

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

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SENATE

RECEIVED BY: 

S. B. No. 1196

Introduced by Senator **JUAN PONCE ENRILE**

EXPLANATORY NOTE

Society, today, depend heavily upon technological advancements, most especially, the 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

THIRTEENTH CONGRESS OF THE REPUBLIC)
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'04 JUL -1 A9:31

SENATE
1196
S. B. No. _____

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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:

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

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

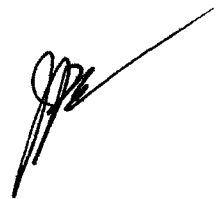
- (a) Sale of nonfood agricultural products; marine and forest products in their original state by the primary producer or the owner of the land where the same are produced;
- (b) Sale of cotton and cotton seeds in their original state; and copra;
- (c) Sale or importation of agricultural and marine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

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;

- (d) Sale or importation of fertilizers; seeds, seedlings and fingerlings; fish, prawn, livestock and poultry feeds, including ingredients, whether locally produced or imported, used in the manufacture of finished feeds (except specialty feeds for race horses, fighting cocks, aquarium fish, zoo animals and other animals generally considered as pets);
- (e) Sale or importation of coal and natural gas, in whatever form or state, and petroleum products (except lubricating oil, processed gas, grease, wax and petrolatum) subject to excise tax imposed under Title VI;
- (f) Sale or importation of raw materials to be used by the buyer or importer himself in the manufacture of petroleum products subject to excise tax, except lubricating oil, processed 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;



- (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;
- (i) Importation of professional instruments and implements, wearing apparel, domestic animals, and personal household effects (except any vehicle, vessels, aircraft, machinery, other goods for use in the manufacture and merchandise of any kind in commercial quantity) belonging to persons coming to settle in the Philippines, for their own use and not for sale, barter or exchange, accompanying such persons, or arriving within ninety (90) days before or after their arrival, upon the production of evidence satisfactory to the Commissioner, that such persons are actually coming to settle in the Philippines and that the change of residence is *bona fide*;
- (j) Services subject to percentage tax under Title V;
- (k) Services by agricultural contract growers and milling for others of palay into rice, corn into grits and sugar cane into raw sugar;
- (l) Medical, dental, hospital and veterinary services subject to the provisions of Section 17 of Republic Act No. 7716, as amended;
- (m) Educational services rendered by private educational institutions, duly accredited by the Department of Education, Culture and Sports (DECS) and the



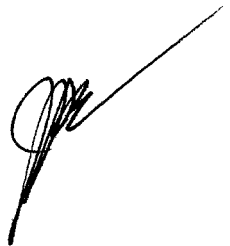
Commission on Higher Education (CHED), and those rendered by government educational institutions;

- (n) Sale by the artist himself of his works of art, literary works, musical compositions and similar creations, or his services performed for the production of such works;
- (o) Services rendered by individuals pursuant to an employer-employee relationship;
- (p) Services rendered by regional or area headquarters established in the Philippines by multinational corporations which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines;
- (q) Transactions which are exempt under international agreements to which the Philippines is a signatory or under special laws, except those under Presidential Decree Nos. 66, 529 and 1590;
- (r) Sales by agricultural cooperatives duly registered with the Cooperative Development Authority to their members as well as sale of their produce, whether in its original state or processed form, to non-members; their importation of direct farm inputs, machineries and equipment, including spare parts thereof, to be used directly and exclusively in the production and/or processing of their produce;
- (s) Sales by electric cooperatives duly registered with the Cooperative Development Authority or National Electrification Administration, relative to the generation and distribution of electricity as well as their importation of machineries and equipment, including spare parts which

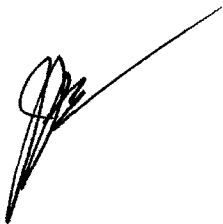


shall be directly used in the generation and distribution of electricity;

- (t) Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the Cooperative Development Authority whose lending operation is limited to their members;
- (u) Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Cooperative Development Authority: *Provided*, That the share capital contribution of each member does not exceed Fifteen Thousand Pesos (P15,000.00) and regardless of the aggregate capital and net surplus ratably distributed among the members;
- (v) Export sales by persons who are not VAT-registered;
- (w) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, and other related laws, house and lot and other residential dwellings valued at One Million Pesos (P1,000,000.00) and below: *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of this Act and each calendar year thereafter, the amount of One Million Pesos (P1,000,000.00) shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO);



- (x) Lease of a residential unit with a monthly rental not exceeding Eight Thousand Pesos (P8,000.00): *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of Republic Act No. 8241 and each calendar year thereafter, the amount of Eight Thousand Pesos (P8,000.00) shall be adjusted to its present value using the Consumer Price Index as published by the National Statistics Office (NSO);
- (y) Sale, importation, printing or publication of books and any newspaper, magazine, review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisements; and
- (z) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of Five Hundred Fifty Thousand Pesos (P550,000.00): *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of Republic Act No.8241 and each calendar year thereafter, the amount of Five Hundred Fifty Thousand Pesos (P550,000.00) shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO).
- (aa) SALE OR IMPORTATION OF COMPUTERS, INCLUDING COMPUTER SOFTWARE AND HARDWARE.



The foregoing exemptions to the contrary notwithstanding, any person whose sale of goods or properties or services which are otherwise not subject to VAT, but who issues a VAT invoice or receipt therefor shall, in addition to his liability to other applicable 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 also be recognized as input tax credit to the purchaser under Section 110, all of this Code.”

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

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

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

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

Approved,

A handwritten signature in black ink, consisting of several loops and a long, sweeping line extending upwards and to the right.

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