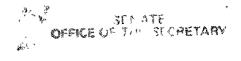
FIFTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES First Regular Session



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SENATE

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S. B. No. 2342

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Introduced by Senator JUAN PONCE ENRILE

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.

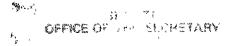
With the lower rates at which computers are to be sold and bought, it is hoped that more people will be able to afford such equipment. With this, more schools will be able to acquire computers and in the process, integrate information technology courses in their curriculum.

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.

Senator

FIFTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES First Regular Session



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SENATE

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S. B. No. 2342

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Introduced by Senator JUAN PONCE ENRILE

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 fu	orther amended to read as follows:
3	"SEC.	109. Exempt Transactions The following shall be
4	exempt from t	he 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;
15		
16		

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

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- 19(f)Sale or importation of raw materials to be used by the20buyer or importer himself in the manufacture of petroleum21products subject to excise tax, except lubricating oil,22processed gas, grease, wax and petrolatum;
- (g) Importation of passenger and/or cargo vessels of more
 than five thousand tons (5,000), whether coastwise or
 ocean-going, including engine and spare parts of said
 vessel to be used by the importer himself as operator
 thereof;
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(h) Importation of personal and household effects belonging to the residents of the Philippines returning from abroad and non-resident citizens coming to resettle in the Philippines: *Provided*, That such goods are exempt from customs duties under the Tariff and Customs Code of the Philippines;

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7 Importation of professional instruments and implements, (i) 8 wearing apparel, domestic animals, and personal household effects (except any vehicle, vessels, aircraft, 9 machinery, other goods for use in the manufacture and 10 merchandise of any kind in commercial quantity) 11 12 belonging to persons coming to settle in the Philippines, for their own use and not for sale, barter or exchange, 13 accompanying such persons, or arriving within ninety (90) 14 days before or after their arrival, upon the production of 15 evidence satisfactory to the Commissioner, that such 16 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;

(1) Medical, dental, hospital and veterinary services subject to
the provisions of Section 17 of Republic Act No. 7716, as
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	(0)	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

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

3 (t) Gross receipts from lending activities by credit or multi4 purpose cooperatives duly registered with the Cooperative
5 Development Authority whose lending operation is limited
6 to their members;

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

1 (x) Lease of a residential unit with a monthly rental not exceeding Eight Thousand Pesos (P8,000.00): Provided, 2 That not later than January 31st of the calendar year 3 subsequent to the effectivity of Republic Act No. 8241 and 4 5 each calendar year thereafter, the amount of Eight 6 Thousand Pesos (P8,000.00) shall be adjusted to its present value using the Consumer Price Index as published 7 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

Sale or lease of goods or properties or the performance of 14 (z) services other than the transactions mentioned in the 15 preceding paragraphs, the gross annual sales and/or receipts 16 do not exceed the amount of Five Hundred Fifty Thousand 17 Pesos (P550,000.00): Provided, That not later than January 18 31st of the calendar year subsequent to the effectivity of 19 Republic Act No.8241 and each calendar year thereafter, 20 the amount of Five Hundred Fifty Thousand Pesos 21 (P550,000.00) shall be adjusted to its present value using 22 the Consumer Price Index, as published by the National 23 Statistics Office (NSO). 24

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 Services rendered by lawyers duly registered with the Integrated (cc)Bar of the Philippines (IBP). 4 5 (dd) SALE OR IMPORTATION OF COMPUTERS, 6 **INCLUDING** COMPUTER SOFTWARE AND HARDWARE. 7 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 or 108 without the benefit of input tax credit, and such tax shall 14 also be recognized as input tax credit to the purchaser under 15 Section 110, all of this Code." 16 17 EXEMPTION FROM DONOR'S TAX. - ANY PERSON WHO 18 SEC. 2. SHALL MAKE A DONATION OF ANY COMPUTER INCLUDING COMPUTER 19 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 FOR PROFIT, TO ANY OF ITS POLITICAL SUBDIVISION, OR TO AN 23 ACCREDITED NON-GOVERNMENTAL ORGANIZATION SHALL BE EXEMPT 24 FROM THE PAYMENT OF THE CORRESPONDING GIFT TAX. 25 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	r e e e e e e e e e e e e e e e e e e e
5	SEC. 4. Repealing Clause All provisions of law, orders, decrees, including
6	rules and regulations inconsistent herewith are hereby repealed or modified accordingly.
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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.
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12	Approved,
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