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SENATE

Senate Bill No. 742

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

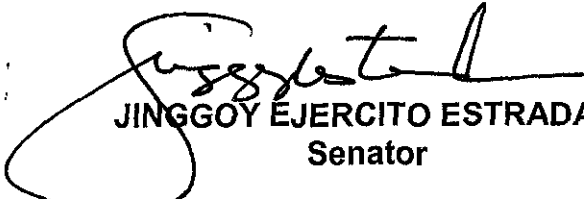
Oil is one of the important commodities that affects all aspects of living in our country. Aside from directly affecting transportation, it is a key input to production, thereby affecting all goods and services that are ultimately delivered to the consumer. Any change in the supply or price of oil significantly affects the prices of food, energy and other goods. It is a key determinant to the quality of life of the people, which is the primary task of the government.

We do not see world oil prices decreasing in the medium-term due to the ongoing global political and economic scenario that are beyond our government's control. Though it is the primary task of the government to ensure the quality of living of the people, we lament to see that it has resigned itself to simply accepting that oil prices will continue to increase, whether we like it or not. With this, powers given to it under several laws, including the visitorial powers under the Downstream Oil Deregulation Act, have not been utilized to the fullest in past years. Furthermore, several laws affecting the pump prices of petroleum products that are not attuned to the times exist, and we have not seen efforts to realign these to the present scenario.

One of such laws is the Expanded Value-Added Tax Law, or Republic Act No. 9337. The law took effect in November of 2005 on assumptions that do not factor-in the present world economy and geopolitical scenario. The government has unjustly earned a net windfall of P38.9B in 2006 from the imposition of a 12% value-added tax (VAT) on the importation and sale of crude oil and finished petroleum products. Furthermore, we see that this windfall from VAT on energy has been used to smokescreen the continued inefficiencies and irregularities in tax and customs administration that would have also resulted in a more sustainable windfall for the government if addressed sincerely.

The proposed measure shall make crude oil and finished fuel products to be treated as zero-rated goods for six months, practically suspending the imposition of 12% VAT on the importation or sale of the said goods.

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


JINGGOY EJERCITO ESTRADA
Senator

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SENATE

Senate Bill No. 742

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[Signature]

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

AN ACT
CLASSIFYING TRANSACTIONS INVOLVING PETROLEUM PRODUCTS AS
ZERO PERCENT (0%) VALUE-ADDED TAX (VAT) TRANSACTIONS,
AMENDING FOR THE PURPOSE SECTION 108 (B) OF REPUBLIC ACT NO.
8424, AS AMENDED BY REPUBLIC ACT NO. 9337, OTHERWISE KNOWN AS
THE TAX REFORM ACT OF 1997, AND FOR OTHER PURPOSES

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

SECTION 1. Section 108 (B) of Republic Act No. 8424, as amended by
Republic Act No. 9337, otherwise known as the Tax Reform Act of 1997, is
hereby amended to read as follows:

(B) Transactions Subject to Zero Percent (0%) Rate. - The following
services performed in the Philippines by VAT-registered persons
shall be subject to zero percent (0%) rate:

- (1) xxx
- (2) xxx
- (3) xxx
- (4) xxx
- (5) xxx
- (6) xxx
- (7) xxx

(8) SALE OR IMPORATION OF PETROLEUM PRODUCTS AND
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, PETROLATUM, COAL AND
NATURAL GAS FOR A PERIOD OF ONLY SIX (6) MONTHS FROM
THE EFFECTIVITY OF THIS ACT; *PROVIDED*, THAT AFTER A
PERIOD OF SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS
ACT, THE PRESIDENT, UPON CONSULTATION WITH THE
DEPARTMENT OF FINANCE AND THE DEPARTMENT OF
ENERGY, SHALL DETERMINE WHETHER TO PROSPECTIVELY
RESTORE THE FULL TWELVE PERCENT (12%) VAT
IMMEDIATELY OR ON A STAGERRED BASIS. IN EITHER CASE,
THE APPROPRIATE PRESIDENTIAL ORDER, AS WELL AS THE
NECESSARY IMPLEMENTING RULES AND REGULATIONS,
SHALL THEN BE ISSUED FOR THE PURPOSE.

SEC. 2. *Separability Clause.* - Any portion or provision of this Act that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions and provisions hereof as long as such remaining portion or provision can still subsist and be given effect in their entirety.

SEC. 3. *Repealing Clause.* - All laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SEC. 4. *Effectivity Clause.* - This Act shall take effect immediately after its publication in at least two national papers of general circulation.

Approved,