


'12 MAY -7 P2:24

SENATE  
S. B. No. 3179

RECEIVED BY: 

---

Introduced by Senator Ralph G. Recto

---

### Explanatory Note

The contribution of Micro and Small Enterprises (MSEs) to the country's economic development cannot be overemphasized. Based on the latest figures, MSEs generated a total of 55.9% or 3,180,115 jobs, spanning regions and sectors nationwide. Moreover, industries falling under these categories propel economic growth by promoting development in the rural areas, thereby dispersing employment opportunities, decentralizing economic activities and redistributing wealth throughout the country.

Skillful, innovative and adaptive as they may be, MSEs find their wheels of growth gradually decelerated by the rigorous accounting and reporting requirements prescribed by the National Internal Revenue Code (NIRC). Under Section 236 of the NIRC, any person who exceeds or expects to exceed his annual gross sales or receipts by One Million Five Hundred Thousand Pesos (P1,500,000) are mandated to register for Value-Added Tax (VAT). At the same time, Section 109 of the same Code provides that transactions of goods and services that do not exceed the amount of One Million Five Hundred Thousand Pesos (P1,500,000) are exempted from VAT. Such amount shall be adjusted to its present value using the Consumer Price Index (CPI) published by the National Statistics Office (NSO). Entities falling below the threshold are mandated instead to pay 3% percentage tax.

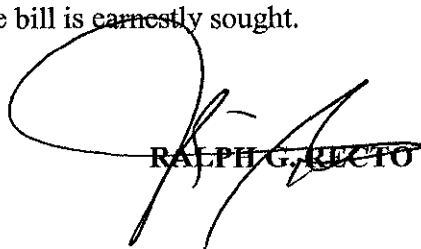
Despite the issuance of Bureau of Internal Revenue (BIR) Revenue Regulations No. 16-2011, which adjusts the VAT threshold amount from One Million Five Hundred Thousand Pesos (P1,500,000) to One Million Nine Hundred Nineteen Thousand Five Hundred Pesos (P1,919,500), a good number of MSEs still find themselves unable to free themselves from the domain of VAT and are without the administrative capacity to comply with the rigorous requirements mandated by the NIRC.

Therefore, it is imperative that the MSEs be given adequate support by reducing the tax impediments that hinder them to accelerate economic development.

This bill aims to protect MSEs by amending sections 109 and 236 of the NIRC, thereby increasing the VAT threshold to Five Million Pesos (P5,000,000). The increase in the VAT threshold is warranted in order to support entrepreneurs, who have proven to be among the significant drivers of the country's economic growth, by freeing them from rigorous tax procedures. MSEs will, in effect, be unburdened from the administrative and accounting requirements prescribed by the NIRC to VAT-registered entities, while at the same time MSEs will be able to focus on maximizing their resources towards intensifying economic activity and creating more jobs.

Although the proposed measure may result in lower VAT revenues, MSEs will have lower operating expenses, which will translate to lower consumer prices. In effect, the end-consumers will ultimately benefit from this legislation through increased purchasing power. Likewise, businesses will be able to provide more investments in labor and capital resulting to accelerated job generation.


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

  
RALPH G. RECTO

'12 MAY -7 P2 :24

SENATE

S. B. No. 3179

RECEIVED BY: 

---

Introduced by Senator Ralph G. Recto

---

AN ACT  
INCREASING THE THRESHOLD FOR CERTAIN NON-VAT TAXPAYERS,  
AMENDING FOR THE PURPOSE SECTIONS 109 AND 236 OF THE NATIONAL  
INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC ACT 9337

*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 of 1997, as amended,  
2 is hereby further amended to read as follows:

3           **“SEC. 109. Exempt Transactions. –**

4           “(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be  
5 exempt from the value-added tax:

