

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

FIFTEENTH CONGRESS  
First Regular Session

HOUSE BILL No. 2719

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Introduced by Reps. TEDDY A. CASIÑO, NERI JAVIER COLMENARES,  
RAFAEL V. MARIANO, RAYMOND V. PALATINO, and ANTONIO L. TINIO

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**EXPLANATORY NOTE**

The imposition of the regressive value-added tax (VAT) on goods and services has greatly affected the purchasing capacity of Filipino citizens from all walks of life – especially on the majority of those who receive salaries below the required cost of living and those who are underemployed or have no jobs at all.

Petroleum products, particularly fuel and cooking oils, are important commodities that affect all aspects of living in our country. Aside from having a direct impact on transportation, it is a key input to production, thereby affecting all goods and services.

Any change in prices of oil (including unleaded gasoline, diesel oil, liquefied petroleum gas (LPG), for kerosene, fuel oil) directly affects the prices of food, energy and other goods. It is a key determinant to the quality of life of our people, and its affordability as a basic commodity rests primarily on government.

From 2009 to August 2010, gasoline prices increased 41 times (cumulative P36.75 in adjustments) and decreased 25 times (cumulative P18.25 in adjustments) while diesel prices increased 34 times (P31) and decreased 34 times (P23.50).

In Metro Manila as of mid-2010, gasoline prices now range from P42.20 to P46.02 per liter; diesel prices from P33.50 to P34.79 per liter; and from P576.50 to P651.50 for an 11-kg tank of LPG. These pump price increases are in light of the increase of international crude oil and finished petroleum prices. As of November 2007, the price of Dubai crude oil has increased, year on year, by 51.5% to \$85.92 per barrel, from \$56.72/barrel. In the same light, international prices of finished petroleum products have increased by as much as 50% from December 2006 to November 2007. Current figures of Dubai crude (as of July 2010) are at \$72 per barrel. The price of unleaded gasoline on the other hand, based on the Mean of Platts Singapore (MOPS) benchmark was at of \$82 a barrel while diesel prices were at \$85 a barrel. But these figures do not guarantee lower pump prices as oil price hikes are at the whim of the foreign oil corporation principals.

Up to 95% of the country's petroleum requirements are imported, rendering us exceedingly vulnerable to the dictates of big transnational oil corporations. The worst implication of this system is that our severe dependence on such corporations, which control not only the importation, refining, and retailing of crude and petroleum products from abroad, but also control the exploration, exploitation, refining,

retailing, and even re-exportation of our country's indigenous petroleum and petroleum-based products, deprives us the opportunity to be self-sufficient.

The Big Three, or the local subsidiaries of Shell, Chevron (formerly Caltex), and Petron, claim that they do not overprice, that they set prices based on the price increases of Dubai oil exchanged over the spot market and on Peso-Dollar exchange rate fluctuations. Moreover, they deny the existence of a cartel, alleging that they merely follow the movements of world oil prices. They claim these even as they are minimally affected by prices in world markets and even as they are able to trade in the same currency between subsidiaries.

The Reformed Value-Added Tax (RVAT) under Republic Act No. 9337 does not consider the present world economy and geopolitical scenario. The government has unjustly earned a net windfall of P38.9B in 2006 from the imposition of a 12% value-added tax (VAT) on the sale and importation of crude oil and finished petroleum products. Because of the erroneous assumptions used in this law, Congress has even heightened the sufferings of the Filipino people.

Furthermore, we see that this windfall from VAT on oil has been used to cover-up the continued inefficiencies and irregularities in tax collections that would have also resulted in a more sustainable windfall for the government if addressed sincerely. It is a primary task of the government to ensure the improvement of the quality of living of the people, including protecting its citizens from rapacious business practices of foreign companies and its local subsidiaries. Thus, this proposal that the sale or importation of petroleum products and raw materials used in the manufacture of the same be exempted from the regressive VAT.

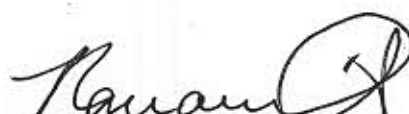
In view of the foregoing, the immediate approval of this measure – along with the passage of other concrete actions by the legislature to address the problematic situation of the oil industry – is earnestly sought.

*Approved,*

  
TEDDY A. CASIÑO  
Bayan Muna Party-list

  
NERI JAVIER COLMENARES  
Bayan Muna Party-list

  
RAYMOND V. PALATINO  
Kabataan Party-list

  
RAFAEL V. MARIANO  
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ANTONIO L. TINIO  
ACT Teachers Party-list

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AN ACT  
CLASSIFYING THE SALE OR IMPORTATION OF PETROLEUM PRODUCTS  
AND RAW MATERIALS IN THE MANUFACTURE THEREOF AS VALUE-ADDED TAX  
EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 109 (1) OF  
REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE TAX REFORM ACT OF 1997,  
AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

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

**SECTION 1.** Section 109 (1), Chapter 1, Title IV, Value-Added Tax of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended by Republic Act No. 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) xxx

“(B) xxx

After paragraph (B), insert the following paragraphs (C) and (D).

“(C) SALE OR IMPORTATION OF PETROLEUM PRODUCTS (EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE, WAX, PETROLATUM, AND COAL AND NATURAL GAS IN WHATEVER FORM OR STATE) SUBJECT TO EXCISE TAX IMPOSED UNDER TITLE VI;

“(D) SALE OR IMPORTATION OF RAW MATERIALS TO BE USED BY THE BUYER OR IMPORTER HIMSELF IN THE MANUFACTURE OF PETROLEUM PRODUCTS SUBJECT TO EXCISE TAX, EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE, WAX AND PETROLATUM;

And re-letter the succeeding paragraphs as from (E) to (X).

**SECTION 2. *Implementing Rules and Regulations.*** – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules and Regulations for the effective implementation of this Act.

**SECTION 3. *Repealing Clause.*** – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

**SECTION 4. *Separability Clause.*** – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

**SECTION 5. *Effectivity Clause.*** - This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

*Approved,*