



## HOUSE OF REPRESENTATIVES

H. No. 3705

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BY REPRESENTATIVES BATERINA, LAPUS, TEVES, SINGSON, LOCSIN, ABAD,  
MACARAMBON AND LAGMAN, PER COMMITTEE REPORT NO. 370

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AN ACT AMENDING SECTIONS 106, 107, 108, 109, 110 AND 111 OF  
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS  
AMENDED, AND FOR OTHER PURPOSES

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

1           SECTION 1. Section 106 of the National Internal Revenue Code of 1997,  
2 as amended, is hereby further amended to read as follows:

3                   “SEC. 106. *Value-added Tax on Sale of Goods or*  
4                   *Properties.* –

5                   “(A) *Rate and Base of Tax.* – (1) *IN GENERAL.* – There  
6 shall be levied, assessed and collected on every sale, barter or  
7 exchange of goods or properties, a value-added tax equivalent to  
8 [ten percent (10%)] **TWELVE PERCENT (12%)** of the gross  
9 selling price or gross value in money of the goods or properties

1 sold, bartered or exchanged, such tax to be paid by the seller or  
 2 transferor.

3 "[1] (A) x x x

4 "[a] (I) x x x

5 "[b] (II) x x x

6 "[c] (III) x x x

7 "[d] (IV) x x x

8 "[e] (V) x x x

9 "x x x."

10 "(2) *REDUCED RATES. - (A) TRANSACTIONS SUBJECT*  
 11 *TO SIX PERCENT (6%) RATE. - A VALUE-ADDED TAX AT A*  
 12 *REDUCED RATE EQUIVALENT TO SIX PERCENT (6%) OF THE*  
 13 *GROSS SELLING PRICE SHALL BE COLLECTED ON THE SALE,*  
 14 *BARTER OR EXCHANGE OF THE FOLLOWING LOCALLY*  
 15 *MANUFACTURED GOODS:*

16 "(I) MACKEREL AND SARDINES;

17 "(II) MILK;

18 "(III) REFINED SUGAR;

19 "(IV) COOKING OIL;

20 "(V) PACKED NOODLE-BASED INSTANT MEALS;

1           “(VI) MIKI, MISUA, SOTANGHON, PANCIT CANTON AND  
2           BIHON; AND

3           “(VII) GENERIC MEDICINE.”

4           “(B) *TRANSACTIONS SUBJECT TO FOUR PERCENT (4%)*  
5           *RATE.* - A VALUE-ADDED TAX AT A REDUCED RATE  
6           EQUIVALENT TO FOUR PERCENT (4%) OF THE GROSS SELLING  
7           PRICE SHALL BE COLLECTED ON THE SALE, BARTER OR  
8           EXCHANGE OF THE FOLLOWING GOODS:

9           “(I) PETROLEUM PRODUCTS SUBJECT TO EXCISE TAX;  
10          AND

11          “(II) RAW MATERIALS TO BE USED IN THE  
12          MANUFACTURE OF PETROLEUM PRODUCTS SUBJECT TO EXCISE  
13          TAX.

14          “*PROVIDED, HOWEVER, THAT ON THE SECOND, THIRD AND*  
15          *FOURTH YEAR OF THE IMPLEMENTATION OF THIS ACT, THE*  
16          *RATE OF VALUE-ADDED TAX ON THE SALE, BARTER OR*  
17          *EXCHANGE OF GOODS MENTIONED UNDER SUBPARAGRAPHS (I)*  
18          *AND (II) HEREOF SHALL BE INCREASED TO SIX PERCENT (6%);*  
19          *EIGHT PERCENT (8%); AND TWELVE PERCENT (12%);*  
20          *RESPECTIVELY.*

21          “*PROVIDED, FURTHER, THAT NOTWITHSTANDING THE*  
22          *PROVISION OF THE SECOND PARAGRAPH OF SECTION 105 OF*  
23          *THIS CODE, THE VALUE-ADDED TAX HEREIN LEVIED ON THE*

1 SALE OF PETROLEUM PRODUCTS UNDER SUBPARAGRAPH (I)  
2 HEREOF SHALL BE PAID AND ABSORBED BY THE SELLERS OF  
3 PETROLEUM PRODUCTS WHO SHALL BE PROHIBITED FROM  
4 PASSING ON THE COST OF SUCH TAX PAYMENTS, EITHER  
5 DIRECTLY OR INDIRECTLY TO ANY CONSUMER IN WHATEVER  
6 FORM OR MANNER, IT BEING THE EXPRESS INTENT OF THIS  
7 ACT THAT THE VALUE-ADDED TAX SHALL BE BORNE AND  
8 ABSORBED EXCLUSIVELY BY THE SELLERS OF PETROLEUM  
9 PRODUCTS.

