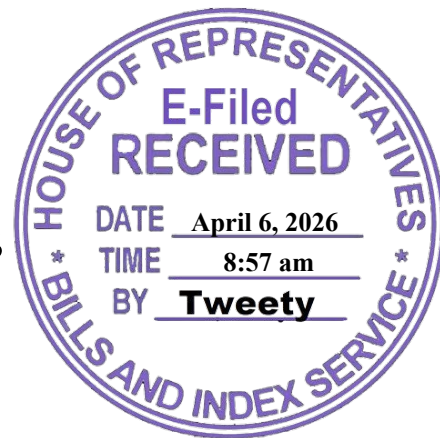




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session

HOUSE BILL NO. 8825



Introduced by REPRESENTATIVE MARIA CRISTINA C. ANGELES

EXPLANATORY NOTE

The Value-Added Tax (VAT) is one of the primary sources of revenue of the national government under the National Internal Revenue Code of 1997, as amended. Currently, most goods and services are subject to a uniform twelve percent (12%) VAT rate.

While VAT has proven effective in generating revenues for the government, the imposition of a uniform tax rate on both essential commodities and luxury items creates an inequitable burden on low- and middle-income households, thus raising concerns regarding equity and fairness in the Philippine tax system that undermines the principle of tax equity and fairness embodied in the 1987 Constitution of the Philippines, which mandates that taxation shall be equitable and progressive.

Low-income households allocate a larger portion of their income to necessities such as food, medicine, and other essential services. The imposition of the same VAT rate on these goods as on luxury or non-essential items places a disproportionate burden on economically vulnerable sectors.

This proposed measure seeks to reform the VAT system by expanding exemptions for basic goods and services while ensuring that luxury and non-essential items remain subject to appropriate taxation. Through this approach, the measure aims to ease the financial burden on Filipino households while maintaining the

government's capacity to generate revenues necessary for public services and national development.

Ultimately, this bill promotes a more equitable tax structure that aligns taxation with the taxpayer's ability to pay while protecting the welfare of ordinary Filipino families.

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

A handwritten signature in black ink, appearing to read 'Maria Cristina C. Angeles', written over the printed name.

MARIA CRISTINA C. ANGELES
Representative, 2nd District of Tarlac



Republic of the Philippines
House of Representatives
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HOUSE BILL NO. **8825**

Introduced by REPRESENTATIVE MARIA CRISTINA C. ANGELES

AN ACT
REFORMING THE VALUE-ADDED TAX, BY EXPANDING
EXEMPTIONS FOR BASIC GOODS AND SERVICES AND
IMPOSING APPROPRIATE TAXATION ON LUXURY AND NON-
ESSENTIAL ITEMS, AMENDING FOR THE PURPOSE SECTIONS
106, 107, 108, 113, 114, AND 115 OF 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:

1 **SECTION 1. *Short Title.*** — This Act shall be known as the “Equitable Value-Added
2 Tax Reform Act.”

3 **SECTION 2. *Declaration of Policy.*** — It is hereby declared the policy of the State to
4 establish a fair, equitable, and progressive taxation system that protects low-income
5 households from disproportionate tax burdens while ensuring sustainable
6 government revenues for national development.

7 Towards this end, the objectives of this Act are:

8 a. To reduce the financial burden on Filipino households by expanding VAT
9 exemptions on basic goods and essential services;

- b. To promote fairness in taxation by ensuring that luxury and non-essential items bear appropriate tax burdens;
- c. To protect low-income and vulnerable sectors from the disproportionate effects of consumption taxes; and
- d. To maintain a stable and sustainable revenue system for the government.

SECTION 3. Amendment of Section 106 of the National Internal Revenue Code (Value-Added Tax on Sale of Goods or Properties). – Section 106 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. 106. *Value-Added Tax on Sale of Goods or Properties.* –

(A) *Rate and Base of Tax.* – There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, value-added tax equivalent to ~~twelve percent (12%)~~ **TEN PERCENT (10%)** of the gross sales of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

(1) “*Goods or Properties.*” The term “*goods*” or “*properties*” shall mean all tangible and intangible objects which are capable of pecuniary estimation and shall include:

(a) Real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business;

(b) The right or the privilege to use patent, copyright, design or model, plan, secret formula or process, goodwill, trademark, trade brand or other like property or right;

(c) The right or the privilege to use in the Philippines of any industrial, commercial or scientific equipment;

(d) The right or the privilege to use motion picture films, tapes and discs; and

(e) Radio, television, satellite transmission and cable television time.

