

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

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. **5369**



Introduced by Representative Sol Aragon

EXPLANATORY NOTE

The Philippine Travel Tax originated as a documentary stamp tax on passage tickets pursuant to Commonwealth Act No. 466. Eventually, a tax was collected on all fares of passengers leaving the country as well as fares for those returning or coming to the Philippines to regulate international travel and tourism with a view to develop a prosperous Philippine tourist industry. Likewise, the said tax was imposed to develop tourist facilities and promote tourism both within the country and abroad. Through the years, the purposes of travel tax evolved. On 15 February 1978, Executive Order No. 499 was issued to fund the operations and special projects of the Philippine Tourism Authority (PTA). PTA is mandated under PD 564 to, among others, construct, acquire, own, lease, operate and maintain tourist facilities, and to pay for infrastructure works and civil works within a tourist zone owned and operated by the Authority. On 13 May 2009, Republic Act No. 9593 (RA 9593) was approved and reorganized PTA to what is now known as the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and mandates the Authority to develop, manage and supervise tourism infrastructure projects in the country. The purpose of travel tax, therefore, has evolved and is now being used as a reliable source of funds for tourism development, particularly infrastructure projects, not as a means to limit a person's right to travel.

Travel Tax is imposed by the national government, with exemptions, on all citizens of the Philippines, permanent resident aliens, and non-immigrant aliens who have stayed in the Philippines for more than one year and are travelling to other countries. Section 73 of RA 9593, otherwise known as the "Tourism Act of 2009", designates TIEZA as the principal agency responsible for the timely collection of travel taxes. Even prior to its reorganization, TIEZA, has already been exercising this function.

Pursuant to RA 9593, 50% of the proceeds from travel tax collections accrue to TIEZA. From this share, at least five percent 5% is earmarked for the development of historic, cultural, religious, heritage sites, and prime tourist destinations. Another five percent 5% is earmarked for the development of ecotourism sites in depressed provinces with strong tourism potentials. Of the other half of the total gross travel tax collections, forty percent 40% is allocated to the

Commission on Higher Education (CHED) Development Fund, while the remaining ten percent 10% goes to the National Commission for Culture and the Arts (NCCA). From the foregoing, it can be gleaned that although the collection is of significant amount, TIEZA is left with a smaller funding for infrastructure support because – (1) only 50% of the proceeds accrue to TIEZA; and (2) the Authority shoulders the administrative and operational expenses for travel tax collection.

Although endowed with rich biodiversity and popular tourist destinations, the Philippines lags behind its neighbors in Southeast Asia in terms of travel and tourism competitiveness. In 2017, the Philippines ranked 79th out of 138 countries worldwide. While other ASEAN countries were able to improve their overall ranking from 2009 to 2017, the Philippines continued to slip based on the 2017 Travel and Tourism (T&T) Competitiveness Report of the World Economic Forum (WEF).

Nevertheless, the tourism industry continues to be considered as one of the major contributors in the economic performance of the Philippines. Based on the report of the Philippine Statistics Authority (Reference No.: 2019-09 dated 06 June 2019), and as measured by the share of Tourism Direct Gross Value Added (TDGVA) to the Gross Domestic Product (GDP), the contribution of tourism industries to the Philippine economy was estimated at 12.7 percent in 2018. TDGVA serves as the indicator to measure the value added of different industries in relation to tourism activities of both inbound and domestic visitors in the country. The TDGVA amounted to PhP 2.2 trillion in 2018, higher by 14.3 percent compared to previous year's record of PhP 1.9 trillion. Moreover, employment in tourism characteristic industries was estimated at 5.4 million in 2018, higher by 1.8 percent compared to 5.3 million in the previous year. Share of employment in tourism industries to total employment in the country was recorded at 13.0 percent in 2018. Based on the report of the Department of Tourism (DOT), there are 3.46 million foreign arrivals from January to May 2019, which is 9.90% higher compared to the same period in the previous year. These positive trends, however, are still not enough to surpass the tourism performance of our neighboring countries like Malaysia, Singapore, Thailand and Vietnam.

The National Tourism Development Plan (NTDP) 2016-2022 provides that the underdeveloped state of transport infrastructure and tourism facilities continue to rank as the most urgent concern (the same result in the NTDP 2011-2016) and continue to be a weakness that requires immediate remedial action for strong government investments and private sector involvement. Tourism infrastructure is a crucial and indispensable part of tourism development and competitiveness. For successful tourism development, the need for more intensive investment in modernization of infrastructure is a necessary condition.