10 "TO ENSURE THE PROPER IMPLEMENTATION OF THIS  
11 PROVISION, THE BUREAU OF INTERNAL REVENUE, THE  
12 DEPARTMENT OF ENERGY AND THE DEPARTMENT OF TRADE  
13 AND INDUSTRY SHALL JOINTLY MONITOR AND REGULATE THE  
14 PRICING OF PETROLEUM PRODUCTS. FOR THIS PURPOSE,  
15 SELLERS OF PETROLEUM PRODUCTS SHALL PROVIDE SAID  
16 AGENCIES WITH THE NECESSARY AND CORRECT INFORMATION  
17 ON THEIR PRICING STRUCTURE.

18 "SPECIFIC PROVISIONS IN CONTRACTS THAT ARE  
19 CONTRARY TO THE IMPLEMENTATION OF THIS LAW ARE  
20 HEREBY DECLARED NULL AND VOID.

21 "[2] (C) The following sales by VAT-registered persons  
22 shall be subject to zero percent (0%) rate:

23 "[a] (I) *Export Sales.* — x x x

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“[(1)] (AA)	x	x	x
“[(2)] (BB)	x	x	x
“[(3)] (CC)	x	x	x
“[(4)] (DD)	x	x	x
“[(5)] (EE)	x	x	x

“[(b)] (II) *Foreign Currency Denominated Sale.* - x x x

“[(c)] (III) x x x

“(B) *Transactions Deemed Sale.* - x x x

x x x

“(C) *Charges in or Cessation of Status of a VAT-registered Person.* - x x x

“(D) *Determination of the Tax.* -

“(1) [The tax shall be computed by multiplying the total amount indicated in the invoice by one-eleventh (1/11).] THE VALUE-ADDED TAX SHALL BE BILLED AS A SEPARATE ITEM IN THE INVOICE AND SHALL BE COMPUTED BASED ON THE GROSS SELLING PRICE, EXCLUDING THE VALUE-ADDED TAX. THE EXCISE TAX, IF ANY, ON SUCH GOODS SHALL FORM PART OF THE GROSS SELLING PRICE.

x x x

1           SEC. 2. Section 107 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3           “SEC. 107. *Value-added Tax on Importation of Goods.* –

4           “(A) *In General.* – There shall be levied, assessed and  
5 collected on every importation of goods a value-added tax  
6 equivalent to [ten percent (10%)] **TWELVE PERCENT (12%)**  
7 based on the total value used by the Bureau of Customs in  
8 determining tariff and customs duties, plus customs duties, excise  
9 taxes, if any, and other charges, such tax to be paid by the  
10 importer prior to the release of such goods from customs  
11 custody. *Provided,* That where the customs duties are  
12 determined on the basis of the quantity or volume of the goods,  
13 the value-added tax shall be based on the landed cost plus excise  
14 taxes, if any.

15           “(B) *REDUCED RATE.* – (1) *TRANSACTIONS SUBJECT TO*  
16 *EIGHT PERCENT (8%).* – A VALUE-ADDED TAX AT A REDUCED  
17 RATE EQUIVALENT TO EIGHT PERCENT (8%) BASED ON THE  
18 TOTAL VALUE USED BY THE BUREAU OF CUSTOMS IN  
19 DETERMINING TARIFF AND CUSTOMS DUTIES, PLUS CUSTOMS  
20 DUTIES, EXCISE TAXES, IF ANY, AND OTHER CHARGES, SHALL  
21 BE LEVIED, ASSESSED AND COLLECTED ON EVERY  
22 IMPORTATION OF THE GOODS ENUMERATED HEREUNDER AND

1 SHALL BE PAID BY THE IMPORTER PRIOR TO THE RELEASE OF  
2 SUCH GOODS FROM CUSTOMS CUSTODY:

3 "(A) MACKEREL AND SARDINES;

4 "(B) MILK;

5 "(C) REFINED SUGAR;

6 "(D) COOKING OIL;

7 "(E) PACKED NOODLE-BASED INSTANT MEALS; AND

8 "(F) GENERIC MEDICINE.

