



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress

Second Regular Session



COMMITTEE REPORT NO. 2016

Submitted by the Committee on Ways and Means on 15 MAR 2012

RE : House Bill No. 3522
Recommending its approval in substitution of House Bill Nos. 3928, 4444
and House Resolution No. 1949

Sponsors: Representatives Isidro T. Ungab, Hermilando I. Mandanas, Jerry P. Treñas
and Giorgidi B. Aggabao

Mr. Speaker:

The Committee on Ways and Means to which were referred House Bill No. 3928,
introduced by Rep. Hermilando I. Mandanas, entitled:

**"AN ACT RECOGNIZING THE TAX EXEMPTIONS UNDER
TAX TREATIES AND INTERNATIONAL AGREEMENTS
RELATED TO INTERNATIONAL CARRIERS TO WHICH THE
PHILIPPINES IS A SIGNATORY, AND FOR OTHER
PURPOSES";**

HOUSE BILL NO. 4444, introduced by Rep. Jerry P. Treñas, entitled
**"AN ACT RATIONALIZING THE TAXES IMPOSED ON
INTERNATIONAL AIR CARRIERS OPERATING IN THE
PHILIPPINES, AMENDING FOR THE PURPOSE SECTIONS 28
AND 118 OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED";** and

HOUSE RESOLUTION NO. 1949 introduced by Rep. Giorgidi B.
Aggabao entitled **"A RESOLUTION DIRECTING THE
COMMITTEE ON WAYS AND MEANS TO CONDUCT AN
INQUIRY, IN AID OF LEGISLATION, ON THE CLOSING
DOWN OF OPERATIONS OF INTERNATIONAL CARRIERS
HERE IN THE PHILIPPINES DUE TO THE ALLEGED**

**ALLEGED DISCRIMINATORY TAXATION IMPOSED ON THEM BY THE
PHILIPPINE GOVERNMENT"**

has considered the same and recommends that the attached House Bill No.
3922 entitled:

**AN ACT RATIONALIZING THE TAXES ON INTERNATIONAL AIR
CARRIERS OPERATING IN THE PHILIPPINES, AMENDING FOR THE
PURPOSE SECTIONS 28(A)(3)(a), 108 (B)(6) AND 118, ALL UNDER THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**

be approved in substitution of House Bill Nos. 3928, 4444 and House Resolution No.
1949 with Representatives Hermilando I. Mandanas, Jerry P. Treñas, Giorgidi B.
Aggabao, Isidro T. Ungab, Rufus B. Rodriguez, Tomas V. Apacible, Fernando V.
Gonzales, Luis R. Villafuerte, Roger G. Mercado, Florencio T. Miraflores, Elmer E.
Panotes and Rodolfo B. Albano as authors thereof.

Respectfully submitted,


REP. ISIDRO T. UNGAB

Chairman
Committee on Ways and Means

The HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 3322

(in substitution of House Bill Nos. 3928 and 4444, and House Resolution No. 1949)

Introduced by the Honorable Representatives Hermilando I. Mandanas,
Jerry P. Treñas, Giorgidi B. Aggabao, Isidro T. Ungab, Rufus B. Rodriguez,
Tomas V. Apacible, Fernando V. Gonzalez, Roger Gaviola Mercado, Luis R.
Villafuerte, Florencio T. Miraflores, Elmer E. Panotes and Rodolfo B. Albano

AN ACT
RATIONALIZING THE TAXES ON INTERNATIONAL AIR CARRIERS
OPERATING IN THE PHILIPPINES, AMENDING FOR THE PURPOSE
SECTIONS 28 (A) (3) (a), 108 (B) (6) AND 118, ALL UNDER THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

1 **SECTION. 1.** Section 28 (A) (3) (a) of the National Internal Revenue Code of
2 1997, as amended, is hereby further amended to read as follows:
3

4
5 *SEC. 28. Rates of Income Tax on Foreign Corporations. –
6

7 *(A) Tax on Resident Foreign Corporations. –
8

9 *(1) xxx
10

11 *(2) xxx

1 *(3) *International Carrier.* – An international carrier doing business in the
2 Philippines shall pay a tax of two and one-half percent (2 1/2%) on its
3 *"Gross Philippine Billings"* as defined hereunder:
4

5
6
7 (a) *International Air Carrier.* – *"Gross Philippine Billings"* refers
8 to the amount of gross revenue derived from carriage of persons,
9 excess baggage, cargo and mail originating from the Philippines in
10 a continuous and uninterrupted flight, irrespective of the place of
11 sale or issue and the place of payment of the ticket or passage
12 document: *Provided*, That tickets revalidated, exchanged and/or
13 indorsed to another international airline form part of the Gross
14 Philippine Billings if the passenger boards a plane in a port or point
15 in the Philippines: *Provided, further*, That for a flight which
16 originates from the Philippines, but transshipment of passenger
17 takes place at any port outside the Philippines on another airline,
18 only the aliquot portion of the cost of the ticket corresponding to the
19 leg flown from the Philippines to the point of transshipment shall
20 form part of Gross Philippine Billings.
21

