

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 5432



Introduced by Reps. JOEL G. VIRADOR, SATUR C. OCAMPO, TEODORO A. CASIÑO,
LIZA L. MAZA, RAFAEL V. MARIANO

EXPLANATORY NOTE

The recent imposition of an additional value-added tax (VAT) on goods and services has greatly affected the purchasing capacity of lower- and middle-income workers and employees, which number 32.9 million as of the latest Philippine Labor Force Survey. Increases in prices of petroleum products resulting to the upsurge in prices of major commodities have also diminished their purchasing power.

As prices of goods and services soar, the salaries of workers and employees have remained stagnant. Bills seeking to increase the salaries of private workers by P125.00 and government employees by P3,000.00 across-the-board nationwide, respectively, have been unfortunately deferred.

No less than the National Wages and Productivity Commission (NWPC) has pegged the daily-cost-of-living at P690.00 in the National Capital Region. Already, we can see the huge disparity of the P325.00 daily wage level (including cost of living allowance) of ordinary workers to meet their daily needs. Furthermore, the real value of P325.00 is a measly P253.50 (as per 2002 figures).

Under the VAT regime, companies are allowed to deduct VAT payments on raw materials and services they use to produce goods. If this is allowed for companies and business establishments that evidently earn more than ordinary salaried workers, it would be prudent and equitable that VAT payments made by the latter in the purchase of goods and services be similarly deducted from their annual tax dues withheld by their employers.

This representation therefore proposes that accumulated VAT payments incurred by lower and middle-income employees be converted to additional exemptions from their annual tax dues to shield them from the effects of regressive VAT and from the incessant increases in prices of basic commodities.

Through this conversion, government is expected to improve its tax collections considering that delinquent establishments and professionals, who have traditionally defrauded the government of their real tax dues, will now be obliged to issue official receipts which shall be the basis for more accurate tax assessments by the Bureau of Internal Revenue. Also, this additional exemption is projected to boost economic activity as workers will have additional money to spend.

Immediate approval of this proposed legislation is therefore earnestly sought.

A handwritten signature in black ink, appearing to read "Joel G. Virador", written over a horizontal line.

JOEL G. VIRADOR
Bayan Muna Party-List

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AN ACT
CONVERTING THE ACCUMULATED VALUE ADDED TAX (VAT) PAYMENTS OF
SALARIED WORKERS IN THE PRIVATE AND PUBLIC SECTORS AS AN ADDITIONAL
EXEMPTION FOR THE COMPENSATION-BASED INCOME TAX, AMENDING FOR
THE PURPOSE CHAPTER VII, SECTION 35 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 35 of the National Internal Revenue Code of 1997, as amended, is hereby further amended as follows:

In addition to the existing sub-paragraphs (A to D) of the abovementioned section, sub-paragraph (E) shall be added to provide additional exemptions to workers and employees who are receiving only compensation-based income.

“(E) Conversion of Accumulated Annual VAT Payments on Goods and Services as an Additional Exemption. - Accumulated Value-Added Tax payments incurred by the individual taxpayer receiving a compensation income of not more than Two Hundred Fifty Thousand Pesos (PhP 250,000) for the purchase of goods and services within the taxable year preceding the filing of the income tax shall be converted as a deductible allowance to their annual tax dues, provided that said accumulated annual VAT payments shall not exceed Thirty-Six Thousand Pesos (PhP 36,000).

SECTION 2. The Bureau of Internal Revenue is hereby authorized to revise, if any, the related provision in the rules and regulations in the implementation of the National Internal Revenue Code to incorporate the additional exemption thereof of the VAT payments incurred by workers and employees in the public and private sectors receiving an annual compensation income of Two Hundred Fifty Thousand Pesos (PhP 250,000) or below.

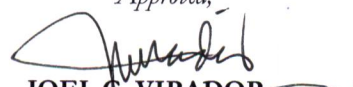
SECTION 3. *Official Receipts* – Only BIR-Registered Official Receipts bearing the name of the individual taxpayer shall be included in computing the additional exemption as defined in sub-paragraph E.

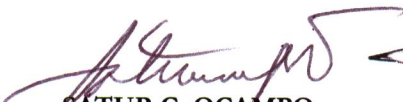
SECTION 4. *Issuance of Official Receipts* – Establishments and professionals engaged in the sale of goods and services are hereby directed to issue official receipts bearing the names and addresses of their clients, patients and customers. If, in case, a Tape-Receipt is issued in lieu of the Official Receipt, the client, patients and customers are encouraged to ask for the replacement of the Tape-Receipt with a BIR-

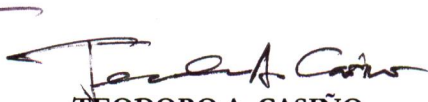
Registered Official Receipt. Establishments or professionals rendering the goods and services are obliged to comply.

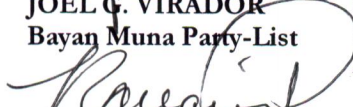
SECTION 5. *Effectivity* – This Act shall take effect fifteen (15) days after its complete publication in any two (2) national newspapers of general circulation.

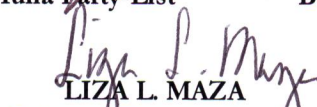
Approved,


JOEL G. VIRADOR
Bayan Muna Party-List


SATUR C. OCAMPO
Bayan Muna Party-List


TEODORO A. CASIÑO
Bayan Muna Party-List


RAFAEL V. MARIANO
Anakpawis Party-list


LIZA L. MAZA
Gabriela Women's Party