9 "(2) *TRANSACTIONS SUBJECT TO FOUR PERCENT (4%)*

10 *RATE* - A VALUE-ADDED TAX AT A REDUCED RATE  
11 EQUIVALENT TO FOUR PERCENT (4%) BASED ON THE TOTAL  
12 VALUE USED BY THE BUREAU OF CUSTOMS IN DETERMINING  
13 TARIFF AND CUSTOMS DUTIES, PLUS CUSTOMS DUTIES, EXCISE  
14 TAXES, IF ANY, AND OTHER CHARGES, SHALL BE LEVIED,  
15 ASSESSED AND COLLECTED ON EVERY IMPORTATION OF THE  
16 GOODS ENUMERATED HEREUNDER AND SHALL BE PAID BY THE  
17 IMPORTER PRIOR TO THE RELEASE OF SUCH GOODS FROM  
18 CUSTOMS CUSTODY:

19 "(A) PETROLEUM PRODUCTS SUBJECT TO EXCISE TAX;

20 AND

21 "(B) RAW MATERIALS TO BE USED IN THE  
22 MANUFACTURE OF PETROLEUM PRODUCTS SUBJECT TO EXCISE  
23 TAX.

1           “PROVIDED, HOWEVER, THAT ON THE SECOND, THIRD AND  
 2           FOURTH YEAR OF THE IMPLEMENTATION OF THIS ACT, THE  
 3           RATE OF VALUE-ADDED TAX ON THE IMPORTATION OF GOODS  
 4           MENTIONED UNDER PARAGRAPH (2) HEREOF SHALL BE  
 5           INCREASED TO SIX PERCENT (6%); EIGHT PERCENT (8%); AND  
 6           TWELVE PERCENT (12%); RESPECTIVELY.

7           “[(B)] (C)    x       x       x.”

8           SEC. 3. Section 108 of the National Internal Revenue Code of 1997,  
 9           as amended, is hereby further amended to read as follows:

10           “SEC. 108. *Value-added Tax on Sale of Services and*  
 11           *Use or Lease of Properties.* –

12           “(A) *Rate and Base of Tax.* – (1) *IN GENERAL.* – There  
 13           shall be levied, assessed and collected, a value-added tax  
 14           equivalent to [ten percent (10%)] TWELVE PERCENT (12%) of  
 15           the gross receipts, derived from the sale or exchange of services,  
 16           including the use or lease of properties.

17           “x    x    x

18           “[(1)] (A)    x       x       x

19           “[(2)] (B)    x       x       x

20           “[(3)] (C)    x       x       x



1	“[(4)] (D)	x	x	x
2	“[(5)] (E)	x	x	x
3	“[(6)] (F)	x	x	x
4	“[(7)] (G)	x	x	x
5	“[(8)] (H)	x	x	x
6	“x	x	x	

7                   “(2) *REDUCED RATES. – (A) TRANSACTIONS SUBJECT TO*  
8                   *FOUR PERCENT (4%) RATE. – A VALUE-ADDED TAX AT A*  
9                   *REDUCED RATE EQUIVALENT TO FOUR PERCENT (4%) OF THE*  
10                   *GROSS RECEIPTS DERIVED FROM THE SERVICES RENDERED ON*  
11                   *THE SALE OF GENERATED POWER SHALL BE COLLECTED FROM*  
12                   *GOVERNMENT-OWNED OR PRIVATE POWER GENERATION*  
13                   *COMPANIES: PROVIDED, HOWEVER, THAT ON THE SECOND,*  
14                   *THIRD AND FOURTH YEAR OF THE IMPLEMENTATION OF THIS*  
15                   *ACT, THE HEREIN IMPOSED RATE SHALL BE INCREASED TO SIX*  
16                   *PERCENT (6%); EIGHT PERCENT (8%); AND TWELVE PERCENT*  
17                   *(12%); RESPECTIVELY.*

