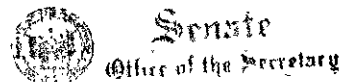



SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)



14 DEC 17 P5:03

SENATE
S.B. NO. **2522**

R. GIVORY. 

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT EXPANDING AGRICULTURAL EXEMPTIONS TO THE EXPANDED VALUE
ADDED TAX UNDER SECTION 109 OF THE NATIONAL INTERNAL REVENUE
CODE

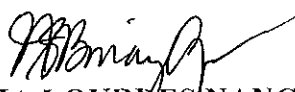
EXPLANATORY NOTE

The Expanded Value Added Tax system was imposed to improve revenue generation of the government for much needed projects. Considering that its effects are across the board, i.e., does not consider the disparity in the individual incomes of the purchaser, Congress saw it fit to identify exemptions under the system.

One of the exemptions involved agricultural products. However, it appears that Congress left a crucial aspect of agriculture in the exemptions, that is the sale or purchase of much needed agricultural and fisheries equipment, which are much needed to improve agriculture in the country, and crucial to the goal of sufficiency of food production.

Considering that many of our farmers and our fishermen belong to the poorest sectors in society and the inability of government to provide direct subsidies, it is the opinion of this humble representation that appropriate tax reliefs should at least be given.

For the above reasons, the passage of this bill is earnestly requested.



MARIA LOURDES NANCY S. BINAY
Senator



14 DEC 17 P5:04

SENATE
S.B. NO. 2522

RECEIVED BY: *J.*

Introduced by Senator Maria Lourdes Nancy S. Binay

1 AN ACT EXPANDING AGRICULTURAL EXEMPTIONS TO THE EXPANDED VALUE
2 ADDED TAX UNDER SECTION 109 OF THE NATIONAL INTERNAL REVENUE
3 CODE
4

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

8 SECTION 1. Section 109 of the National Internal Revenue Code is hereby amended to read
9 as follows:

10
11
12 SEC. 109. *Exempt Transactions.* - The following shall be exempt from the value-added
13 tax:

14
15 (a) Sale of nonfood agricultural products; marine and forest products in their original
16 state by the primary producer or the owner of the land where the same are produced;

17
18 (b) Sale of cotton seeds in their original state; and copra;

19
20 (c) Sale or importation of agricultural and marine food products in their original state,
21 livestock and poultry of or kind generally used as, or yielding or producing foods for
22 human consumption; and breeding stock and genetic materials therefor. Products
23 classified under this paragraph and paragraph (a) shall be considered in their original
24 state even if they have undergone the simple processes of preparation or preservation
25 for the market, such as freezing, drying, salting, broiling, roasting, smoking or
26 stripping. Polished and/or husked rice, corn grits, raw cane sugar and molasses, and
27 ordinary salt shall be considered in their original state;

28
29 (d) Sale or importation of fertilizers; seeds, seedlings and fingerlings; fish, prawn,
30 livestock and poultry feeds, including ingredients, whether locally produced or
31 imported, used in the manufacture of finished feeds (except specialty feeds for race
32 horses, fighting cocks, aquarium fish, zoo animals and other animals generally
33 considered as pets);

34 (e) Sale or importation of coal and natural gas, in whatever form or state, and
35 petroleum products (except lubricating oil, processed gas, grease, wax and petrolatum)
36 subject to excise tax imposed under Title VI;
37

- 1 (f) Sale or importation of raw materials to be used by the buyer or importer himself in
2 the manufacture of petroleum products subject to excise tax, except lubricating oil,
3 processed gas, grease, wax and petrolatum;
4
- 5 (g) Importation of passenger and/or cargo vessels of more than five thousand tons
6 (5,000) whether coastwise or ocean-going, including engine and spare parts of said
7 vessel to be used by the importer himself as operator thereof;
8
- 9 (h) Importation of personal and household effects belonging to the residents of the
10 Philippines returning from abroad and nonresident citizens coming to resettle in the
11 Philippines: *Provided*, That such goods are exempt from customs duties under the
12 Tariff and Customs Code of the Philippines;
13
- 14 (i) Importation of professional instruments and implements, wearing apparel, domestic
15 animals, and personal household effects (except any vehicle, vessel, aircraft, machinery
16 other goods for use in the manufacture and merchandise of any kind in commercial
17 quantity) belonging to persons coming to settle in the Philippines, for their own use and
18 not for sale, barter or exchange, accompanying such persons, or arriving within ninety
19 (90) days before or after their arrival, upon the production of evidence satisfactory to
20 the Commissioner, that such persons are actually coming to settle in the Philippines
21 and that the change of residence is bona fide;
22
- 23 (j) Services subject to percentage tax under Title V;
24
- 25 (k) Services by agricultural contract growers and milling for others of palay into rice,
26 corn into grits and sugar cane into raw sugar;
27
- 28 (l) Medical, dental, hospital and veterinary services subject to the provisions of Section
29 17 of Republic Act No. 7716, as amended;
30
- 31 (m) Educational services rendered by private educational institutions, duly accredited
32 by the Department of Education, Culture and Sports (DECS) and the Commission on
33 Higher Education (CHED), and those rendered by government educational institutions;
34
- 35 (n) Sale by the artist himself of his works of art, literary works, musical compositions
36 and similar creations, or his services performed for the production of such works;
37
- 38 (o) Services rendered by individuals pursuant to an employer-employee relationship;
39
- 40 (p) Services rendered by regional or area headquarters established in the Philippines by
41 multinational corporations which act as supervisory, communications and coordinating
42 centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do
43 not earn or derive income from the Philippines;
44
- 45 (q) Transactions which are exempt under international agreements to which the
46 Philippines is a signatory or under special laws, except those under Presidential Decree
47 Nos. 66, 529 and 1590;
48
- 49 (r) Sales by agricultural cooperatives duly registered with the Cooperative
50 Development Authority to their members as well as sale of their produce, whether in its

