


THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

5 SEP -7 P2:37

SENATE

RECEIVED BY: 

2110

S. No. _____

INTRODUCED BY SENATOR MAR ROXAS

EXPLANATORY NOTE

This bill seeks to amend Republic Act No. 9337, which amended the National Internal Revenue Code of 1997, by deferring the imposition of value-added tax (VAT) on petroleum products until June 1, 2006, and retaining the previous levels of excise tax applicable to them during the period of deferment.

Republic Act No. 9337, otherwise known as the Value Added Tax Reform Law, was enacted for the purpose of generating revenue for the government in the estimated amount of ₱82 billion annually at 12% VAT (70% collection efficiency). One of the biggest items in this revenue measure is the lifting of VAT exemption of petroleum products, which is expected to raise the national income by ₱29 billion starting 2006.

Recently, global oil prices have risen to new record highs of US\$70 per barrel from only US\$11 in 1998, and are expected to remain at such level in the next 12 months. During the deliberations on the imposition of VAT on petroleum products, the prevailing price of oil in the world market was only between US\$40 to US\$45 per barrel. At US\$30 price difference, this means an additional US\$3.8 billion dollar reserves spending in order to satisfy the country's oil importation of at least 126 million barrels per year, which amount is already 4.5% of our GDP of US\$ 85 billion.

At the time when the Congress was still discussing the new VAT law, the estimated increase in pump prices at 10% VAT was ₱0.63 per liter for diesel, ₱1.22 per liter for fuel oil, and ₱1.66 for LPG. The increase in the world prices by more than 50% changes entirely the milieu and context by which VAT on oil was passed.

The disturbingly high cost of oil prices in the world market dictates an inevitable increase in dollar spending for our oil imports. This has the effect of draining our foreign exchange reserves, thus further weakening the value of peso and increasing interest rates. VAT on oil will inevitably increase the cost of doing businesses which basically depend on oil as primary input, prompting some businessmen to even cease their operations. Prices of goods and services will surge upwards to levels which consumers may not afford. With the slowdown of economic activity and consumer demand, which is even more aggravated by declining value of peso, the government may end up collecting less than what it expects to gain from VAT imposition on oil, all at the risk of economic degeneration and revenue collapse.

The playing field has drastically changed since the passage of RA 9337. As shown, the economic benefit sought to be obtained by the immediate imposition of VAT on oil will not be sustained, and the injury it would cause to our economy will be definitely greater.

In view of the foregoing, approval of this bill is earnestly requested.


MAR ROXAS
Senator

THIRTEENTH CONGRESS OF)
THE REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

5 SEP -7 P2:37

SENATE

RECEIVED BY: _____

S. No. 2118

INTRODUCED BY SENATOR MAR ROXAS

AN ACT
AMENDING SECTIONS 4 AND 5 OF REPUBLIC ACT NO. 9337, ENTITLED
“AN ACT AMENDING SECTIONS 27, 28, 34, 106, 107, 108, 109, 110, 111, 112,
113, 116, 117, 119, 121, 148, 151, 236, 237 AND 288 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:

SECTION 1. Section 106(A) of the National Internal Revenue Code of 1997, as amended by Section 4 of R.A. No. 9337, is hereby amended to read as follows:

“SEC. 106. *Value-added Tax on Sale of Goods or Properties.* –

“(A) *Rate and Base of Tax.* – There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, a value-added tax equivalent to ten percent (10%) of the gross selling price or gross value in money of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor; *Provided,* That the President, upon the recommendation of the Secretary of Finance, shall, effective January 1, 2006, raise the rate of value-added tax to twelve percent (12%), after any of the following conditions has been satisfied:

“(i) Value-added tax collection as a percentage of Gross Domestic Product (GDP) of the previous year exceeds two and four-fifth percent (2 4/5%); or

“(ii) National government deficit as a percentage of GDP of the previous year exceeds one and one-half percent (1 ½ %).

PROVIDED, FURTHER, THAT THE VALUE-ADDED TAX SHALL BE IMPOSED ON PETROLEUM PRODUCTS (EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE WAX AND PETROLATUM) BEGINNING JUNE 1, 2006. DURING THE PERIOD OF EXEMPTION, THE RATE OF EXCISE TAX ON PETROLEUM PRODUCTS EXISTING PRIOR TO THE EFFECTIVITY OF REPUBLIC ACT NO. 9337 SHALL REMAIN IN FORCE.

“(1) The term ‘goods or properties’ shall mean all tangible and intangible objects which are capable of pecuniary estimation and shall include:

x x x x x x x x x.

SECTION 2. Section 107 of the National Internal Revenue Code of 1997, as amended by Section 5 of R.A. No. 9337, is hereby amended to read as follows:

“SEC. 107. *Value-added Tax on Importation of Goods.* –

“(A) *In General.* – There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to ten percent (10%) based on the total value used by the Bureau of Customs in determining tariff and customs duties, plus customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of such goods from customs custody: *Provided,* That where the customs duties are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any: *Provided, further,* That the President, upon the recommendation of the Secretary of Finance, shall, effective January 1, 2006, raise the rate of value-added tax to twelve percent (12%), after any of the following conditions has been satisfied:

“(i) Value-added tax collection as a percentage of Gross Domestic Product (GDP) of the previous year exceeds two and four-fifth percent (2 4/5%); or

“(ii) National government deficit as a percentage of GDP of the previous year exceeds one and one-half percent (1 ½ %).

PROVIDED, FURTHER, THAT THE VALUE-ADDED TAX SHALL BE IMPOSED ON PETROLEUM PRODUCTS (EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE WAX AND PETROLATUM) BEGINNING JUNE 1, 2006. DURING THE PERIOD OF EXEMPTION, THE RATE OF EXCISE TAX ON PETROLEUM PRODUCTS EXISTING PRIOR TO THE EFFECTIVITY OF REPUBLIC ACT NO. 9337 SHALL REMAIN IN FORCE.

“(B) *Transfer of Goods by Tax-exempt Persons.* – x x x

x x x x x x x x x

SECTION 3. *Repealing Clause.* – All laws, decrees and orders or parts thereof inconsistent herewith, are deemed repealed or modified accordingly.

SECTION 4. *Separability Clause.* – The provisions of this Act are hereby declared to be separable and, in the event any of such provisions is declared unconstitutional, the other provisions which are not affected thereby shall remain in full force and effect.

SECTION 5. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in a newspaper of general circulation in the Philippines.

Approved.