

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



Senate
Office of the Secretary

'22 OCT -5 P5:52

SENATE
S.B. No. 1368

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Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT
ENHANCING ADMINISTRATIVE FEASIBILITY
AND EQUITABILITY OF THE TAX SYSTEM AND RATIONALIZING THE
IMPOSITION OF THE VALUE-ADDED TAX TO ADDRESS
INTERGENERATIONAL POVERTY, AMENDING FOR THE PURPOSE VARIOUS
SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED,
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

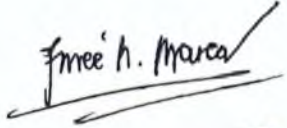
Article VI, Section 28 of the 1987 Constitution states that taxation shall be uniform and equitable. It is an inherent attribute of sovereignty and the government generally relies on taxation to obtain the means to carry on its operations. However, taxation must not be unjust, excessive, oppressive, confiscatory, or contrary to national policy.

This bill seeks to amend certain sections of the National Internal Revenue Code (NIRC), as amended, to align with the true intent of the law. An amendment to Section 24 is proposed to encourage taxpayers on having increased savings in depository banks. Improved undertakings in banks will significantly benefit our economic growth.

Another amendment proposed by the measure is to synchronize corporate tax rates to ensure that a Philippine Corporation is not discriminated in its country of domicile. Section 27 (D)(1) of Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Act, increased the final tax imposed on interest income derived by resident individuals and domestic corporations from a depository bank from 7.5% to 15% while resident foreign corporations enjoy the old rate of 7.5%, thus, giving preferential rates to the latter.

Further, amendment to Section 203 is proposed to provide for prescriptive period for collection of taxes. While the title of the provision is on "*prescriptive periods for assessment and collection of taxes*", its body covers only prescriptive period for assessment.

Given the abovementioned circumstances, the immediate passage of this bill is sought.



IMEE R. MARCOS

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

1 **SECTION 1.** *Declaration of Policy.* – It is hereby declared the policy of the State:

- 2
3 a) To correct the inequity of certain provisions of the National Internal Revenue
4 Code (NIRC), as amended, and make the assessment and collection of taxes
5 easier to administer;
6 b) To enhance the progressivity of the tax system through the rational
7 imposition of the value-added tax (VAT);
8 c) To provide relief to the poorest of the poor by making VAT exempt: (a) good
9 and services provided to schools; (b) school paper products; (c) drugs and
10 medicines; and (d) electricity and machines used in generation, transmission,
11 and distribution;
12 d) To encourage and enhance the competitive capacity of Small and Medium
13 Enterprises (SMEs) by raising the VAT threshold; and
14 e) To ensure intergenerational poverty alleviation and the sustainability of free
15 higher education by earmarked funding for development programs

16
17 **SEC. 2.** Section 24 of the NIRC, as amended, is hereby further amended to read
18 as follows:

19
20 **"SEC. 24. Income Tax Rates.** –

1 (A) xxx xxx xxx xxx

2 (B) *Rate of Tax on Certain Passive Income:* –

3 (1) *Interests, Royalties, Prizes, and other Winnings.* –

4 xxx xxx xxx xxx xxx

5 Provided, finally. That should the holder of the certificate pre-
6 terminate the deposit or investment before the fifth (5th) year, a
7 final tax shall be imposed on the entire income and shall be
8 deducted and withheld by the depository bank from the proceeds
9 of the long-term deposit or investment certificate based on the
10 [remaining maturity] **ACTUAL HOLDING PERIOD** thereof:

11 Four (4) years to less than five (5) years - 5%;

12 Three (3) years to less than four (4) years - 12%; and

13 Less than three (3) years - 20%

14 (2) xxx xxx xxx xxx"

15
16 **SEC. 3.** Section 28 of the NIRC, as amended, is hereby further amended to read
17 as follows:

18
19 **"SEC. 28. Rates of Income Tax on Foreign Corporations.** –

20 (A) Tax on Resident Foreign Corporations. –

21 xxx xxx xxx xxx

22 (7) *Tax on Certain Incomes Received by a Resident Foreign Corporation.*

23 –

24 (a) xxx xxx xxx xxx

25 Provided, however. That interest income derived by a resident foreign
26 corporation from a depository bank under the expanded foreign currency deposit
27 system shall be subject to a final income tax at the rate of [seven and one-half
28 percent (7 ½ %)] **FIFTEEN PERCENT (15%)** of such interest income.

