

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session
7434
HOUSE BILL NO. _____



Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

EXPLANATORY NOTE

Tourism in the country is a growing force in the Philippine economy. The industry has contributed a total of P2.85 trillion to the local economy in 2016, almost 20% of the country's gross domestic product¹. Last year, the Department of Tourism (DOT) recorded over 6.6 million tourist arrivals in the country, posting an 11% growth from the year prior². The industry started 2018 with a strong rise of 16% in tourist arrivals in January³ and the DOT is looking forward to a consistent rise in the coming months.

The bill proposed intends to build on the growth of the tourism industry in the Philippines by generating funds for the improvement of tourist welfare services in the country. A fixed rate of 25 USD will be collected from tourists traveling to the Philippines and staying for less than sixty (60) days. A list of exempted persons is provided herein, including those in the country on a work visa and tourists staying the country for more than 60 days in order to encourage long staying, high spending tourists.

Currently, our government imposes a travel tax on Filipinos traveling abroad without a similar imposition to foreigners traveling to the Philippines; while our neighboring states tax foreigners flying into their countries. The fixed rate of \$25 is proposed to be

¹ <http://business.inquirer.net/226547/travel-tourism-sector-adds-p2-85t-ph-gdp>

² <http://newsinfo.inquirer.net/965347/dot-records-6-6-million-foreign-tourists-in-2017>

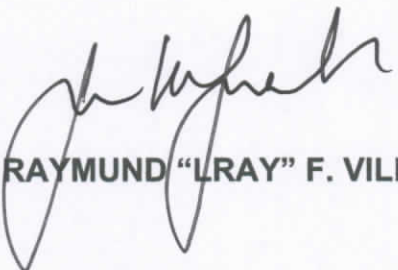
³ <https://businessmirror.com.ph/tourism-industry-off-to-strong-start-this-year-as-january-arrivals-rise-16/>

competitive with that of the current taxes other countries have set. This is mainly based on the average rates of entry and exit taxes imposed by Asian countries such as Thailand, Indonesia, Brunei, Sri Lanka, Cambodia, Hong Kong and China. The collection of entry and exit taxes has been imposed by other countries on visiting foreign nationals in order to boost the funding for tourism. This is more commonly collected from travelers flying into a country, where the fee is incorporated into the airline ticket price. In this proposed bill, we follow the same standard of including the Tourist Welfare Tax, as it will be called, in the airfare prices.

The proposed collected fee will be used to improve the tourist welfare services such as existing and ensuing Tourist Information and Assistance Desks, the Tourist Police training and development program, specialized tourist programs for persons with special needs and persons with disabilities. The funds collected will be allocated to the Department of Tourism for the development of tourist welfare services and the Tourism Infrastructure and Enterprise Zone authority for the improvement of services in tourism infrastructure. The Tourist Welfare Tax will also be allocated to the tourism offices of Local Government Units to encourage the development of local tourism programs.

A provision for the adjustment of the tax 5 years after the effectivity of this Act is provided in anticipation of possible inflation. A tax refund option is also available for those erroneously charged and tourists who have spent over 10,000 US dollars in tourism receipts.

The approval of this bill is earnestly sought.



LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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Introduced by HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

AN ACT
IMPOSING THE COLLECTION OF A TAX ON FOREIGN VISITORS IN THE
COUNTRY FOR THE PURPOSE OF GENERATING FUNDS FOR TOURIST
WELFARE SERVICES

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

SECTION 1. *Short Title.* – This Act shall be known as the "Tourist Welfare Tax Act of 2018"

SECTION 2. *Declaration of Policy.* – The State declares tourism as an indispensable element of the national economy and an industry of national interest and importance, which must be harnessed as an engine of socioeconomic growth and cultural affirmation to generate investment, foreign exchange and employment, and to continue to mold an enhanced sense of national pride for all Filipinos.

The State shall seek to recognize sustainable tourism development as integral to the national socioeconomic development efforts to improve the quality of life of the Filipino people, providing the appropriate attention and support for the growth of this industry.

SECTION 3. *Objectives.* – Pursuant to the above declaration, the State shall adopt the following objectives:

1. Promote improved tourist services in the country and tourism awareness among Filipino nationals;
2. Provide adequate tourist services to visiting foreign nationals by improving ports of entry and exit in the country;
3. Promote security for visiting foreign nationals and Filipino nationals through transportation and road developments, improved emergency services, and training and development of tourist police;
4. Ensure that general well-being and welfare of visiting foreign nationals is promoted; and
5. Develop specialized tourist services for persons with special needs and persons with disabilities.

SECTION 4. *Definition of Terms.* – For the purposes of this Act, the following terms shall refer to:

- a) Tourist Tax – shall refer to the tax imposed on foreign visitors to the country, as provided in this Act;
- b) Foreign Visitor – shall refer to any person who is not a Filipino citizen or not a permanent resident and have been issued a Temporary Visitor's Visa or a 9(a) visa for restricted foreign nationals. Unrestricted foreign nationals are allowed travel to the Philippines without an entry visa for a thirty (30) to fifty-nine (59) day period, depending on the visitor's country of origin;
- c) Operator – shall refer to the company, entity, proprietor or management of the airline operating flights to and from the Philippines, whether domestic or international;

SECTION 5. *Tourist Welfare Tax.* – There is imposed a tourist tax, hereby known as the Tourist Welfare Tax, on all foreign visitors of the Philippines visiting the country for tourism and leisure and staying in the Philippines for a period of not more than sixty (60) days. The Tourist Tax to be imposed shall be a fixed rate of twenty-five (\$25.00) US Dollars per foreign visitor or passenger and shall be integrated into airline ticket prices.

