

## **AN ACT TO ADJUST AND STABILIZE THE SUGAR INDUSTRY AND TO RAISE REVENUE FOR THE PURPOSE BY INCREASING THE TAX ON THE MANUFACTURE OF SUGAR AND IMPOSING A TAX ON THE OWNERS OF SUGA...**

*Commonwealth Act No. 567, June 07, 1940*

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Be it enacted by the National Assembly of the Philippines:

SECTION 1. Declaration of emergency and policy. - The existence of die sugar industry is threatened by the imposition of the export taxes under the provisions of Public Act Numbered One hundred twenty-seven of the Congress of the United States, approved March twenty-four, nineteen hundred and thirty-four, as amended by Public Act Numbered Three hundred, approved August seven, nineteen hundred and thirty-nine, and the eventual loss of its preferential position in the United States market. An extensive investigation of the facts relating to the industry has shown that there is a great disparity in the proportion of the benefits being received from the industry by each of its component elements. The industry, as at present constituted, is in effect a monopoly on tlie part of those actually engaged therein, and for this reason, and because of its position in the national economy, is affected with a public interest. The foregoing conditions have produced a state of emergency in the industry, so that it becomes necessary to adopt immediate measures to forestall its complete disruption. It is, therefore, declared to be the national policy to obtain a readjustment of the benefits derived from the sugar industry by the component elements thereof the mill, the landowner, the planter of the sugarcane, and the laborers in the factory and in the field. It is, likewise, declared to be the national policy to stabilize the sugar industry so as to prepare it for the eventuality of the loss of its preferential position in the United States market and the imposition of the export taxes.

SEC. 2. In addition to the percentage tax on the gross receipts of proprietors or operators of sugar mills, provided in section one hundred eighty-nine of the National Internal Revenue Code, all proprietors or operators of mills producing centrifugal sugar shall pay the basic tax of two centavos on every picul of the total marketable sugar manufactured by them; and, further, the additional tax to increase progressively at the rate of five centavos on every picul of the total marketable sugar manufactured for every one per centum by which the share of the mill in the sugar manufactured from the sugar cane belonging to others exceeds forty but does not exceed forty-five per centum of the total thereof and ten centavos on every picul for each one per centum by which such share exceeds forty-five per centum: Provided, That the aforesaid taxes shall be collected from and paid by the proprietors or operators of sugar mills exclusively, and any agreement, under which the burden of the tax or of a part thereof is directly or indirectly shifted to the planters is declared unlawful: Provided, farther, That the President of the Philippines may, in the case of partialiar proprietors or operators of sugar mills, waive, from year to year, any or all of the tax herein levied, except the basic tax of two centavos, when, in view of the peculiar conditions affecting such mills, the provisions of this Act cannot be enforced as against them without, being unduly oppressive aid/or confisc atory.

SEC. 3. When any land devoted to the cultivation of sugar cane is ceded to others by the owner or by the person

in control thereof, for a consideration, under a contract of lease or otherwise, such owner or the person in control thereof shall pay a tax equivalent to the difference between the money value of the rental or consideration collected and the amount representing twelve per centum of the assessed value of such land.

SEC. 4. The taxes provided in this Act shall be collected by the Collector of Internal Revenue under such rules and regulations as may be prescribed by the Secretary of Finance; and it shall be the duty of every person subject to the tax hereunder to make on the first day of July, nineteen hundred and forty, and on the first day of July of each year thereafter, a true and complete return of his total production or of the total rental or consideration received by him during the preceding twelve months, as well as the percentage of participation given to the planters milling their sugar cane in their mills or the assessed value of the sugar land given to others, and to pay the tax due thereon within thirty days from said date.

SEC. 5. All general and special penal provisions in Title XI of Commonwealth Act Numbered Four hundred and sixty-six, otherwise known as the National Internal Revenue Code, in so far as applicable and consistent with the provisions of this Act, are extended and made applicable to violations of any provisions of this Act or of the regulations to be promulgated by the Secretary of Finance. All special and general administrative provisions of law relative to returns, assessment, remission, collection, and refund of internal revenue taxes, and consistent with the provisions of this Act, are made extensive and applicable to the taxes herein imposed.

SEC. 6. All collections made under this Act shall accrue to a special fund in the Philippine Treasury, to be known as the Sugar Adjustment and Stabilization Fund, and shall be paid out only for any or all of the following purposes or to attain any or all of the following objectives, as may be provided by law.

First, to place the sugar industry in a position to maintain itself, despite the gradual loss of the preferential position of the Philippine sugar in the United States market, and ultimately to insure its continued existence notwithstanding the loss of that market and the consequent necessity of meeting competition in the free markets of the world;

Second, to readjust the benefits derived from the sugar industry by all of the component elements thereof the mill, the landowner, the planter of the sugar cane, and the laborers in the factory and in the field so that all might continue profitably to engage therein;

Third, to limit the production of sugar to areas more economically suited to the production thereof; and

Fourth, to afford labor employed in the industry a living wage and to improve their living and working conditions: Provided, That the President of the Philippines may, until the adjournment of the next regular session of the National Assembly, make the necessary disbursements from the fund herein created (1) for the establishment and operation of sugar experiment station or stations and the undertaking of researches (a) to increase the recoveries of the centrifugal sugar factories with the view of reducing manufacturing costs, (b) to produce and propagate higher yielding varieties of sugar cane more adaptable to different district conditions in the Philippines, (c) to lower the costs of raising sugar cane, (d) to improve the burning quality of denatured alcohol from molasses for motor fuel, (e) to determine the possibility of utilizing the other by-products of the industry, (f) to determine what crop or crops are suitable for rotation and for the utilization of excess cane lands, and (g) on other problems the solution of which would help rehabilitate and stabilize the industry, and (2) for the improvement of living and working conditions in sugar mills and sugar plantations, authorizing him to organize the necessary agency or agencies to take charge of the expenditure and allocation of said funds to carry out the purposes herein before enumerated, and, likewise, authorizing the disbursement from the fund herein created of the necessary amount or amounts needed for salaries, wages, travelling expenses, equipment, and other sundry expenses of said agency or agencies.

SEC. 7. If any clause, sentence, paragraph, or part of this Act shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy.

SEC. 8. This Act shall take effect upon its approval.

Approved, June 7, 1940.

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