officer or employee of the Government in the violation of the provisions of this Act or any rules and regulations promulgated thereunder shall suffer the same penalties prescribed in the first paragraph of this section. In case the grantee is a juridical person, the official or officials who consented to the commission of the offense or tolerated the violation of the provisions of this Act or any rules and regulations promulgated thereunder shall be the person or persons liable.

SEC. 11. *Submission of report.* — The Board shall submit its annual report to the President of the Philippines and to both presiding officers of Congress not later than the end of every calendar year.

SEC. 12. *Funds.* — To carry out the provisions of this Act, the sum of three hundred thousand pesos is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated for the fiscal year nineteen hundred sixty-one-sixty-two. Thereafter, the amount necessary for the operation of the Board shall be included in the annual General Appropriation Acts.

SEC. 13. *Repealing clause.* — All Acts or parts of Acts, executive orders, rules and regulations and circulars inconsistent with the provisions of this Act are hereby repealed.

SEC. 14. *Special provisions.* — Any person, partnership, company or corporation who or which may qualify for similar exemption privileges under existing laws and is qualified under this Act may choose which privilege

he desires to avail of, but in no case shall such grantee be entitled to both privileges simultaneously.

SEC. 15. *Effectivity.* — This Act shall take effect upon approval and shall continue to be effective until December thirty-first, nineteen hundred sixty-eight.

Approved, June 17, 1961.

POLITICAL LAW: ATHLETICS. — Rep. No. 3135 federalizes the administration of amateur sports in this country. The centralized system followed under the old law has been found inadequate to meet recent developments in our athletics. The change is expected to produce quality amateur athletes and, consequently, improve the country's participation in international competitions.¹ Towards this end, the law calls for the organization of a national association for each individual sports in the Philippines, enjoying autonomy in their respective fields but subject to the supervision and assistance of the federation.²

REPUBLIC ACT No. 3135

AN ACT REVISING ACT NUMBERED THIRTY-TWO HUNDRED SIXTY-TWO, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE AMATEUR ATHLETIC FEDERATION.

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

SECTION 1. *Short Title.* — This Act shall be known as the Revised Charter of the Philippine Amateur Athletic Federation.

SEC. 2. *Original Creation and membership of the Philippine Amateur Athletic Federation.* — Manuel L. Quezon, Camilo Osias, Alejandro Albert, H. A. Bordner, R. S. Fitz, Kenneth Rowntree, Regino R. Ylanan, Jorge B. Vargas, E. S. Turner, V. Buencamino, C. J. Bott, Joaquin Alviar, Fred. O. England, C. Preysler, Gabriel Ubago, Geo. R. Summers, Martin Eiguren, Damasco Garcia Bosque, J. A. Murphy, W. N. Bartholomew, Silvestre Torres, Theo S. Hall, C. John, R. R. Garcia, P. Dulay, H. L. Noble, J. Truitt Maxwell, Vicente Wenceslao, Adam C. Dorkum, and their successors in interest and the National Sports' Associations hereinafter provided are hereby created a body corporate and politic in the Philippines, to be known as the "Philippine Amateur Athletic Federation" with such corporate powers as may be necessary to carry out the purposes of the Act.

¹ See Explanatory Note to H. No. 5834, Vol. IV Congressional Record, No 59, 1821.

² Secs. 5, 9, 11 and 12.

SEC. 3. *Purposes of the Corporation.*—The purposes of this corporation are: (a) to encourage physical education and fitness; (b) to promote and improve athletic sports among amateurs; (c) to establish and maintain a uniform test of amateur standing and uniform rules for the government of athletic sports; (d) to develop the spirit of sportsmanship and fair play; and (e) to encourage and promote the establishment of sports centers, public playgrounds and recreational facilities.

• SEC. 4. *Board of Governors; Composition.*—The Philippine Amateur Athletic Federation — shall have a Board of Governors to be composed of all surviving incorporators and three representatives from each National Sports' Association recognized by the Philippine Amateur Athletic Federation: *Provided, however,* That no representative of any National Sports' Association shall represent more than one association in the Board.

