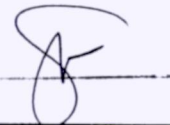


'19 JUL 16 A11 :44

SENATE

Senate Bill No. 537 RECEIVED BY



Introduced by Senator Juan Miguel F. Zubiri

**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 THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED,
AND FOR OTHER PURPOSES**


EXPLANATORY NOTE

Republic Act No. 9337 or the RVAT Law lifted the value-added tax (VAT) exemption of oil products in 2004 to help shore up government collections in the face of a looming fiscal crisis. In addition to the VAT, Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law further increased the excise tax on petroleum products over a period of three years beginning January 2018. As of January 2019, ₱9 per liter excise tax is imposed gasoline, ₱4.50 for diesel, ₱4 for kerosene, and ₱2 for every kilogram of cooking gas or liquified petroleum gas (LPG).

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. As key inputs to production and as household necessity, any increase in the prices of petroleum products and the additional burden of VAT and excise tax 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. The Philippines, as an oil importer, is also vulnerable to price changes in the international market and unpredictable geopolitical tensions in oil producing countries.

Thus, this bill seeks to restore the VAT exempt status of petroleum and petroleum products to temper the impact of fuel taxes on pump prices and prices of basic goods and services. The additional income from lifting the VAT on oil products will hopefully provide extra purchasing power to help Filipinos cope with the inflationary effect brought about by the increase in other taxes levied by government.

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



JUAN MIGUEL F. ZUBIRI

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(1) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED,
AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Section 109 (1), Chapter 1, Title IV, Value-Added Tax of Republic Act
2 No. 8424, otherwise known as the Tax Reform Act of 1997, as amended by Republic Act
3 No. 9337, is hereby further amended to read as follows:

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

6 "(A) xxx

7 "(B) xxx

8 "**(C) SALE OR IMPORTATION OF PETROLEUM PRODUCTS, EXCEPT**
9 **LUBRICATING OIL, PROCESSED GAS, GREASE, WAX, PETROLATUM, AND**
10 **COAL AND NATURAL GAS IN WHATEVER FORM OR STATE SUBJECT TO**
11 **EXCISE TAX IMPOSED UNDER TITLE VI;**

12 "**(D) SALE OR IMPORTATION OF RAW MATERIALS TO BE USED BY THE**
13 **BUYER OR IMPORTER HIMSELF IN THE MANUFACTURE OF PETROLEUM**
14 **PRODUCTS SUBJECT TO EXCISE TAX, EXCEPT LUBRICATING OIL,**
15 **PROCESSED GAS, GREASE, WAX AND PETROLATUM;**

16 "x x x."

17 **SEC. 2. Implementing Rules and Regulations.** – The Secretary of Finance

1 shall, upon the recommendation of the Commissioner of the Bureau of Internal Revenue,
2 promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules
3 and Regulations for the effective implementation of this Act.

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

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

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

Approved,