

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

EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. **10438**



Introduced by **REPRESENTATIVE JOEY SARTE SALCEDA**

AN ACT
AMENDING SECTION 148 OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Transport sector inflation has been one of the main drivers of inflation during the COVID-19 pandemic, with sectoral inflation peaking at 17.4% in May 2021. Inflation in the sector remains elevated, at 5.5% in September, third only to food and non-alcoholic beverages, and alcoholic beverages and tobacco inflation.

A direct cause of elevated general inflation and transport sector inflation is rising fuel cost, which have steadily increased since January this year. Year-to-date, the adjustments now stand at a total net increase of P19.65/liter for gasoline, P18.00/liter for diesel and P15.49/liter for kerosene at pump prices.

This is largely because of global supply remaining at levels lower than pre-pandemic supply, while demand pull at a strong momentum, following more reopening of the world economy. Likewise, following the announcement by the US Department of Energy of not releasing additional crude stocks from its Strategic Reserve, the oil market again shifted its focus on tight supply and improving oil demand.

Demand momentum and a lag in supply improvement will likely move oil prices upward through the following months. It is forecasted that oil prices will continue to increase, moving the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) to above USD 90 per barrel by 2022.

For perspective, the MOPS threshold used in the Tax Reform for Acceleration and Inclusion (TRAIN) is USD 80 per barrel, above which the 2020 excise tax increases would have been suspended.

As a response to rising inflation, continued stagnation in income recovery, high unemployment, and the potential cascading effect of high oil prices, this bill proposes to temporarily suspend the P6 per liter TRAIN excise taxes on diesel and kerosene, being fuels used primarily by low-income households, and to reduce excise taxes on gasoline by P3.00 per liter. The suspension

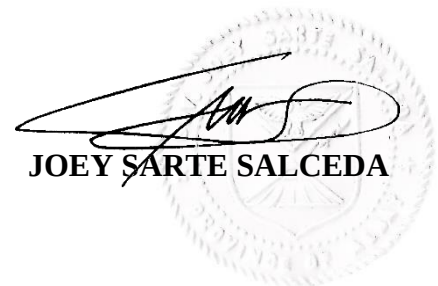
would be from December 2021 to June 2022, when the country's health situation is likely to have improved.

The expected revenue loss from the suspension would be P55.04 billion, of which P36.42 billion will be from diesel, P18.28 billion will be from gasoline, and P0.34 billion will come from kerosene.

These losses will be partly offset by increases in VAT collections due to rising prices, which would be around P19.01 billion from these three products. Continued increase in prices would make this offsetting effect even stronger, reducing net revenue losses further.

This bill also creates a reporting and monitoring mechanism to ensure that (1) changes in the retail price due to the excise tax reduction are reflected in consumer receipts, and (2) prices are monitored to ensure that the reduction is reflected in retail prices.

In view of the foregoing, the approval of this measure is urgently sought.



JOEY SARTE SALCEDA

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

EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. **10438**

Introduced by **REPRESENTATIVE JOEY SARTE SALCEDA**

AN ACT
AMENDING SECTION 148 OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Section 148 of the National Internal Revenue Code, 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:

“X X X

“Effective January 1, 2020

“(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts, and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight, Ten pesos (P10.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, re-refined or recycled shall likewise be subject to the tax imposed under this Section.

“X X X

“(f) Unleaded premium gasoline, per liter of volume capacity, Ten pesos (P10.00): **PROVIDED, THAT FROM DECEMBER 1, 2021 TO JUNE 1, 2022, THE TAX UNDER THIS PARAGRAPH SHALL BE SEVEN PESOS (P7.00);**

“(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (P4.00);

“(h) Kerosene, per liter of volume capacity, Five pesos (P5.00): **PROVIDED, THAT FROM DECEMBER 1, 2021 TO JUNE 1, 2022, THE TAX UNDER THIS PARAGRAPH SHALL BE ZERO PESOS (P0.00):** Provided **FURTHER**, 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 of volume capacity, Six pesos (P6.00): **PROVIDED, THAT FROM DECEMBER 1, 2021 TO JUNE 1, 2022, THE TAX UNDER THIS PARAGRAPH SHALL BE ZERO PESOS (P0.00);**

“For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this Section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three (3) months prior to the scheduled increase of the month reaches or exceeds Eighty dollars (USD 80) per barrel.

“FOR THE PERIOD COVERING DECEMBER 1, 2021 TO JUNE 1, 2022, SELLERS OF GOODS UNDER PARAGRAPHS (F), (H), AND (I) OF THIS SECTION SHALL REFLECT THE REDUCTION IN EXCISE TAXES IMPOSED DURING THE PERIOD PRIOR, IN A MANNER PRESCRIBED BY THE BUREAU OF INTERNAL REVENUE.

“Provided, That the Department of Finance shall perform an annual review of the implementation of the excise tax on fuel and shall, based on projections provided and recommendations of the Development Budget Coordination Committee, as reconciled from the conditions as provided above, recommend the implementation or suspension of the excise tax on fuel: Provided, further, That the recommendation shall be given on a yearly basis: Provided, finally, That any suspension of the increase in excise tax shall not result in any reduction of the excise tax being imposed at the time of the suspension.

SEC. 2. *Price monitoring* – Retailers of Unleaded premium gasoline, Kerosene, and Diesel fuel oil, and on similar fuel oils having more or less the same generating power shall be required to notify the Department of Energy and the Department of Finance of retail prices, including taxes, of said goods on November 30, 2021 and of every change in the retail price until June 1, 2022. The Department of Energy and the Department of Finance shall jointly issue guidelines providing a reporting mechanism for this purpose.

The Department of Energy and the Department of Finance may, *moto proprio*, report data submitted under this Section to the DOE-DOJ Task Force created under Section 14 (d) of Republic Act No. 8479 for appropriate action.

SEC. 3. *Separability Clause*. – If any of the sections or provisions of this Act is held invalid, all the other provisions not affected thereby shall remain valid.

SEC. 4. *Repealing Clause.* – The provisions of the National Internal Revenue Code, as amended, shall continue to have full force and effect, except insofar as they are inconsistent with this Act.

SEC. 5. *Effectivity.* – This Act shall take effect fifteen (15) days from the date of its publication in at least two newspapers of general circulation in the Philippines.

Approved,