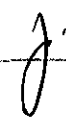


SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

15 MAY -5 P2 :44

SENATE
S.B. NO. 2749

RECEIVED BY: 

Introduced by: SENATOR SERGIO OSMEÑA III

**AN ACT AMENDING SECTION 109 (A) AND (F) OF THE NATIONAL INTERNAL
REVENUE CODE, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR
OTHER PURPOSES**

EXPLANATORY NOTE

This bill seeks to amend the National Internal Revenue Code of 1997, as amended, by clarifying the definition and providing for the technical meaning of "Raw Cane Sugar" in order to reflect the true intent of the legislature in exempting from value-added tax (VAT) the sale of "Raw Cane Sugar."

Section 109 (1) (A) of Republic Act No. 8424 otherwise known as the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337 provides, among others, that raw cane sugar and molasses shall be considered in the original state and shall be exempt from the value-added tax.

On September 19, 2008, the Department of Finance, upon the recommendation of the Bureau of Internal (BIR), issued Revenue Regulations (RR) No. 13-2008 defining raw sugar as sugar whose content of sucrose by weight in dry state, corresponds to a polarimeter reading of less than 99.5 degrees. It was also provided that direct consumption sugars, such as washed sugar and premium raw sugar that have reached only a polarimeter reading of 99.00 to 99.35, are considered as raw sugar exempt from VAT.

However, on September 20, 2013 or five (5) years after the issuance of RR No. 13-2008, the BIR issued RR No. 13-2013, which amended Section (2) (b) of RR No. 13-2008 and redefined raw sugar as sugar produced by simple process of conversion of sugar cane without need of any mechanical or similar devices such as muscovado. It specified that raw sugar refers only to muscovado sugar. It further stated that the centrifugal process of producing sugar is not a simple process, therefore, any type of sugar that undergoes said process is not exempt from VAT.

The local sugar industry clamors for the adoption of the definition of raw sugar under RR No. 13-2008 which is based on the Tariff and Customs Code and the internationally accepted standard definition. Imposing the value-added tax on raw sugar covered by RR No. 13-2013 would also mean additional cost for the consuming public due to the pass-on nature of VAT. A deviation from the said definition will further affect the global trade and country's trading partners.

Moreover, the new revenue regulations effectively amend Art. 61 of the Republic Act No. 6938 otherwise known as the Cooperative Code of the Philippines insofar as the affected cooperatives registered under the Cooperative Development Authority (CDA) who are supposed to be enjoying the privileges of exemptions from any government taxes and fees under the NIRC of 1997, as amended.


The clarification of the definition of "Raw Cane Sugar" and the adoption of its internationally accepted technical meaning is one of the reliefs that Congress should immediately act upon.

As provided in Codex Alimentarius - Codex Standard For Sugars (CODEX STAN 212-1999), the Philippine National Standards On Raw Sugar (PNS/BAFPS 81:2010 ICS 67.180.10) and the Tariff and Customs Code of the Philippines – ASEAN Harmonized Tariff Nomenclature (AHTN - Chapter 17), "Raw Cane Sugar or Raw Sugar" has a specific technical meaning with its corresponding standards. To change the same in order to justify additional collection of revenues for the government would also necessarily result in a violation of our international agreements which use the accepted international definition.

As the bill promises to benefit the country's fiscal management, it is still imperative that Congress act with dispatch to approve it as maintaining the VAT exempt status on the sale of "Raw Cane Sugar" constitutes an invaluable economic relief for all Filipino households and businesses.

The sale of "Raw Cane Sugar or Raw Sugar" has always been VAT exempt. Thus, any foregone revenue can be offset by the increased purchasing power of all households and businesses. The resulting cheaper production costs will then parlay to a more robust and equitable economy for the country.

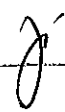
The immediate approval of this bill is therefore earnestly sought.


SERGIO OSMEÑA III
Senator

15 MAY -5 P2:44

SENATE

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AN ACT AMENDING SECTION 109 (A) AND (F) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

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

1 **SEC. 1.** Section 109 (A) of the National Internal Revenue Code, as amended, is
2 hereby further amended to read as follows:

3 "SEC. 109. *Exempt Transactions.* - (1) Subject to the provisions of
4 subsection (2) hereof, the following transactions shall be exempt from the value-
5 added tax:
6

7 (A) Sale or importation of agricultural and marine food products in their
8 original state, livestock and poultry of a kind generally used as, or yielding
9 or producing foods for human consumption; and breeding stock and
10 genetic materials therefor.

11 Products classified under this paragraph shall be considered in their
12 original state even if they have undergone the simple processes of
13 preparation or preservation for the market, such as freezing, drying,
14 salting, broiling, roasting, smoking or stripping. Polished and/or husked
15 rice, corn grits, **RAW SUGAR OR** raw cane sugar and molasses, ordinary
16 salt, and copra shall be considered in their original state;

17 **FOR THIS PURPOSE, "RAW SUGAR OR RAW CANE SUGAR"**
18 **MEANS PARTIALLY PURIFIED SUCROSE, WHICH IS CRYSTALLISED**
19 **FROM PARTIALLY PURIFIED CANE JUICE, WITHOUT FURTHER**
20 **PURIFICATION, BUT WHICH DOES NOT PRECLUDE**
21 **CENTRIFUGATION OR DRYING, AND WHICH IS CHARACTERISED**
22 **BY SUCROSE CRYSTALS COVERED WITH A FILM OF CANE**
23 **MOLASSES AND WHOSE CONTENT OF SUCROSE BY WEIGHT, IN**
24 **THE DRY STATE, CORRESPONDS TO A POLARIMETER READING**
25 **OF LESS THAN 99.5 °.**

xxx

26 (F) Services by agricultural contract growers and milling for others of palay
27 into rice, corn into grits and sugar cane into raw sugar **OR RAW CANE**
28 **SUGAR;**"

1 **SEC. 2.- *Repealing Clause.***- All other laws, acts, decrees, executive orders,
2 issuances, and rules and regulations or parts thereof which are contrary to and
3 inconsistent with any provisions of this Act are hereby repealed, amended or modified
4 accordingly.

5 **SEC. 3. - *Separability Clause.*** - If any provision of this Act is subsequently
6 declared unconstitutional, the validity of the remaining provisions hereof shall remain in
7 full force and effect.

8 **SEC. 4. - *Effectivity Clause*** - This Act shall take effect immediately after its
9 complete publication either in the Official Gazette or in a newspaper of general
10 circulation in the Philippines.

11 Approved.