For the purpose of this section, the term “*gross sales*” means the total amount of money or its equivalent value in money which the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the value-added tax. The excise tax, if any, on such goods or properties shall form part of the gross sales.

(2) SPECIAL TWELVE PERCENT (12%) RATE ON CERTAIN GOODS OR PROPERTIES. – NOTWITHSTANDING THE FIRST PARAGRAPH OF THIS SUBSECTION, THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON EVERY SALE,

1 BARTER OR EXCHANGE OF GOODS OR PROPERTIES
2 CLASSIFIED AS NON-ESSENTIAL OR NON-BASIC, A VALUE-
3 ADDED TAX EQUIVALENT TO TWELVE PERCENT (12%) OF
4 THE GROSS SALES OF THE GOODS OR PROPERTIES SOLD,
5 BARTERED OR EXCHANGED, SUCH TAX TO BE PAID BY THE
6 SELLER OR TRANSFEROR.

7 FOR THE PURPOSES OF THIS PARAGRAPH, NON-
8 ESSENTIAL OR NON-BASIC GOODS OR PROPERTIES SHALL
9 INCLUDE, BUT SHALL NOT BE LIMITED TO, THE
10 FOLLOWING:

11 (A) LUXURY ITEMS, INCLUDING DESIGNER GOODS,
12 PREMIUM FRAGRANCES AND COSMETICS, JEWELRY,
13 WATCHES, AND SIMILAR ITEMS;

14 (B) FINE ART, ANTIQUES, COLLECTIBLES, AND HIGH-
15 VALUE ARTIFACTS INCLUDING PAINTINGS,
16 SCULPTURES, AND RARE ARTIFACTS;

17 (C) HIGH-VALUE MOTOR VEHICLES, LUXURY
18 WATERCRAFT, PRIVATE AIRCRAFT, AND PREMIUM
19 TRANSPORTATION EQUIPMENT;

20 (D) LUXURY AND PREMIUM RESIDENTIAL REAL
21 PROPERTY, INCLUDING RESIDENTIAL UNITS WITH
22 SELLING PRICES EXCEEDING OBJECTIVE VALUATION
23 THRESHOLDS, LUXURY CONDOMINIUM UNITS,
24 PENTHOUSE SUITES, AND MEMBERSHIP INTERESTS IN
25 EXCLUSIVE RESIDENTIAL CLUBS AND GATED
26 SUBDIVISIONS;

27 (E) SIN PRODUCTS AND OTHER GOODS SUBJECT TO
28 EXCISE TAX UNDER TITLE VI OF THIS CODE, INCLUDING
29 ALCOHOL PRODUCTS, VAPE, E-CIGARETTES, AND
30 TOBACCO PRODUCTS;

31 (F) ENVIRONMENTALLY HAZARDOUS PRODUCTS,
32 INCLUDING GOODS IDENTIFIED OR CLASSIFIED AS
33 HAZARDOUS, HARMFUL, OR REGULATED PURSUANT
34 TO APPLICABLE ENVIRONMENTAL, HEALTH, AND
35 PRODUCT SAFETY LAWS AND REGULATIONS;

36 (G) PREMIUM VARIANTS OF GOODS, AS MAY BE
37 DETERMINED IN ACCORDANCE WITH
38 CLASSIFICATIONS TO BE ISSUED BY THE DEPARTMENT
39 OF TRADE AND INDUSTRY AND THE BUREAU OF
40 INTERNAL REVENUE, CONSISTENT WITH OBJECTIVE
41 AND TRANSPARENT STANDARDS; AND

(H) OTHER NON-ESSENTIAL OR NON-BASIC ITEMS AS MAY BE CLASSIFIED BY THE SECRETARY OF FINANCE, IN COORDINATION WITH THE COMMISSIONER OF INTERNAL REVENUE, THE COMMISSIONER OF CUSTOMS, AND THE DEPARTMENT OF TRADE AND INDUSTRY, SUBJECT TO OBJECTIVE STANDARDS SUCH AS PRICE THRESHOLDS, PRODUCT CLASSIFICATIONS, AND HARMONIZED SYSTEM (HS) TARIFF HEADINGS.

