

**[ EXECUTIVE ORDER NO. 398, January 12, 2005 ]**

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

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

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

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

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

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

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

SECTION 1. All persons, natural or juridical, local or foreign, desiring to enter into or participate in any contract with the government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units, shall, as a pre-condition, submit, along with their proposal and/or bid, a copy of their latest income and business tax returns duly stamped and receive by the Bureau of Internal Revenue, and duly validated with the tax payment made thereon. They shall also submit a tax clearance from the Bureau of Internal Revenue to prove full and timely payment of taxes.

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