In the year 2018, the TIEZA Board approved thirty (30) projects amounting to PhP1.564 billion. Twenty-six (26) projects were completed while one hundred thirteen (113) projects amounting to PhP2.92 billion are ongoing. Some examples of major projects completed in said year are the redevelopment of Intramuros (completion of Intramuros Museum), rehabilitation

and improvement of Cagsawa Ruins Park in Albay, disaster risk and conservation status assessment services for Philippine World Heritage, completion of Tayak Adventure Park and Nature Park in Laguna, Mindanao Tourism and Cultural Village in Davao City, and the temporary Outfall (under Package 2 of the Boracay Drainage Improvement Project Phase II). There are also ongoing projects such as the Boracay Drainage Improvement Project, San Juanico Bridge Aesthetic Lighting, and comprehensive rehabilitation of Fort Santiago - Intramuros, among others. Furthermore, a total of Php356.6 million has been allocated to fund the TIEZA Assets Rehabilitation Program, aimed at expediting the improvement of various TIEZA operating properties. TIEZA, in line with its mandate, is prioritizing the construction of tourism infrastructure projects of national interest and significance through Project D.R.E.A.M.S. – Destination, Restoration, Eco-sustainability, Agri-tourism, Medical Assistance, and Security and Accessibility.

TIEZA is not oblivious to the issues surrounding the imposition of the travel tax. Thus, the Authority supports the review and revisit of the travel tax law. However, taking into account the importance of infrastructures in our industry, funds dedicated as source for tourism infrastructure projects, not covered by the Department of Public Works and Highways (DPWH), should remain. In this regard, to lessen the burden of Filipinos travelling abroad while at the same time maintaining infrastructure support for the tourism industry, TIEZA proposes the imposition of a lowered, flat rate “tourism fee” for the “Tourism Development Fund” in the amount of Php500. This is lower than the current Php1,620-2700 travel tax rates. The said proposal will provide “tax relief” to many Filipinos while increasing efficiency in processing and collection of travel tax due to its simplification, resulting in shorter queues and faster check-in at the airport, but still ensuring that funds are available for tourism development.

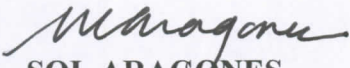
It is worth noting that this is not a new proposal, as many other countries are currently collecting fees from tourists, their citizens, or both. The Australian government collects a Passenger Movement Charge (PMC) of A\$60 from all passengers departing the country (air and sea), whether or not the person returns to Australia. In Malaysia, any person leaving the country by air, starting 01 September 2019, will need to pay a Departure Tax, aside from the Airport Tax, ranging from RM8 (US\$2) to RM150 (US\$36), according to a Malaysian federal government gazette issued on the 31st of July. The departure tax will depend on the flight destination and travel class. Recently, Japan imposed the “*sayonara* tax” – requiring international visitors to pay the amount of JYP1,000 (\$9.25). The same will be used to enhance Japan's tourism infrastructure before the 2020 Summer Olympics in Tokyo. In Vietnam, International Passenger Service Charges amounting from US\$8 to US\$25, per adult passenger, are applied to international departures from said country depending on each airport. Even adult passengers departing from domestic airports in Vietnam are charged with Domestic Passenger Service Charges from VND60,000 (US\$2.50) to VND100,000 (US\$4.50). From these, it can be established that countries, regardless of its standing, need tourism fund.

A penalty provision is provided for violation of the law, its IRR, or in case of material representation. It can be noted that similar penalties were provided under Section 7 of

Presidential Decree No. 1183. Also, in other jurisdictions, such as Malaysia, failure to pay the departure levy will result to a fine up to RM500,000 (US\$119,418), or imprisonment for a term not exceeding three years or both.

In sum, this proposed measure abolishes the existing travel tax system. As a substitute to ensure the availability of funds for tourism infrastructure developments and other tourism-related programs, a “Tourism Development Fund” is hereby created through the collection of “tourism fees”. In addition, this Bill also seeks to authorize TIEZA as the agency responsible for the timely collection of tourism fees.

In view of the foregoing, the passage of this bill is earnestly sought.