THE SECRETARY OF FINANCE, IN COORDINATION WITH THE COMMISSIONER OF INTERNAL REVENUE, THE COMMISSIONER OF CUSTOMS, THE DEPARTMENT OF TRADE AND INDUSTRY, AND OTHER RELEVANT AGENCIES, SHALL PROMULGATE THE IMPLEMENTING RULES AND REGULATIONS TO OPERATIONALIZE THIS PARAGRAPH, INCLUDING THE DETAILED ENUMERATION OF GOODS OR PROPERTIES COVERED HEREIN THROUGH HARMONIZED SYSTEM (HS) TARIFF CODES AND THE SPECIFICATION OF APPLICABLE PRICE THRESHOLDS AND ADMINISTRATIVE CLASSIFICATION STANDARDS, WITHIN THE PERIOD PROVIDED UNDER THIS ACT.

~~(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:~~

(3) THE FOLLOWING SALES BY VAT-REGISTERED PERSONS SHALL BE SUBJECT TO ZERO PERCENT (0%) RATE:

(a) *Export Sales.* – The term “*export sales*” means:

(1) The sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that may be agreed upon which may influence or determine the transfer of ownership of the goods so exported and paid for in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

XXXX

SECTION 4. *Amendment of Section 107 of the National Internal Revenue Code (Value-Added Tax on Importation of Goods).* – Section 107 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. 107. *Value-Added Tax on Importation of Goods.* –

(A) *In General.* - There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to ~~twelve percent~~

~~(12%)~~ **TEN PERCENT (10%)** based on the total value used by the Bureau of Customs in determining tariff and customs duties plus customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of such goods from customs custody: Provided, That where the customs duties are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any.

x x x x x

SPECIAL TWELVE PERCENT (12%) RATE ON CERTAIN IMPORTED GOODS. – NOTWITHSTANDING THE FOREGOING PARAGRAPH, THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON THE IMPORTATION OF GOODS CLASSIFIED AS NON-ESSENTIAL OR NON-BASIC, A VALUE-ADDED TAX EQUIVALENT TO TWELVE PERCENT (12%) BASED ON THE TOTAL VALUE USED BY THE BUREAU OF CUSTOMS IN DETERMINING TARIFF AND CUSTOMS DUTIES PLUS CUSTOMS DUTIES, EXCISE TAXES, IF ANY, AND OTHER CHARGES, SUCH TAX TO BE PAID BY THE IMPORTER PRIOR TO THE RELEASE OF SUCH GOODS FROM CUSTOMS CUSTODY. FOR PURPOSES OF THIS PARAGRAPH, NON-ESSENTIAL OR NON-BASIC IMPORTED GOODS SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE FOLLOWING:

- (1) LUXURY ITEMS, INCLUDING DESIGNER GOODS, PREMIUM FRAGRANCES AND COSMETICS, JEWELRY, WATCHES, AND SIMILAR ITEMS;
- (2) FINE ART, ANTIQUES, COLLECTIBLES, AND HIGH-VALUE ARTIFACTS INCLUDING PAINTINGS, SCULPTURES, AND RARE ARTIFACTS;
- (3) HIGH-VALUE MOTOR VEHICLES, LUXURY WATERCRAFT, PRIVATE AIRCRAFT, AND PREMIUM TRANSPORTATION EQUIPMENT;
- (4) SIN PRODUCTS AND OTHER GOODS SUBJECT TO EXCISE TAX UNDER TITLE VI OF THIS CODE, INCLUDING ALCOHOL PRODUCTS, VAPE, E-CIGARETTES, AND TOBACCO PRODUCTS;
- (5) ENVIRONMENTALLY HAZARDOUS PRODUCTS, INCLUDING GOODS IDENTIFIED OR CLASSIFIED AS HAZARDOUS, HARMFUL, OR REGULATED PURSUANT TO APPLICABLE ENVIRONMENTAL, HEALTH, AND PRODUCT SAFETY LAWS AND REGULATIONS;

