

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
SEVENTEENTH CONGRESS
Third Regular Session



HOUSE BILL NO. 8171

Introduced by HON. ROMERO "MIRO" S. QUIMBO, HON. JORGE "BOLET" BANAL, HON. JOSE CHRISTOPHER Y. BELMONTE, HON. GABRIEL H. BORDADO JR., HON. RAUL A. DAZA, HON. JOCELYN SY LIMKAICHONG, and HON. JOSEPHINE RAMIREZ-SATO

EXPLANATORY NOTE

According to the Philippine Statistics Authority (PSA), inflation for July of 2018 is at 5.7%¹. This places average inflation for the year at 4.5%, well above the average of 2.9% for 2017² and beyond the 2-4% annual inflation target range of the Development Budget Coordinating Committee (DBCC) for 2018³.

Hardest hit by the steadily rising inflation are the poor, as evidenced by data from the PSA showing that the bottom 30% of households in the country experienced higher inflation of 6.5% for the 2nd Quarter and a year-to-date average inflation of 5.9%.

One of the main contributors to the steady rise of inflation has been the implementation of Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN), which mandated the increase/

¹ Philippine Statistics Authority. (2018, August 7). *Summary Inflation Report Consumer Price Index (2012=100): July 2018*. Retrieved from: <http://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-july-2018>

² *Ibid.*

³ Banko Sentral ng Pilipinas. (2017, December 28). *Government Keeps Inflation Target at 3 Percent + 1 Percentage Point for 2018 – 2020*. Retrieved from: <http://www.bsp.gov.ph/publications/media.asp?id=4570&yr=2017>

imposition of excise taxes for petroleum, tobacco, and other products starting in January 1 of 2018.

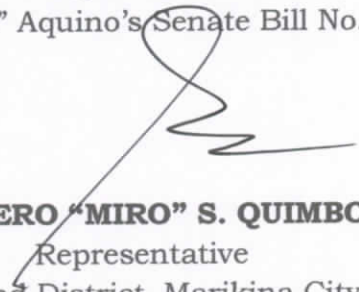
The increase in the excise tax for petroleum products, in particular, have resulted in higher prices not just for the products themselves, but also for goods and services which rely on the consumption of fuel for their production, operation, or distribution.

Further increases under TRAIN in the said products on January 1, 2019 and January 1, 2020 are expected to once again drive up inflation and put a strain on the finances of Filipino households. The present bill offers an immediate solution by repealing the excise taxes imposed by TRAIN on kerosene and diesel, two products on which the poor, either directly or indirectly, heavily depend.

In addition, the bill provides for the automatic suspension of the excise taxes on all other petroleum products imposed under TRAIN when the inflation rate for a given quarter exceeds the government's quarterly inflation target. Upon such suspension, excise taxes on fuel will revert to their pre-TRAIN levels and may only be reimposed if the inflation rate in any succeeding quarter falls below the corresponding quarterly inflation target.

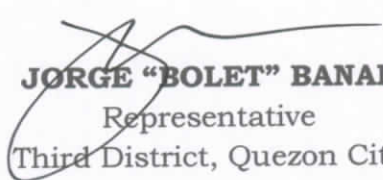
Through this measure, relief will finally be provided to Filipinos who have for months endured the unabated rise in prices. A mechanism will also be put in place to shield from further hardship due to unforeseen spikes in inflation.

In view of the foregoing, the passage of this measure, a counterpart bill to Senator Paolo Benigno "Bam" Aquino's Senate Bill No. 1798, is earnestly sought.



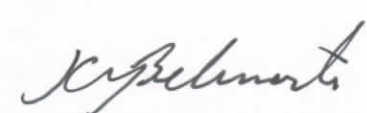
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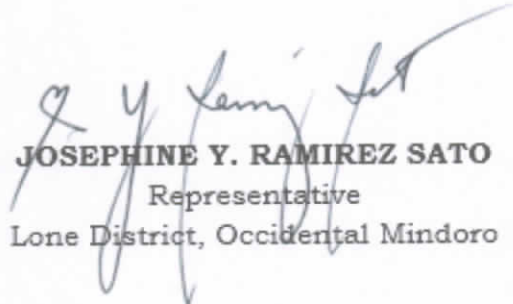
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AN ACT
PROVIDING FOR THE AUTOMATIC SUSPENSION OF THE EXCISE
TAX ON FUEL AND REPEALING THE EXCISE TAX IMPOSED ON
KEROSENE AND DIESEL UNDER REPUBLIC ACT NO. 10963,
OTHERWISE KNOWN AS THE "TAX REFORM FOR
ACCELERATION AND INCLUSION (TRAIN), AMENDING FOR THE
PURPOSE THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF
1997, AS AMENDED"

