

**SENATE**

'19 JUL 15 10:43

**S. No. 478**

---

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, supplies food and raw materials for the country's people and industries. It provides employment and livelihood to about 23.1% of our labor force<sup>1</sup>. Despite the onslaught of natural hazards and pestilence, as well as the ever-increasing costs of production inputs, the agricultural sector still contributed 9.28% to the Philippine gross domestic product (GDP) in 2018<sup>2</sup>.

However, growth in this sector has not been enough to improve overall agricultural productivity and achieve food security. Whereas the year-on-year Gross Domestic Product grew by 10.24% in 2018, the agricultural, forestry and fisheries sector grew only by 5.91%<sup>3</sup>. While the number of employed persons grew by 1.21% in July 2018 compared to July 2017, the estimated number of persons employed in the sector decreased by 7.28%<sup>4</sup>. Even the production volume of crops like palay and corn in 2018 also registered a decline of 1.09% and 1.81%, respectively<sup>5</sup>. As a result, the comparative advantage of Philippine agriculture continues to be eroded and our country increasingly becomes more dependent on agricultural imports.

These problems can be traced back to one of the major impediments to agricultural productivity: public and private investments in agriculture fall below levels at which the sector can meet actual food requirements of our increasing population. Low investment contributes to low productivity, higher inefficiency, higher postharvest losses, poor product

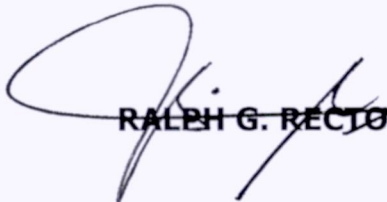
---

<sup>1</sup> Philippine Statistical Authority. (2018 October). Current Labor Statistics. Quezon City: Philippine Statistical Authority.  
<sup>2</sup> Philippine Statistical Authority. (2019 April). Gross National Income and Gross Domestic Product by Industry. Quezon City: Philippine Statistical Authority.  
<sup>3</sup> Philippine Statistical Authority. (2019 April). Gross National Income and Gross Domestic Product by Industry. Quezon City: Philippine Statistical Authority.  
<sup>4</sup> Philippine Statistical Authority. (2018 October). Current Labor Statistics. Quezon City: Philippine Statistical Authority.  
<sup>5</sup> Philippine Statistical Authority. (2019 January). Countrystat Philippines. Quezon City: Philippine Statistical Authority.

handling, inadequate skills, and deficient technical support, among others. As such, before agriculture can take the role in poverty and hunger alleviation, adequate funding support must be promptly identified and earmarked.

This bill seeks to address the agricultural investment problem by earmarking funds specifically 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, training and capacity-building, and microfinance. At the end of the day, this bill aims to help in providing decent livelihood and income for farmers, in maintaining stable prices of commodities, and in ensuring the accessibility of food to all Filipinos.

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



**RALPH G. RECTO**

/mdg



SENATE

'19 JUL 15 10:43

S. No. 478

RECEIVED

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**

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

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

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

8 1.) TWENTY PERCENT (20%) FOR CONSTRUCTION,  
9 REHABILITATION AND RESTORATION OF COMMUNAL IRRIGATION  
10 SYSTEMS;

11 2.) TEN PERCENT (10%) FOR POST-HARVEST FACILITIES  
12 INCLUDING MECHANICAL AND SOLAR DRYERS AND WAREHOUSES;

13 3.) TEN PERCENT (10%) FOR SEED AND ORGANIC FERTILIZER  
14 SUBSIDIES;

15 4.) TWENTY PERCENT (20%) FOR FARM-TO-MARKET ROADS IN  
16 MUNICIPALITIES WITH SIGNIFICANT AGRICULTURAL ACTIVITIES;

17 5.) TEN PERCENT (10%) FOR LIVESTOCK DISPERSAL PROGRAM;

18 6.) TEN PERCENT (10%) FOR TRAINING AND CAPABILITY  
19 BUILDING PROGRAMS FOR AGRICULTURAL EXTENSION WORKERS AND  
20 THEIR CLIENTELE;

21 7.) TEN PERCENT (10%) FOR MICROFINANCE LENDING PROGRAMS  
22 TO FINANCE SMALLHOLDER AGRICULTURE; AND

23 8.) TEN PERCENT (10%) FOR THE ESTABLISHMENT AND  
24 MAINTENANCE OF MARICULTURE AND AQUACULTURE PARKS.

1           **THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF**  
2 **AGRICULTURE IN CONSULTATION WITH THE LOCAL GOVERNMENT UNITS**  
3 **CONCERNED.”**

4           Sec. 2. The succeeding sections of the National Internal Revenue Code are hereby  
5 renumbered accordingly.

6           Sec. 3. *Implementing Rules and Regulations.* – The Department of Budget and  
7 Management, the Department of Finance, the Department of Agriculture, and the Bureau  
8 of Internal Revenue shall, within thirty (30) days from the effectivity of this Act, issue the  
9 necessary rules and regulations for its effective implementation.

10          Sec. 4. *Repealing Clause.* – All laws, decrees, executive orders, rules and  
11 regulations, or parts thereof which are inconsistent with this Act are hereby repealed,  
12 amended or modified accordingly.

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

Approved,