SEC. 5. *Functions, powers and duties of the Board.*—The Board of governors shall have the following functions, powers and duties:

1. To adopt a constitution and by-laws;
2. To adopt a uniform set of rules to determine and govern amateur athletes and sports in the Philippines;
3. To adopt rules and regulations, consistent with administrative due process, to govern the procedure to be observed by the National Sports' Associations and the executive committee in hearing and deciding cases before them either on initial hearing or on appeal;
4. To suspend for cause a member-association of the federation by a vote of two-thirds of the board and withdraw recognition of an association by a vote of three-fourths of the board. The reinstatement to active status of the associations affected shall be effected in the same manner;
5. To authorize the executive committee to negotiate and conclude, for the acquisition, disposition, and encumbrance of real or personal property as well as the raising of funds for the accomplishment of the purposes of the federation.

SEC. 6. *Meeting, quorum of the board.* — The board of governors shall have an annual general meeting at such time and place as may be provided by its constitution and by-laws. Special meetings may be called by the President either at his own initiative or upon the request of one-third of the members of the board.

At all meetings of the board, the presence of a majority of the members thereof shall constitute a *quorum* for the valid transaction of business. Each member of the board shall be entitled to only one vote and no vote by proxy shall be allowed.

SEC. 7. *Officers of the Corporation.* — The Philippine Amateur Athletic Federation shall have a President, a first and a second Vice-President, and an executive secretary-treasurer. The officers shall be elected by the

Board from among its members with the exception of the President and the executive secretary-treasurer who may or may not be members of the board; *Provided, however,* That the President and the executive secretary-treasurer must be persons who are known for their dedication to sports in general.

The President and Vice-Presidents shall serve for a term of two years and the executive secretary-treasurer for a term of four years beginning on the first day of the month following their election and until their successors shall have been elected and qualified: *Provided, however,* That an officer's position shall be deemed vacated if he ceases to be the representative of his association in the board and such vacancy may be filled for the unexpired term by special election at a meeting of the board called for the purpose.

SEC. 8. *Executive committee.* — There shall be an executive committee which shall be composed of the President, the two Vice-Presidents, and the executive secretary-treasurer of the federation, one representative from each National Sports' Association to be appointed by each association from among its representatives in the Board of Governors, and three members-at-large to be selected by the executive committee, one from the Senate, one from the House of Representatives and one from the Office of the President. The executive committee may at its discretion select two additional members-at-large from the general public.

The National Sports' Association to which the President of the Federation belongs shall appoint another representative to represent it in the executive committee.

SEC. 9. *Powers, functions and duties of executive committee.* — The executive committee shall have the following powers, functions and duties:

1. To implement all the policies and decisions laid down by the Board of Governors;
2. To prepare an annual budget and submit the same for the approval of the Board of Governors at the annual meeting;
3. To coordinate and harmonize the activities of all National Sports' Associations;
4. To administer the common properties and stadia of the Philippine Amateur Athletic Federation and assist in the maintenance of existing athletic facilities in regional sports centers, subject to the conditions that it may impose;
5. To adopt such rules and regulations as may be necessary for the discharge of its functions and consistent herewith;
6. To maintain, enforce, and defend the exclusive right of the federation to the use of the word "The Olympic", Olympic shield, all Olympic insignia, and all other Philippine Sports' insignia that it or the National Sports' Associations may design and prescribe for use by Filipino Athletes of whatever nature, and to confine their use to activities and publicity concerned with the Olympic games, and with the purposes, powers, and procedures of the federation;

7. To act and decide on all appeals brought before it regarding controversies on the amateur status of athletes and teams, as well as those arising between members of the federation and between the associations and their members; and

8. To encourage and promote the establishment of sports centers, public playgrounds and recreational facilities.

SEC. 10. *Formation of Board of Governors and Executive Committee.* — The Board of Governors and Executive Committee hereinbefore provided shall be formed and organized for the effective discharge of their functions herein as soon as nine National Sports' Associations shall have been fully organized and operating and shall assume their rights and duties hereunder.

SEC. 11. *National Sports' Association; organization and recognition.* — A National Association shall be organized for each individual sports in the Philippines in the manner hereinafter provided to constitute the Philippine Amateur Athletic Federation.

Applications for recognition and National Sports' Association shall be filed with the executive committee together with, among others, a copy of the constitution and by-laws and a list of the members of the proposed association, and a filing fee of ten pesos.

