

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

House Bill No. 2831

Introduced by **REP. ABRAHAM KAHLIL B. MITRA**

EXPLANATORY NOTE

Section 150 of Republic Act 8424 otherwise known as the National Internal Revenue Code (NIRC) listed non-essential goods subject to the excise tax. To enhance tax collection, there is a need to expand the list of non-essential goods in the Code to include other goods with qualities such as antique, handmade by artisan, rare etc. that makes them a luxurious good.

Also, the definition of non-essentials should not be limited to goods alone. It should include non-essential services as well. Excise tax should be imposed on services or procedures such as cosmetic surgeries and body enhancements undertaken for aesthetic reasons.

This bill seeks to expand the list of non-essential goods subject to excise tax and to include non-essential services in the tax base. The idea of imposing taxes on non-essential goods and services is not limited to the Philippines. All over the world today, tax base is being redefined, broadened and enlarged to capture the ever-changing behaviours and lifestyles of people, businesses and government. Cosmetic enhancement services tax, latte tax and political posters or billboards tax are just some of the taxes being considered globally.

Here in the Philippines, expanding the list of non-essential goods and including non-essential services subject to excise tax would further enhance the progressivity of the tax system because the tax burden is borne by those who are able to pay for these luxury goods and services. Given the current fiscal crisis that the government is facing, the government needs a more creative way of increasing its tax base without detriment to the needy sectors of our society.

Aside from excise tax, the bill also seeks to impose a 10% value added tax (VAT) to non-essential services. While Republic Act No. 9243 exempts medical practitioners from paying value added tax (VAT), performing medical services for aesthetic reasons is

a luxury service that only the well-to-do can afford. This kind of medical service should therefore be subjected to the VAT.

The Secretary of the Department of Finance, upon the recommendation of the BIR, is given power to identify non-essential goods and services and to review this list yearly. This would provide revenue authorities with the flexibility to identify goods and services and empower them to effectively respond to the rapid evolution of issues, nuances and lifestyles in society.

Congress will be able to continue to exercise its oversight function in the implementation of this Act through the Congressional Oversight Committee created in the NIRC.

In view hereof, immediate passage of the bill is hereby requested.


ABRAHAM KAHLIL B. MITRA

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**AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT 8424
OTHERWISE KNOWN AS NATIONAL INTERNAL REVENUE CODE, AS
AMENDED AND FOR OTHER PURPOSES**

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

Section 1. Title VI of the National Internal Revenue Code of 1997, as amended, is hereby
amended as to read as follows: Excise Tax on Certain Goods **AND SERVICES**

Section 2. Section 129 is hereby amended to read as follows;

Sec. 129. Goods and **SERVICES** Subject to Excise Tax. Excise taxes apply to
goods manufactured or produced in the Philippines for domestic sales or
consumption or for any other disposition and to things imported and **TO THE
GROSS RECEIPTS DERIVED FROM THE SALE OR EXCHANGE OF
SERVICES AS DEFINED IN SECTION 108A OF THIS CODE.**

Section 3. Section 150 is hereby amended to read as follows;

Sec 150. Non-essential Goods **AND SERVICES.**

A) NON-ESSENTIAL GOODS. There shall be levied, assessed and collected a
tax equivalent to twenty-percent (20%) based on the wholesale price or the
value of importation used by the Bureau of Customs in determining tariff and
customs duties, net of excise tax and the value-added tax, of the following
goods:

- [(a)] (1) All goods XXX
- [(b)] (2) Perfumes and toilet waters
- [(c)] (3) Yachts and other vessels intended for pleasure or sports

**(4) OTHER GOODS WITH ANY OF THE FOLLOWING QUALITIES :
ANTIQUE, RARE, HANDMADE BY ARTISAN, MADE OF
EXPENSIVE METALS OR OF EXQUISITE DESIGN, CUSTOM
MADE OR WITH EXCEPTIONAL FEATURES, AND CREATED BY
WELL-KNOWN PERSONS/COMPANY.**

**B) NON-ESSENTIAL SERVICES. THERE SHALL BE LEVIED,
ASSESSED AND COLLECTED A TAX EQUIVALENT TO TWENTY-
PERCENT (20%) OF GROSS RECEIPTS DERIVED FROM THE
SALE OR EXCHANGE OF NON-ESSENTIAL SERVICES, NET OF
EXCISE AND VALUE-ADDED TAXES. NON-ESSENTIAL SERVICES
ARE SERVICES UNDERTAKEN FOR AESTHETIC PURPOSES
SUCH AS BUT NOT LIMITED TO COMESTIC SURGERIES AND
BODY ENHANCEMENT SERVICES.**

Section 4. Section 290 is hereby amended to read as follows:

Sec. 290. Congressional Oversight Committee. XXX

(1) XXX

(2) XXX

**(3) REVIEW THE LIST OF NON-ESSENTIAL GOODS AND SERVICES
SUBJECT TO EXCISE TAX**

[(3)] (4) XXX

[(4)] (5) XXX

Section 5. *Identification of Non-essential Goods and Services.* Upon the approval of this Act, the Secretary of Finance, upon the recommendation of the Bureau of Internal Revenue, shall report a list of non-essential goods and services subject to excise tax. The list shall be reviewed and revised annually.

Section 6. *Implementing Rules and Regulations.* The Secretary of the Department of Finance, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, shall promulgate the necessary rules and regulations to implement this Act.

Section 7. *Separability Clause.* If any part of this Act shall be held constitutional, other provisions not otherwise affected shall remain in effect.

Section 8. *Repealing Clause.* The provisions of Republic Act No. 9243 with respect to value added tax on professionals and all other laws, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Section 8. *Effectivity.* This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved.