

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

TWENTIETH CONGRESS
First Regular Session
House Bill No. 7873



Introduced by Representative
BRIAN POE, PhD, MNSA

AN ACT PROVIDING FOR THE EXEMPTION OF REFINED PETROLEUM IMPORTERS FROM THE BOND REQUIREMENT UNDER SECTION 160 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

Refined petroleum products are indispensable to the country's energy security and economic stability. They power industries, transportation networks, and households nationwide. Given the strategic importance of this sector, fiscal regulations must be responsive to modern compliance systems and existing safeguards.

Section 160 of the National Internal Revenue Code requires manufacturers and importers of excisable goods to post a bond as security for tax compliance. This provision traces its origins to earlier tax regimes designed for a regulatory environment lacking today's monitoring and enforcement mechanisms.

In the case of refined petroleum importations, multiple safeguards already exist:

1. **Customs Control** – Imported refined petroleum products cannot be released from customs custody without proof of payment of customs duties and excise taxes.
2. **Prepayment Practice** – Industry practice reflects advance payment of excise taxes even before vessel arrival.
3. **Fuel Marking System (TRAIN Law)** – The mandatory fuel marking program under Republic Act No. 10963 ensures that petroleum products entering the domestic market have paid the proper excise taxes.

These layers of enforcement render the bond requirement duplicative and unnecessary for refined petroleum importers. Unlike other excisable goods, petroleum imports are subject to real-time tracking, strict customs oversight, and chemical fuel marking mechanisms that substantially reduce tax leakage risks.

Moreover, the annual premiums paid for such bonds form part of the importers' cost structure. These costs are eventually embedded in pump prices and passed on to consumers. At a time when inflationary pressures are highly sensitive to fuel prices, eliminating redundant regulatory burdens is both economically prudent and socially responsive.

This measure proposes to exempt importers of refined petroleum products from the bond requirement under Section 160, provided that they have no outstanding customs duties or excise tax assessments arising from prior importations. The exemption is therefore conditional and preserves government authority to enforce compliance.

By recognizing the sufficiency of existing enforcement systems and eliminating outdated requirements, the bill:

- Promotes regulatory efficiency;
- Reduces unnecessary financial burdens on compliant importers;
- Supports price stability in the fuel market; and
- Maintains robust tax enforcement safeguards.

The measure modernizes the tax code in light of present-day compliance frameworks while ensuring that revenue protection remains intact.

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


HON. BRIAN POE, PhD, MNSA
Representative
FPJ Panday Bayanihan Party-List

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

Section 1. Section 160 of the National Internal Revenue Code (NIRC), as amended, is hereby further amended to read as follows:

Sec. 160. Manufacturers' and Importers' Bonds. Manufacturers and importers of articles subject to excise tax shall post a bond subject to the following conditions:

(A) Initial Bond. – For the initial bond, the amount shall be **PHP 100,000. HOWEVER**, if after six (6) months of operation the initial bond is less than the total excise tax paid during that period, the bond shall be **ADJUSTED TO TWICE THE AMOUNT OF TAX ACTUALLY PAID.**

(B) Bond for the Succeeding Years of Operation. – The bonds for the succeeding years of operation shall be based on the actual total excise tax paid during the period the year immediately preceding the year of operation.

The bond is **CONDITIONED** on the business **FAITHFULLY COMPLYING WITH ALL LAWS AND REGULATIONS** and **PAYING ANY FINES OR PENALTIES** imposed under this Code while it operates.

Importers of refined petroleum products **ARE NOT COVERED BY THIS SECTION, PROVIDED** that there are **NO UNPAID CUSTOMS DUTIES OR EXCISE TAXES** from the importation of such products in any previous year.

Sec. 2. Implementing Rules and Regulations – Within ninety (90) days from the effectivity of this Act, the Department of Finance (DOF), in consultation with the Bureau of Customs (BOC) and the appropriate government agencies, shall issue the rules and regulations needed to implement this Act effectively.

Sec. 3. Separability Clause. – If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

Sec. 4. Repealing Clause. - All laws, decrees, orders, rules and regulations, or other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed and modified accordingly.

Sec. 5. Effectivity. -This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,


HON. BRIAN POE, PhD, MNSA
Representative
FPJ Panday Bayanihan Party-List