


FIFTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

10 AUG -3 AM 51

SENATE

S. B. No. 2342

RECEIVED BY: 

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Introduced by Senator **JUAN PONCE ENRILE**

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EXPLANATORY NOTE

Our society, today, depends heavily upon technological advancements, most especially, information technology. In order for the Filipinos to be at par with the global trend, we need to encourage and expand our knowledge regarding information technology.

We need to give the people a chance to educate and familiarize themselves with the use of computers. Unfortunately, high-tech computer units are very costly, thus rendering it beyond the reach of the "common-tao". It is, therefore, the goal of this proposed measure to make computer hardware and software cheaper and affordable to the public.

With the lower rates at which computers are to be sold and bought, it is hoped that more people will be able to afford such equipment. With this, more schools will be able to acquire computers and in the process, integrate information technology courses in their curriculum.

In the end, it is our country that will benefit from the citizenry's broad knowledge of information technology.

In view thereof, the early passage of this bill is earnestly sought.


  
JUAN PONCE ENRILE

Senator

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**AN ACT  
EXEMPTING THE SALE OR IMPORTATION OF COMPUTER HARDWARE  
AND SOFTWARE FROM THE PAYMENT OF VALUE ADDED TAX AND  
DONATIONS THEREOF FROM DONOR'S TAX, AMENDING FOR THE  
PURPOSE CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE  
CODE OF 1997, AS AMENDED**

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

1           **SECTION 1.** Section 109 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3           **"SEC. 109. *Exempt Transactions.*** - The following shall be  
4 exempt from the value added tax:

- 5           (a) Sale of nonfood agricultural products; marine and forest  
6 products in their original state by the primary producer or  
7 the owner of the land where the same are produced;
- 8           (b) Sale of cotton and cotton seeds in their original state; and  
9 copra;
- 10          (c) Sale or importation of agricultural and marine food  
11 products in their original state, livestock and poultry of a  
12 kind generally used as, or yielding or producing foods for  
13 human consumption; and breeding stock and genetic  
14 materials therefor;

1                   Products classified under this paragraph and paragraph (a)  
2 shall be considered in their original state even if they have  
3 undergone the simple processes of preparation or preservation for  
4 the market, such as freezing, drying, salting, broiling, roasting,  
5 smoking or stripping. Polished and/or husked rice, corn grits, raw  
6 cane sugar and molasses, and ordinary salt shall be considered in  
7 *their original state*;

8           (d) Sale or importation of fertilizers; seeds, seedlings and  
9 fingerlings; fish, prawn, livestock and poultry feeds,  
10 including ingredients, whether locally produced or  
11 imported, used in the manufacture of finished feeds (except  
12 specialty feeds for race horses, fighting cocks, aquarium  
13 fish, zoo animals and other animals generally considered as  
14 pets);

15           (e) Sale or importation of coal and natural gas, in whatever  
16 form or state, and petroleum products (except lubricating  
17 oil, processed gas, grease, wax and petrolatum) subject to  
18 excise tax imposed under Title VI;

19           (f) Sale or importation of raw materials to be used by the  
20 buyer or importer himself in the manufacture of petroleum  
21 products subject to excise tax, except lubricating oil,  
22 processed gas, grease, wax and petrolatum;

23           (g) Importation of passenger and/or cargo vessels of more  
24 than five thousand tons (5,000), whether coastwise or  
25 ocean-going, including engine and spare parts of said  
26 vessel to be used by the importer himself as operator  
27 thereof;

- 1 (h) Importation of personal and household effects belonging  
2 to the residents of the Philippines returning from abroad  
3 and non-resident citizens coming to resettle in the  
4 Philippines: *Provided*, That such goods are exempt from  
5 customs duties under the Tariff and Customs Code of the  
6 Philippines;
- 7 (i) Importation of professional instruments and implements,  
8 wearing apparel, domestic animals, and personal  
9 household effects (except any vehicle, vessels, aircraft,  
10 machinery, other goods for use in the manufacture and  
11 merchandise of any kind in commercial quantity)  
12 belonging to persons coming to settle in the Philippines,  
13 for their own use and not for sale, barter or exchange,  
14 accompanying such persons, or arriving within ninety (90)  
15 days before or after their arrival, upon the production of  
16 evidence satisfactory to the Commissioner, that such  
17 persons are *actually coming to settle in the Philippines* and  
18 that the change of residence is *bona fide*;
- 19 (j) Services subject to percentage tax under Title V;
- 20 (k) Services by agricultural contract growers and milling for  
21 others of palay into rice, corn into grits and sugar cane into  
22 raw sugar;
- 23 (l) Medical, dental, hospital and veterinary services subject to  
24 the provisions of Section 17 of Republic Act No. 7716, as  
25 amended;
- 26 (m) Educational services rendered by private educational  
27 institutions, duly accredited by the Department of  
28 Education, Culture and Sports (DECS) and the

- 1 Commission on Higher Education (CHED), and those  
2 rendered by government educational institutions;
- 3 (n) Sale by the artist himself of his works of art, literary  
4 works, musical compositions and similar creations, or his  
5 services performed for the production of such works;
- 6 (o) Services rendered by individuals pursuant to an employer-  
7 employee relationship;
- 8 (p) Services rendered by regional or area headquarters  
9 established in the Philippines by multinational  
10 corporations which act as supervisory, communications  
11 and coordinating centers for their affiliates, subsidiaries or  
12 branches in the Asia-Pacific Region and do not earn or  
13 derive income from the Philippines;
- 14 (q) Transactions which are exempt under international  
15 agreements to which the Philippines is a signatory or  
16 under special laws, except those under Presidential Decree  
17 Nos. 66, 529 and 1590;
- 18 (r) Sales by agricultural cooperatives duly registered with the  
19 Cooperative Development Authority to their members as  
20 well as sale of their produce, whether in its original state  
21 or processed form, to non-members; their importation of  
22 direct farm inputs, machineries and equipment, including  
23 spare parts thereof, to be used directly and exclusively in  
24 the production and/or processing of their produce;
- 25 (s) Sales by electric cooperatives duly registered with the  
26 Cooperative Development Authority or National  
27 Electrification Administration, relative to the generation  
28 and distribution of electricity as well as their importation  
29 of machineries and equipment, including spare parts which