22
23
24 **PROVIDED, THAT INTERNATIONAL AIR CARRIERS DOING BUSINESS**
25 **IN THE PHILIPPINES SHALL NOT BE LIABLE TO PAY THE GROSS**
26 **PHILIPPINE BILLINGS HEREIN PROVIDED PURSUANT TO THE**
27 **PRINCIPLE OF RECIPROCITY: PROVIDED, FURTHER, THAT THE**
28 **GRANT OF RECIPROCAL EXEMPTIONS TO INTERNATIONAL AIR**
29 **CARRIERS SHALL ENTER INTO FORCE THIRTY (30) DAYS FROM**
30 **THE EXCHANGE OF DIPLOMATIC NOTES BETWEEN THE**
31 **PHILIPPINES AND THE FOREIGN JURISDICTION CONCERNED:**
32 **PROVIDED, FINALLY, THAT SAID DIPLOMATIC NOTES SHALL**
33 **CONSTITUTE THE AGREEMENT BETWEEN THE TWO COUNTRIES.***
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36 (b) xxx
37

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39 **SEC. 2.** Section 108 (B) (6) of the National Internal Revenue Code of 1997, as
40 amended, is hereby further amended to read as follows:
41

42
43 ***SEC. 108. Value-added Tax on Sale of Services and Use or Lease of**
44 **Properties. –**
45

46 *(A) xxx

1 *(B) *Transactions Subject to Zero Percent (0%) Rate.* – The following
2 services performed in the Philippines by VAT-registered persons shall be subject
3 to zero percent (0%) rate:
4

5
6 *(1) xxx
7

8 *(2) xxx
9

10 *(3) xxx
11

12 *(4) xxx
13

14 *(5) xxx
15

16 *(6) Transport of passengers and cargo by DOMESTIC AND
17 INTERNATIONAL air or sea [vessels] CARRIERS from the Philippines to a
18 foreign country; and
19

20 *(7) xxx."
21
22
23

24 **SEC. 3.** Section 118 of the National Internal Revenue Code of 1997, as
25 amended, is hereby further amended to read as follows:
26

27
28 *SEC. 118. **Percentage Tax on International SHIPPING Carriers.** –
29

30 [(A) International air carriers doing business in the Philippines shall pay a
31 tax of three percent (3%) of their quarterly gross receipts.]
32

33 [(B)] International shipping carriers doing business in the Philippines
34 shall pay a tax equivalent to three percent (3%) of their quarterly gross
35 receipts."
36
37
38

39 **SEC. 4.** **Implementing Rules and Regulations.** – The Secretary of Finance shall,
40 upon the recommendation of the Commissioner of Internal Revenue, promulgate
41 not later than 30 days upon the effectivity of this Act the necessary Rules and
42 Regulations for its effective implementation. The Department of Finance (DOF),
43 in coordination with the Department of Foreign Affairs (DFA), shall oversee the
44 exchange of notes between the Philippines and concerned countries for
45 purposes of facilitating the availment of reciprocal exemptions intended under
46 this Act.

1 **SEC. 5. Separability Clause.** - If any provision of this Act is subsequently
2 declared invalid or unconstitutional, other provisions hereof which are not
3 affected thereby shall remain in full force and effect.
4
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6 **SEC. 6. Repealing Clause.** - All laws, acts, presidential decrees, executive
7 orders, issuances, presidential proclamations, rules and regulations or parts
8 thereof which are contrary to and inconsistent with any provision of this Act are
9 hereby repealed, amended or modified accordingly.
10
11

12 **SEC. 7. Effectivity Clause.** - This Act shall take effect fifteen (15) days after its
13 complete publication either in the Official Gazette, or in at least two (2)
14 newspapers of general circulation.

Approved,

FACT SHEET

HOUSE BILL NO. 3922

(in substitution of House Bill Nos. 3928 and 4444, and House Resolution No. 1949)

AN ACT RATIONALIZING THE TAXES ON INTERNATIONAL AIR CARRIERS OPERATING IN THE PHILIPPINES, REPEALING FOR THE PURPOSE SECTION SECTIONS 28(A)(3)(a), 108(B)(6) AND 118 ALL UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

Introduced by: REPS. HERMILANDO I. MANDANAS, JERRY P. TREÑAS, GIORGIDI B. AGGABAO, ISIDRO T. UNGAB, RUFUS B. RODRIGUEZ, TOMAS V. APACIBLE, FERNANDO V. GONZALEZ, ROGER GAVIOLA MERCADO, LUIS R. VILLAFUERTE, FLORENCIO T. MIRAFLORES, ELMER E. PANOTES AND RODOLFO B. ALBANO

**Committee Referral: WAYS AND MEANS
Committee Chairperson: REP. ISIDRO T. UNGAB**

OBJECTIVES:

- To recognize, honor and respect the principle of reciprocity with regard to other countries in relation to tax treaties and international agreements embodied in diplomatic notes involving international air carriers;
- To enhance the country's competitiveness through tax incentives thus facilitating the movement of goods and services and people, and improving the country's tourism climate as well as attracting more foreign investments; and
- To encourage international air carriers which had left the Philippines to restore flight operations and more importantly, direct flights to and from the country

KEY PROVISIONS:

- Provides exemption from the payment of the two and one-half percent (2 ½%) tax on Gross Philippine Billings imposed on international air carriers operating in the Philippines whose respective countries of domicile/registry have exchanged diplomatic notes with the Philippines for purposes of availing said exemption pursuant to the principle of reciprocity by amending Section 28 of the National Internal Revenue Code of 1997, as amended
- Exempts international air carriers from the three percent (3%) Common Carriers Tax by amending Section 118 of the NIRC of 1997, as amended, and classifying transactions of said international air carriers as subject to zero percent (0%) Value-Added Tax (VAT) rate, amending for this latter purpose Section 108 of the same Code

RELATED LAW/S:

- Sections 28, 108 and 118 of the National Internal Revenue Code (NIRC) of 1997, as amended