

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

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Senate
Office of the Secretary

'19 JUL -3 P7:04

SENATE

S.B. NO. 219

RECEIVED BY

Introduced by SENATOR IMEE R. MARCOS

AN ACT
RATIONALIZING VALUE-ADDED TAXATION TO ADDRESS INTER-
GENERATIONAL POVERTY, AMENDING FOR THE PURPOSE
SECTIONS 109, 197, AND 288 OF THE NATIONAL INTERNAL
REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES

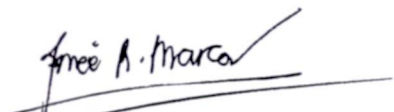
EXPLANATORY NOTE

Poverty continues to be the greatest problem faced by the majority of Filipinos. Worse, inter-generational poverty keeps families locked in the spiral of hand-to-mouth existence. To break the cycle, this measure seeks to provide substantial opportunities, and critical welfare support, that uplifts the poor by earmarking the proceeds from the Value Added Tax (VAT) for basic services needed by the first to seventh deciles.

At the same time, this measure will promote greater economic productivity and efficiency through the streamlining of the VAT to exempt: (a) goods and services provided to schools; (b) school paper products; (c) drugs and medicines; and (d) electricity and machines used in generation, transmission, and distribution; as well as increase the VAT Threshold from Three Million Pesos to Five Million Pesos. The latter will create a nurturing environment for businesses to expand, and stimulate the growth and development of Small and Medium Enterprises (SMEs), while increasing the ease of administration for the Bureau of Internal Revenue.

Ultimately, the welfare of the people is greatly enhanced by giving life to the Supreme Court's land mark decision in ***Congressman Hermilando I. Mandanas Et Al versus Executive Secretary***¹ which stated that the 'just share' of local government units under Section 6, Article X of the 1987 Constitution is based on all national taxes and not only on national internal revenue taxes, as provided in Section 284 of the Local Government Code. In line with this, this measure revises the status quo where 50% of the incremental proceeds of VAT shall be spent for specified purposes. Instead, the bill earmarks the 60% share of the National Government from total VAT proceeds for (a) public schools; (b) indigent insurance; (c) environmental conservation; (d) agricultural modernization; (e) food vouchers; and (f) social mitigation measures, and allows the local governments to enjoy full autonomy over the expenditure of their 40% VAT share.

The passage of this bill is earnestly sought in order to advance the development of the country and the upliftment of our country men.


IMEE R. MARCOS

¹ G.R. No. 199802, July 03, 2018 and G.R. No. 208488, July 3, 2018

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

1 Section. 1 Declaration of Policy. It is hereby declared the policy of the
2 State:

3
4 a) To enhance the progressivity of the tax system through the rational
5 imposition of the value-added tax (VAT);

6
7 b) To provide relief to the poorest of the poor by making VAT exempt: (a)
8 goods and services provided to schools; (b) school paper products; (c)
9 drugs and medicines; and (d) electricity and machines used in
10 generation, transmission, and distribution;

11 c) To encourage and enhance the competitive capacity of Small and
12 Medium Enterprises (SMEs) by raising the VAT threshold; and

13 d) To ensure intergenerational poverty alleviation and the sustainability of
14 free higher education by earmarked funding for development programs.

1 Sec. 2. Section 109 of the National Internal Revenue Code (NIRC) of 1997,
2 as amended, is hereby further amended to read as follows:

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

6 "(A)" x x x

7 "(B)" x x x

8 "(C)" x x x

9 "(D)" x x x

10 "(E)" x x x

11 "(F)" x x x

12 "(G)" x x x

13 "(H)" Educational services rendered by private educational institutions,
14 duly accredited by the Department of Education (DepEd), the Commission on
15 Higher Education (CHED), the Technical Education and Skills Development
16 Authority (TESDA) and those rendered by government educational institutions,
17 INCLUDING ALL GOODS PURCHASED AND SERVICES RENDERED TO SAID
18 EDUCATIONAL INSTITUTIONS BY SUPPLIERS AND SERVICE PROVIDERS

19 "(I)" x x x

20 "(J)" x x x

21 "(K)" x x x

22 "(L)" x x x

23 "(M)" x x x

24 "(N)" x x x

25 "(O)" x x x

26 "(P)" x x x

27 "(Q)" x x x

28 "(R)" Sale, importation, printing, or publication of books, SCHOOL PAPER
29 PRODUCTS and any newspaper, magazine, review or bulletin which appears at
30 regular intervals with fixed prices or subscription and sale and which is not
31 devoted principally to the publication of paid advertisement: PROVIDED, THAT