1 (6) PREMIUM VARIANTS OF GOODS, AS MAY BE
2 DETERMINED IN ACCORDANCE WITH CLASSIFICATIONS
3 TO BE ISSUED BY THE DEPARTMENT OF TRADE AND
4 INDUSTRY AND THE BUREAU OF INTERNAL REVENUE,
5 CONSISTENT WITH OBJECTIVE AND TRANSPARENT
6 STANDARDS; AND

7 (7) OTHER NON-ESSENTIAL OR NON-BASIC ITEMS AS MAY
8 BE CLASSIFIED BY THE SECRETARY OF FINANCE, IN
9 COORDINATION WITH THE COMMISSIONER OF INTERNAL
10 REVENUE, THE COMMISSIONER OF CUSTOMS, AND THE
11 DEPARTMENT OF TRADE AND INDUSTRY, SUBJECT TO
12 OBJECTIVE STANDARDS SUCH AS PRICE THRESHOLDS,
13 PRODUCT CLASSIFICATIONS, AND HARMONIZED SYSTEM
14 (HS) TARIFF HEADINGS.

15 THE SECRETARY OF FINANCE, IN COORDINATION WITH
16 THE COMMISSIONER OF INTERNAL REVENUE, THE
17 COMMISSIONER OF CUSTOMS, AND THE DEPARTMENT OF
18 TRADE AND INDUSTRY, SHALL PROMULGATE THE
19 IMPLEMENTING RULES AND REGULATIONS TO
20 OPERATIONALIZE THIS PARAGRAPH, INCLUDING THE
21 DETAILED ENUMERATION OF GOODS OR PROPERTIES
22 COVERED HEREIN THROUGH HARMONIZED SYSTEM (HS)
23 TARIFF CODES AND THE SPECIFICATION OF APPLICABLE
24 PRICE THRESHOLDS AND ADMINISTRATIVE
25 CLASSIFICATION STANDARDS, WITHIN THE PERIOD
26 PROVIDED UNDER THIS ACT.

27 (B) *Transfer of Goods by Tax-exempt Persons.* – In the case of tax-free
28 importation of goods into the Philippines by persons, entities or
29 agencies exempt from tax where such goods are subsequently sold,
30 transferred or exchanged in the Philippines to non-exempt persons or
31 entities, the purchasers, transferees or recipients shall be considered the
32 importers thereof, who shall be liable for any internal revenue tax on
33 such importation. The tax due on such importation shall constitute a lien
34 on the goods superior to all charges or liens on the goods, irrespective
35 of the possessor thereof.

36 **SECTION 5. *Amendment of Section 108 of the National Internal Revenue Code***
37 ***(Value-Added Tax on the Sale of Services, Including Digital Services, and the Use or***
38 ***Lease of Properties).*** – Section 108 of the National Internal Revenue Code of 1997, as
39 amended, is hereby further amended to read as follows:

SEC. 108. *Value-Added Tax on the Sale of Services, Including Digital Services, and the Use or Lease of Properties.* -

(A) *Rate and Base of Tax.* - There shall be levied, assessed and collected, a value-added tax equivalent to ~~twelve percent (12%)~~ **TEN PERCENT (10%)** of the gross sales derived from the sale or exchange of services, including digital services, and the use or lease of properties.

X X X X

SPECIAL TWELVE PERCENT (12%) RATE ON CERTAIN SERVICES AND LEASES. - NOTWITHSTANDING THE FIRST PARAGRAPH OF THIS SUBSECTION, THERE SHALL BE LEVIED, ASSESSED AND COLLECTED A VALUE-ADDED TAX EQUIVALENT TO TWELVE PERCENT (12%) OF THE GROSS SALES DERIVED FROM THE SALE OR EXCHANGE OF SERVICES, INCLUDING DIGITAL SERVICES, AND THE USE OR LEASE OF PROPERTIES, WHICH ARE CLASSIFIED AS NON-ESSENTIAL OR NON-BASIC, SUCH TAX TO BE PAID BY THE SELLER, LESSOR, OR SERVICE PROVIDER.

