

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

House Bill No. _____ 158

INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

The landmark Agricultural and Fisheries Modernization Law (R. A. 8435), known as the AFMA, under its Section 109, exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries equipment and machinery. However, the exemption was granted only for a period five years.

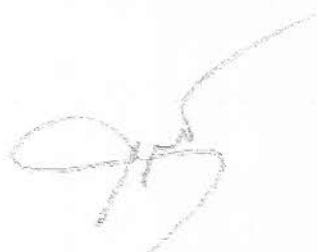
The agricultural and fisheries sector hoped for an extension of the period, or even permanency of the tax exemption since the said exemption will be a powerful incentive for the private sector to increase investments in mechanization, post-harvest and processing. This, in turn, will increase the jobs being created and the revenues earned from downstream and higher value added food and agriculture commodities industries.

In the year 2005, R. A. 9337, or the Value Added Tax Reform Act was enacted into law. With its passage, any hope for an extension or permanency of the exemption was dashed. Section 109 thereof limited the transactions that were exempted from the payment of the expanded value added tax (EVAT). And this did not include importation of farming and fishing machineries.

This proposed measure aims to give back the tax and duty exemption on the importation of these machineries. It would amend Section 109 of the AFMA to remove the five year limit on the tax exemption. Likewise, Section 109 of the NIRC shall be amended to include the importation of these machineries as exempted from the payment of the EVAT.

For our farmers and fisher folks, who continue to toil under their old and un-mechanized way, this lifting of the import tax and duties maybe the catalyst needed for them or other private sector entities, to switch to or increase investments in more modern and mechanized systems of farming and fishing. With such, it is hoped that their productivity would increase and their income potential would exponentially grow. Also, the long issues of food security and stability of prices of agricultural and fisheries commodities may be partially addressed.

In view of the foregoing, the immediate passage of the bill is earnestly sought.

A handwritten signature in dark ink, appearing to be 'AY', with a long, sweeping horizontal stroke extending to the right.

ARTHUR C. YAP
Representative

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AN ACT
PROMOTING AGRICULTURAL AND MARINE PRODUCTION
AND POST-HARVEST MECHANIZATION BY EXEMPTING
FROM PAYMENT OF THE EXPANDED VALUE ADDED TAX
THE IMPORTATION OF AGRICULTURAL AND FISHERIES
MACHINERIES, AMENDING FOR THE PURPOSE SECTION 109
OF THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED, AND SECTION 109 OF THE AGRICULTURAL AND
FISHERIES MODERNIZATION ACT OF 1997, AND FOR OTHER
PURPOSES

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

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “Mechanized
2 Agriculture and Marine Promotion Act of 2010”.

3 **SECTION 2. *Declaration of Policy.*** – It hereby declared the policy of the State
4 to promote the utilization of modern agricultural and marine machineries to enhance farm
5 and fisheries productivity. The importation of agricultural and marine machineries shall
6 hereinafter be imported free of the expanded value added tax (EVAT), other taxes and
7 duties.

8 **SECTION 3. *Amendment of Section 109 of the National Internal Revenue***
9 ***Code.*** – Section 109 of the National Internal Revenue Code or Presidential Decree No.
10 1158, as, as amended by among others, Republic Act No. 8424 or the Tax Reform Act of
11 1997, and Republic Act No. 9337 or the Value Added Tax Reform Act , is hereby further
12 amended, to read as follows:

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

4 "(A) Sale or importation of agricultural and marine food
5 products in their original state, livestock and poultry of a kind generally
6 used as, or yielding or producing foods for human consumption; and
7 breeding stock and genetic materials therefor.

8 "Products classified under this paragraph shall be considered in
9 their original state even if they have undergone the simple processes of
10 preparation or preservation for the market, such as freezing, drying,
11 salting, broiling, roasting, smoking or stripping. Polished and/or husked
12 rice, corn grits, raw cane sugar and molasses, ordinary salt, and copra shall
13 be considered in their original state;

14 "(B) Sale or importation of fertilizers; seeds, seedlings and
15 fingerlings; fish, prawn, livestock and poultry feeds, including ingredients,
16 whether locally produced or imported, used in the manufacture of finished
17 feeds (except specialty feeds for race horses, fighting cocks, aquarium
18 fish, zoo animals and other animals generally considered as pets);

19 "(B-1) IMPORTATION OF AGRICULTURAL AND
20 MARINE MACHINERIES.

21 FOR PURPOSES OF THIS ACT, AGRICULTURAL AND
22 MARINE MACHINERIES SHALL REFER TO TECHNOLOGY
23 AND EQUIPMENT UTILIZED FOR SOWING, IRRIGATING,
24 PRODUCING, MANUFACTURING, HARVESTING, DRYING,
25 STORING, WAREHOUSING, PRESERVING, TRANSPORTING
26 AND DISTRIBUTING AGRICULTURAL AND MARINE
27 PRODUCTS, OR SUCH MACHINERIES AND EQUIPMENT, AS
28 CERTIFIED BY THE SECRETARY OF THE DEPARTMENT OF
29 AGRICULTURE UNDER SECTION 109 OF REPUBLIC ACT. NO.

1 8435, OTHERWISE KNOWN AS THE AGRICULTURAL AND
2 FISHERIES MODERNIZATION ACT OF 1997.

3 xxx"

4 **SECTION 3. *Amendment of Section 109 of the Agricultural and Fisheries***
5 ***Modernization Act.*** – Section 109 of Republic Act No. 8435 otherwise known as the
6 Agricultural and Fisheries Modernization Act of 1997, is hereby amended, to read as
7 follows:

8 "SECTION 109. All enterprises engaged in agriculture and
9 fisheries as duly certified by the Department [in consultation with the
10 Department of Finance and the Board of Investment, shall, for five (5)
11 years after the effectivity of this Act,] be exempted from the payment of
12 tariff and duties for the importation of all types of agriculture and fisheries
13 inputs, equipment and machinery such as, but not limited to, fertilizer,
14 insecticide, pesticide, tractor, trailers, trucks, farm implements and
15 machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers,
16 packaging machinery and materials, bulk-handling facilities such as
17 conveyors and mini loaders, weighing scales, harvesting equipment, spare
18 parts of all agricultural equipment, fishing equipment and parts thereof,
19 refrigeration equipment, and renewable energy systems such as solar
20 panels: Provided, however, That the imported agricultural and fishery
21 inputs, equipment and machinery shall be for the exclusive use of the
22 importing enterprise.

23 **SECTION 4. *Implementing Rules and Regulations.*** — Within sixty (60) days
24 after the affectivity of this Act, the Secretary of Finance shall, upon the recommendation
25 of the Secretary of the Department of Agriculture and the Commissioner of Internal
26 Revenue, shall promulgate the necessary rules and regulations for the effective
27 implementation of this Act. Upon issuance of the said rules and regulations, all former
28 rules and regulations pertaining to the expanded value-added tax on agricultural and
29 fisheries machineries shall be deemed revoked.

1 SECTION 5. *Separability Clause.* - If any provision of this Act, or any parts
2 thereof, is declared unconstitutional, the same shall not affect the validity and effectivity
3 of the other portions.

4 SECTION 6. *Repealing Clause.* - All laws, executive orders, presidential
5 decrees, proclamations, rules, regulations, issuances and enactments of parts thereof
6 inconsistent with this Act are hereby repealed or modified accordingly.

7 SECTION 7. *Effectivity.* - This Act shall take effect fifteen (15) days from its
8 complete publication in the Official Gazette or in a newspaper of general circulation in
9 the Philippines, whichever comes earlier.

APPROVED.