1 shall be directly used in the generation and distribution of  
2 electricity;

3 (t) Gross receipts from lending activities by credit or multi-  
4 purpose cooperatives duly registered with the Cooperative  
5 Development Authority whose lending operation is limited  
6 to their members;

7 (u) Sales by non-agricultural, non-electric and non-credit  
8 cooperatives duly registered with the Cooperative  
9 Development Authority: *Provided*, That the share capital  
10 contribution of each member does not exceed Fifteen  
11 Thousand Pesos (P15,000.00) and regardless of the  
12 aggregate capital and net surplus ratably distributed  
13 among the members;

14 (v) Export sales by persons who are not VAT-registered;

15 (w) Sale of real properties not primarily held for sale to  
16 customers or held for lease in the ordinary course of trade  
17 or business or real property utilized for low-cost and  
18 socialized housing as defined by Republic Act No. 7279,  
19 otherwise known as the Urban Development and Housing  
20 Act of 1992, and other related laws, house and lot and  
21 other residential dwellings valued at One Million Pesos  
22 (P1,000,000.00) and below: *Provided*, That not later than  
23 January 31st of the calendar year subsequent to the  
24 effectivity of this Act and each calendar year thereafter,  
25 the amount of One Million Pesos (P1,000,000.00) shall be  
26 adjusted to its present value using the Consumer Price  
27 Index, as published by the National Statistics Office  
28 (NSO);

- 1 (x) Lease of a residential unit with a monthly rental not  
2 exceeding Eight Thousand Pesos (P8,000.00): *Provided*,  
3 That not later than January 31<sup>st</sup> of the calendar year  
4 subsequent to the effectivity of Republic Act No. 8241 and  
5 each calendar year thereafter, the amount of Eight  
6 Thousand Pesos (P8,000.00) shall be adjusted to its  
7 present value using the Consumer Price Index as published  
8 by the National Statistics Office (NSO);
- 9 (y) Sale, importation, printing or publication of books and any  
10 newspaper, magazine, review or bulletin which appears at  
11 regular intervals with fixed prices for subscription and sale  
12 and which is not devoted principally to the publication of  
13 paid advertisements; and
- 14 (z) Sale or lease of goods or properties or the performance of  
15 services other than the transactions mentioned in the  
16 preceding paragraphs, the gross annual sales and/or receipts  
17 do not exceed the amount of Five Hundred Fifty Thousand  
18 Pesos (P550,000.00): *Provided*, That not later than January  
19 31<sup>st</sup> of the calendar year subsequent to the effectivity of  
20 Republic Act No.8241 and each calendar year thereafter,  
21 the amount of Five Hundred Fifty Thousand Pesos  
22 (P550,000.00) shall be adjusted to its present value using  
23 the Consumer Price Index, as published by the National  
24 Statistics Office (NSO).
- 25 (aa) Services of banks, non-bank financial intermediaries performing  
26 quasi-banking functions, and other non-bank financial  
27 intermediaries;

1 (bb) Services rendered by doctors of medicine duly registered with the  
2 professional regulatory commission (PRC); and

3 (cc) Services rendered by lawyers duly registered with the Integrated  
4 Bar of the Philippines (IBP).

5 (dd) SALE OR IMPORTATION OF COMPUTERS,  
6 INCLUDING COMPUTER SOFTWARE AND  
7 HARDWARE.

8  
9 The foregoing exemptions to the contrary notwithstanding,  
10 any person whose sale of goods or properties or services which are  
11 otherwise not subject to VAT, but who issues a VAT invoice or  
12 receipt therefor shall, in addition to his liability to other applicable  
13 percentage tax, if any, be liable to the tax imposed in Section 106  
14 or 108 without the benefit of input tax credit, and such tax shall  
15 also be recognized as input tax credit to the purchaser under  
16 Section 110, all of this Code.”

17  
18 **SEC. 2. EXEMPTION FROM DONOR'S TAX.** – ANY PERSON WHO  
19 SHALL MAKE A DONATION OF ANY COMPUTER INCLUDING COMPUTER  
20 SOFTWARE AND HARDWARE TO ANY EDUCATIONAL INSTITUTION  
21 WHETHER PUBLIC OR PRIVATE, TO THE NATIONAL GOVERNMENT, ANY  
22 ENTITY CREATED BY ANY OF ITS AGENCIES WHICH IS NOT CONDUCTED  
23 FOR PROFIT, TO ANY OF ITS POLITICAL SUBDIVISION, OR TO AN  
24 ACCREDITED NON-GOVERNMENTAL ORGANIZATION SHALL BE EXEMPT  
25 FROM THE PAYMENT OF THE CORRESPONDING GIFT TAX.

26



1           **SEC. 3. *Separability Clause.*** – If any provision of this Act is declared invalid or  
2 unconstitutional, other provisions hereof which are not affected thereby shall continue to  
3 be in full force and effect.

4  
5           **SEC. 4. *Repealing Clause.*** - All provisions of law, orders, decrees, including  
6 rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

7  
8           **SEC. 5. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days  
9 following its publication in the Official Gazette or at least two (2) national newspapers of  
10 general circulation.

11  
12           *Approved,*