FOR PURPOSES OF THIS PARAGRAPH, NON-ESSENTIAL OR NON-BASIC SERVICES AND LEASES SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE FOLLOWING:

(1) PREMIUM OR LUXURY SERVICES, INCLUDING HIGH-END PROFESSIONAL, RECREATIONAL, ENTERTAINMENT, OR LEISURE SERVICES, SUBJECT TO OBJECTIVE PRICE THRESHOLDS AND SERVICE CLASSIFICATIONS;

(2) SERVICES SUBJECT TO EXCISE TAX OR ANALOGOUS REGULATORY LEVIES UNDER THIS CODE OR SPECIAL LAWS;

(3) PREMIUM VARIANTS OF SERVICES, AS MAY BE DETERMINED IN ACCORDANCE WITH CLASSIFICATIONS TO BE ISSUED BY THE DEPARTMENT OF TRADE AND INDUSTRY AND THE BUREAU OF INTERNAL REVENUE, CONSISTENT WITH OBJECTIVE AND TRANSPARENT STANDARDS;

(4) ENVIRONMENTALLY HAZARDOUS OR ENVIRONMENTALLY DETRIMENTAL SERVICES, INCLUDING THOSE IDENTIFIED OR REGULATED UNDER APPLICABLE ENVIRONMENTAL AND SAFETY LAWS; AND

(5) OTHER NON-ESSENTIAL OR NON-BASIC SERVICES OR LEASES, SUBJECT TO OBJECTIVE STANDARDS SUCH AS PRICE THRESHOLDS, SERVICE CLASSIFICATIONS, AND REGULATORY CATEGORIES.

THE SECRETARY OF FINANCE, IN COORDINATION WITH THE COMMISSIONER OF INTERNAL REVENUE, THE

1 COMMISSIONER OF CUSTOMS, AND THE DEPARTMENT OF
2 TRADE AND INDUSTRY, SHALL PROMULGATE THE
3 IMPLEMENTING RULES AND REGULATIONS TO
4 OPERATIONALIZE THIS PARAGRAPH, INCLUDING THE
5 DETAILED ENUMERATION OF SERVICES AND LEASES
6 COVERED HEREIN AND THE SPECIFICATION OF APPLICABLE
7 PRICE THRESHOLDS AND ADMINISTRATIVE
8 CLASSIFICATION STANDARDS, WITHIN THE PERIOD
9 PROVIDED UNDER THIS ACT.

10 **SECTION 6. Amendment of Section 113 of the National Internal Revenue Code**
11 **(Invoicing and Accounting Requirements for VAT-Registered Persons).** – Section 113
12 of the National Internal Revenue Code of 1997, as amended, is hereby further
13 amended to read as follows:

14 SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered*
15 *Persons.* –

16 (A) *Invoicing Requirements.* – A VAT-registered person shall issue a VAT
17 invoice for every sale, barter, exchange, or lease of goods or properties
18 and for every sale, barter or exchange of services: *Provided,* That a digital
19 sales or commercial invoice shall be issued for every sale, barter, or
20 exchange of digital services made by a VAT-registered nonresident
21 digital service provider.

22 (B) *Information Contained in the VAT Invoice.* – The following information
23 shall be indicated in the VAT invoice:

24 **X X X X**

25 (2) The total amount which the purchaser pays or is obligated to pay
26 to the seller with the indication that such amount includes the value-
27 added tax: *Provided, That:*

28 **X X X X**

29 (d) If the sale involves goods, properties or services some of
30 which are subject to ~~and some of which are VAT zero-rated or~~
31 ~~VAT-exempt~~ **DIFFERENT VALUE-ADDED TAX RATES,**
32 **INCLUDING, BUT NOT LIMITED TO, TEN PERCENT (10%)**
33 **AND TWELVE PERCENT (12%), OR ARE VAT ZERO-RATED**
34 **OR VAT-EXEMPT,** the invoice shall clearly indicate the break-
35 down of the sale price between its taxable **COMPONENTS**
36 **SUBJECT TO EACH APPLICABLE VALUE-ADDED TAX**
37 **RATE,** exempt and zero-rated components, and the calculation
38 of the value-added tax on each portion of the sale shall be shown
39 on the invoice: *Provided,* That the seller may issue separate
40 invoices for the ~~taxable~~ **TEN PERCENT (10%) TAXABLE**

1 **COMPONENT, THE TWELVE PERCENT (12%) TAXABLE**
2 **COMPONENT**, exempt, and zero-rated components of the sale.