29 (b) xxx xxx xxx xxx

30 (c) xxx xxx xxx xxx"

31
32 **SEC. 4.** Section 109 of the NIRC of 1997, as amended, is hereby further
33 amended to read as follows:

34
35 **"SEC.109. Exempt Transactions.** – (1) Subject to the provisions of
36 Subsections (2) hereof, the following transactions shall be exempt from the
37 value-added tax:

38 "(A)" xxx

39 "(B)" xxx

40 "(C)" xxx

41 "(D)" xxx

42 "(E)" xxx

43 "(F)" xxx

44 "(G)" xxx

1 "(H)" Educational services rendered by private educational institutions, duly
2 accredited by the Department of Education (DepEd), the Commission on Higher
3 Education (CHED), the Technical Education and skills Development Authority
4 (TESDA) and those rendered by government educational institutions,
5 **INCLUDING ALL GOODS SUPPLIED AND SERVICES RENDERED TO SAID**
6 **EDUCATIONAL INSTITUTIONS BY VAT-REGISTERED SUPPLIERS AND**
7 **SERVICE PROVIDERS;**

8 "(I)" xxx

9 "(J)" xxx

10 "(K)" xxx

11 "(L)" xxx

12 "(M)" xxx

13 "(N)" xxx

14 "(O)" xxx

15 "(P)" xxx

16 "(Q)" xxx

17 "(R)" Sale, importation, printing, or publication of books, and any newspaper,
18 magazine, review or bulletin which appears at regular intervals with fixed prices
19 or subscription and sale and which is not devoted principally to the publication
20 of paid advertisement, **AND SALE OR IMPORTATION OF SCHOOL PAPER**
21 **PRODUCTS. PROVIDED, THAT, SCHOOL PAPER PRODUCTS SHALL**
22 **INCLUDE PAPER COMMODITIES CONSUMED BY STUDENTS AND**
23 **TEACHERS DURING THE SCHOOL YEAR;"**

24 "(S)" xxx

25 "(T)" xxx

26 "(U)" xxx

27 "(V)" xxx

28 "(W)" xxx

29 "(X)" xxx

30 "(Y)" xxx

31 "(Z)" xxx

32 "(AA)" Sale **OR IMPORTATION** of drugs and medicines [prescribed for
33 diabetes, high cholesterol, and hypertension beginning January 1, 2019]; [and]

34 "(BB)" **SALE OF ELECTRICITY, INCLUDING SALE OR IMPORTATION OF**
35 **MACHINES AND EQUIPMENT TO BE DIRECTLY USED IN THE**
36 **GENERATION TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY;**
37 **AND**

38 "(CC)" [BB] Sale or lease of goods or properties of the performance of services
39 other than the transactions mentioned in the preceding paragraphs, the gross
40 annual sales and/or receipts do not exceed the amount of [Three million pesos
41 (P3,000,000)] **FIVE MILLION PESOS (5,000,000).**

42
43 **SEC. 5.** Sec. 111 of the NIRC, as amended, is hereby further amended to read
44 as follows:

1 **"SEC. 111. Transitional/Presumptive Input Tax Credits. –**

2 (A) xxx xxx xxx xxx

3 (B) *Presumptive Input Tax Credits.* – Persons or firms engaged in the
4 processing of [sardines, mackerel] **MEAT, FISH AND OTHER**
5 **AGRICULTURAL AND MARINE FOOD PRODUCTS**, [and milk] and in
6 manufacturing refined sugar, **COFFEE**, cooking oil, **MILK, LAUNDRY**
7 **SOAP AND/OR DETERGENTS**, and packed noodle based instant meals,
8 shall be allowed a presumptive input tax, creditable against the output
9 tax, equivalent to four percent (4%) of the gross value in money of their
10 purchases of primary agricultural **AND MARINE FOOD** products which
11 are used as inputs to their production.

12 xxx xxx xxx xxx

13
14 **SEC. 6.** Sec. 203 of the NIRC, as amended, is hereby further amended to read
15 as follows:

16 **"SEC. 203. Period of Limitation Upon Assessment and Collection. –**

17 xxx xxx xxx xxx

18 **ALL ASSESSMENTS MADE UNDER THIS SECTION MUST BE**
19 **COLLECTED WITHIN FIVE (5) YEARS FROM THE DATE THE**
20 **ASSESSMENT WAS MADE. PROVIDED, THAT, IF NO ASSESSMENT IS**
21 **MADE BUT THE TAXPAYER HAS FILED THE REQUIRED TAX RETURN,**
22 **WHICH IS NEITHER FALSE NOR FRAUDULENT, THE PERIOD TO**
23 **COLLECT IS WITHIN FIVE (5) YEARS FROM THE DATE THE TAX IS DUE.**

