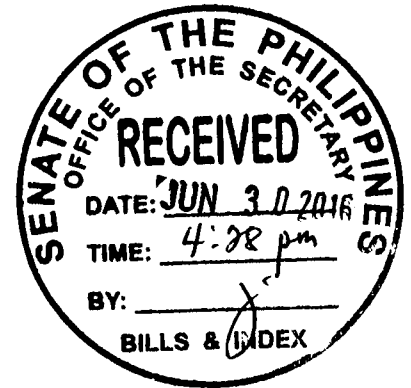


SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



SENATE

Senate Bill No. 126

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Introduced by Senator Juan Miguel F. Zubiri

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**AN ACT**

**CLASSIFYING THE SALE OR IMPORTATION OF PETROLEUM PRODUCTS AND RAW MATERIALS IN THE MANUFACTURE THEREOF AS VALUE-ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 109 (1) OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE TAX REFORM ACT OF 1997, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Republic Act No. 9337 otherwise known as the RVAT Law was implemented in 2004 as part of the government's fiscal program. The law lifted the value-added tax exemption of power and oil products to help shore up government collections in the face of a looming fiscal crisis. In 2004, about 86 percent of government revenues were used for servicing debt and only about 11 percent was allocated to infrastructure and other capital expenditures. However, as a percentage of gross domestic product (GDP), public debt has since declined from 78 percent in 2004 to 45 percent in 2015, a marked improvement from when VAT was imposed.

Petroleum products are characterized as socially sensitive products highly used in the power generation, commercial, transport, manufacturing and agricultural sectors. Diesel for instance is used by public transport. Kerosene is used for lighting. Fuel oil is used for power generation and liquified petroleum gas is used in most households.

We also need to consider that the Philippines is also primarily an oil importer and the unpredictability of geopolitical tensions in oil producing countries and fluctuations in the international market leave us vulnerable to price changes.

As a key input to production and as household necessity, any increase in the prices of petroleum products and the additional burden of VAT will have an impact on the lives of every Filipino as it also puts upward pressure on the prices of basic goods and services, transportation and energy cost.

We must be mindful that in the ASEAN region, the Philippines has the highest individual income tax rate which has remained unadjusted since 1998. On top of that, Filipinos are made to pay VAT higher than its ASEAN neighbors. Hardly any money is left from their income to keep up with the increasing cost of living.

Thus, this bill seeks to restore the VAT exempt status of petroleum and petroleum products to increase the purchasing power of Filipinos. Moreover, given the

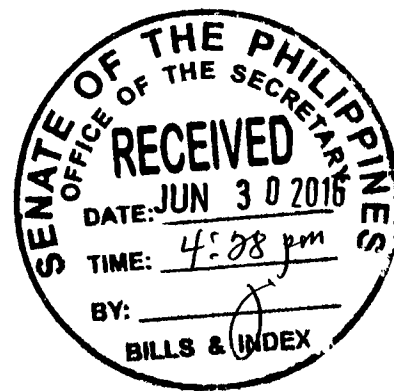
country's improved fiscal position, the government can now share in the burden of providing immediate relief to Filipino consumers.

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



**JUAN MIGUEL F. ZUBIRI**

SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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SENATE

Senate Bill No. 126

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**AN ACT**  
**CLASSIFYING THE SALE OR IMPORTATION OF PETROLEUM PRODUCTS**  
**AND RAW MATERIALS IN THE MANUFACTURE THEREOF AS VALUE-ADDED**  
**TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 109**  
**(1) OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE TAX REFORM**  
**ACT OF 1997, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER**  
**PURPOSES**

Be it enacted by the Senate and 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 further amended to read as follows:

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

"(A) xxx

"(B) xxx

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;**

And re-letter the succeeding paragraphs from (E) to (X).

**SECTION 2. Implementing Rules and Regulations.** – The Secretary of Finance shall, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules and Regulations for the effective implementation of this Act.

**SECTION 3. Repealing Clause.** – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

**SECTION 4. Separability Clause.** – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

**SECTION 5. Effectivity Clause.** - This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

**Approved,**