

SENATE

OK

S. NO. 3343

(In substitution of H. No. 6022 taking into consideration S. No. 3065)

Prepared by the Committee on Ways and Means
with Senators Recto and Drilon as authors thereof

AN ACT
RECOGNIZING THE PRINCIPLE OF RECIPROCITY AS BASIS FOR THE GRANT OF
INCOME TAX EXEMPTIONS TO INTERNATIONAL AIR CARRIERS AND
RATIONALIZING OTHER TAXES IMPOSED THEREON BY AMENDING SECTION
28(A)(3)(a), 109, AND 118 OF THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED, AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 28(A)(3)(a) of Republic Act No. 8424, otherwise known as the
2 National Internal Revenue Code of 1997, as amended, is hereby amended to read as
3 follows:

4 "SEC. 28. Rates of Income Tax on Foreign Corporations. –

5 "(A) Tax on Resident Foreign Corporations. –

6 "(1) x x x

7 "(2) x x x

8 "(3) International Carrier. – An international carrier doing business
9 in the Philippines shall pay a tax of two and one-half percent (2 ½%) on
10 its 'Gross Philippine Billings' as defined hereunder:

11 "(a) International Air Carrier. – 'Gross Philippine Billings'
12 refers to the amount of gross revenue derived from carriage of
13 persons, excess baggage, cargo and mail originating from the
14 Philippines in a continuous and uninterrupted flight, irrespective of
15 the place of sale or issue and the place of payment of the ticket or
16 passage document: *Provided*, That tickets revalidated, exchanged
17 and/or indorsed to another international airline form part of the

1 Gross Philippine Billings if the passenger boards a plane in a port
2 or point in the Philippines: *Provided, further,* That for a flight which
3 originates from the Philippines, but transshipment of passenger
4 takes place at any part outside the Philippines on another airline,
5 only the aliquot portion of the cost of the ticket corresponding to the
6 leg flown from the Philippines to the point of transshipment shall
7 form part of Gross Philippine Billings.

8 “(b) International Shipping. – ‘Gross Philippine Billings’
9 means gross revenue whether for passenger, cargo or mail
10 originating from the Philippines up to final destination, regardless of
11 the place of sale or payments of the passage or freight documents.

12 **“PROVIDED, THAT INTERNATIONAL CARRIERS DOING**
13 **BUSINESS IN THE PHILIPPINES MAY AVAIL OF A**
14 **PREFERENTIAL RATE OR EXEMPTION FROM THE TAX**
15 **HEREIN IMPOSED ON THE BASIS OF AN APPLICABLE TAX**
16 **TREATY OR INTERNATIONAL AGREEMENT TO WHICH THE**
17 **PHILIPPINES IS A SIGNATORY OR ON THE BASIS OF**
18 **RECIPROCITY SUCH THAT AN INTERNATIONAL CARRIER,**
19 **WHOSE HOME COUNTRY GRANTS INCOME TAX EXEMPTION**
20 **TO PHILIPPINE CARRIERS, SHALL LIKEWISE BE EXEMPT**
21 **FROM THE TAX IMPOSED UNDER THIS PROVISION.**

22 “X X X.”

23 Sec. 2. Section 109 of the National Internal Revenue Code of 1997, as amended,
24 is hereby further amended to read as follows:

25 “Sec. 109. Exempt Transactions. – The following shall be exempt from
26 the value-added tax:

27 “(A) x x x;

28 **(S) TRANSPORT OF PASSENGERS BY INTERNATIONAL CARRIERS;**

29 **“(T[S]) Sale, Importation or lease of passenger or cargo vessels and aircraft,**
30 **including engine, equipment and spare parts thereof for domestic or international**
31 **transport operations;**

32 “x x x.”

33 Sec. 3. Section 118 of the National Internal Revenue Code of 1997, as amended,
34 is hereby further amended:

1 “Sec. 118. Percentage Tax on International Carrier. –

2 “(A) International air carriers doing business in the Philippines **WITH REFERENCE**
3 **TO GROSS RECEIPTS DERIVED FROM TRANSPORT OF CARGO FROM THE**
4 **PHILIPPINES TO ANOTHER COUNTRY** shall pay a tax of three percent (3%) of their
5 quarterly gross receipts.

6 “(B) International shipping carriers doing business in the Philippines shall pay a tax
7 equivalent to three percent (3%) of their quarterly gross receipts.”

8 Sec. 4. *Implementing Rules and Regulations.* – The Secretary of Finance shall,
9 upon the recommendation of the Commissioner of Internal Revenue, promulgate not
10 later than thirty (30) days upon the effectivity of this Act the necessary Rules and
11 Regulations for its effective implementation.

12 Sec. 5. *Separability Clause.* – If any provision of this Act is subsequently declared
13 invalid or unconstitutional, other provisions hereof which are not affected thereby shall
14 remain in full force and effect.

15 Sec. 6. *Repealing Clause.* – All laws, acts, presidential decrees, executive orders,
16 issuances, presidential proclamations, rules and regulations or parts thereof which are
17 contrary to and inconsistent with any provision of this Act are hereby repealed,
18 amended or modified accordingly.

19 Sec. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete
20 publication either in the Official Gazette, or in at least two (2) newspapers of general
21 circulation.

22 Approved,