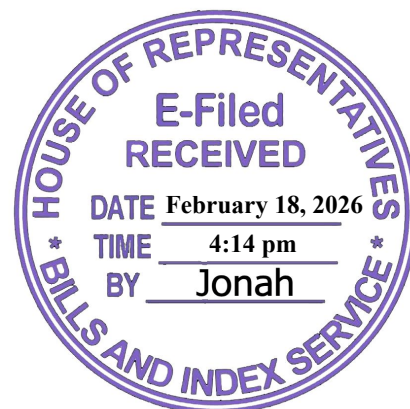


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
1st Regular Session

House Bill No. **7882**



**Introduced by Representatives OMAR VINCENT S. DUTERTE and
PAOLO Z. DUTERTE**

EXPLANATORY NOTE

The Philippine tourism sector remains a vital pillar of the national economy, notwithstanding the sector's stiff competition from neighboring Asian countries that offer more seamless shopping experiences to tourists. While Republic Act No. 12079, or *An Act Creating a Vat Refund Mechanism for Non-Resident Tourists, Adding a New Section 112-A to The National Internal Revenue Code Of 1997* introduced a VAT refund system, the Act's reliance on airport-based kiosks creates significant friction, including long queues and the potential for tourists to miss refunds due to tight flight schedules.

It is in this regard that the proposed bill seeks to modernize the system by introducing the Direct Point-of-Sale (POS) Refund System, shifting the primary refund touchpoint from the airport terminal to the retail storefront. By adopting a Direct Deduction model, the Philippines follows the highly successful precedent set by Japan. According to the Japan Tourism Agency (JTA), the transition to at-store VAT exemptions was a primary catalyst for the surge in tourist consumption, which reached a record ¥5.3 trillion in 2023. The same study provides that unlike the traditional refund-later model, providing the discount immediately at the cashier encourages re-spending as tourists are more likely to use those immediate savings to purchase additional local goods and services before leaving the country.

Moreover, in ensuring fiscal integrity, the proposed measure mandates a real-time digital link between Accredited Merchants, the Bureau of Internal Revenue (BIR), and the Bureau of Immigration (BI). The infrastructure allows for the instantaneous verification of a tourist's eligibility through a passport scan, preventing domestic residents from abusing the exemption. Furthermore, the integration of Electronic Tax-Free Sales Invoices guarantees that every peso of exempted VAT is tracked digitally, providing the government with granular data on tourist spending patterns that were previously unavailable.

Addressing the concerns of the retail sector, the proposed Bill introduces an Automated Tax Credit mechanism for merchants in which retailers can automatically credit the VAT they deducted at the point of sale against their own monthly or quarterly tax liabilities, thereby protecting the cash flow of Filipino businesses while incentivizing them to join the program. In fact, the Global Blue (2023) data suggests that countries with in-store refund options see a thirty percent (30%) higher merchant adoption rate compared to those with airport-only systems.

By requiring merchants to seal goods and the Bureau of Customs (BOC) to maintain a digital ledger, the state ensures that tax-exempt items actually leave the country. This dual-channel approach, which offers both airport kiosks and direct point-of-sale deductions, modernizes the Philippine tax architecture, improves the country's global tourism competitiveness, and warrants that the country becomes a premier, hassle-free shopping destination in Asia.

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



HON. OMAR VINCENT S. DUTERTE



HON. PAOLO Z. DUTERTE

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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House Bill No. **7882**

Introduced by Representatives **OMAR VINCENT S. DUTERTE** and
PAOLO Z. DUTERTE

AN ACT
ESTABLISHING A DIRECT POINT-OF-SALE VALUE ADDED TAX (VAT)
REFUND SYSTEM FOR TOURISTS, AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 12079, OTHERWISE KNOWN AS AN ACT CREATING A VAT
REFUND MECHANISM FOR NON-RESIDENT TOURISTS, ADDING A NEW
SECTION 112-A TO THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED

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 “***Direct Tourist Tax-Free Shopping Act of 2026.***”

SEC 2. Section 112-A under Chapter I, Title IV of the National Internal Revenue Code, as amended by Republic Act No. 12079 or *An Act Creating a Vat Refund Mechanism for Non-Resident Tourists, Adding a New Section 112-A to The National Internal Revenue Code Of 1997*, is hereby amended to read as follows:

"Section 112-A. *VAT Refund for Tourists.* -

(a) A tourist shall be eligible for a VAT refund on locally purchased goods if the following requisites are present:

- (1) The goods are purchased in person by the tourist in duly accredited stores;
- (2) Such goods are taken out of the Philippines by the tourist within sixty (60) days from the date of purchase; and
- (3) The value of goods purchased per transaction is equivalent to at least Three thousand pesos (P3,000.00): *Provided, That* such threshold shall be subject to review and adjustment every three (3) years by the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, taking into consideration the Consumer Price

Index (CPI) as published by the Philippine Statistics Authority (PSA).

