


SENATE

S. No. 856

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

**AN ACT
MODERNIZING AGRICULTURE, PROVIDING FUNDS FROM THE ANNUAL VALUE-
ADDED TAX COLLECTIONS, AMENDING FOR THE PURPOSE THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED**

Explanatory Note

Agriculture is the foundation of a rural economy. Aside from providing our basic necessities of food and raw materials, the sector employs about 29% of the country's labor force. However, over the years agriculture has continued to remain largely unproductive. Over the past six decades its share to GDP decreased from around 30% to just 10% in 2015.¹ This is in large part due to poor investments, the onslaught of typhoons, droughts, diseases and high cost of inputs such as fertilizers, antibiotics, seed treatments, pesticides, (i.e., herbicides, fungicides, plant growth regulators and rodenticides). Moreover, the share of agriculture employment to the total labor force continues to decline. From around 60% of total employment in the 1950s, this has declined to 29% as of 2015.²

Data on yield, production cost, and price of various agricultural commodities show that the country lagged behind its neighbors. As a result, the comparative advantage of Philippine agriculture continued to decline resulting in our country increasingly becoming a net importer of agricultural products since 1994.

These setbacks were mainly due to low public and private investments in the sector, higher cost of farm inputs, high postharvest losses due to inadequate equipment and infrastructure, poor postharvest handling practices, and inadequate skills and technical support, among others. Investments in agriculture fall below levels at which the sector can meet actual food requirements of our increasing population. Thus, ending poverty and inequity have remained serious challenges in the countryside.

Funding support for agriculture is necessary because it leads to greater productivity, which in turn translates to stable prices of commodities and more affordable food on the table. According to a World Bank Report in 2013, support for agriculture from the public sector has been limited and is focused on just a few crops. From 2000 to 2012, the budget of agriculture capital outlays was less than 0.3 percent of GDP, and was decreasing from 2000 to 2006. As a result, agriculture productivity was lower than in other countries such as Indonesia, Malaysia, and Vietnam. This situation of low agriculture productivity has led to an increasing gap between the Philippines and the world in terms of key food prices, such as rice.³

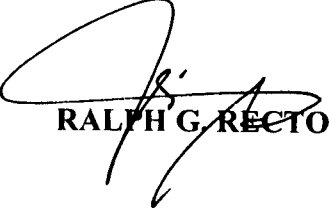
¹ World Bank (2013) Philippine Development Report: Creating More and Better Jobs.

² Philippine Statistics Authority

³ International Rice Research Institute

This bill allocates five percent (5%) of total value-added tax (VAT) collections for farm inputs, post-harvest facilities, and infrastructure support. In order to promote agribusiness as a tool for countryside development, this bill also provides funding support to livelihood programs, capability programs or trainings, and microfinance. Since agriculture plays a major role in the generation of incomes and employment in the countryside, the sector should be given additional budgetary support.

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



RALPH G. RECTO

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

1 **SECTION 1.** A new section, to be numbered two hundred eighty-seven, shall be added to
2 Chapter II, Title XI of the National Internal Revenue Code, as amended to read as follows:

3 "SEC. 287. **DISPOSITION OF PROCEEDS OF VALUE-ADDED TAX.** - FIVE
4 PERCENT (5%) OF THE VALUE-ADDED TAX COLLECTED UNDER TITLE IV OF
5 THIS ACT, AS AMENDED, SHALL BE ALLOCATED TO THE FOLLOWING
6 AGRICULTURE EXPENDITURES:

- 7 1.) TWENTY PERCENT (20%) FOR CONSTRUCTION, REHABILITATION AND
8 RESTORATION OF COMMUNAL IRRIGATION SYSTEMS;
9 2.) TEN PERCENT (10%) FOR POST-HARVEST FACILITIES INCLUDING
10 MECHANICAL AND SOLAR DRYERS AND WAREHOUSES;
11 3.) TEN PERCENT (10%) FOR SEED AND ORGANIC FERTILIZER SUBSIDIES;
12 4.) TWENTY PERCENT (20%) FOR FARM-TO-MARKET ROADS IN
13 MUNICIPALITIES WITH SIGNIFICANT AGRICULTURAL ACTIVITIES;
14 5.) TEN PERCENT (10%) FOR LIVESTOCK DISPERSAL PROGRAM;
15 6.) TEN PERCENT (10%) FOR TRAINING/CAPABILITY BUILDING PROGRAMS
16 FOR AGRICULTURAL EXTENSION WORKERS AND THEIR CLIENTELE;
17 7.) TEN PERCENT (10%) FOR MICROFINANCE LENDING PROGRAMS TO
18 FINANCE SMALLHOLDER AGRICULTURE;
19 8.) TEN PERCENT (10%) FOR THE ESTABLISHMENT AND MAINTENANCE OF
20 MARICULTURE AND AQUACULTURE PARKS.

21 THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF
22 AGRICULTURE (DA) IN CONSULTATION WITH THE LOCAL GOVERNMENT UNIT
23 CONCERNED.

24 **SEC. 2.** The succeeding Sections of the National Internal Revenue Code are hereby
25 renumbered accordingly.

1 **SEC. 3. *Implementing Rules and Regulations*** – The Department of Budget and
2 Management, Bureau of Internal Revenue and DA shall within thirty (30) days from the effectivity
3 of this Act issue the necessary rules and regulations for its effective implementation.

4 **SEC. 4. *Repealing Clause***. - All laws, decrees, executive orders, rules and regulations, or
5 parts thereof which are inconsistent with this Act are hereby repealed, amended or modified
6 accordingly.

7 **SEC. 5. *Effectivity***. - This Act shall take effect fifteen (15) days after its publication either in
8 the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,