



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



Twentieth Congress
First Regular Session

HOUSE BILL NO. 9256

Introduced by Rep. **SANCHO FERNANDO "ANDO" F. OAMINAL**
Rep. **HENRY "INDY" F. OAMINAL, JR.**

EXPLANATORY NOTE

The State is constitutionally mandated to maintain a fair, equitable, and progressive system of taxation under Section 28(1), Article VI of the 1987 Constitution of the Philippines. Corollary thereto, taxation must be exercised in a manner that promotes public welfare, economic efficiency, and equitable distribution of the tax burden, consistent with the State's inherent power of taxation.

This bill seeks to amend Sections 13 and 13(B) of Presidential Decree No. 1590, otherwise known as "An Act Granting a New Franchise to Philippine Airlines, Inc. to Establish, Operate, and Maintain Air-Transport Services in the Philippines and Other Countries" in order to rationalize the tax treatment of Philippine Airlines, Inc. and align its fiscal obligations with current tax policy and statutory frameworks.

At the time of its issuance in 1978, Presidential Decree No. 1590 granted special tax privileges to Philippine Airlines, Inc. when it operated as a government-owned and controlled corporation. However, following its privatization in 1992 and its transformation into a wholly private entity, the continued grant of broad tax exemptions and the "in lieu of all taxes" clause has become increasingly inconsistent with the constitutional principle of uniformity and equity in taxation.

Jurisprudence consistently holds that tax exemptions are strictly construed against the taxpayer and may be withdrawn by Congress when public interest so requires. Such exemptions are not vested rights but mere statutory privileges, subject to modification or repeal in the exercise of Congress' plenary taxing power. The Constitution likewise affirms

that the grant of tax exemptions requires legislative authority, which necessarily includes the power to revisit and withdraw them when they no longer serve a valid public purpose.

Legislative developments have reinforced this policy direction. Republic Act No. 9337 subjected domestic air carriers, including Philippine Airlines, Inc., to value-added tax and corporate income tax, signaling a shift away from preferential franchise taxation. More recently, Republic Act No. 11534, or the CREATE Act, established a modern fiscal incentives system that is performance-based, targeted, time-bound, and transparent.

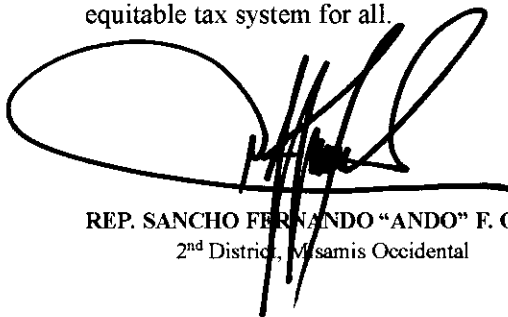
Notwithstanding these reforms, Philippine Airlines, Inc. continues to benefit from residual tax privileges under its franchise. This results in distortions in the competitive landscape, undermines the principle of a level playing field, and leads to significant foregone revenues for the National Government, thereby weakening the overall integrity of the tax system.

In addition, the necessity of strengthening revenue collection has become more pronounced in light of the persistent rise in fuel prices in the Philippines, which has cascading effects on transportation costs, inflation, and the overall cost of living. As fuel prices increase, both the government and the general public bear heightened economic pressure, thereby underscoring the need for a more responsive and sustainable fiscal framework. By rationalizing tax exemptions and ensuring that entities such as Philippine Airlines, Inc. contribute their fair share, the State is better positioned to generate much-needed revenues to support essential public services and economic stabilization measures.

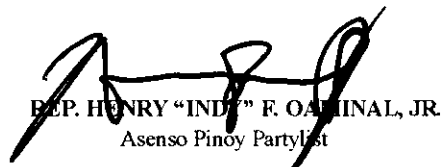
At the same time, this measure complements broader fiscal policy objectives aimed at providing relief to the general population, including the proposed reduction of the Value-Added Tax (VAT) burden on essential goods and services. Such a calibrated approach ensures that while revenue generation is enhanced through the removal of unwarranted tax privileges, the tax burden on the broader sectors of society is mitigated. Ultimately, this balanced policy direction promotes both fiscal sustainability and social equity, aligning taxation with the overarching goal of inclusive economic growth.

Ultimately, the proposed measure affirms that tax incentives must be justified by clear public benefit, subject to periodic review and aligned with national development goals. The continued grant of blanket exemptions to a financially viable, profit-generating private corporation such as Philippine Airlines, Inc. no longer meets this standard.

Accordingly, the passage of this bill is earnestly sought to uphold constitutional principles, promote fiscal responsibility in light of current economic conditions, and ensure a fair and equitable tax system for all.