3 X X X X

4 (5) The digital sales or commercial invoice issued by a VAT-
5 registered nonresident digital service provider shall indicate the
6 following information in lieu of the requirements under Section 113,
7 Subsection (b), paragraphs 1 to 4:

- 8 (a) Date of the transaction;
9 (b) Transaction reference number;
10 (c) Identification of the consumer;
11 (d) Brief description of the transaction; and
12 (e) The total amount with the indication that such amount
13 includes the value-added tax:

14 *Provided*, That if the sale of digital services includes some services which
15 are subject to ~~VAT, and some that are VAT zero-rated~~, **DIFFERENT**
16 **VALUE-ADDED TAX RATES, OR ARE VAT ZERO-RATED**, or VAT-
17 exempt, the invoice shall clearly indicate the breakdown of the sale price
18 by its ~~taxable~~ **TEN PERCENT (10%) TAXABLE COMPONENT,**
19 **TWELVE PERCENT (12%) TAXABLE COMPONENT**, VAT-exempt,
20 and VAT zero-rated components: *Provided*, further, That the calculation
21 of the value-added tax on each portion of the sale shall be shown on the
22 invoice.

23 X X X X

24 (D) *Consequence of Issuing Erroneous VAT Invoice.* –

25 (1) If a person who is not a VAT-registered person issues an invoice
26 showing the person's Taxpayer Identification Number, followed by
27 the word "VAT";

28 (a) The issuer shall, in addition to any liability to other percentage
29 taxes, be liable to:

- 30 (i) The tax imposed in Section 106 or 108 without the benefit
31 of any input tax credit; and
32 (ii) A fifty percent (50%) surcharge under Section 248(B) of
33 this Code;

34 (b) The VAT shall, if the other requisite information required
35 under Subsection (B) hereof is shown on the invoice, be
36 recognized as an input tax credit to the purchaser under Section
37 110 of this Code.

38 (2) If a VAT-registered person issues a VAT invoice for a VAT-
39 exempt transaction, but fails to display on the invoice the term 'VAT
40 exempt sale,' or clearly provide a breakdown of the vat-exempt sale

as provided for under paragraph B (2) (d) herein, the issuer shall be liable to account for the tax imposed in section 106 or 108 as if Section 109 did not apply.

IN CASE OF A SALE INVOLVING TAXABLE GOODS, PROPERTIES OR SERVICES SUBJECT TO DIFFERENT VALUE-ADDED TAX RATES, INCLUDING, BUT NOT LIMITED TO, TEN PERCENT (10%) AND TWELVE PERCENT (12%), WHERE THE VAT-REGISTERED PERSON FAILS TO CLEARLY PROVIDE A BREAKDOWN OF THE CONSIDERATION BETWEEN THE COMPONENTS SUBJECT TO EACH APPLICABLE VALUE-ADDED TAX RATE, THE ISSUER SHALL BE LIABLE TO ACCOUNT FOR THE VALUE-ADDED TAX ON THE TAXABLE PORTION OF THE SALE AT THE HIGHEST APPLICABLE VALUE-ADDED TAX RATE, WITHOUT PREJUDICE TO THE IMPOSITION OF THE CORRESPONDING ADMINISTRATIVE PENALTIES UNDER THIS CODE.

X X X X

SECTION 7. *Amendment of Section 114 of the National Internal Revenue Code (Return and Payment of Value-Added Tax).* – Section 114 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. 114. *Return and Payment of Value-Added Tax.* –

(A) *In General.* – Every person liable to pay the value-added tax imposed under this Title shall file, either electronically or manually, a quarterly return of the amount of his gross sales within twenty-five (25) days following the close of each taxable quarter prescribed for each taxpayer: Provided, however, That VAT-registered persons shall pay, either electronically or manually, the value-added tax on a monthly basis: Provided, finally, That beginning January 1, 2023, the filing and payment required under this Subsection shall be done within twenty-five (25) days following the close of each taxable quarter.

