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**SENATE**

S.B. No. 808

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Introduced by **SENATOR IMEE R. MARCOS**

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**AN ACT  
ENHANCING ADMINISTRATIVE FEASIBILITY  
AND EQUITABILITY OF THE TAX SYSTEM AND RATIONALIZING  
THE IMPOSITION OF THE VALUE-ADDED TAX TO ADDRESS  
INTERGENERATIONAL POVERTY, AMENDING FOR THE PURPOSE VARIOUS  
SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED,  
AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

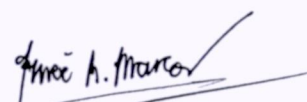
Article VI, Section 28 of the 1987 Constitution states that taxation shall be uniform and equitable. It is an inherent attribute of sovereignty and the government generally relies on taxation to obtain the means to carry on its operations. However, it must not be unjust, excessive, oppressive, confiscatory, or contrary to national policy.

This bill seeks to amend certain sections of the National Internal Revenue Code (NIRC), as amended, to align with the true intent of the law. An amendment to Section 24 is proposed to encourage taxpayers on having increased savings in depository banks. Improved undertakings in banks will significantly benefit our economic growth.

Another amendment proposed by the measure is to synchronize the rates taxed to corporations to ensure that a Philippine Corporation is not discriminated in its country of domicile. Due to the Tax Reform for Acceleration and Inclusion (TRAIN) Act, domestic corporations are taxed at 15% while Resident Foreign Corporations enjoy the old rate of 7.5%, thus, giving lower rates to the latter.

Further, amendment to Section 203 is proposed to provide for prescriptive period for collection of taxes. While the title of the provision is on "prescriptive periods for assessment and collection of taxes", its body covers only prescriptive period for assessment.

Given the abovementioned circumstances, the immediate passage of this bill is sought.

A handwritten signature in black ink, appearing to read "Imee R. Marcos", is written over a horizontal line.

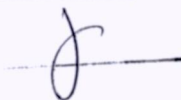
**IMEE R. MARCOS**  
Senator

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

- 1 Section 1. *Declaration of Policy.* It is hereby declared the policy of the State:  
2  
3 a) To correct the inequity of certain provisions of the National Internal  
4 Revenue Code (NIRC) and make the assessment and collection of taxes  
5 easier to administer;  
6 b) To enhance the progressivity of the tax system through the rational  
7 imposition of the value-added tax (VAT);  
8 c) To provide relief to the poorest of the poor by making VAT exempt: (a)  
9 good and services provided to schools; (b) school paper products; (c)  
10 drugs and medicines; and (d) electricity and machines used in generation,  
11 transmission, and distribution;  
12 d) To encourage and enhance the competitive capacity of Small and Medium  
13 Enterprises (SMEs) by raising the VAT threshold; and  
14 e) To ensure intergenerational poverty alleviation and the sustainability of  
15 free higher education by earmarked funding for development programs.  
16

17 Section 2. Section 24 of the National Internal Revenue Code (NIRC) of 1997,  
18 as amended, is hereby further amended to read as follows:  
19

20 **"SEC. 24. Income Tax Rates. –**

21 (A) xxx xxx xxx xxx

22 (B) *Rate of Tax on Certain Passive Income: –*



1 (1) *Interests, Royalties, Prizes, and other Winnings.* –

2 xxx xxx xxx xxx xxx  
3 *Provided, finally,* That should the holder of the certificate pre-  
4 terminate the deposit or investment before the fifth (5<sup>th</sup>) year, a  
5 final tax shall be imposed on the entire income and shall be  
6 deducted and withheld by the depository bank from the  
7 proceeds of the long-term deposit or investment certificate  
8 based on the [remaining maturity] ACTUAL HOLDING PERIOD  
9 thereof:

10 Four (4) years to less than five (5) years – 5%;  
11 Three (3) years to less than four (4) years – 12%; and  
12 Less than three (3) years – 20%

13 (2) xxx xxx xxx xxx "

14  
15 Section 3. Section 28 of the NIRC of 1997, as amended, is hereby further  
16 amended to read as follows:

