

SIXTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
FIRST REGULAR SESSION )



Senate  
Office of the Secretary

13 JUL -1 AM 12

SENATE

SENATE BILL NO. 70

PREPARED BY: *Jia*

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INTRODUCED BY **SENATOR JOSEPH VICTOR G. EJERCITO**

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### EXPLANATORY NOTE

The cost of petroleum products influences the prices and services of the local market. Every increase of the petroleum products would surely brings heavy burden to the Filipino people, whose incomes are meager that they could not cope and easily adjust with the inflation.

With the political tensions heating up in the Middle East, Syria and the looming decline in petroleum reserves worldwide, the price of oil has tremendously increased causing great burden to the Filipino people. Being an importer and heavily dependent on the use of petroleum and other petroleum-based products, every price increase on oil has an adverse effect on the economy. Every increase in the prices of gasoline, diesel, kerosene and other petroleum-based products has a domino effect to the price of prime commodities. This situation if not abated will certainly retard our economic growth targets and create widespread poverty among our people.

When the Expanded Value Added Tax (Republic Act No. 9337) was enacted by Congress in 2004, its purpose was to address the prevailing looming crisis brought about by an unprecedented increase in national debt. The existing economic situation then was the country's debt-to-gross domestic product ratio was at record high of 78.2%. Debt payments then were equivalent to 86.1% of government revenues, which was unparalleled since 1986.

However, in 2010, the country's debt-to-gross domestic product ratio fell to 55.4%, a large improvement from the 2004 level. The economic team of President Aquino is committed in cutting the debt-to-gross domestic product ratio to 46% when his term ends. Furthermore, even the known financial and economic analysts forecast that the peso will strengthen and the Philippine economy will rebound this year.

Albeit, removing the VAT from the sale and importation of petroleum products would reduce government revenues, it is imperative to consider the incomes and revenues derived from the Philippine Amusement and Gaming Corporation, Philippine Charity Sweepstakes Office as well as of that Malampaya gas project. These revenues should be included in the annual drafting of the national budget instead of being treated as off-budget items subject to the full control of the Office of the President. The funds from these sources are sufficient enough to replenish for the lost revenues.

The projected gross income of Pagcor for FY 2012 is P 45 Billion, while PCSO and Malampaya will have a total of P 31 Billion and P 43 Billion gross incomes respectively.

The Pantawid Pasada program of the government falls short in overcoming the burden of the Filipino masses. Neither the bus, jeepney and taxi operators and drivers agree that it is the solution to the skyrocketing cost of gasoline, diesel, kerosene and LPG. It does not benefit the people at all.

Thus, instead of having another a dole-out program such as the Pantawid Pasada program, it is high time to have an immediate relief for the Filipino people from the increasing cost of oil by classifying it as an exempt transaction from the Value Added Tax.

In view of the foregoing, the passage of this measure is earnestly sought.



**JOSEPH VICTOR G. EJERCITO**

SIXTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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13 JUL -1 AM 12

SENATE

RECORDED BY: *ja*

SENATE BILL NO. 170

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INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

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**AN ACT EXEMPTING THE SALE OR IMPORTATION OF PETROLEUM PRODUCTS AND RAW MATERIALS IN THE MANUFACTURE THEREOF FROM THE EXPANDED VALUE ADDED TAX, AMENDING FOR THE PURPOSE SECTION 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED BY REPUBLIC ACT 9337, AND FOR OTHER PURPOSES**

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

**SECTION 1.** Section 109 (1), Chapter 1, Title IV, Value Added Tax of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended by Republic Act No. 9337, is hereby amended to read as follows:

“SECTION 109. Exempted Transactions. (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the Value-Added Tax:

- (A) xxxx
- (B) xxxx

After paragraph (B), insert the following paragraphs (C) and (D).

- (C) SALE OR IMPORTATION OF PETROLEUM PRODUCTS (EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE WAX, PETROLATUM, AND COAL AND NATURAL GAS IN WHATEVER FORM OR STATE) SUBJECT TO EXCISE TAX IMPOSED UNDER TITLE VI;
- (D) SALE OR IMPORTATION OF 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 AND PETROLATUM;

xxxx ”

**SECTION 2. Implementing Rules and Regulations (IRR).** – Within sixty (60) days upon the approval of this Act, the Secretary of Finance, upon the recommendation by the Commissioner of Internal Revenue, shall issue the

Implementing Rules and Regulations for the effective implementation of this Act.

**SECTION 3. Separability Clause.** – Any provision or portion of this Act that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions or provisions hereof, as long as such remaining provisions or portions can still subsist and be given effect in their entirety.

**SECTION 4. Repealing Clause.** – All laws, acts decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with this Act are hereby repealed, amended or modified accordingly.

**SECTION 5. Effectivity.** – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

*Adopted,*