(b) The Department of Finance shall engage the services of one (1) or more reputable, globally recognized, and experienced VAT refund operators to provide end-to-end solutions to the government for the establishment and operation of a VAT refund system for tourists.

(c) The refund under this section may be made either electronically or in cash **AND CLAIMED THROUGH TWO (2) CHANNELS:**

(1) THE AIRPORT REFUND SYSTEM - THROUGH ACCREDITED KIOSKS AT INTERNATIONAL PORTS OF EXIT; OR

(2) THE DIRECT POINT-OF-SALE (POS) REFUND SYSTEM - THROUGH ACCREDITED "TAX-FREE" RETAIL ESTABLISHMENTS WHERE THE 12% VAT IS DEDUCTED IMMEDIATELY FROM THE PURCHASE PRICE AT THE TIME OF SALE.

(d) The amount necessary for the VAT refund system for tourists under this Code shall be charged against the special account in the General Fund as provided under Section 106 of this Code. [...] "

SEC 3. *Establishment of the Direct Point-of-Sale (POS) Tax-Exempt Purchase System.*

– In addition to the existing refund mechanisms at international ports of exit, a Direct Point-of-Sale (POS) Tax-Exempt System is hereby established, which shall introduce the following features:

(a) *Eligibility for Direct Deduction.* – A non-resident tourist, upon presentation of a valid foreign passport and a digital or physical arrival stamp, shall be entitled to an immediate 12% VAT deduction at the cashier. The minimum purchase requirement for a single-receipt transaction under this system shall be Three Thousand Pesos (₱3,000.00).

(b) *Merchant Obligations and Digital Verification.* – Accredited merchants shall utilize a real-time digital verification system linked to the Bureau of Internal Revenue (BIR) and the Bureau of Immigration (BI). The merchant must:

- (i) Scan the tourist's passport to verify non-resident status and length of stay;
- (ii) Issue an Electronic Tax-Free Sales Invoice which serves as the official record of the VAT-exempt transaction;
- (iii) Securely pack the goods with a "Tax-Free" seal or identification, which must remain intact until the tourist reaches the port of departure.

(c) ***Automated Tax Credit for Merchants.*** – The VAT amount deducted at the point of sale shall be automatically credited to the merchant's digital tax account. These credits can be used to offset the merchant's monthly or quarterly VAT liabilities, ensuring that the retailer's cash flow is not adversely affected by providing immediate refunds to tourists.

(d) ***The Export Validation Safeguard.*** – To prevent the domestic diversion of tax-free goods, the Bureau of Customs (BOC) shall maintain a digital ledger of all POS Tax-Exempt purchases. Upon departure, the tourist may be required to present the sealed goods at a Customs Validation Counter. If the goods are found to have been consumed or sold within the Philippines, the BOC shall be authorized to collect the unpaid VAT and applicable penalties from the tourist prior to boarding.

(e) ***Accreditation of Merchants.*** – The Department of Tourism (DOT) and the Bureau of Internal Revenue (BIR) shall establish a simplified digital accreditation process for retailers on the following requisites:

SEC. 4. *Merchant Incentives.* – Accredited merchants who utilize the Direct POS Refund System shall be entitled to a tax credit or a fast-tracked deduction against their quarterly VAT liabilities for the amount of tax-free sales conducted.

SEC 5. *Implementing Rules and Regulations.* – Within ninety (90) calendar days from the effectivity of this Act, the Secretary of Finance shall, after due consultation with the Department of Trade and Industry (DTI), Department of Transportation (DOTr), Department of Tourism (DOT), National Economic and Development Authority (NEDA), Bureau of Internal Revenue (BIR), and Bureau of Customs (BOC), promulgate the necessary rules and regulations to faithfully implement the intent and provisions of this Act.

SEC. 6. *Appropriations.* – The amount necessary to cover the initial implementation of this Act shall be included in the annual General Appropriations Act (GAA) of the Department of Trade and Industry (DTI), Bureau of Internal Revenue (BIR), Bureau of Immigration (BI), and Bureau of Customs (BOC). Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act (GAA).

SEC. 7. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SEC. 8. *Repealing Clause.* – All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 9. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,