REP. SANCHO FERNANDO "ANDO" F. OAMINAL
2nd District, Misamis Occidental



REP. HENRY "INDY" F. OAMINAL, JR.
Asenso Pinoy Partylist



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HOUSE BILL NO. **9256**

Introduced by Rep. SANCHE FERNANDO "ANDO" F. OAMINAL
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**"AN ACT
AMENDING SECTIONS 13 AND 13(B) OF PRESIDENTIAL DECREE NO.
1590 OTHERWISE KNOWN AS AN ACT GRANTING A NEW FRANCHISE
TO PHILIPPINE AIRLINES, INC. TO ESTABLISH, OPERATE, AND
MAINTAIN AIR-TRANSPORT SERVICES IN THE PHILIPPINES AND
OTHER COUNTRIES, BY RATIONALIZING ITS SPECIAL TAX
PRIVILEGES, IMPOSING REPORTORIAL REQUIREMENTS, AND FOR
OTHER PURPOSES"**

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

SECTION 1. Amendment of Section 13.

Section 13 of Presidential Decree No. 1590, is hereby amended to read as follows:

"SECTION 13. Tax Provisions. — Philippine Airlines, Inc. shall no longer be entitled to any special tax privileges, tax exemptions, or preferential tax treatment under this Franchise. In lieu thereof, Philippine Airlines, Inc. shall be subject to all applicable national and local taxes, duties, fees, and charges imposed under the National Internal Revenue Code of 1997, as amended, including but not limited to the following:

(a) Corporate income tax, at the rate prescribed under the National Internal Revenue Code of 1997, as amended, and as may be further amended by subsequent legislation. Provided, that the Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the taxable year shall be imposed when the MCIT is greater than the Corporate Income Tax, or when the company has zero or negative taxable income pursuant to Section 27(E) of the National Internal Revenue Code;

- (b) Value-added tax on all its transactions, in accordance with Title IV of the National Internal Revenue Code of 1997, as amended;
- (c) Customs duties and import taxes on all importations of aircraft, spare parts, equipment, supplies, and all other articles, in accordance with the Customs Modernization and Tariff Act and other applicable customs laws;
- (d) All local taxes, fees, and charges imposed by local government units pursuant to Republic Act No. 7160, otherwise known as the Local Government Code of 1991, as amended; and
- (e) Real property tax on all real property owned or used by Philippine Airlines, Inc., in accordance with applicable provisions of the Local Government Code of 1991, as amended.

SECTION 2. Amendment of Section 13(B).

Section 13(B) of the same Decree is hereby amended to read as follows:

“SECTION 13(B). Repeal of ‘In Lieu of All Other Taxes’ Clause. — The provision granting the franchisee exemption from all taxes, duties, royalties, registration, license, and other fees, commonly referred to as the ‘in lieu of all other taxes’ clause, is hereby withdrawn and repealed. No provision of this Franchise shall be construed as exempting Philippine Airlines, Inc. from any tax, duty, fee, or charge of whatever nature imposed under national or local law.

Philippine Airlines, Inc. shall, from the effectivity of this Act, be treated in the same manner as all other domestic air carriers and private corporations with respect to all tax obligations, without distinction or preference.

SECTION 3. Reportorial Requirement

A new Section 13(C) is hereby inserted to read as follows:

“SECTION 13(C). Reportorial Requirement. — Philippine Airlines, Inc. shall be subject to the following mandatory reportorial requirements for a period of five (5) years from the effectivity of this Act, and annually thereafter as may be required by the Congressional oversight committee of competent jurisdiction:

13(C)(1) Annual Tax Compliance Report

Philippine Airlines, Inc. shall submit to the Committee on Ways and Means of the Senate of the Philippines and the Committee on Ways and Means of the House of Representatives, copy furnished the Department of Finance and the Bureau of Internal Revenue, an Annual Tax Compliance Report not later than ninety (90) days after the close of each taxable year.

13(C)(2) Annual Audited Financial Statements

Philippine Airlines, Inc. shall submit to the same recipients enumerated under Section 13(C)(1) its complete Audited Financial Statements for the immediately preceding fiscal year,

audited by an independent certified public accountant accredited by the Board of Accountancy, not later than ninety (90) days after the close of each fiscal year.

13 (C)(3) Quarterly VAT and Withholding Tax Compliance Summary

Philippine Airlines, Inc. shall submit to the Bureau of Internal Revenue, copy furnished the Department of Finance, a quarterly summary of its value-added tax filings and withholding tax remittances not later than thirty (30) days after the close of each calendar quarter. The Bureau of Internal Revenue shall consolidate and transmit a digest of such summaries to the relevant Congressional committees on an annual basis.

Failure to comply with the reportorial requirements shall subject the franchisee to administrative penalties to be determined by the appropriate regulatory agencies and may be a ground for the review, suspension, or revocation of the franchise.”

SECTION 4. Transitory Provision.

The franchisee shall be given a transition period of one (1) taxable year from the effectivity of this Act to fully comply with the revised tax regime and reportorial requirements.

SECTION 5. Repealing Clause.

All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 6. Separability Clause.

If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 7. Effectivity.

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

Approved,