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

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SENATE

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S. No. 1873

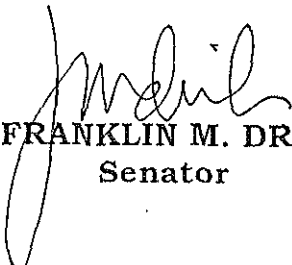
**Introduced by Senators
FRANKLIN M. DRILON, JUAN M. FLAVIER and FRANCIS N.
PANGILINAN**

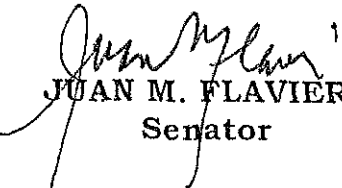
EXPLANATORY NOTE

One of the challenges faced by the present administration is the urgent and daunting task of solving the country's serious financial problems. To do this, government expenditures must be strictly monitored and controlled and revenues must be significantly increased. This may be easier said than done, but our fiscal authorities are still optimistic the government will be operating on a balanced budget by the year 2009. In fact, several measures that will result to significant expenditure savings have been identified by the administration. It is supported with a credible package of revenue measures that include measures to improve tax administration and control the leakages in revenue from income taxes and the value-added tax (VAT).

To complement these fiscal measures, this bill proposes to increase the current value-added tax rate from ten percent (10%) to twelve percent (12%). Since its inception in 1988, the value-added tax has proven to be a significant revenue source of government. It has been contributing more than 20% of the total national government revenues in the last five years. An upward adjustment therefore in the value-added tax rate is expected to bring in sizeable revenues that will supplement the financial needs of the government.

In view of the foregoing, the approval of this bill is earnestly sought.


FRANKLIN M. DRILON
Senator


JUAN M. FLAVIER
Senator


FRANCIS N. PANGILINAN
Senator

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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SENATE

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S. No. 1873

Introduced by Senators
FRANKLIN M. DRILON, JUAN M. FLAVIER
and FRANCIS N. PANGILINAN

AN ACT
INCREASING THE RATE OF THE VALUE-ADDED TAX, AMENDING
FOR THE PURPOSE SECTION 106, 107, 108 AND 114 OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND
FOR OTHER PURPOSES

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

SECTION 1. Section 106 of the National Internal Revenue Code of
1997, as amended, is hereby further amended to read as follows:

“SEC. 106 *Value-Added Tax on Sale of Goods or Properties.* -

“(A) *Rate and Base of Tax.*- There shall be levied,
assessed and collected every sale, barter or exchange of goods
or properties, a value-added tax equivalent to [ten percent
(10%)] TWELVE PERCENT (12%) of the gross selling price or
gross value in money of the goods or properties sold, bartered
or exchanged, such tax to be paid by the seller or transferor.

x x x”

“(B) *Transactions Deemed Sale.*-

x x x”

“(C) *Changes in or Cessation of Status of a VAT-registered
Person* -

x x x”

“(D) *Determination of the Tax.* - (1) The tax shall be
computed by [multiplying] DIVIDING the total amount indicated
in the invoice by [one-eleventh (1/11)] NINE AND ONE THIRD (9
1/3).”

x x x”

SEC. 2. Section 107 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 107. Value- Added Tax on Importation of Goods –

“(A) *In General.* – There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to [ten percent (10%)] **TWELVE PERCENT (12%)** based on the total value used by the Bureau of Customs in determining tariff and customs duties plus customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of such goods from customs custody: Provided, That where the customs duties are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any.

(B) *Transfer of Goods by Tax-Exempt Persons – x x x”*

SEC. 3. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties.-

“(A) *Rate and Base of Tax-* There shall be levied, assessed and collected, a value-added tax equivalent to [ten percent (10%)] **TWELVE PERCENT (12%)** of gross receipts derived from the sale or exchange of services, including the use or lease of properties.

x x x

“(B) *Transactions Subject to Zero Percent (0%) Rate –*

x x x

“(C) *Determination of the tax.* – The tax shall be computed by [multiplying] **DIVIDING** the total amount indicated in the official receipt by [one-eleventh (1/11)] **NINE AND ONE THIRD (9 1/3)**.

x x x”

SEC. 4. Section 114 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 114. Return and Payment of Value-Added Tax. –

“(A) *In General.* – x x x

“(B) *Where to File the Return and Pay the Tax.* – x x x

“(C) *Withholding of Creditable Value-Added Tax* – The government or any of its political subdivisions, instrumentalities or agencies, including government-owned-and-controlled corporations (GOCCs) shall, before making any payment on account of each purchase of goods from sellers and services rendered by contractors which are subject to the value-added- tax imposed in Sections 106 and 108 of this Code, deduct and withhold the value-added tax due at the rate of three percent (3%) of the gross payment for the purchase of goods and six percent (6%) on gross receipts for services rendered by contractors on every sale or installment payment which shall be creditable against the value-added tax liability of the seller or contractor: *Provided, however,* That in case of government public works contractors, the withholding tax rate shall be [eight and one-half percent (8.5%)] TEN AND ONE-HALF PERCENT (10.5%); *Provided, further,* That the payment or lease or use of properties or property rights to nonresident owners shall be subject to [ten percent (10%)] TWELVE PERCENT (12%) withholding tax at the time of payment. For this purpose, the payor or person in control of the payment shall be considered as the withholding agent.

“The value-added tax withheld under this Section shall be remitted with ten (10) days following the end of the month the withholding was made.”

SEC. 5. *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 6. *Separability Clause.* - If any provision of this Act shall be held to be unconstitutional or not valid, no other provision shall be affected thereby.

SEC. 7. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this act are hereby repealed, amended or modified accordingly.

SEC. 8. *Effectivity* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two newspapers of general circulation, whichever comes earlier.

Approved,