18                   “*PROVIDED, FURTHER, THAT NOTWITHSTANDING THE*  
19                   *PROVISION OF THE SECOND PARAGRAPH OF SECTION 105 OF*  
20                   *THIS CODE, THE VALUE-ADDED TAX IMPOSED UNDER THIS*  
21                   *PARAGRAPH SHALL BE PAID AND ABSORBED BY THE SUBJECT*

1 GENERATION COMPANIES WHO SHALL BE PROHIBITED FROM  
 2 PASSING ON THE COST OF SUCH TAX PAYMENTS, EITHER  
 3 DIRECTLY OR INDIRECTLY TO ANY CONSUMER IN WHATEVER  
 4 FORM OR MANNER, IT BEING THE EXPRESS INTENT OF THIS  
 5 ACT THAT THE VALUE-ADDED TAX SHALL BE BORNE AND  
 6 ABSORBED EXCLUSIVELY BY THE POWER-GENERATING  
 7 COMPANIES."

8 "TO ENSURE THE PROPER IMPLEMENTATION OF THIS  
 9 PROVISION, THE BUREAU OF INTERNAL REVENUE, THE ENERGY  
 10 REGULATORY COMMISSION, THE DEPARTMENT OF ENERGY  
 11 AND THE DEPARTMENT OF TRADE AND INDUSTRY SHALL  
 12 JOINTLY MONITOR AND REGULATE THE PRICING OF  
 13 GENERATED POWER. FOR THIS PURPOSE, POWER GENERATION  
 14 COMPANIES SHALL PROVIDE SAID AGENCIES WITH THE  
 15 NECESSARY AND CORRECT INFORMATION ON THEIR PRICING  
 16 STRUCTURE.

17 "SPECIFIC PROVISIONS IN CONTRACTS THAT ARE CONTRARY  
 18 TO THE IMPLEMENTATION OF THIS LAW ARE HEREBY DECLARED  
 19 NULL AND VOID.

20 "[B)] (B) *Transactions Subject to Zero Percent (0%)*

21 *Rate.* - x x x:

22 "[1)] (I) x x x

23 "[2)] (II) x x x

1           “[(3)] (iii) x x x

2           “[(4)] (iv) Services rendered to vessels OR AIRCRAFTS  
3 engaged [exclusively] in international shipping OR  
4 INTERNATIONAL AIR TRANSPORT OPERATIONS, INCLUDING  
5 LEASES OF PROPERTY FOR USE THEREOF; and

6           “[(5)] (v) x x x

7           “[(C)] (B) *Determination of the Tax.* – [The tax shall  
8 be computed by multiplying the total amount indicated in the  
9 official receipt by one-eleventh (1/11).] THE VALUE-ADDED  
10 TAX SHALL BE BILLED AS A SEPARATE ITEM IN THE INVOICE  
11 AND SHALL BE COMPUTED BASED ON THE GROSS RECEIPTS,  
12 EXCLUDING THE VALUE-ADDED TAX. THE EXCISE TAX, IF ANY,  
13 ON SUCH SERVICES SHALL FORM PART OF THE GROSS  
14 RECEIPTS.”

15           SEC. 4. Section 109 of the National Internal Revenue Code of 1997, as  
16 amended, is hereby further amended to read as follows:

17           “SEC. 109. *Exempt Transactions.* – The following shall be  
18 exempt from the value-added tax:

19           “(a) Sale of nonfood agricultural products; marine and  
20 forest products in their original state by the primary producer or  
21 the owner of the land where the same are produced;

1           “(b) Sale of cotton and cotton seeds in their original  
2           state; and copra;

3           “(c) Sale or importation of agricultural and marine food  
4           products in their original state, livestock and poultry of a kind  
5           generally used as, or yielding or producing foods for human  
6           consumption; and breeding stock and genetic materials therefor.