The Executive Committee shall give the recognition applied for if it is satisfied that said association will promote the purposes of this Act and particularly section three hereof. No application shall be held pending for more than three months after the filing thereof without any action having been taken thereon by the executive committee. Should the application be rejected, the reasons for such rejection shall be clearly stated in a written communication to the applicant. Failure to specify the reasons for the rejection shall not affect the application which shall be considered as unacted upon: *Provided, however,* That until the executive committee herein provided shall have been formed, applications for recognition shall be passed upon by the duly elected members of the present executive committee of the Philippine Amateur Athletic Federation. The said executive committee shall be dissolved upon the organization of the executive committee herein provided: *Provided further,* That the functioning executive committee is charged with the responsibility of seeing to it that the National Sports' Associations are formed and organized within six months from and after the passage of this Act.

SEC. 12. *Nature of Associations.* — The National Sports' Associations formed herein shall be autonomous in character and shall have exclusive control over the development and promotion of the particular sport for which they are organized.

SEC. 13. *Membership.* — Each National Sports' Association shall, by its constitution and by-laws, determine its organization and membership: *Provided, however,* That no team, school, club, organization, or entity shall

be admitted as a voting member of an association unless 60% of the athletes composing said team, school, club, organization, or entity are Filipino citizens.

SEC. 14. *Functions, powers and duties of Associations.* — The National Sports' Association shall have the following functions, powers and duties.

1. To adopt a constitution and by-laws for their internal organization and government;

2. To raise funds by donations, benefits, and other means for their purposes;

3. To purchase, sell, lease or otherwise encumber property both real and personal, for the accomplishment of their purpose;

4. To affiliate with international or regional sports' Associations after due consultation with the executive committee;

5. To conduct local, interport and international competitions, other than the Olympic and Asian Games, they may deem necessary for the promotion of the sport;

6. To render an annual report of the executive committee regarding their finances and activities which shall be submitted at least thirty days before the annual meeting of the Board of Governors;

7. To appoint their representatives to the Board of Governors and the executive committee;

8. To decide, subject to appeal to the executive committee, all questions on the amateur status and discipline of the athletes connected with the associations as well as the members thereof and all disputes between their members;

9. To adopt a training program for the development of athletes and their preparation for international competitions and to defray the expenses for the same;

10. To select the athletes, coach, and other officials for their national teams taking into consideration not only their athletic abilities but also their moral character;

11. To keep accurate records of all official marks attained by the athletes in the associations in all competitions as well as all results of sports competitions, recognize and ratify the same, and furnish copies thereof to the executive committee;

12. To qualify and license referees and umpires and other game officials who shall officiate in competitions in their respective sports; and

13. To perform such other acts as may be necessary for the proper accomplishment of their purposes and not inconsistent with this Act.

SEC. 15. *Restriction on holding of office.* — No person shall be eligible for election as president or as the head of more than one National Sports' Association.

SEC. 16. *Formation of National Olympic Committee.* — The National Olympic Committee shall be composed of the members of the executive com-

mitte whose sports are included in the Olympic program, the three members representing the Senate, the House of Representatives and the Office of the President, and the representative of the International Olympic Committee. This committee shall function in accordance with the rules of the International Olympic Committee.

SEC. 17. *Business location.* — The Philippine Amateur Athletic Federation and all National Sports' Associations organized hereunder shall have their principal place of business either in Manila or Quezon City.

SEC. 18. *Properties and funds of the Philippine Amateur Athletic Federation.* — The properties and funds of the Federation shall be of two kinds, namely, common and particular.

Common funds and properties are such monies and real or personal properties that belong to the Philippine Amateur Athletic Federation for general use by the members thereof.

Common properties of the federation comprise the Rizal Memorial Stadium and such other real and personal properties owned and operated by the Philippine Amateur Athletic Federation created under Act Numbered Thirty-two hundred sixty-two, and those which the federation may acquire hereafter. Common funds of the federation comprise the following:

(a) The net receipts from Philippine Charity Sweepstakes races and, for this purpose, the Philippine Amateur Athletic Federation shall be entitled to the receipts of three sweepstakes races a year, any law to the contrary notwithstanding.

(b) Donations, bequests and devises, as well as receipts from benefit games and other kinds of benefits conducted by the federation.

(c) Annual dues from the National Sports' Associations.

(d) Income realized from its real and personal properties.

(e) Receipts from any other funds.

