

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

23 MAR 21 P1:10

SENATE

RECEIVED BY:

S. NO. 2023

Introduced by **SEN. WIN GATCHALIAN**

AN ACT
CREATING A VAT REFUND MECHANISM FOR NON-RESIDENT TOURISTS,
ADDING FOR THE PURPOSE A NEW SECTION 112-A TO THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

The coronavirus (COVID-19) pandemic caused a tremendous decrease in the number of tourist activities in the Philippines. Prior to the COVID-19 pandemic, the Department of Tourism (DOT) recorded approximate 8.26 million foreign tourists in 2019.¹ However, in 2020, 2021, and 2022, the DOT has recorded 1.48 million², 0.16 million³, and 2.65 million⁴ foreign tourists respectively. For 2023, the DOT aims to draw in 4.8 million foreign tourists⁵ and generate at least USD5.8 Billion in revenue.

Taking advantage of the continued reopening of the Philippine borders leading to more economic activities, the undersigned sees this as an opportune time to entice more non-resident foreign tourists to visit the Philippines and spend their money on goods, on top of their usual expenses for services, accommodations, tours, and other forms of entertainment.

¹ http://www.tourism.gov.ph/files/2023/01/01-04/tourism_demand/Feb-Dec.pdf (Date last accessed: March 21, 2023).

² http://www.tourism.gov.ph/Tourism_demand/Arrivals2020.pdf (Date last accessed: March 21, 2023).

³ http://www.tourism.gov.ph/Tourism_demand/07112022/Arrivals2021.pdf (Date last accessed: March 21, 2023).

⁴ http://www.tourism.gov.ph/files/2023/01/01-04/tourism_demand/Feb-Dec.pdf (Date last accessed: March 21, 2023).

⁵ <https://www.gmanetwork.com/news/topstories/nation/859656/dot-targets-to-have-4-8-million-tourists-visiting-philippines-in-2023/story/>

To be truly competitive with its peers in the Asia Pacific region, the Philippines needs to establish a tourist value-added tax (VAT) refund system, one that is unfortunately not provided in our current tax laws. This proposed measure gives tourists with foreign passport and who are considered as non-resident alien individuals not engaged in trade or business in the Philippines a VAT refund for goods:

1. Locally purchased in duly accredited stores by the tourists themselves;
2. Taken out of the Philippines by the tourists with them within sixty (60) days from date of purchase; and
3. The value of the locally purchased goods amounts to at least Three Thousand Pesos (Php3,000.00) per transaction.

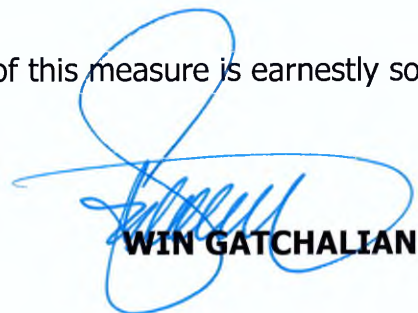
Tourists shall be entitled to a VAT refund in an amount not exceeding eighty five percent (85%) of the total amount of VAT paid by the Tourist on locally purchased goods that they take with them out of the country.

The Department of Finance may secure the services of a reputable and technologically innovative service providers to facilitate and administer the VAT refund process for tourists.

Promoting VAT refund for tourist can lead to consumption impact known as the "tourism multiple on national income".⁶ Under this concept, any form of tourist entertainment raises national income, be it hotel accommodations, food purchases, transportation, visits to sports venues, theaters, bars, museums, health services, or any other kind of service.⁷

With the hope of revitalizing our local tourism industry and driving overall economic growth, It is time we incentivize tourists into spending more money in the country.

