

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS

Second Regular Session

HOUSE BILL NO. 4669



Introduced by Hon. Alipio "Tikbong" V. Badelles

EXPLANATORY NOTE

This bill proposes to amend certain sections of Republic Act No. 9337, by exempting from the coverage of the EVAT law the generation, transmission, distribution and supply of power as well as the sale and importation of petroleum products.

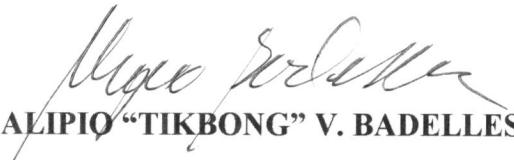
The reformulated EVAT law was enacted in order to raise funds to improve the government's fiscal position. Under RA 9337, the imposition of VAT on the sales of electricity by generation, transmission and distribution companies is expected to yield an annual revenue of ₱8.85 billion starting 2006. On the other hand, the annual revenue collection from fuel products is estimated at ₱137.729 million.

However, the inflationary impact of these new impositions on other goods and services is inevitable. Electricity and oil products are two significant inputs in many industries. Hence, any increase on these two components would mean higher production costs and therefore, higher cost of commodities.

Even with the removal of the franchise tax on electric utilities and reduction of excise taxes for unleaded premium gasoline, diesel and kerosene under R.A. No. 9337 and the enactment of Executive Order No. 440, reducing the import duty on crude oil and petroleum products from 5% to 3%, the additional levy will be more of a burden to consumers, especially those in the low-income bracket.

Further, now that the world crude prices reach all time-high, prices of domestic products are expected to follow suit.

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


ALIPIO "TIKBONG" V. BADELLES

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HOUSE BILL NO. 4669

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AN ACT AMENDING SECTIONS 6, 7 AND 24 OF REPUBLIC ACT NO. 9337,
ENTITLED “AN ACT AMENDING SECTIONS 27, 28, 34, 106, 107, 108, 109, 110, 111,
112, 113, 114, 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 the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 108(A) of the National Internal Revenue Code of 1997, as amended by Section 6 of Republic Act No. 9337, is hereby further amended to read as follows:

“SEC. 108. *Value-added Tax on Sale of Goods and Use or Lease of Properties.* -

(A) Rate and Base of Tax. - x x x

The phrase ‘sale or exchange of services’ means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, x x x common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; **[sales of electricity by generation companies, transmission, and distribution companies]** services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting x x x.”

SEC. 2. Section 109(1) of the same Code, as amended by Section 7, of R.A. 9337, is hereby further amended to read as follows:

“SEC. 109. *Exempt Transactions.* – (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

“(A) x x x x x x

“(B) x x x x x x

(C) SALE OR IMPORTATION OF PETROLEUM PRODUCTS SUCH AS BUT NOT LIMITED TO: LPG, NAPTHA, GASOLINES, SOLVENT, KEROSENES, AVIATION FUELS, DIESEL OILS, FUEL OILS, WAXES AND PETROLATUMS;

(D) SALES OF ELECTRICITY BY THE GENERATION, TRANSMISSION, DISTRIBUTION AND SUPPLY COMPANIES;

“[(C)] E. x x x x x x

“[(L)] N. x x x x x x

“(O). SALES BY ELECTRIC COOPERATIVES DULY REGISTERED WITH THE COOPERATIVE DEVELOPMENT AUTHORITY OR NATIONAL ELECTRIFICATION ADMINISTRATION, RELATIVE TO THE GENERATION AND DISTRIBUTION OF ELECTRICITY AS WELL AS THEIR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING SPARE PARTS, WHICH SHALL BE DIRECTLY USED IN THE GENERATION AND DISTRIBUTION OF ELECTRICITY;

“[(M)] P. Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the Cooperative Development Authority;

x x x x x x x x x

SEC. 3. Section 24 of R.A. 9337 is hereby amended to read as follows:

“SEC. 24. *Repealing Clause.* – [The following laws or provisions of laws are hereby repealed and the persons and/or transactions affected herein are made subject to the value-added tax subject to the provisions of Title IV of the National Internal Revenue Code of 1997, as amended:]

[(A) Section 13 of R.A. No. 6395 on the exemption from value-added tax of the National Power Corporation (NPC);]

[(B) Section 6, fifth paragraph of R.A. 9136 on the zero VAT rate imposed on the sales of generated power by generation companies; and]

[(C) All other laws, acts, decrees, executive orders, issuances and rules and regulations of parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.”

SEC. 4. *Repealing Clause.* – All laws, decrees ad orders or parts thereof inconsistent herewith, are deemed repealed or modified accordingly.

SEC. 5. *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.

SEC. 6. *Effectivity Clause.* – This Act shall take effect on the fifteenth day following its publication in at least two (2) newspapers of general circulation in the Philippines.

Approved,