SOL ARAGONES
3RD District, Laguna

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HOUSE OF REPRESENTATIVES
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House Bill No. **5368**

Introduced by Representative Sol Aragon

1 **AN ACT CREATING A TOURISM DEVELOPMENT FUND, ABOLISHING THE**
2 **TRAVEL TAX ESTABLISHED UNDER REPUBLIC ACT NO. 1478, AS AMENDED,**
3 **AND FOR OTHER PURPOSES**

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

6 **SECTION 1.** *Title.* This Act shall be known as the “*Tourism Development Fund (TDF) Act*
7 *of 2019.*”

8 **SEC. 2.** *Declaration of Policies.* The State declares tourism as an indispensable element of
9 the national economy and an industry of national interest and importance, which must be
10 harnessed as an engine of socioeconomic growth and cultural affirmation to generate
11 investment, foreign exchange and employment, and to continue to mold an enhanced sense of
12 national pride for all Filipinos. It is the policy of the State to establish a sustainable
13 infrastructure system that shall provide a reliable, efficient and climate-resilient infrastructure
14 network connecting people to several tourist destinations in the country. Towards this end, the
15 State shall provide assistance to tourism development projects and ecotourism sites while
16 preserving the country’s diverse cultures, heritage and natural resources. It shall provide
17 adequate funds for the promotion and development of Philippine tourism giving due regard to
18 its rich culture and varied array of tourist attraction.

19 **SEC. 3.** *Abolition of Travel Tax.* The existing travel tax, established under Republic Act No.
20 1478 and succeeding decrees, issuances and laws, is hereby abolished.

21 **SEC. 4.** *Tourism Development Fund.* There shall be created a Tourism Development Fund
22 (TDF), which shall be utilized and managed exclusively for tourism development projects of
23 the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) in accordance with its

duties and functions under Republic Act No. 9593, Presidential Decree No. 564, and other applicable laws, decrees and issuances.

SEC. 5. *Tourism Fee to the Development Fund.* There shall be a tourism development fee (*hereinafter referred as "Tourism Fee"*) charged and collected from passengers, Filipinos or foreign nationals, leaving the Philippines amounting to Five Hundred Pesos (P500) payable in one sum. This shall be collected by TIEZA or its deputized collecting agents. The amount of the Tourism Fee shall be reviewed and set by the TIEZA Board of Directors (TIEZA Board) every two (2) years from the date of the implementation of this Act.

The Tourism Fee shall be included in the cost of the ticket charged by the owner, master or any agent for any air and water vessel or carrier through which passengers are brought from the Philippines as the deputized collecting agents of TIEZA, except as provided under Section 8 of this Act.

In cases where tickets were issued without the Tourism Fee and were not collected abroad by the carriers or their duly authorized agents, the fee shall be paid directly to official TIEZA centers/counters located in airports, ports and other locations, or through its online payment system and other channels, prior to the departure of the passenger from the Philippines. Bureau of Immigration (BI) officials and agents shall not allow the departure of passengers unless proof of payment of the Tourism Fee has been established.

All proceeds realized from the Tourism Fee collection shall be directly remitted to the Tourism Development Fund, which is directly managed and supervised by the TIEZA Board.

SEC. 6. *Additional Funding of TIEZA.* The National Government, through the General Appropriations Act (GAA), shall appropriate to TIEZA an amount of not less than Five Hundred Million Pesos (Php500,000,000.00) annually to answer for the other needs of the agency.

SEC. 7. *Responsibilities of Air and Water Vessels and Carriers.* The following shall be the responsibilities of air vessels and carriers as deputized collecting agents of TIEZA:

- a) Air and water vessels and carriers charging the Tourism Fee shall include carriers that engage in the air and water transport of passengers through chartered flights and routes. In case of travel involving non-commercial carriers, the charter, or the owner of the private air or water carrier or vessel shall be responsible for the collection of the

1 Tourism Fee.

- 2 b) Air and water vessels and carriers shall provide passengers leaving the Philippines and
3 the TIEZA proof of payment of the Tourism Fee.
- 4 c) In cases where the voyage or flight of a passenger has been cancelled, the sum paid by
5 such passenger in respect of the Tourism Fee shall be refunded by the owner, master or
6 agent of such air or water vessel or carrier.
- 7 d) Any carrier failing to collect the Tourism Fee which it is required to collect shall,
8 notwithstanding such failure, pay to TIEZA the amount of such fee.
- 9 e) Every owner, master or agent of an air or water vessel or carrier shall keep books,
10 records and documents relating to the collection of the Tourism Fee for such period as
11 may be provided under the Implementing Rules and Regulations (IRR) of this Act, and
12 shall provide on the last day of each month returns to TIEZA.
- 13 f) Tourism Fee collections shall be remitted by the air and water vessels and carriers, and
14 other authorized collecting agents directly to TIEZA in the manner to be provided for
15 in the IRR of this Act.