1 SCHOOL PAPER PRODUCTS SHALL INCLUDE PAPER COMMODITIES CONSUMED
2 BY STUDENTS AND TEACHERS DURING THE SCHOOL YEAR"

3 "(S)" x x x

4 "(T)" x x x

5 "(U)" x x x

6 "(V)" x x x

7 "(W)" x x x

8 "(X)" x x x

9 "(Y)" x x x

10 "(Z)" x x x

11 "(AA)" Sale OR IMPORTATION of drugs and medicines [prescribed for
12 diabetes, high cholesterol, and hypertension beginning January 1, 2019]; [and]

13 "(BB) SALE OF ELECTRICITY, INCLUDING SALE OR IMPORTATION OF
14 MACHINES AND EQUIPMENT TO BE DIRECTLY USED IN THE GENERATION,
15 TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY; AND

16 "(CC) [(BB)] Sale or lease of goods or properties of the performance of
17 services other than the transactions mentioned in the preceding paragraphs, the
18 gross annual sales and/or receipts do not exceed the amount of [Three million
19 pesos (P3,000,000)] FIVE MILLION PESOS (5,000,000).

20
21 Sec. 3. Sec. 197 of the NIRC, as amended, is hereby further amended to
22 read as follows:

23 "Sec. 197. Stamp Tax on Charter Parties and Similar Instruments

24 "(a)" x x x

25 "(G) Persons Required to Register for Value-Added Tax.-

26 "(1)" x x x

27 "(a) His gross sales or receipts for the past twelve (12) months, other
28 than those that are exempt under Section 109 (A) to (BB), have exceeded [Three
29 million pesos (P3,000,000)] FIVE MILLION PESOS (P5,000,000); OR

30 "(b) There are reasonable grounds to believe that his gross sales or
31 receipts for the next twelve (12) months, other than those that are exempt under

1 Section 109 (A) to (BB) will exceed [Three million pesos (P3,000,000)] FIVE
2 MILLION PESOS (P5,000,000).

3 " x x x
4

5 Sec. 4. Sec. 288 of the NIRC, as amended, is hereby further amended to
6 read as follows:

7 "Sec. 288. Disposition of Incremental Revenues. -

8 (A) x x x

9 (B) x x x

10 (C) x x x

11 (D)[Incremental] TOTAL Revenues from the Value-Added Tax. [Fifty percent
12 (50%) of the Local Government unit's share from the] THE TOTAL
13 incremental revenue from the Value-Added Tax shall be allocated and
14 used exclusively for the following purposes:

15 (1)[Fifteen percent (15%)] TEN PERCENT (10%) for public elementary and
16 secondary education to finance the ACQUISITION AND IMPROVEMENT
17 OF SITES, construction of buildings, purchases of school furniture and in-
18 service teacher trainings;

19 (2)Ten percent (10%) for health insurance premiums of enrolled indigents
20 as a counterpart contribution [of the local government] to sustain the
21 universal coverage of the National Health Insurance Program;
22

23 (3)[Fifteen percent (15%)] TEN PERCENT (10%) for environmental
24 conservation to fully implement a comprehensive national reforestation
25 program; [and]

26 (4)Ten percent (10%) for agricultural modernization to finance the
27 construction of farm-to-market roads and irrigation facilities, COMMUNAL
28 IRRIGATION SYSTEMS; POST-HARVEST FACILITIES; SEED AND
29 ORGANIC FERTILIZER SUBSIDIES; LIVESTOCK DISPERSAL PROGRAM;
30 AND ESTABLISHMENT OF MARICULTURE AND AQUACULTURE PARKS [.];

1 (5) TEN PERCENT (10%) FOR FOOD VOUCHERS FOR THE FIRST TO
2 SEVENTH INCOME DECILES OF THE NATIONAL HOUSEHOLD TARGETING
3 SYSTEM FOR POVERTY REDUCTION (NHTS-PR); AND

4 (6) TEN PERCENT (10%) FOR SOCIAL MITIGATING MEASURES AND
5 INVESTMENTS IN SOCIAL PROTECTION, EMPLOYMENT, AND HOUSING
6 THAT PRIORITIZE THE POOR AND NEAR-POOR HOUSEHOLDS, AS
7 IDENTIFIED UNDER THE NHTS-PR.

8
9 Sec. 5. Separability Clause. – If any part or provision of this Act is held
10 unconstitutional or invalid, the remaining parts or provisions not affected shall
11 remain in full force and effect.

12 Sec. 6. Repealing Clause. – Any law, presidential decree or issuance,
13 executive order, letter of instruction, administrative order, rule or regulation
14 contrary to or inconsistent with the provisions of this Act is hereby repealed,
15 modified, or amended accordingly.

16 Sec. 7. Effectivity Clause. This Act shall take effect on January 1, 2020
17 following its complete publication in the *Official Gazette* or in at least one (1)
18 newspaper of general circulation.

Approved,