7           “Products classified under this paragraph and paragraph  
8           (a) shall be considered in their original state even if they have  
9           undergone the simple processes of preparation or preservation  
10          for the market, such as freezing, drying, salting, broiling,  
11          roasting, smoking or stripping. Polished and/or husked rice, corn  
12          grits, raw cane sugar and molasses, and ordinary salt shall be  
13          considered in their original state;

14          “(d) Sale or importation of fertilizers; seeds, seedlings  
15          and fingerlings; fish, prawn, livestock and poultry feeds,  
16          including ingredients, whether locally produced or imported,  
17          used in the manufacture of finished feeds (except specialty feeds  
18          for race horses, fighting cocks, aquarium fish, zoo animals and  
19          other animals generally considered as pets);

20          “(e) Sale or importation of coal and natural gas, in  
21          whatever form or state, [and petroleum products (except

1 lubricating oil, processed gas, grease, wax and petrolatum)]

2 subject to excise tax imposed under Title VI;

3 “[(f) Sale or importation of raw materials to be used by  
4 the buyer or importer himself in the manufacture of petroleum  
5 products subject to excise tax, except lubricating oil, processed  
6 gas, grease, wax and petrolatum;]

7 “[(g) Importation of passenger and/or cargo vessels of  
8 more than five thousand tons (5,000), whether coastwise or  
9 ocean-going, including engine and spare parts of said vessel to  
10 be used by the importer himself as operator thereof;]

11 “(F) IMPORTATION OR LEASE OF PASSENGER OR  
12 CARGO VESSELS AND AIRCRAFTS INCLUDING ENGINE,  
13 EQUIPMENT AND SPARE PARTS THEREOF FOR DOMESTIC OR  
14 INTERNATIONAL TRANSPORT;

15 “[(h)] (G) Importation of personal and household effects  
16 belonging to the residents of the Philippines returning from  
17 abroad and nonresident citizens coming to resettle in the  
18 Philippines: *Provided*, That such goods are exempt from  
19 customs duties under the Tariff and Customs Code of the  
20 Philippines;

1           “[(i)] (H) Importation of professional instruments and  
2           implements, wearing apparel, domestic animals, and personal  
3           household effects (except any vehicle, vessel, aircraft,  
4           machinery, other goods for use in the manufacture and  
5           merchandise of any kind in commercial quantity) belonging to  
6           persons coming to settle in the Philippines, for their own use and  
7           not for sale, barter or exchange, accompanying such persons, or  
8           arriving within ninety (90) days before or after their arrival, upon  
9           the production of evidence satisfactory to the Commissioner, that  
10          such persons are actually coming to settle in the Philippines and  
11          that the change of residence is *bona fide*;

12           “[(j)] (I) Services subject to percentage tax under  
13          Title V;

14           “[(k)] (J) Services by agricultural contract growers and  
15          milling for others of palay into rice, corn into grits and sugar  
16          cane into raw sugar;

17           “[(l)] (K) Medical, dental, hospital and veterinary  
18          services except those rendered by professionals;

19           “[(m)] (L) Educational services rendered by private  
20          educational institutions, duly accredited by the Department of

1 Education (DEPED), [Culture and Sports (DECS)] THE  
2 TECHNICAL EDUCATION SKILLS DEVELOPMENT AUTHORITY  
3 (TESDA) and the Commission on Higher Education (CHED),  
4 and those rendered by government educational institutions;

5 “[(n)] (M) Sale by the artist himself of his works of art,  
6 literary works, musical compositions and similar creations, or his  
7 services performed for the production of such works;

8 “[(o)] (N) Services rendered by individuals pursuant to  
9 an employer-employee relationship;

10 “[(p)] (O) Services rendered by regional or area  
11 headquarters established in the Philippines by multinational  
12 corporations which act as supervisory, communications and  
13 coordinating centers for their affiliates, subsidiaries or branches  
14 in the Asia-Pacific Region and do not earn or derive income  
15 from the Philippines;

16 “[(q)] (P) Transactions which are exempt under  
17 international agreements to which the Philippines is a signatory  
18 or under special laws, except those under Presidential Decree  
19 Nos. 66, 529 and 1590;

1           “[(r)] (Q) Sales by agricultural cooperatives duly  
2 registered with the Cooperative Development Authority to their  
3 members as well as [sale of their produce, whether in its original  
4 state or processed form, to non-members;] their importations of  
5 direct farm inputs, machineries and equipment, including spare  
6 parts thereof, to be used directly and exclusively in the  
7 production and/or processing of their produce;

