


13TH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUL -6 AM '06

SENATE  
S. BILL NO. **1354**

RECEIVED BY: 

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Introduced by Senator Ralph G. Recto

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### Explanatory Note

The country's real GDP grew by 4.4% in 2002. In terms of per capita GDP, a better growth rate of 2.4% was registered. These notable improvements were brought about by the robust performance of services, the upsurge of the industry sector particularly in mining and quarrying and the resurgence of agriculture, fishery and forestry. All major industries of the three major sectors posted positive growth at the end of the year.<sup>1</sup>

However, these gains could lead to naught as we struggle to keep at pace with the problems besetting our country today. In fact, a review of the statistics as of August 6, 2003 indicates a Balance of Payments (BOP) deficit of US\$557 million for the first quarter of 2003. This represents a marked decline from the US\$2.157 billion BOP surplus registered in the same period of 2002.<sup>2</sup>

In the light of our growing population, problems of unemployment, and threats to national security and global terrorism, it is imperative for government to rethink its policies and seek domestic sources of growth.

With the agriculture sector holding the strongest potential for the country to withstand the possible effects of an economic recession, more incentives for our farmers and agri-based industries are in order.

This bill is geared towards that end. It seeks to exempt all types of agriculture and fisheries inputs, equipment and machinery from the coverage of the value-added tax (VAT). It is a twin measure to another bill which provides for the exemption of the same from the payment of tariff and duties.

Republic Act No. 8435 or the Agriculture and Fisheries Modernization Act of 1997 does exempt all types of agriculture and fisheries inputs but it is a half-baked incentive since importers still have to pay VAT. With the removal of said items from the coverage of VAT as proposed under this bill, more and more farmers and fishermen will be able to modernize production and increase productivity. It will boost investments and lower the costs of doing business in the countryside. Ultimately, it will lead to job creation and an increase in the purchasing capacity of our countrymen.

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



RALPH G. RECTO

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<sup>1</sup> The National Expenditure Program for FY 2004: An Overview, LBRMO, Oct. 2, 2003

<sup>2</sup> National Statistical Coordination Board (NSCB)

13TH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
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SENATE

S. BILL NO. 1354

RECEIVED BY: [Signature]

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Introduced by Senator Ralph G. Recto

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AN ACT  
EXEMPTING THE SALE AND IMPORTATION OF ALL TYPES OF  
AGRICULTURE AND FISHERIES INPUTS, EQUIPMENT AND MACHINERY  
FROM THE COVERAGE OF THE VALUE-ADDED TAX (VAT)

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

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

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

“X X X

8 (AA) SALE OR IMPORTATION OF ALL TYPES OF AGRICULTURE  
9 AND FISHERIES INPUTS, EQUIPMENT AND MACHINERY SUCH AS, BUT  
10 NOT LIMITED TO, INSECTICIDE, PESTICIDE, TRACTOR, TRAILERS,  
11 TRUCKS, FARM IMPLEMENTS AND MACHINERY, HARVESTERS,  
12 THRESHERS, GENETIC MATERIALS, SPRAYERS, PACKAGING  
13 MACHINERY AND MATERIALS, BULK-HANDLING FACILITES SUCH AS  
14 CONVEYORS AND MINI LOADERS, WEIGHING SCALES, HARVESTING  
15 EQUIPMENT, SPARE PARTS OF ALL AGRICULTURAL EQUIPMENT, AND  
16 RENEWABLE ENERGY SYSTEMS SUCH AS SOLAR PANELS.

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“X X X.”

20 SEC. 2. *Implementing Rules and Regulations.* -- The Secretary of Finance, upon  
21 recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary  
22 rules and regulations for the effective implementation of the provisions of this Act.

1           SEC. 3. *Repealing Clause.* -- All laws, acts, presidential decrees, executive orders,  
2 proclamation and/or administrative regulations that are inconsistent with the provisions of  
3 this Act, are hereby amended, modified, superseded or repealed accordingly.

4           SEC. 4. *Effectivity.* -- This Act shall take effect fifteen (15) days after its publication in  
5 at least two (2) newspapers of general circulation.

6           *Approved,*