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

SECTION 1. Section 148 of the National Internal Revenue Code of 1997, as
amended, is hereby further amended to read as follows:

"Sec. 148. *Manufactured Oils and Other Fuels.* – There shall be collected
on refined and manufactured mineral oils and motor fuels, the following
excise taxes which shall attach to the goods hereunder enumerated as
soon as they are in existence as such:

Effective January 1, 2018

(a) xxx

(h) Kerosene, per liter volume capacity [Four pesos (P4.00)] **ZERO
(P0.00):** *Provided,* That kerosene, when used as aviation fuel, shall be
subject to the same tax on aviation turbo jet fuel under the preceding
paragraph (g), such tax to be assessed on the user thereof;

(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter volume capacity, [Four pesos and fifty centavos (P4.50)] **ZERO (P0.00);**

xxx

Effective January 1, 2019

(a) xxx

(h) Kerosene, per liter volume capacity [Four pesos (P4.00)] **ZERO (P0.00):** *Provided*, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter volume capacity, [Four pesos and fifty centavos (P4.50)] **ZERO (P0.00);**

xxx

Effective January 1, 2020

(a) xxx

(h) Kerosene, per liter volume capacity [Five pesos (P5.00)] **ZERO (P0.00):** *Provided*, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter volume capacity, [Four pesos and fifty centavos (P6.00)] **ZERO (P0.00);**

xxx”

SECTION 2. A new section designated as Section 148-B under Chapter 1, Title VI of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act (RA) No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion (TRAIN),” is inserted to read as follows:

“SECTION. 148-B. AUTOMATIC SUSPENSION OF THE EXCISE TAX ON FUEL – THE IMPOSITION OF EXCISE TAX ON FUEL UNDER RA NO. 10963 (TRAIN) SHALL BE AUTOMATICALLY SUSPENDED WHEN THE QUARTERLY ASSESSED ACTUAL INFLATION RATE EXCEEDS THE QUARTERLY INFLATION TARGET OF THE DEVELOPMENT BUDGET COORDINATION COMMITTEE (DBCC) AND THE BANGKO SENTRAL NG PILIPINAS (BSP). PROVIDED, HOWEVER, THAT THE EXCISE TAX ON FUEL PRIOR TO THE EFFECTIVITY OF RA 10963 (TRAIN) SHALL BE IN FORCE DURING THE PERIOD OF SUSPENSION.

IN THE EVENT THAT THE AVERAGE INFLATION RATE FOR SUCCEEDING QUARTERS FALLS BELOW THE QUARTERLY

1 **INFLATION TARGET, THE DEPARTMENT OF FINANCE MAY LIFT**
2 **THE SUSPENSION OF THE EXCISE TAX ON FUEL UNDER RA NO.**
3 **10963 (TRAIN) UPON THE RECOMMENDATION OF THE DBCC. THE**
4 **RATE OF EXCISE TAX ON FUEL SHALL BE RE-IMPOSED BASED**
5 **ON ITS RATE AT THE TIME OF THE SUSPENSION.”**
6

7 **SECTION 3.** *Implementing Rules and Regulations.* Within thirty (30) days from
8 the effectivity of this Act, the Secretary of Finance shall, upon the
9 recommendation of the Commissioner of Internal Revenue, promulgate the
10 necessary rules and regulations for the effective implementation of this Act.
11

12 **SECTION 4.** *Repealing Clause.* All laws, executive orders, rules and
13 regulations or any part hereof inconsistent herewith are deemed repealed or
14 modified accordingly.
15

16 **SECTION 5.** *Separability Clause.* If any part or provision of this Act shall be
17 declared unconstitutional and invalid, such declaration shall not invalidate
18 other parts thereof which shall remain in full force and effect.
19

20 **SECTION 6.** *Effectivity.* This Act shall take effect fifteen (15) days after its
21 complete publication in the Official Gazette or in at least two (2) newspapers
22 of general circulation, whichever comes earlier.
23

24
25 Approved,
26