

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
Second Regular Session

House Bill No. 4532



Introduced by GABRIELA Women's Party
Representative Liza Largoza Maza, Bayan Muna Representatives
Satur C. Ocampo, Teodoro A. Casiño, Joel G. Virador, and Anak
Pawis Representatives Crispin B Beltran, and Rafael V. Mariano

Explanatory Note

This proposed house bill sought to repeal RA 9337. The bill which intended to amend the VAT provisions of the 1997 Tax Code, as amended, was signed into law and became Republic Act (RA) 9337 on May 24, 2005 and took effect on July 1 2005 despite strong oppositions and disagreements on both houses.

The reformed expanded value-added tax (E-VAT) law has scuttled and done away with the "no pass on to the consumers" provision on the sale of power and petroleum products, in the original House bill. It was the bicameral, and ratified pro forma by both chambers, that scrapped the "no pass on" saving grace, to the vexation of taxpayers.

For one, the increase from 32 to 35 percent on the corporate tax, while appearing as a minuscule 3 percent hike, will disrupt the consumers' family budgets. This aspect is better appreciated when one factors in the fact that practically all business sectors and trade movements are dictated by corporations, which set the pace and prices. Needless to state, such increase is passed on to the ultimate customers or end-users.

The imposition of 10 % tax on oil and power, which was allowed by RA 9337, is another thing. Generating companies were used to be zero-rated. Now they will be VATed. And with the "no pass on provision" deleted, independent power producers (IPPs) can, under their notoriously one-sided contracts, pass whatever taxes they pay to the government-owned NAPOCOR.

With the e-VAT, the Department of Energy estimates that prices of petroleum products will increase as follows: diesel by 55 centavos a liter, unleaded gasoline by P2.60 a liter, regular gasoline by P2.01 a liter, kerosene by 55 centavos a liter, bunker fuel by P1.22 a liter, and LPG by P29.87 per 11-kg cylinder.

The Manila Electric Company on the other hand, placed the increase in power rates at 80.56 centavos per kilowatt-hour. This means a household consuming 200 kWh electricity a month would pay P1,622.26 instead of P1,454.77.

Apart from its direct impact on consumer's energy bills, the expected hike in power rates would also result in increases in the prices of goods and services as the cost of production goes up.

RA 9337 allows the President to increase the VAT rate by 2% in 2006 if recommended by the Secretary of Finance on two conditions: the previous year VAT collection to GDP ratio exceeds 2.8% or the previous year government deficit to GDP ratio exceeds 1.5%. These conditions are said to exist now, and it appears they will be met by yearend.

This July is just the start. Come January, 2006 the president is authorized by R.A. 9337 to increase the VAT from 10 to 12 percent and, the costs of living shall have soared to such immeasurable height.

The impact of VAT would affect not only those who are visibly poor but also those who may not be poor by government standards but do not earn enough to maintain a decent life.

The already impoverished Filipino people have already received too much beating. RA 9337 is but another untimely burden for the people especially for those struggling to make both ends meet.

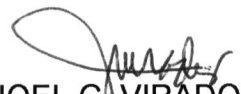
It is in this light that immediate passage of this bill is earnestly sought.


Liza Largoza - Maza

SATUR C. OCAMPO
Bayan Muna

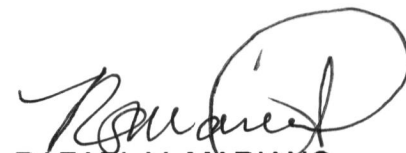


TEODORO A. CASIÑO
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JOEL G. VIRADOR
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RAFAEL V. MARIANO
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AN ACT REPEALING REPUBLIC ACT NUMBERED 9337, OTHERWISE KNOWN AS
AN ACT AMENDING THE NATIONAL INTERNAL REVENUE CODE OF 1997

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

SECTION 1. Any provision of law to the contrary not
withstanding, Republic Act 9337 is hereby repealed.

SECTION 2. This Act shall take effect in fifteen (15) days
after the completion of its publication.

Approved.