16 **SEC. 8. *Tourism Contributory Fee Exemption.*** The Tourism Fee shall not be charged or
17 collected from any of the following passengers leaving the Philippines:

- 18 a) Overseas Filipino Workers (OFWs) going to their worksite;
- 19 b) officials and employees of the Philippine Government or any of its departments,
20 bureaus and instrumentalities traveling on official business;
- 21 c) foreign diplomatic and consular officials and members of their staff who are working
22 as such in the Philippines as their country of assignment;
- 23 d) officials, consultants, experts, employees, and volunteers of the United Nations (UN)
24 organization and its agencies;
- 25 e) crew members of air vessels and carriers plying international routes who are entering
26 the country to join their vessels or carriers, or to assume their position therein; and
- 27 f) infants who are two years old or less.

28 No other exemption shall be issued without the authority and approval of the President

1 of the Republic of the Philippines for reasons of national interest.

2 **SEC. 9. *Refund of the Tourism Fee.*** In cases where the aforementioned exemptions in
3 Section 8 were not provided upon the purchase of flight tickets, exempted passengers may
4 refund the collected Tourism Fee from TIEZA within ninety (90) days after their departure date
5 from the Philippines.

6 **SEC. 10. *Use of the Tourism Development Fund.*** The TDF shall be allocated for tourism
7 development projects as identified by TIEZA in coordination with the Department of Tourism
8 (DOT), and pursuant to the National Tourism Development Plan (NTDP) and local tourism
9 development plans. Concerned Local Government Units (LGUs) or LGUs where the project
10 shall be undertaken are enjoined to forge partnerships with TIEZA in relation to the
11 maintenance and sustainability of the said tourism development projects.

12 **SEC. 11. *Penalties.*** Any person violating any provision of this Act, or of the IRR issued
13 pursuant to Section 12 of this Act, or shall make any material misrepresentation in connection
14 therewith, shall upon conviction by a Court of competent jurisdiction, suffer the penalty of
15 imprisonment of not less than two (2) years but not more than five (5) years, or a fine of not
16 less than One Hundred Thousand Pesos (Php100,000.00) but not more than Two Hundred
17 Thousand Pesos (Php200,000.00), or both, at the discretion of the court.

18 In addition to the foregoing penalties, such violations shall *ipso facto* constitute a valid
19 ground for the revocation of all privileges, permits and authorizations granted to such person
20 or entity by the Department of Foreign Affairs, the Department of Tourism, the Department of
21 Trade and Industry, the Board of Investments or other governmental agencies; Provided,
22 however, That if the offender is a corporation, firm, partnership or association, the penalty shall
23 be imposed upon the principal officer or officers, as the case may be.

24 **SEC. 12. *Implementing Rules and Regulations.*** The DOT and TIEZA shall provide
25 necessary implementing rules and regulations within sixty (60) days upon the approval of this
26 Act. Such rules and regulations shall take effect within fifteen (15) days after its publication in
27 at least two (2) newspapers of general circulation.

28 **SEC. 13. *Transitory Provision.*** The abolition of Travel Tax in Section 3 shall be
29 implemented after a five-year transition period for the completion of ongoing TIEZA and
30 TIEZA-funded projects. During the transition period, the affected departments shall be
31 reorganized in accordance with the rules, regulations, guidelines, and other issuances of the

1 Governance Commission on Government-Owned and Controlled Corporations (GCG), the
2 Civil Service Commission (CSC), and the Commission on Audit (COA).

3 Upon the effectivity of this Act, the TIEZA personnel affected by the implementation
4 of this Act, unless removed for cause and after due process, shall continue to perform their
5 duties and responsibilities and shall receive their corresponding salaries and benefits, until fully
6 reorganized.

7 **SEC. 14. *Separability Clause.*** Any portion or provision of this Act that is declared
8 unconstitutional shall not have the effect of nullifying other portions or provisions hereof as
9 long as such remaining portions can still subsist and be given effect in their entirety.

10 **SEC. 15. *Repealing Clause.*** Republic Act No. 1478 and all laws, presidential decrees,
11 ordinances, rules, regulations, other issuances or parts thereof, which are inconsistent with this
12 Act, are hereby repealed or modified accordingly.

13 **SEC. 16. *Prospective Application.*** – Previously collected travel tax for flights or voyages
14 after effectivity of this Act shall not be refunded.

15 **SEC. 17. *Effectivity.*** - This Act shall take effect immediately upon its publication.

16 *Approved.*