8           “[(s)] (R) Sales by electric cooperatives duly registered  
9 with the Cooperative Development Authority or National  
10 Electrification Administration, relative to the generation and  
11 distribution of electricity as well as their importation of  
12 machineries and equipment, including spare parts, which shall be  
13 directly used in the generation and distribution of electricity;

14           “[(t)] (S) Gross receipts from lending activities by credit  
15 or multi-purpose cooperatives duly registered with the  
16 Cooperative Development Authority whose lending operation is  
17 limited to their members;

18           “[(u)] (T) Sales by non-agricultural, non-electric and  
19 non-credit cooperatives duly registered with the Cooperative  
20 Development Authority: *Provided*, That the share capital



1 contribution of each member does not exceed Fifteen thousand  
2 pesos (P15,000) and regardless of the aggregate capital and net  
3 surplus ratably distributed among the members;

4 “[v)] (u) Export sales by persons who are not VAT-  
5 registered;

6 “[w)] (v) Sale of real properties not primarily held for  
7 sale to customers or held for lease in the ordinary course of trade  
8 or business or real property utilized for low-cost and socialized  
9 housing as defined by Republic Act No. 7279, otherwise known  
10 as the Urban Development and Housing Act of 1992, and other  
11 related laws, house and lot and other residential dwellings valued  
12 at One million pesos (P1,000,000) and below: *Provided*, That  
13 not later than January 31<sup>st</sup> of the calendar year subsequent to the  
14 effectivity of this Act and each calendar year thereafter, the  
15 amount of One million pesos (P1,000,000) shall be adjusted to  
16 its present value using the Consumer Price Index, as published  
17 by the National Statistics Office (NSO);

18 “[x)] (w) Lease of a residential unit with a monthly  
19 rental not exceeding Eight thousand pesos (P8,000): *Provided*,  
20 That not later than January 31<sup>st</sup> of the calendar year subsequent  
21 to the effectivity of Republic Act No. 8241 and each calendar

1 year thereafter, the amount of Eight thousand pesos (P8,000)  
2 shall be adjusted to its present value using the Consumer Price  
3 Index, as published by the National Statistics Office (NSO);

4 “[(y)] (x) Sale, importation, printing or publication of  
5 books and any newspaper, magazine, review or bulletin which  
6 appears at regular intervals with fixed prices for subscription and  
7 sale and which is not devoted principally to the publication of  
8 paid advertisements;

9 “[z)] (Y) Sale or lease of goods or properties or  
10 performance of services other than the transactions mentioned in  
11 the preceding paragraphs, the gross annual sales and/or receipts  
12 do not exceed the amount of Five hundred fifty thousand pesos  
13 (P550,000): *Provided, That not later than January 31<sup>st</sup> of the*  
14 *calendar year subsequent to the effectivity of Republic Act No.*  
15 *8241 and each calendar year thereafter, the amount of Five*  
16 *hundred fifty thousand pesos (P550,000) shall be adjusted to its*  
17 *present value using the Consumer Price Index, as published by*  
18 *the National Statistics Office (NSO);*

19 “[aa)] (Z) Services of banks, non-bank financial  
20 intermediaries performing quasi-banking functions, and other  
21 non-bank financial intermediaries;

1           “(AA) SALE OF POWER OR FUEL GENERATED THROUGH  
2 BIOMASS, WIND AND SOLAR ENERGY;

3           “(BB) IMPORTATION OF FUEL, GOODS AND SUPPLIES BY  
4 VESSELS OR AIRCRAFTS FOR USE IN INTERNATIONAL SHIPPING  
5 OR INTERNATIONAL AIR TRANSPORT OPERATIONS;

6           “(CC) SALE OR IMPORTATION OF LIQUEFIED  
7 PETROLEUM GAS (LPG);

8           “(DD) SALE OF BREAD COMMONLY KNOWN AS  
9 ‘PANDESAL’.