24
25 **FOR PURPOSES OF COMPLYING WITH THE PRESCRIPTIVE**
26 **PERIODS FOR THE ASSESSMENT AND COLLECTION OF TAXES, AN**
27 **ASSESSMENT IS DEEMED MADE WHEN THE FINAL ASSESSMENT**
28 **NOTICE (FAN) IS RELEASED, MAILED OR SENT TO THE TAXPAYER.**

29
30
31 **SEC. 7.** Sec. 236 of the NIRC of 1997, as amended, is hereby further amended
32 to read as follows:

33
34 **"SEC. 236. Registration Requirements. –**

35 "(A)" xxx

36 "(B)" xxx

37 "(C)" xxx

38 "(D)" xxx

39 "(E)" xxx

40 "(F)" xxx

41 "(G)" *Persons Required to Register for Value-Added Tax. -*

42 "(I)" xxx

1 "(a) His gross sales or receipts for the past twelve (12) months, other than those
2 that are exempt under Section 109 (A) to (BB), have exceeded [Three million pesos
3 (P3,000,000)] **FIVE MILLION PESOS** (P5,000,000); OR

4 "(b) There are reasonable grounds to believe that his gross sales or receipts for
5 the next twelve (12) month, other than those that are exempt under Section 109 (A) to
6 (BB) will exceed [Three million pesos (P3,000,000)] **FIVE MILLION PESOS**
7 (5,000,000).

8 "xxx

9
10 **SEC. 8.** Sec. 288 of the NIRC of 1997, as amended, is hereby further amended
11 to read as follows:

12 **"Sec. 288. Disposition of Incremental Revenues. —**

13 (A) x x x

14 (B) x x x

15 (C) x x x

16 (D) Incremental Revenues from the Value-Added Tax. — [Fifty percent (50%)]
17 **THE ENTIRE** [of the] local government unit's share from the incremental
18 revenue from the Value-Added Tax shall be allocated and used exclusively for
19 the following purposes:
20

21 (1) [Fifteen percent (15%)] **TEN PERCENT (10%)** for public elementary
22 and secondary education to finance the **ACQUISITION AND**
23 **IMPROVEMENT OF SITES**, construction of buildings, purchases of
24 school furniture and in-service teacher trainings;

25 (2) Ten percent (10%) for health insurance premiums of enrolled
26 indigents as a counterpart contributions [of the local government] to
27 sustain the universal coverage of the National Health Insurance Program;

28 (3) [Fifteen percent (15%)] **TEN PERCENT (10%)** for environmental
29 conservation to fully implement a comprehensive national reforestation
30 program; [and]

31 (4) Ten percent (10%) for agricultural modernization to finance the
32 construction of farm-to-market roads and irrigation facilities,
33 **COMMUNAL IRRIGATION SYSTEMS; POST-HARVEST**
34 **FACILITIES, SEED AND ORGANIC FERTILIZER SUBSIDIES;**
35 **LIVESTOCK DISPERSAL PROGRAM; AND ESTABLISHMENT OF**
36 **MARICULTURE AND AQUACULTURE PARKS [.]**;

37 (5) **TEN PERCENT (10%) FOR FOOD VOUCHERS FOR THE FIRST**
38 **TO SEVENTH INCOME DECILES OF THE NATIONAL HOUSEHOLD**
39 **TARGETING SYSTEM FOR POVERTY REDUCTION (NHTS-PR);**
40 **AND**

41 (6) **TEN PERCENT (10%) FOR SOCIAL MITIGATING MEASURES**
42 **AND INVENSTEMNT IN SOCIAL PROTECTION, EMPLOYMENT,**
43

1 **AND HOUSING THAT PRIORITIZE THE POOR AND NEAR-POOR**
2 **HOUSEHOLDS, AS IDENTIFIED UNDER THE NETTS-PR.**
3 **(7) ANY REMAINDER SHALL BE USED FOR OTHER PUBLIC**
4 **PURPOSES.**

5
6 **SEC 9. *Separability Clause.*** – If any part or provision of this Act is held
7 unconstitutional or invalid, the remaining parts or provisions not affected shall remain
8 in full force and effect.

9
10 **SEC 10. *Repealing Clause.*** – Any law, presidential decree or issuance, executive
11 order, letter of instruction, administrative order, rule or regulation contrary to or
12 inconsistent with the provisions of this Act is hereby repealed, modified, or amended
13 accordingly.

14
15 **SEC 11. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following
16 its complete publication in at least two (2) newspapers of general circulation.
17

Approved,