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



WIN GATCHALIAN

⁶ https://www.nasdaq.com/articles/why-the-vat-refund-industry-is-ripe-for-disruption?fbclid=IwAR2HsxE5YCvF15i8x2lcai1S4cY_FpO8RFAWyYMKd6wemdfwTXcPPjxKXT8

⁷ *Id.*



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INTERNAL REVENUE CODE OF 1997, AS AMENDED**

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

1 SECTION 1. A new Section 112-A is hereby inserted after Section 112 of the
2 National Internal Revenue Code of 1997, as amended, to read as follows:

3 **"SEC. 112-A. VAT REFUND FOR TOURISTS. – A TOURIST**
4 **SHALL BE ELIGIBLE FOR A VALUE-ADDED TAX (VAT) REFUND ON**
5 **LOCALLY PURCHASED GOODS BY THE TOURIST IN DULY**
6 **ACCREDITED STORES IF SUCH GOODS ARE TAKEN OUT WITH**
7 **THEM BY THE TOURISTS WITHIN SIXTY (60) DAYS FROM THE**
8 **DATE OF PURCHASE, AND THE VALUE OF GOODS PURCHASED**
9 **PER TRANSACTION AMOUNTS TO AT LEAST THREE THOUSAND**
10 **PESOS (PHP 3,000.00): PROVIDED, THAT SUCH THRESHOLD MAY**
11 **BE ADJUSTED CONSIDERING THE ADMINISTRATION COST FOR**
12 **THE REFUND, THE CONSUMER PRICE INDEX, OR OTHER MARKET**
13 **CONDITIONS, AS DETERMINED BY THE SECRETARY OF FINANCE,**
14 **UPON RECOMMENDATION OF THE COMMISSIONER OF**

1 **INTERNAL REVENUE: *PROVIDED FURTHER*, THAT THE TOTAL**
2 **AMOUNT OF VAT REFUND GRANTED TO TOURIST SHALL NOT**
3 **EXCEED EIGHTY-FIVE PERCENT (85%) OF THE TOTAL AMOUNT**
4 **OF VAT PAID BY THE TOURIST.**

5 **THE DEPARTMENT OF FINANCE MAY SECURE THE**
6 **SERVICES OF A REPUTABLE AND TECHNOLOGICALLY**
7 **INNOVATIVE SERVICE PROVIDERS TO FACILITATE AND**
8 **ADMINISTER THE VAT REFUND PROCESS FOR TOURISTS.**

9 **ALL UNCLAIMED VAT WHICH ARE ELIGIBLE FOR REFUND**
10 **UNDER THIS SECTION SHALL BE AUTOMATICALLY REMITTED BY**
11 **THE SERVICE PROVIDERS TO THE NATIONAL TREASURY UPON**
12 **THE LAPSE OF THE SIXTY-DAY PERIOD TO CLAIM VAT REFUND.**

13 **FOR PURPOSES OF THIS SECTION, A 'TOURIST' SHALL**
14 **REFER TO A FOREIGN PASSPORT HOLDER, WHO IS A NON-**
15 **RESIDENT ALIEN INDIVIDUAL NOT ENGAGED IN TRADE OR**
16 **BUSINESS IN THE PHILIPPINES.**

17
18 **SEC. 2. *Implementing Rules and Regulations.*** – Within ninety (90)
19 calendar days from the effectivity of this Act, the Secretary of Finance, after due
20 consultation with the Department of Trade and Industry, Bureau of Internal Revenue,
21 Bureau of Customs, and the National Economic Development Authority, shall
22 promulgate the necessary rules and regulations to faithfully implement the intent and
23 provisions of this Act: Provided, That the failure to promulgate the rules and
24 regulations shall not prevent the implementation of this Act upon its effectivity.

25
26 **SEC. 3. *Separability Clause.*** – If any provision of this Act is declared
27 unconstitutional, the remaining parts or provisions not affected thereby shall remain
28 in full force and effect.

29
30 **SEC. 4. *Repealing Clause.*** – All laws, decrees, executive orders,
31 implementing rules and regulations, issuances, or any part thereof inconsistent with
32 the provisions of this Act are deemed repealed, amended, or modified accordingly.

1 SEC. 5. **Effectivity.** – This Act shall take effect on January 1, 2024 following
2 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,