10           “[(bb)] (EE) Services rendered by doctors of medicine  
11 duly registered with the Professional Regulation Commission  
12 (PRC) TO INDIGENT PATIENTS CERTIFIED BY THE  
13 DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT  
14 (DSWD) OR ITS CONCERNED OFFICES; and

15           “[(cc)] (FF) Services rendered by lawyers duly registered  
16 with the Integrated Bar of the Philippines (IBP) TO WORKERS,  
17 LABOR UNIONS, SUBSISTENCE FARMERS AND FISHERMEN,  
18 URBAN POOR, STUDENTS, AGRARIAN REFORM BENEFICIARIES,  
19 SENIOR CITIZENS AND MEMBERS OF INDIGENOUS CULTURAL  
20 COMMUNITIES AS CERTIFIED BY THE APPROPRIATE  
21 GOVERNMENT AGENCIES.

1           “The foregoing exemptions to the contrary  
 2 notwithstanding, any person whose sale of goods or properties or  
 3 services which are [otherwise] not subject to VAT, but who  
 4 issues WITHOUT LEGAL BASIS a VAT invoice or receipt therefor  
 5 shall, in addition to his liability to other applicable percentage  
 6 tax, if any, be liable to the tax imposed in Section 106 or 108  
 7 without the benefit of input tax credit, and such tax shall also be  
 8 recognized as input tax credit to the purchaser under Section  
 9 110, all of this Code.”

10       SEC. 5. Section 110 (A)(1)(a)(v) of the National Internal Revenue  
 11 Code of 1997, as amended, is hereby further amended to read as follows:

12           “SEC. 110. *Tax Credits.* –

13           “(A) *Creditable Input Tax.* –

14           “(1) x     x     x

15           “(a) x     x     x

16           “(i) x     x     x

17           “(ii) x     x     x

18           “(iii) x     x     x

19           “(iv) x     x     x

1           “(v) For use in trade or business for which deduction  
2           for depreciation or amortization is allowed under this Code. [  
3           except automobiles, aircrafts and yachts.]”

4           SEC. 6. Section 111(B) of the National Internal Revenue Code of 1997,  
5           as amended, is hereby further amended to read as follows:

6           “(B) *Presumptive Input Tax Credit[s] ON PUBLIC WORKS*

7           *CONTRACTS.* –

8           “[(1) Persons or firms engaged in the processing of  
9           sardines, mackerel and milk, and in manufacturing refined sugar  
10           and cooking oil, shall be allowed a presumptive input tax,  
11           creditable against the output tax, equivalent to one and one-half  
12           percent (1 1/2%) of the gross value in money of their purchases of  
13           primary agricultural products which are used as inputs to their  
14           production.]

15           “[As used in this Subsection, the term ‘processing’ shall  
16           mean pasteurization, canning and activities which through  
17           *physical or chemical process* alter the exterior texture or form or  
18           inner substance of a product in such manner as to prepare it for  
19           special use to which it could not have been put in its original form  
20           or condition.]

1           “[(2)] Public works contractors shall be allowed a  
2           presumptive input tax equivalent to one and one-half percent  
3           (1 1/2%) of the contract price with respect to government  
4           contracts only in lieu of actual input taxes therefrom.”

5           SEC. 7. The exemption of the National Power Corporation from direct  
6           and indirect taxes as provided in Section 13 of Republic Act No. 6395, as  
7           amended, shall not extend to exemption from the value-added tax levied under  
8           the National Internal Revenue Code of 1997, as amended.

9           SEC. 8. *Implementing Rules and Regulations.* – The Secretary of  
10          Finance shall, upon the recommendation of the Commissioner of Internal  
11          Revenue, promulgate the necessary rules and regulations for the effective  
12          implementation of this Act.

13          SEC. 9. *Separability Clause.* – If any provision of this Act is  
14          subsequently declared unconstitutional, the validity of the remaining provisions  
15          hereof shall remain in full force and effect.

16          SEC. 10. *Repealing Clause.* – The fifth (5<sup>th</sup>) paragraph of Section 6 of  
17          Republic Act No. 9136 is hereby repealed. All other laws, decrees, executive  
18          orders, rules and regulations or parts thereof which are contrary to or  
19          inconsistent with this Act are hereby repealed, amended or modified  
20          accordingly.

1            **SEC. 11. *Effectivity.*** – This Act shall take effect fifteen (15) days after  
2    its publication in the *Official Gazette* or in any two newspapers of general  
3    circulation, whichever comes earlier.

Approved,