THE VALUE-ADDED TAX RETURN SHALL REQUIRE THE SEPARATE DECLARATION OF GROSS SALES, OUTPUT TAX, AND INPUT TAX ATTRIBUTABLE TO TAXABLE TRANSACTIONS SUBJECT TO TEN PERCENT (10%) AND TWELVE PERCENT (12%) VALUE-ADDED TAX RATES, AS MAY BE APPLICABLE.

X X X X

(C) *Withholding of Value-added Tax.* – The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations (GOCCs) shall, before

1 making payment on account of each purchase of goods and services
2 which are subject to the value-added tax imposed in Sections 106 and
3 108 of this Code, deduct and withhold the value-added tax imposed in
4 Sections 106 and 108 of this Code, deduct and withhold a final value-
5 added tax at the rate of five percent (5%) of the gross payment thereof:
6 *Provided, That beginning January 1, 2021, the VAT withholding system*
7 *under this Subsection shall shift from final to creditable system:*
8 *Provided, further, That the payment for lease or use of properties or*
9 *property rights to nonresident owners and payments for services to*
10 *nonresident suppliers who are not registered under Section 236 shall be*
11 *subject to ~~twelve percent (12%)~~ THE APPLICABLE VALUE-ADDED*
12 *TAX RATE UNDER SECTIONS 106 AND 108 withholding tax at the*
13 *time of payment. Provided, finally, That payments for purchases of goods*
14 *and services arising from projects funded by Official Development*
15 *Assistance (ODA) as defined under Republic Act No. 8182, otherwise*
16 *known as the Official Development Assistance Act of 1996, as amended,*
17 *shall not be subject to the final withholding tax system as imposed in*
18 *this Subsection. For purposes of this Section, the payor or person in*
19 *control of the payment shall be considered as the withholding agent.*

20 X X X X

21 ***(E) SYSTEMS, FORMS, AND ELECTRONIC FILING ADJUSTMENTS.***
22 ***- WITHIN NINETY (90) DAYS FROM THE EFFECTIVITY OF THIS***
23 ***ACT, THE BUREAU OF INTERNAL REVENUE, IN***
24 ***COORDINATION WITH THE BUREAU OF CUSTOMS AND THE***
25 ***DEPARTMENT OF FINANCE, SHALL UPDATE ALL VAT***
26 ***RETURNS, PAYMENT FORMS, ELECTRONIC FILING***
27 ***PLATFORMS, AND VALIDATION RULES TO FULLY IMPLEMENT***
28 ***THE SEPARATE REPORTING, COMPUTATION, AND PAYMENT***
29 ***OF VALUE-ADDED TAX AT THE TEN PERCENT (10%) AND***
30 ***TWELVE PERCENT (12%) RATES.***
31 ***FAILURE TO TIMELY IMPLEMENT SUCH UPDATES SHALL NOT***
32 ***PREJUDICE THE TAXPAYER'S RIGHT TO CORRECTLY DECLARE***
33 ***AND PAY THE PROPER VALUE-ADDED TAX DUE IN***
34 ***ACCORDANCE WITH THIS ACT.***

35 ***SECTION 8. Amendment of Section 115 of the National Internal Revenue Code***
36 ***(Power of the Commissioner to Suspend the Business Operations of a Taxpayer). -***
37 ***Section 115 of the National Internal Revenue Code of 1997, as amended, is hereby***
38 ***further amended to read as follows:***

39 ***SEC. 115. Power of the Commissioner to Suspend the Business Operations of***
40 ***a Taxpayer. - The Commissioner or his authorized representative is***

1 hereby empowered to suspend the business operations and temporarily
2 close the business establishment of any person for any of the following
3 violations:

4 (a) In the case of a VAT-registered Person. –

5 (1) Failure to issue invoices;

6 (2) Failure to file a value-added tax return as required under
7 Section 114;~~or~~

8 (3) Understatement of taxable sales by thirty percent (30%) or
9 more of his correct taxable sales for the taxable quarter; **OR**

10 **(4) FAILURE TO COMPLY WITH INVOICING,**
11 **ACCOUNTING, AND REPORTING REQUIREMENTS,**
12 **INCLUDING THE PROPER BREAKDOWN OF**
13 **TRANSACTIONS SUBJECT TO DIFFERENT VALUE-**
14 **ADDED TAX RATES UNDER SECTIONS 106, 107, 108, 113,**
15 **AND 114 OF THIS CODE, AS AMENDED BY THIS ACT,**
16 **INCLUDING NON-COMPLIANCE DURING THE**
17 **TRANSITION PERIOD PENDING THE ISSUANCE OR**
18 **UPDATING OF IMPLEMENTING RULES, FORMS, OR**
19 **ELECTRONIC SYSTEMS.**

20 (b) Failure of any Person to Register as Required under Section 236.