6           “(A) xxx

7           “(B) xxx

8           “(C) xxx

9           “(D) xxx

10           “(E) xxx

11           “(F) xxx

12           “(G) xxx

13           “(H) xxx

14           “(I) xxx

15           “(J) xxx

16           “(K) xxx

17           “(L) xxx

18           “(M) xxx

19           “(N) xxx

20           “(O) xxx

21           “(P) xxx

22           “(Q) xxx

23           “(R) xxx

24           “(S) xxx

1           “(T) xxx

2           “(U) xxx

3           “(V) Sale or lease of goods or properties or the performance of services other than the  
4 transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do  
5 not exceed the amount of FIVE MILLION PESOS (P5,000,000) [One million five hundred  
6 thousand pesos (P1,500,000)]; Provided, That not later than THREE YEARS AFTER THE  
7 EFFECTIVITY OF THIS ACT [January 31, 2009] and every three (3) years thereafter, the  
8 amount herein stated shall be adjusted to its present value using the Consumer Price Index, as  
9 published by the National Statistics Office (NSO).

10          “(2) xxx”

11          **SEC. 2.** Section 236 paragraph (F) subparagraph (2)(a) and paragraph (G) subparagraph  
12 (1) of the National Internal Revenue Code of 1997, as amended, are hereby further amended to  
13 read as follows:

14          **“SEC. 236. Registration Requirements. –**

15          “(A) xxx

16          “(B) xxx

17          “(C) xxx

18          “(D) xxx

19          “(E) xxx

20          **“(F) Cancellation of Registration. –**

21                 “(1) xxx

22                 “(2) Cancellation of Value-added Tax Registration. – A VAT-registered person  
23 may cancel his registration for VAT if:

24                         “(a) He makes written application and can demonstrate to the Commissioner’s  
25 satisfaction that his gross sales or receipts for the following twelve (12) months, other  
26 than those that are exempt under Section 109 (A) to (U), will not exceed FIVE  
27 MILLION PESOS (P5,000,000) [One million five hundred thousand pesos  
28 (P1,500,000)], or

29                         “(b) xxx

30          **“(G) Persons Required to Register for Value-Added Tax. –**

31                 “(1) Any person who, in the course of trade or business, sells, barterers or  
32 exchanges goods or properties, or engages in the sale or exchange of services, shall be  
33 liable to register for value-added tax if:

34                         “(a) His gross sales or receipts for the past twelve (12) months, other than  
35 those that are exempt under Section 109 (A) to (U), have exceeded FIVE MILLION  
36 PESOS (P5,000,000) [One million five hundred thousand pesos (P1,500,000)]; or

37                         “(b) There are reasonable grounds to believe that his gross sales or receipts for  
38 the next twelve (12) months, other than those that are exempt under Section 109 (A)

1 to (U), will exceed FIVE MILLION PESOS (P5,000,000) [One million five hundred  
2 thousand pesos (P1,500,000)].

3 “(2) xxx

4 “(H) xxx

5 “(I) xxx

6 “Xxx”

7 **SEC. 3. *Implementing Rules and Regulations (IRR).*** – Within thirty (30) days upon  
8 approval of this Act, the Secretary of Finance, upon recommendation by the Commissioner of  
9 Internal Revenue, shall issue the IRR for the effective implementation of this Act.

10 **SEC. 4. *Separability Clause.*** – Any portion or provision of this Act that may be declared  
11 unconstitutional or invalid shall not have the effect of nullifying other portions or provisions  
12 hereof, as long as such remaining portions or provisions can still subsist and be given effect in  
13 their entirety.

14 **SEC. 5. *Repealing Clause.*** All laws, acts, decrees, executive orders, issuances, and rules  
15 and regulations or parts thereof which are contrary to and inconsistent with this Act are hereby  
16 repealed, amended or modified accordingly.

17 **SEC. 6. *Effectivity.*** - This Act shall take effect fifteen (15) days after its complete  
18 publication in the Official Gazette or in at least two (2) newspapers of general circulation.

*Approved,*