17  
18 **"SEC. 28. Rates of Income Tax on Foreign Corporations. –**

19 (A) *Tax on Resident Foreign Corporations.* –

20 xxx xxx xxx xxx  
21 (7) *Tax on Certain Incomes Received by a Resident Foreign*  
22 *Corporation.* –

23 (a) xxx xxx xxx xxx

24 *Provided, however,* That interest income derived by a  
25 resident foreign corporation from a depository bank under  
26 the expanded foreign currency deposit system shall be  
27 subject to a final income tax at the rate of [seven and one-  
28 half percent (7 ½ %)] FIFTEEN PERCENT (15%) of such  
29 interest income.

30 (b) xxx xxx xxx xxx  
31 (c) xxx xxx xxx xxx"

32  
33 Section 4. Section 109 of the NIRC of 1997, as amended, is hereby further  
34 amended to read as follows:

35  
36 **"SEC.109. Exempt Transactions.** – (1) Subject to the provisions of  
37 Subsections (2) hereof, the following transactions shall be exempt from the  
38 value-added tax:

39 "(A)" xxx

40 "(B)" xxx

41 "(C)" xxx

42 "(D)" xxx

43 "(E)" xxx

44 "(F)" xxx

45 "(G)" xxx

46 "(H)" Educational services rendered by private educational institutions,  
47 duly accredited by the Department of Education (DepEd), the

1 Commission on Higher Education (CHED), the Technical  
2 Education and skills Development Authority (TESDA) and those  
3 rendered by government educational institutions, INCLUDING  
4 ALL GOODS SUPPLIED AND SERVICES RENDERED TO SAID  
5 EDUCATIONAL INSTITUTIONS BY VAT-REGISTERED SUPPLIERS  
6 AND SERVICE PROVIDERS.

7 "(I)" xxx

8 "(J)" xxx

9 "(K)" xxx

10 "(L)" xxx

11 "(M)" xxx

12 "(N)" xxx

13 "(O)" xxx

14 "(P)" xxx

15 "(Q)" xxx

16 "(R)" Sale, importation, printing, or publication of books, and any  
17 newspaper, magazine, review or bulletin which appears at  
18 regular intervals with fixed prices or subscription and sale and  
19 which is not devoted principally to the publication of paid  
20 advertisement; AND SALE OR IMPORTATION OF SCHOOL PAPER  
21 PRODUCTS. *PROVIDED, THAT, SCHOOL PAPER PRODUCTS*  
22 *SHALL INCLUDE PAPER COMMODITIES CONSUMED BY*  
23 *STUDENTS AND TEACHERS DURING THE SCHOOL YEAR;"*

24 "(S)" xxx

25 "(T)" xxx

26 "(U)" xxx

27 "(V)" xxx

28 "(W)" xxx

29 "(X)" xxx

30 "(Y)" xxx

31 "(Z)" xxx

32 "(AA)" Sale OR IMPORTATION of drugs and medicines [prescribed for  
33 diabetes, high cholesterol, and hypertension beginning January  
34 1, 2019]; [and]

35 "(BB)" SALE OF ELECTRICITY, INCLUDING SALE OR IMPORTATION OF  
36 MACHINES AND EQUIPMENT TO BE DIRECTLY USED IN THE  
37 GENERATION TRANSMISSION, AND DISTRIBUTION OF  
38 ELECTRICITY; AND

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

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45 Section 5. Sec. 111 of the NIRC of 1997, as amended, is hereby further  
46 amended to read as follows:

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48 **"SEC. 111. *Transitional/Presumptive Input Tax Credits.* –**



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(A) xxx xxx xxx xxx

(B) *Presumptive Input Tax Credits.* – Persons or firms engaged in the processing of [sardines, mackerel] MEAT, FISH AND OTHER AGRICULTURAL AND MARINE FOOD PRODUCTS, [and milk] and in manufacturing refined sugar, COFFEE, cooking oil, MILK, LAUNDRY SOAP AND/OR DETERGENTS, and packed noodle-based instant meals, shall be allowed a presumptive input tax, creditable against the output tax, equivalent to four percent (4%) of the gross value in money of their purchases of primary agricultural AND MARINE FOOD products which are used as inputs to their production.

xxx xxx xxx xxx xxx

Section 6. Sec. 203 of the NIRC of 1997, as amended, is hereby further amended to read as follows:

**"SEC. 203. *Period of Limitation Upon Assessment and Collection.*** – xxx xxx xxx xxx

All assessments made under this Section must be collected within five (5) years from the date the assessment was made. *Provided, that,* if no assessment is made but the taxpayer has filed the required tax return which is neither false nor fraudulent, the period to collect is within five (5) years from the date the tax is due.

