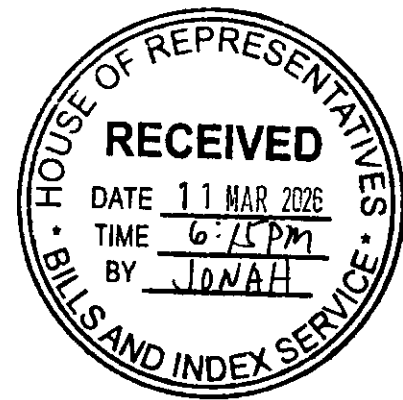




REPUBLIC OF THE PHILIPPINES
House of Representatives
CONSTITUTION HILLS, QUEZON CITY

TWENTIETH CONGRESS
First Regular Session

House Bill No. 8465



AN ACT PROVIDING FOR THE TEMPORARY SUSPENSION OF THE VALUE-ADDED TAX (VAT) ON PETROLEUM PRODUCTS DURING PERIODS OF EXTRAORDINARY GLOBAL OIL PRICE INCREASES, ESTABLISHING CONSUMER PROTECTION AND PRICE STABILIZATION MECHANISMS, AMENDING FOR THE PURPOSE SECTIONS 106 AND 107 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

Introduced by Representative SHIRLYN L. BAÑAS-NOGRALES

EXPLANATORY NOTE

Article VI, Section 28 of the 1987 Constitution provides that the rule of taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation. This constitutional mandate ensures that the tax system remains responsive to economic realities and that the burden of taxation does not fall disproportionately on those with limited means.

Petroleum products such as gasoline, diesel, kerosene, and liquefied petroleum gas (LPG) are currently subject to the twelve percent (12%) Value-Added Tax (VAT) under the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337 and further reinforced under Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law.

Because the Philippines is heavily dependent on imported crude oil, domestic fuel prices remain highly vulnerable to fluctuations in the global energy market. Disruptions in supply, geopolitical tensions in major oil-producing regions, and volatility in global crude prices frequently translate into higher domestic fuel prices.

Rising fuel costs have a cascading effect throughout the economy. They increase transportation fares, raise the cost of agricultural production, and contribute to higher food prices and inflation. Ultimately, these increases are borne by ordinary Filipino households, particularly low- and middle-income families.

Since the VAT is imposed on the gross selling price of petroleum products, it compounds the impact of price increases caused by global oil volatility. In times of extraordinary fuel price spikes, the continued imposition of VAT on petroleum

products can aggravate inflationary pressures and further erode the purchasing power of Filipino consumers.

A temporary suspension of VAT on petroleum products during periods of exceptionally high global oil prices may provide immediate and meaningful relief to consumers while helping stabilize domestic prices.

This measure, therefore, proposes a trigger-based suspension of VAT tied to global crude oil benchmarks, accompanied by consumer protection mechanisms, transport fare review provisions, and targeted support for farmers and fisherfolk who are among the sectors most vulnerable to rising fuel costs.

By adopting these safeguards, the proposed measure seeks to balance the need for economic relief with fiscal responsibility and market transparency.

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


SHIRLYN L. BAÑAS-NOGRALES
Lone District of General Santos



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Introduced by Representative SHIRLYN L. BAÑAS-NOGRALES

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 “*Petroleum VAT Relief and Fuel Price Stabilization Act.*”

SECTION 2. *Declaration of Policy.* – It is the policy of the State to ensure that the tax system remains equitable, progressive, and responsive to economic conditions in accordance with Article VI, Section 28 of the Constitution. During periods of extraordinary volatility in global oil markets, the State shall adopt temporary fiscal measures to protect consumers, stabilize fuel prices, and mitigate inflationary pressures while safeguarding fiscal sustainability.

SECTION 3. *Trigger for Temporary VAT Suspension.* – Notwithstanding any provision of the National Internal Revenue Code of 1997, as amended, the imposition of the twelve percent (12%) Value-Added Tax (VAT) on petroleum products shall be temporarily suspended when the average monthly price of Dubai crude oil based on Mean of Platts Singapore (MOPS) reaches or exceeds Eighty United States Dollars (USD 80) per barrel.

Upon determination that the trigger price has been met, the Department of Energy shall recommend the activation of the VAT suspension to the President of the Philippines.

The suspension shall take effect within twenty four (24) hours from the issuance of the appropriate executive directive.

SECTION 4. *Coverage.* – The VAT suspension shall apply to the sale, importation, and distribution of the following petroleum products:

1. Gasoline
2. Diesel fuel
3. Kerosene
4. Liquefied Petroleum Gas (LPG)
5. Other petroleum-based fuels as may be determined by the Department of Energy

which are currently subject to VAT under Sections 106 and 107 of the National Internal Revenue Code of 1997.

SECTION 5. *Duration of Suspension.* – The VAT suspension shall remain in effect for six (6) months from activation, unless earlier terminated when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for five (5) consecutive days falls below Eighty United States Dollars (USD 80) per barrel.

Congress may extend the suspension upon recommendation of the Department of Finance and the Department of Economy, Planning and Development.

SECTION 6. *Anti-Profiteering and Consumer Protection Measures.* – To ensure that the benefits of the VAT suspension are passed on to consumers:

1. Oil companies, importers, refiners, distributors, and retailers shall fully reflect the VAT reduction in pump prices.
2. The Department of Energy shall require weekly submission of fuel price adjustments and cost components from oil companies.
3. The Department of Trade and Industry shall monitor compliance and investigate any instances of price manipulation, profiteering, or collusion.
4. Violations shall be subject to penalties under existing laws and applicable administrative sanctions.

SECTION 7. *Automatic Public Transport Fare Review.* – Upon the implementation of the VAT suspension and any resulting significant decrease in fuel prices, the Land Transportation Franchising and Regulatory Board shall conduct an immediate review of public transport fares to ensure that fare adjustments appropriately reflect the changes in fuel costs for the benefit of commuters.

SECTION 8. *Targeted Support for Farmers and Fisherfolk.* – Recognizing that agriculture and fisheries sectors are highly sensitive to fuel costs:

1. The Department of Agriculture, in coordination with the Bureau of Fisheries and Aquatic Resources, shall provide fuel assistance or diesel subsidies to registered farmers and fisherfolk when global oil prices exceed the threshold established under this Act.

2. Priority shall be given to small-scale farmers and municipal fisherfolk registered in the national agriculture and fisheries registry.

SECTION 9. *Fiscal Impact and Revenue Mitigation.* – To mitigate revenue losses arising from the VAT suspension, the Department of Finance may recommend appropriate fiscal measures, including:

1. Strengthened tax administration and enforcement through the Bureau of Internal Revenue and Bureau of Customs;
2. Reallocation of excess government revenue collections;
3. Temporary rationalization of non-essential expenditures.

SECTION 10. *Monitoring and Reporting.* – The Department of Finance, in coordination with the Department of Energy, Philippine Statistics Authority, and the Department of Economy, Planning and Development, shall:

1. Monitor the impact of the VAT suspension on fuel prices and inflation;
2. Assess fiscal effects and revenue foregone;
3. Submit monthly reports to Congress on the economic impact of this measure.

SECTION 11. *Implementing Rules and Regulations.* – Immediately from the effectivity of this Act, the Department of Finance, in coordination with the Department of Energy and the Bureau of Internal Revenue, shall promulgate the necessary rules and regulations for its implementation.

SECTION 12. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, the remainder of the Act shall remain in full force and effect.

SECTION 13. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 14. *Effectivity.* – This Act shall take immediately after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,