The tourist tax imposed shall be reflected in official receipts issued by the operator and the operator shall be tasked to account for the tourist tax payments in their books.

SECTION 6. *Exemption from Payment of Tourist Tax.* – The following shall be exempt from the payment of the travel tax imposed under Section 3 of this Act:

- a) Foreign visitors in the country engaging in official business and have been issued a Work Visa or Work Permits;
- b) Foreign visitors in transit to another destination and have not stayed in the country for more than twenty-four (24) hours;
- c) Foreign visitors travelling in the country for more than sixty (60) days but not more than one hundred eighty (180) days;
- d) A foreign retiree with a valid Special Retiree's Resident Visa issued by the Bureau of Immigration;
- e) Overseas Filipino Workers returning to the country permanently or for vacation;
- f) Foreign students in the country for excursion or immersion and have been issued a Student Visa;
- g) Persons With Disabilities;
- h) Children under the age of twelve (12) accompanied by a guardian or adult and those under the age of fifteen (15) who have secured a Waiver of Exclusion Ground (WEG) from the Bureau of Immigration and allowed admission to the country; and
- i) Officials and heads of foreign States visiting the Philippines.

SECTION 7. *Operator as Withholding Agent.* – All domestic carriers and international carries with flights to the Philippines are hereby mandated to incorporate the tourist tax into the cost of flights flying to any port of entry in the country and oversee the collection of the tourist tax accordingly. The operator shall therefor register with the Bureau of Internal Revenue as the withholding agent and remit the tourist tax collected, as mandated by the National Internal Revenue Code (NIRC), as amended.

Any operator required to withhold, account for, and remit the tourist tax provided in this Act, or willfully fails to withheld such tax shall, in addition to other penalties provided for in the NIRC, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted. Likewise, any person who aids or abets in any manner to evade any such tax or the payment thereof shall be liable upon conviction to a penalty as provided in the NIRC.

SECTION 8. *Refund of Tourist Tax.* – Any person who has erroneously paid or overpaid any tourist tax charged against them may lay claim thereof within three (3) years from the time the erroneous payment or overpayment occurred. The refund thereof may be filed at any Tourism TIEZA or Department of Tourism (DOT) offices, satellite or Central.

Foreign visitors who have spent more than ten thousand (\$10,000.00) US dollars, or its equal in Philippine pesos, in purchases of goods and services with DOT accredited tour operators shall also be entitled to a refund of the tourist tax and may lay claim thereof, as provided above.

SECTION 9. *Tax Adjustment.* – The rate of the tourist tax imposed shall be reviewed every five (5) years from effectivity of this Act by the Department of Tourism, Department of Finance and the Bureau of Internal Revenue for inflation.

SECTION 10. *Disposition of Tax Collected.* – All funds collected shall be allocated as follows:

- a) Thirty percent (30%) of the tax collected shall be allotted to the Tourism Development Fund to fund Tourist Welfare service such as existing and ensuing Tourist Information and Assistance Desks, the Tourist Police training and development program, specialized tourist programs for persons with special needs and persons with disabilities, and other tourist welfare programs set by the Department of Tourism;
- b) Forty percent (40%) of the tax collected shall be for use by the Department of Tourism to enhance its programs for improved services in airports and ports, road development projects through the Tourism Road Infrastructure Program,

transportation development programs, and the improvement of the emergency response capability of the country; and

- c) Thirty percent (30%) of the tax collected shall be allocated to the tourism infrastructure programs of Local Government Units to encourage the development of local tourism programs.

SECTION 11. *Role of National Agencies.* – The Department of Tourism, together with Tourism Infrastructure and Enterprise Zone Authority (TIEZA), and the Bureau of Internal Revenue shall coordinate and supervise the implementation of the Tourist Tax.

SECTION 12. *Role of Local Government Units.* – Upon the effectivity of this Act, Local Government Units are hereby mandated to devise a five (5) year local tourism development plan, which shall include the adoption of measures that are geared towards the safety, security and welfare of tourists.

SECTION 13. *Implementing Rules and Regulations.* – The Secretaries of the Department of Tourism, Tourism Infrastructure and Enterprise Zone Authority, Department of Finance and the Bureau of Internal Revenue shall jointly promulgate within thirty (30) days from the effectivity of this Act, the implementing rules and regulations to carry out the intent, objectives, purposes, and provisions of this Act, including such structural and procedural improvement in the systems and agencies concerned as may be necessary to ensure the prudent, wise, effective, and efficient utilization of the fund established.

SECTION 14. *Repealing Clause.* All laws, executive orders, rules and regulations or parts thereof inconsistent with any provision hereof are hereby repealed or modified accordingly.

SECTION 15. *Separability Clause.* If any provision or part hereof is held invalid, the other provisions not affected thereby shall remain and continue to be in full force and effect.

SECTION 16. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in the official gazette or in any newspaper of general circulation.

Approved,