

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 345



Introduced by Reps. NERI J. COLMENARES, CARLOS ISAGANI T. ZARATE,
LUZVIMINDA C. ILAGAN, EMMI A. DE JESUS, ANTONIO L. TINIO,
FERNANDO HICAP and TERRY RIDON

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

EXPLANATORY NOTE

The imposition of the regressive value-added tax (VAT) on goods and services has greatly eroded 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.

Based on the monitoring of the Department of Energy (DOE) as of April 2013, the retail price of gasoline in Metro Manila ranges from P48.65 to P54.64 per liter. The VAT is about P5.84 to P6.56 per liter (12% of the retail price). The excise tax, on the other hand, is fixed at P4.35 per liter. Thus, the VAT and the excise tax comprise around 20 to 21 percent of the current retail price of gasoline.

As cited by the Bagong Alyansang Makabayan (BAYAN), the Philippines has one of the largest taxes as a percentage of gasoline retail prices in the world, together with Hong Kong, Thailand, New Zealand, Cambodia and Singapore. The same thing is true for diesel, which has zero excise tax but is also imposed with the 12% VAT.

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.

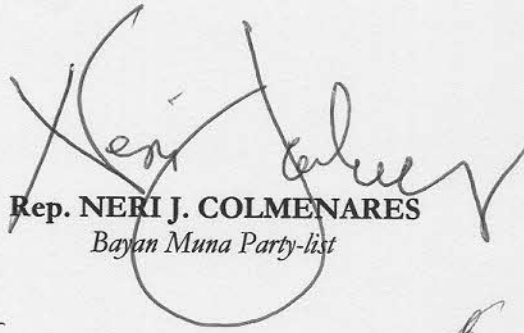
The Big Three, or the local subsidiaries of Shell, Chevron (formerly Caltex), and Petron, claim that they do not overprice, that they set prices based on the price increases of Dubai oil exchanged over the spot market and on Peso-Dollar exchange rate fluctuations. Moreover, they deny the existence of 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 unjustly earns billions of pesos in net windfalls every year 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.

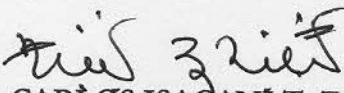
Furthermore, we see that windfall revenues from VAT on oil has been used to cover-up the continued inefficiencies and irregularities in tax collections that would have also resulted in a more sustainable windfall for the government if addressed sincerely. It is a primary task of the government to ensure 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 measure that shall make 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,



Rep. NERI J. COLMENARES
Bayan Muna Party-list



Rep. CARLOS ISAGANI T. ZARATE
Bayan Muna Party-list

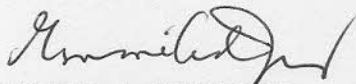


Rep. FERNANDO HICAP
Anakpawis Party-list

Rep. LUZVIMINDA C. ILAGAN
Gabriela Women's Party



Rep. ANTONIO L. TINIO
ACT Teachers Party-list



Rep. EMMI A. DE JESUS
Gabriela Women's Party



Rep. TERRY RIDON
Kabataan Party-list

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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,