1 original state or processed form, to non-members; their importation of direct farm
2 inputs, machineries and equipment, including spare parts thereof, to be used directly
3 and exclusively in the production and/or processing of their produce;
4

5 (s) Sales by electric cooperatives duly registered with the Cooperative Development
6 authority or National Electrification Administration, relative to the generation and
7 distribution of electricity as well as their importation of machineries and equipment,
8 including spare parts, which shall be directly used in the generation and distribution of
9 electricity;

10
11 (t) Gross receipts from lending activities by credit or multi-purpose cooperatives duly
12 registered with the Cooperative Development Authority whose lending operation is
13 limited to their members;

14
15 (u) Sales by non-agricultural, non- electric and non-credit cooperatives duly registered
16 with the Cooperative Development Authority: *Provided*, That the share capital
17 contribution of each member does not exceed Fifteen thousand pesos (P15,000) and
18 regardless of the aggregate capital and net surplus ratably distributed among the
19 members;

20
21 (v) Export sales by persons who are not VAT-registered;

22
23 (w) Sale of real properties not primarily held for sale to customers or held for lease in
24 the ordinary course of trade or business or real property utilized for low-cost and
25 socialized housing as defined by Republic Act No. 7279, otherwise known as the
26 Urban Development and Housing Act of 1992, and other related laws, house and lot
27 and other residential dwellings valued at One million pesos (P1,000,000) and
28 below: *Provided*, That not later than January 31st of the calendar year subsequent to the
29 effectivity of this Act and each calendar year thereafter, the amount of One million
30 pesos (P1,000,000) shall be adjusted to its present value using the Consumer Price
31 Index, as published by the national Statistics Office (NSO);

32
33 (x) Lease of a residential unit with a monthly rental not exceeding Eight thousand
34 pesos (P8,000); *Provided*, That not later than January 31st of the calendar year
35 subsequent to the effectivity of Republic Act No. 8241 and each calendar year
36 thereafter, the amount of Eight thousand pesos (P8,000) shall be adjusted to its present
37 value using the Consumer Price Index as published by the National Statistics Office
38 (NSO);

39
40 (y) Sale, importation, printing or publication of books and any newspaper, magazine
41 review or bulletin which appears at regular intervals with fixed prices for subscription
42 and sale and which is not devoted principally to the publication of paid advertisements;
43 [and]

44
45 (z) Sale or lease of goods or properties or the performance of services other than the
46 transactions mentioned in the preceding paragraphs, the gross annual sales and/or
47 receipts do not exceed the amount of Five hundred fifty thousand pesos
48 (P550,000): *Provided*, That not later than January 31st of the calendar year subsequent
49 to the effectivity of Republic Act No. 8241 and each calendar year thereafter, the
50 amount of Five hundred fifty thousand pesos (550,000) shall be adjusted to its present

1 value using the Consumer Price Index, as published by the National Statistics Office
2 (NSO)[.]; AND

3
4 (aa.) IMPORTATION AND SALE OF AGRICULTURAL/FARMING EQUIPMENT
5 SUCH AS BUT NOT LIMITED TO TRACTORS, CULTIPACKER, ROTATOR,
6 SUBSOILER, ROLLER, MECHANICAL CULTIVATORS, FERTILIZER
7 SPREADER, TERRAGATOR, MANURE SPREADER, SPRAYER, SLURRY
8 AGITATOR INCLUDING FISHING EQUIPMENT AND BOATS USED FOR
9 SUBSISTENCE FISHING.

10
11 The foregoing exemptions to the contrary notwithstanding, any person whose sale of
12 goods or properties or services which are otherwise not subject to VAT, but who issues
13 a VAT invoice or receipt therefor shall, in addition to his liability to other applicable
14 percentage tax, if any, be liable to the tax imposed in Section 106 or 108 without the
15 benefit of input tax credit, and such tax shall also be recognized as input tax credit to
16 the purchaser under Section 110, all of this Code.

17
18 SECTION 2. *Repealing Clause.* All laws, decrees, executive orders, proclamations, rules
19 and regulations, and other issuances, or parts thereof inconsistent with the provisions and
20 intent of this Act are hereby repealed or modified accordingly.

21
22 SECTION 3. *Separability Clause.* If, for any reason, any section or provision of this Act is
23 held unconstitutional or invalid, the other sections or provisions hereof shall not be affected
24 thereby.

25
26 SECTION 4. *Effectivity.* This Act shall take effect fifteen (15) days after its complete
27 publication in at least two (2) newspapers of general circulation.

28
29 Approved,