

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Diliman, Quezon City

THIRTEENTH CONGRESS
Third Regular Session

House Bill No. 5987



Explanatory Note

The bill seeks to create an **additional privilege** for senior citizens aside from the eleven (11) other privileges accorded to them as enumerated in Section 4 of Republic Act No. 9257, otherwise known as the **“Expanded Senior Citizens Act of 2003”**.

R.A No. 9257 took effect in February 2004. One year and two months later, in May 2005, R.A No. 9337 which amended twenty one (21) sections of the National Internal Revenue Code of 1997, as amended, came into effect. One of said sections, Section 108, imposed a ten percent (10%) Value Added Tax on gross receipts derived from the sale and exchange of services including the use or lease of properties, said ten percent (10%) to be increased subject to some conditions that must be satisfied. Effective 01 January 2006, the President of the Philippines raised the rate of Value-Added Tax to **twelve percent (12%)**

Using this provision of said law, VAT registered establishment proprietors, operators or keepers of hotels, motels, rest houses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes, and other eating places, including clubs and caterers, and all others enumerated under the phrase “sale or exchange of services” in Section 108 of the same code, as amended, began to charge twelve percent (12%) on every gross receipt for service fees, among others, given to the customer or end-user.

While it is true that senior citizens are accorded a twenty percent (20%) discount of their gross payment of services rendered them as provided for in Section 4 (a) and (b), to include (f),(g), and (h), they are still charged twelve percent (12%) as value added taxation and that leaves only eight percent (8%) as a net discount.

As an example... After a senior citizen presents a valid document as proof of entitlement to discount, he is really given a 20% discount but simultaneously the 12% VAT is subtracted from said amount of 20%. That leaves him only 8% as actual discount.

Since March 2006, complaints coming from many senior citizens and senior citizens groups began to mount. They feel that the 8% discount accorded them after the deduction of 12% from the 20% is ridiculously very small.

Considering a number of factors that become minuses in the lives of senior citizens, especially because of their reduced income due to old age or weaknesses during their twilight years, the Law should be more considerate to their plight more particularly in regard to this VAT deduction. Hence this bill to exempt them from paying the Value Added Taxation.

In view of the foregoing, approval of this measure is respectfully sought.


MAURICIO G. DOMOGAN

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Introduced by **HON. MAURICIO G. DOMOGAN**

AN ACT
GRANTING AN ADDITIONAL BENEFIT AND PRIVILEGE TO SENIOR
CITIZENS AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9257,
OTHERWISE KNOWN AS THE “EXPANDED SENIOR CITIZEN ACT OF 2003”
AND FOR OTHER PURPOSES.

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

SECTION 1. Title. – This Act shall be known as the “Senior Citizen VAT Exemption Act of 2006”.

SECTION 2. Added Privilege for Senior Citizens. – Section 4 of R.A. No. 7432, otherwise known as the “Expanded Senior Citizen Act of 2003” is hereby amended to read as follows:

(n) exemption from payment of twelve percent (12%) Value Added Tax for services rendered by VAT registered establishments enumerated in Sec. 4 (a), (b), (f), (g), (h) and (l) of said Act.

SECTION 3. Implementing Rules and Regulations.– The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 4. Repealing Clause. – All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Act are hereby repealed, amended or modified accordingly.

SECTION 5. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the official Gazette or in any two newspapers of general circulation, whichever comes earlier.

Approved,