21 The temporary closure of the establishment shall be for the duration of
22 not less than five (5) days and shall be lifted only upon compliance with
23 whatever requirements prescribed by the Commissioner in the closure
24 order.

25 The power of the Commissioner to suspend shall include the blocking
26 of digital services performed or rendered in the Philippines by a digital
27 service provider. This shall be implemented by the Department of
28 Information and Communications Technology (DICT), through the
29 National Telecommunications Commission (NTC).

30 **SECTION 9. *Review of VAT Classification.*** – The Department of Finance, in
31 coordination with the Bureau of Internal Revenue and other relevant agencies, shall
32 conduct a periodic review of goods and services subject to VAT to ensure the proper
33 classification of basic and luxury items.

34 **SECTION 10. *Implementing Rules and Regulations.*** – Within ninety (90) days from
35 the effectivity of this Act, the Secretary of Finance, in coordination with the Bureau of
36 Internal Revenue, the Bureau of Customs, the Department of Trade and Industry, and
37 other relevant government agencies, shall promulgate the necessary rules and
38 regulations for its implementation.

1 The implementing rules and regulations shall set forth administrative, technical, and
2 procedural measures required for the application of the differentiated value-added
3 tax rates provided under this Act, consistent with the standards and classifications
4 established herein.

5 For this purpose, rules and regulations may provide for the identification,
6 enumeration, and technical codification of goods, properties, services, and leases
7 subject to the special twelve percent (12%) value-added tax rate under Sections 106,
8 107, and 108 of the National Internal Revenue Code, as amended by this Act, including
9 the use of price thresholds, product or service descriptions, and Harmonized System
10 (HS) tariff codes, as applicable.

11 Goods, properties, services, and leases not identified pursuant to the preceding
12 paragraph shall be subject to the ten percent (10%) value-added tax rate in accordance
13 with this Act.

14 The implementing rules and regulations shall likewise provide for the corresponding
15 computation, collection, accounting, invoicing, reporting, withholding, and filing
16 requirements necessary for the proper administration of the value-added tax system,
17 including the allocation and crediting of input taxes under Section 110, and the
18 updating of tax returns, forms, and electronic filing systems under Sections 113 and
19 114.

20 **SECTION 11. *Congressional Oversight and Review.*** – Within six (6) months from the
21 effectivity of this Act, and annually thereafter for a period of three (3) years, the
22 Secretary of Finance shall submit to the appropriate committees of the Senate and the
23 House of Representatives a report on the implementation of this Act.

24 The report shall include, at a minimum:

- 25 a. The list of goods, properties, services, and leases identified as subject to the
26 special twelve percent (12%) value-added tax rate, including the corresponding
27 price thresholds, product or service descriptions, and Harmonized System (HS)
28 tariff codes, where applicable;
- 29 b. A summary of administrative issuances, circulars, and guidelines issued to
30 implement the differentiated value-added tax rates;
- 31 c. An assessment of revenue performance and administrative compliance arising
32 from the implementation of this Act; and
- 33 d. Any implementation issues encountered and recommendations, if any, for
34 legislative consideration.

1 **SECTION 12. *Separability Clause.*** — If any provision of this Act is declared
2 unconstitutional or invalid, the other provisions not affected thereby shall remain in
3 full force and effect.

4 **SECTION 13. *Repealing Clause.*** — All laws, decrees, executive orders, rules, and
5 regulations inconsistent with this Act are hereby repealed or modified accordingly.

6 **SECTION 14. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
7 publication in the Official Gazette or in at least two (2) newspapers of general
8 circulation.

Approved,