For purposes of complying with the prescriptive periods for the assessment and collection of taxes, an assessment is deemed made when the Final Assessment Notice (FAN) is released, mailed or sent to the taxpayer.

Section 7. Sec. 236 of the NIRC of 1997, as amended, is hereby further amended to read as follows:

**"SEC. 236. *Registration Requirements.*** –

- "(A)" xxx
- "(B)" xxx
- "(C)" xxx
- "(D)" xxx
- "(E)" xxx
- "(F)" xxx
- "(G)" *Persons Required to Register for Value-Added Tax.* -
- "(1)" xxx

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

"(b) There are reasonable grounds to believe that his gross sales or receipts for the next twelve (12) month, other than those that are exempt under Section 109 (A) to (BB) will exceed [Three million pesos (P3,000,000)] FIVE MILLION PESOS (5,000,000).

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"xxx

Section 8. Sec. 288 of the NIRC of 1997, as amended, is hereby further amended to read as follows:

**"Sec. 288. Disposition of Incremental Revenues. –**

- (A) x x x
- (B) x x x
- (C) x x x

(D) Incremental Revenues from the Value-Added Tax. – [Fifty percent (50%)] THE ENTIRE [of the] local government unit's share from the incremental revenue from the Value-Added Tax shall be allocated and used exclusively for the following purposes:

- (1) [Fifteen percent (15%)] TEN PERCENT (10%) for public elementary and secondary education to finance the ACQUISITION AND IMPROVEMENT OF SITES, construction of buildings, purchases of school furniture and in-service teacher trainings;
- (2) Ten percent (10%) for health insurance premiums of enrolled indigents as a counterpart contributions [of the local government] to sustain the universal coverage of the National Health Insurance Program;
- (3) [Fifteen percent (15%)] TEN PERCENT (10%) for environmental conservation to fully implement a comprehensive national reforestation program; [and]
- (4) Ten percent (10%) for agricultural modernization to finance the construction of farm-to-market roads and irrigation facilities, COMMUNAL IRRIGATION SYSTEMS; POST-HARVEST FACILITIES, SEED AND ORGANIC FERTILIZER SUBSIDIES; LIVESTOCK DISPERSAL PROGRAM; AND ESTABLISHMENT OF MARICULTURE AND AQUACULTURE PARKS [.]
- (5) TEN PERCENT (10%) FOR FOOD VOUCHERS FOR THE FIRST TO SEVENTH INCOME DECILES OF THE NATIONAL HOUSEHOLD TARGETING SYSTEM FOR POVERTY REDUCTION (NHTS-PR); AND
- (6) TEN PERCENT (10%) FOR SOCIAL MITIGATING MEASURES AND INVENSTEMNT IN SOCIAL PROTECTION, EMPLOYMENT, AND HOUSING THAT PRIORITIZE THE POOR AND NEAR-POOR HOUSEHOLDS, AS IDENTIFIED UNDER THE NHTS-PR.
- (7) ANY REMAINDER SHALL BE USED FOR OTHER PUBLIC PURPOSES.

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

1           Section 10. *Repealing Clause.* – Any law, presidential decree or issuance,  
2 executive order, letter of instruction, administrative order, rule or regulation contrary  
3 to or inconsistent with the provisions of this Act is hereby repealed, modified , or  
4 amended accordingly.

5  
6           Section 11. *Effectivity Clause.* – This Act shall take effect on January 1, 2020  
7 following its complete publication in the *Official Gazette* or in at least one (1)  
8 newspaper of general circulation.

9  
          *Approved,*