(f) Stocks, bonds, monies and other forms of credit owned by the Philippine Amateur Athletic Federation created under Act Number Thirty-two hundred sixty-two and those which the federation may subsequently acquire.

Particular properties and funds are those received or acquired by the National Sports' Associations for their exclusive use and the ownership and control of which shall remain with them. Should any association be subsequently dissolved or cease to exist its properties and funds shall be held in trust by the federation and may be utilized as in the case of common properties and funds until such time as they shall again be needed by the successor of the dissolved or defunct association.

Particular properties of National Sports' Associations shall comprise such real and personal properties as shall be owned by them by purchase, donations, bequests, or otherwise.

Particular funds of National Sports' Association shall comprise the following:

(a) Monies raised through donations and receipts from benefit games, and officially conducted competitions.

(b) Annual dues from their respective members, the annual dues to be paid to the federation by each association shall be determined by the executive committee after taking into consideration the paying capacity of the Association concerned, while that to be paid to the National Sports' Association by their respective members shall be determined by each association.

SEC. 19. *Presidential Land Grant.* — The provisions of any existing law to the contrary notwithstanding, the President, upon the recommendation of the Secretary Agriculture and Natural Resources may, by donation, sale, lease or otherwise, grant to the Philippine Amateur Athletic Federation portions of the land of the public domain as may be necessary to carry out the purposes of this Act.

SEC. 20. *Expenditures of funds and uses of properties.* — Common funds of the federation shall be expended for any or all of the following purposes:

(a) To defray the administrative expenses of the federation.

(b) To defray the expenses for the maintenance, preservation, and improvement of the common properties of the federation.

(c) To aid in the development of undeveloped sports in the Philippines.

(d) To defray the transportation, equipment and board and lodging expenses of Philippine Athletic delegations and participants to the Olympics and Asians Games and other International competitions as well as the preparation for the holding of Olympic competitions and Asian games in the Philippines: *Provided, however,* That should the funds not be sufficient for the purpose, voluntary contributions may be secured from the Associations but such contributions shall first be applied to defray the expenses of the Association making the contribution.

Particular funds of the National Sports' Associations shall be expended for the accomplishment of their respective purposes.

SEC. 21. *Use of facilities.* — Subject to regulations of the federation, its playgrounds and stadia shall be available for the use of the association and their members in preference to all others and, for such use, they shall be charged a rental to be determined by the executive committee.

SEC. 22. *Exemption of income and properties from taxes.* — Any laws to the contrary notwithstanding, all income, properties, and importation of sports equipment and materials by the Philippine Amateur Athletic Federation and the members shall be exempt from amusement, real property, specific taxes and all other taxes and duties: *Provided, however,* That the sports equipment and material imported herein shall be for the exclusive use of the fe-

deration, the associations and their athlete members and are not to be disposed of for commercial purposes or for profit.

SEC. 23. *Effect of non-membership in the federation.* — From and after the date of the approval of this Act, no individual athlete, team, club, or organization engaged in sports activities who is not a member of an association as formed hereunder shall be allowed to participate in the national open championships and represent the Philippines in any competition at home or abroad or to enjoy the privileges hereunder.

SEC. 24. *Penal Clause.* — A penalty of not exceeding one year imprisonment or a fine of not more than one thousand pesos or both at the discretion of the court shall be imposed upon any person who:

a. Shall solicit funds for any of the purposes mentioned in this Act without being authorized to do so hereunder or by the Philippine Amateur Athletic Federation or its member Associations;

b. Shall, without authority, use the word "Olympic", the Olympic shield, Olympic insignia and such other emblem designed and prescribed by the federation or any association for the exclusive use of Filipino Athlete members;

c. Shall sell or otherwise dispose of the sports equipment and material mentioned in section eighteen hereof for commercial purposes or for profit.

SEC. 25. *Appropriation for the formation of National Sports' Associations.* — There shall be appropriated from the funds of the National Treasury not otherwise appropriated the sum of One Hundred thousand pesos for the purpose of defraying the expenses in the formation of National Sports' Associations as provided herein.

SEC. 26. *Repealing clause.* — Act Numbered Three thousand two hundred and sixty-two and all other Acts, Executive orders, rules and regulations or parts thereof inconsistent herewith are hereby repealed.

SEC. 27. *Separability clause.* — In the event any provision of this Act or the application of such provision to any person or circumstance is declared unconstitutional, the remainder of this Act or the application of said provision to other persons or circumstances shall not be affected thereby.

