FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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7 DEC 14

S. No. 1962

RECEIVED BY :

INTRODUCED BY THE HONORABLE MAR ROXAS

EXPLANATORY NOTE

Oil is an important commodity that permeates all aspects of living in our country. Aside from directly affecting transportation, it is a key input to production, thereby affecting all goods and services that are ultimately delivered to the consumer. Any change in the supply or price of oil significantly affects the prices of food, energy and other goods. It is a key determinant to the quality of life of the people, which is the primary task of the government.

As of the filing of this bill, the prevailing pump price of unleaded gasoline has increased since the start of the year by 19.3% or P7.20 per Liter, from P37.25 to P44.4/L; for diesel oil, 15.6% or P5.20/L, from P33.25 to P38.45/L; for liquefied petroleum gas (LPG), 27.3% or P6.57/L, from P24.07 to P30.64/L; for kerosene, 14.9% or P5.20/L, from P34.79 to P39.99/L; and for fuel oil, 38.3% or P8.21/L, from P21.45 to P29.66/L.

For this year alone, as of the filing of this bill, there have been a total of 18 price increases versus 6 rollbacks for liquefied petroleum gas (LPG); 17 hikes for unleaded gasoline and fuel oil, versus 5 and 4 rollbacks, respectively; and 14 hikes for kerosene and diesel oil versus 6 and 5 rollbacks, respectively.

These pump price increases are in light of the increase of international crude oil and finished petroleum prices. As of November this year, the price of Dubai crude has increased, year on year, by 51.5% to $85.92 per barrel, from $56.72/barrel. In the same light, international prices of finished petroleum products have increased by as much as 50% from December last year to November this year.

We do not see world oil prices decreasing in the medium-term due to the ongoing global political and economic scenario that are beyond our government's control. New economic superpowers are emerging by the name of China and India, and their exponentially increasing production, by themselves alone, is enough to skew the supply and price of oil against developing countries like the Philippines. Geopolitical events involving key oil producing areas such as the Middle East, particularly Iran, and Russia also affect the availability of crude oil and finished petroleum products in the world market.

Though it is the primary task of the government to ensure the quality of living of the people, we lament to see that it has resigned itself to simply accepting that oil prices will continue to increase, whether we like it or not. With this, powers given to it under several laws, including the visitorial powers under the Downstream Oil Deregulation Act, have not been utilized to the fullest in past years. Furthermore, several laws affecting the pump prices of petroleum products that are not attuned to the times exist, and we have not seen to efforts to realign these to the present scenario.

One of such laws is the Expanded Value-Added Tax Law, or Republic Act No. 9337. The law took effect in November of 2005 on assumptions that do not factor-in the present world economy and geopolitical scenario. The government has unjustly earned a net windfall of P38.9B in 2006 from the imposition of a 12% value-added tax (VAT) on the importation and sale of crude oil and finished petroleum products.

Because of the erroneous assumptions used in this law, Congress has even further tightened the belt of Juan Dela Cruz.

Furthermore, we see that this windfall from VAT on energy has been used to smokescreen the continued inefficiencies and irregularities in tax and customs administration that would have also resulted in a more sustainable windfall for the government if addressed sincerely.

What is this additional P38.9B to the government's coffers for, if the people do not feel the full effect of these additional revenues to their lives? What is this additional revenue for, if it translates to constricted purchasing power of the public, and eventually, further stalls the growth of a consumption-driven economy?

We are proposing that crude oil and finished fuel products be treated as zero-rated goods for six months, practically suspending the imposition of 12% VAT on the importation or sale of the said goods.

After the said period of suspension or temporary imposition of a zero-rate VAT, the President, upon consultation with the Secretaries of Finance and of Energy, shall make a determination as to whether the 12% VAT on these crude oil and finished petroleum products shall be re-imposed in full or on a staggered basis.

In view of the foregoing, the immediate approval of this bill—along with the implementation of other sincere and concrete actions by the government to address this urgent situation—is earnestly sought.

M A R Roxas
Senator

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FOURTEENTH CONGRESS OF THE)
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SENATE
S. No. 1962

INTRODUCED BY THE HONORABLE MAR ROXAS

AN ACT
CLASSIFYING TRANSACTIONS INVOLVING PETROLEUM PRODUCTS AS ZERO-PERCENT (0%) VALUE-ADDED TAX (VAT) TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 108 (B) OF REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 9337, OTHERWISE KNOWN AS THE TAX REFORM ACT OF 1997, AND FOR OTHER PURPOSES.

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

SECTION 1. Section 108 (B) of Republic Act No. 8424, as amended by Republic Act No. 9337, otherwise known as the Tax Reform Act of 1997, is hereby amended to read as follows:

(B) Transactions Subject to Zero Percent (0%) Rate. — The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

(1) XXX

(2) XXX

(3) XXX

(4) XXX

(5) XXX

(6) XXX

(7) XXX

(8) SALE OR IMPORATION OF PETROLEUM PRODUCTS AND RAW MATERIALS TO BE USED BY THE BUYER OR

IMPORTER HIMSELF IN THE MANUFACTURE OF PETROLEUM PRODUCTS SUBJECT TO EXCISE TAX, EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE, WAX, PETROLATUM, COAL AND NATURAL GAS FOR A PERIOD OF ONLY SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS ACT; *PROVIDED*, THAT AFTER A PERIOD OF SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS ACT, THE PRESIDENT, UPON CONSULTATION WITH THE DEPARTMENT OF FINANCE AND THE DEPARTMENT OF ENERGY, SHALL DETERMINE WHETHER TO PROSPECTIVELY RESTORE THE FULL TWELVE PERCENT (12%) VAT IMMEDIATELY OR ON A STAGERRED BASIS. IN EITHER CASE, THE APPROPRIATE PRESIDENTIAL ORDER, AS WELL AS THE NECESSARY IMPLEMENTING RULES AND REGULATIONS, SHALL THEN BE ISSUED FOR THE PURPOSE.

SECTION 2. *Separability Clause.* – Any portion or provision of this Act that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions and provisions hereof as long as such remaining portion or provision can still subsist and be given effect in their entirety.

SECTION 3. *Repealing Clause.* – All laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. *Effectivity Clause.* – This Act shall take effect immediately after its publication in at least two national papers of general circulation.

Approved,