


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



Senate
Office of the Secretary

11 AUG -1 P4 :19

SENATE
S. NO. 2927

RECEIVED BY: 

Introduced by Senator Juan Miguel F. Zubiri

EXPLANATORY NOTE

A seamless transport network is one of the drivers of economic development. The said network should be one that is safe, efficient, reliable and coordinated in order to move people, goods and services. At the same time, the transport network should be accessible and fully capable of responding to the current demand of motorists and of the expected traffic volume in the future as determined by the country's economic managers in their development plans.

On the other hand, the government has its own needs to consider such as financial resources. The Philippines adopted the Build-Operate-Transfer mode of project financing in order to respond to the rising road transport needs especially in connecting the economic growth centers to its peripheries.

However, despite the government's regulation of toll fees, the capacity of hundreds of thousands of motorists to use the tollways is influenced by the cost which is expected to rise due to the imposition of the 12 per cent Value-Added Tax on tollway operators. Others believe that the imposition of VAT on tollways is double-taxation as a toll fee is already a levy being imposed on users of tollways.

Thus, in order to ease the burden of motorists and the riding public in these times of rising prices of petroleum products and basic commodities, services rendered by tollway operators should be exempt from VAT.

This bill seeks to amend Sections 108 and 109 of the National Internal Revenue Code, as amended to exempt services rendered by tollway operators from the Value-Added Tax.

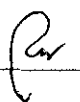
The immediate passage of this Bill, is therefore, respectfully sought.



JUAN MIGUEL F. ZUBIRI

'11 AUG -1 P4 :20

SENATE

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1
2 **AN ACT**
3 **AMENDING SECTIONS 108 AND 109 OF THE NATIONAL INTERNAL REVENUE**
4 **CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**
5
6

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

9 **Section. 1.** Section 108 of the National Internal Revenue Code of 1997, as amended, is
10 hereby further amended to read as follows:

11 "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of*
12 *Properties.* -

13 (A) *Rate and Base of Tax.* - There shall be levied, assessed and collected,
14 a value-added tax equivalent to ten percent (10%) of gross receipts
15 derived from the sale or exchange of services, including the use or lease
16 of properties: Provided, That the President, upon the recommendation of
17 the Secretary of Finance, shall, effective January 1, 2006, raise the rate of
18 value-added tax to twelve percent (12%), after any of the following
19 conditions has been satisfied:

20 (i) Value-added tax collection as a percentage of Gross Domestic
21 Product (GDP) of the previous year exceeds two and four-fifth
22 percent (2 4/5%); or

23 (ii) National government deficit as a percentage of GDP of the
24 previous year exceeds one and one-half percent (1 1/2%).

25 "The phrase '**sale or exchange of services**' means the performance
26 of all kinds of services in the Philippines for others for a fee,
27 remuneration or consideration, including those performed or
28 rendered by construction and service contractors; stock, real
29 estate, commercial, customs and immigration brokers; lessors of
30 property, whether personal or real; warehousing services; lessors
31 or distributors of cinematographic films; persons engaged in milling,
32 processing, manufacturing or repacking goods for others;
33 proprietors, operators or keepers of hotels, motels, rest-houses,
34 pension houses, inns, resorts; proprietors or operators of
35 restaurants, refreshment parlors, cafes and other eating places,

1 including clubs and caterers; dealers in securities; lending
2 investors; transportation contractors on their transport of goods or
3 cargoes, including persons who transport goods or cargoes for hire
4 and other domestic common carriers by land relative to their
5 transport of goods or cargoes; common carriers by air and sea
6 relative to their transport of passengers, goods or cargoes from one
7 place in the Philippines to another place in the Philippines; sales of
8 electricity by generation companies, transmission, and distribution
9 companies; services of franchise grantees of electric utilities,
10 telephone and telegraph, radio and television broadcasting and all
11 other franchise grantees except those under Section 119 of this
12 Code, **TOLLWAY OPERATORS**, and non-life insurance companies
13 (except their crop insurances), including surety, fidelity, indemnity
14 and bonding companies; and similar services regardless of whether
15 or not the performance thereof calls for the exercise or use of the
16 physical or mental faculties. The phrase 'sale or exchange of
17 services' shall likewise include:

18 "Xxx."

19 **SEC. 2.** Section 109 of the same Code, as amended, is hereby further amended by
20 inserting a new sub-section (F) and re-number the succeeding sub-sections to read as
21 follows:

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

24 "Xxx;

25 **(F) SERVICES RENDERED BY TOLLWAY OPERATORS;**

26 (G) Services by agricultural contract growers and milling for others of
27 palay into rice, corn into grits and sugar cane into raw sugar;

28 Xxx."

29 **Sec. 3. *Repealing Clause.*** – All laws, presidential decrees and issuances, executive
30 orders, rules and regulations or parts thereof inconsistent with the provisions of this Act
31 are hereby repealed or modified accordingly.

32 **Sec. 4. *Separability Clause.*** – If, for any reason or reasons, any part of the provision of
33 this Act shall be held unconstitutional or invalid, other parts or provisions hereof which
34 are not affected thereby shall continue to be in full force and effect.

35 **Sec. 5. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in two
36 (2) national newspapers of general circulation. The publication shall not be later than
37 seven (7) days after the approval hereof.

38 Approved,

39