SEC. 28. This Act shall take effect upon its approval.

Approved, June 17, 1961.

POLITICAL LAW: NATURAL RESOURCES. — Existing laws in this jurisdiction relating to agriculture are scattered in many statutes inclusive of recent enactments down to those dating back to the early years of the American occupation. Rep. Act 3148 seeks to consolidate these legislations into

a modern code of agriculture.¹ To carry out this objective, it creates an Agricultural Commission whose main function is to revise and codify all existing substantive and procedural laws and jurisprudence relative and/or pertinent to Philippine agriculture.²

REPUBLIC ACT No. 3148

AN ACT TO CREATE AN AGRICULTURAL CODE COMMISSION
Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. There is created an Agricultural Code Commission which shall be composed of a chairman and not more than six members to be appointed by the President of the Philippines with the consent of the Commission on Appointments: *Provided, however,* That the Secretary of Agriculture and Natural Resources and the Chairman of the National Economic Council shall be ex-officio members thereof: *Provided, further,* That two of the members shall be nominated by the Chamber of Agriculture and Natural Resources of the Philippines: *Provided, finally,* That the Agricultural Code Commission shall be under the executive control and supervision of the President of the Philippines.

SEC. 2. It shall be the duty of the said Commission to revise all the existing substantive and procedural laws and jurisprudence relative and/or pertinent to agriculture of the Philippines, and to codify the same in conformity with the economic needs and objectives, customs, traditions and idiosyncrasies of the Filipino people and with the progressive principles of the sciences of law and economics. The Commission shall complete its work not later than two years from the date of approval of this Act, and shall submit to the President of the Philippines a report of the work undertaken by it together with the corresponding drafts of the code for submission to the Congress of the Philippines.

SEC. 3. The chairman shall receive a compensation of fifteen thousand pesos *per annum* and the members shall each receive compensation of ten thousand pesos *per annum*: *Provided, however,* That the *ex-officio* members shall serve without additional compensation. The chairman may, subject to the approval of the President of the Philippines and to the provisions of the Civil Service Law, appoint such assistants and other subordinate employees as may be necessary.

SEC. 4. The Commission is empowered to call on any official or employee of any bureau, office, branch, subdivision, agency, or instrumentality of the government to assist or otherwise extend his cooperation to the Com-

¹ Explanatory Note to H. No. 3566, Cong. Record, No. 74, First Copy, May 21, 1959.

² Sec. 2.

mission in connection with the performance of its functions to carry out the provisions of this Act.

SEC. 5. Upon the completion of its work and the submission of its report, the Commission shall cease to exist and the services of the chairman and the members of the same and of all the employees working under it shall terminate. All records and documents and proceedings of the Commission shall be delivered to the National Library for preservation or disposition by the latter office according to law. The other properties of the Commission shall be disposed of in accordance with the Accounting Law and regulations. The unexpended balances of its appropriations shall revert to the unappropriated general fund in the National Treasury.

SEC. 6. To carry out the purposes of this Act, there is appropriated of any funds in the National Treasury not otherwise appropriated, the sum of one hundred thousand pesos for the necessary expenses of the Agricultural Code Commission for the fiscal year beginning July first, nineteen hundred and sixty-one. Thereafter, the necessary amounts to carry out the purposes of this Act shall be included in the annual General Appropriation Acts.

SEC. 7: This Act shall take effect upon its approval.

Approved, June 17, 1961.

POLITICAL LAW: TAXATION. — Rep. Act No. 3176 seeks to ease the financial burden on ship operators in the procurement of ships and their spare parts to enhance the growth of the shipping industry.¹ For this purpose, it exempts importers from the payment of compensating tax on passengers and/or cargo vessels, whether coastwise or ocean-going, including engines and spare parts.²

REPUBLIC ACT No. 3176

AN ACT TO AMEND SECTION ONE HUNDRED NINETY OF COMMONWEALTH ACT NUMBERED FOUR HUNDRED AND SIXTY-SIX, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE.

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

SECTION 1. The first paragraph of Section one hundred ninety of the National Internal Revenue Code, as amended, is hereby amended to read as follows:

See Explanatory Note to H. No. 5801, Cong. Record, Part ii, First Copy, May 5, 1961, 659.

² Sec. 1.