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SENATE  
S. No. 1950

RECEIVED BY: \_\_\_\_\_

(In substitution of SB Nos. 1337, 1838 and 1873, in consideration of  
HB Nos. 3555 and 3705)

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Prepared by the Committee with Senators Recto, Dilon, Flavier, Pangilinan and  
Gordon as authors thereof.

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**AN ACT AMENDING SECTIONS 27, 28, 34, 106, 108, 109, 110, 111,  
112, 113, 114, 116, 117, 118, 119, 125, 148, 236, 237 AND 288 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 27(A) of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3 "SEC. 27. *Rates of Income Tax on Domestic Corporations.* -

4 (A) *In General.* - Except as otherwise provided in this Code, an income tax of  
5 thirty-five percent (35%) is hereby imposed upon the taxable income derived  
6 during each taxable year from all sources within and without the Philippines  
7 by every corporation, as defined in Section 22(B) of this Code and taxable  
8 under this Title as a corporation, organized in, or existing under the laws of  
9 the Philippines: *Provided*, That effective January 1, 2009 [1998], the rate of  
10 income tax shall be **THIRTY PERCENT (30%)**. [thirty-four percent (34%);  
11 effective January 1, 1999, the rate shall be thirty-three percent (33%); and  
12 effective January 1, 2000 and thereafter the rate shall be thirty-two percent  
13 (32%).]

14 x x x.

1           The [reduced] corporate income tax rates shall be applied on the  
2 amount computed by multiplying the number of months covered by the new  
3 rates within the fiscal year by the taxable income of the corporation for the  
4 period, divided by twelve.

5           x x x .”

6           SEC. 2. Section 28(A)(1) and (B)(1) and (5)(b) of the same Code, as amended,  
7 are hereby further amended to read as follows:

8           “SEC. 28. *Rates of Income Tax on Foreign Corporations.* -

9           (A) *Tax on Resident Foreign Corporations.* -

10           (1) *In General.* - Except as otherwise provided in this Code, a corporation  
11 organized, authorized, or existing under the laws of any foreign country,  
12 engaged in trade or business within the Philippines, shall be subject to an  
13 income tax equivalent to thirty-five percent (35%) of the taxable income  
14 derived in the preceding taxable year from all sources within the  
15 Philippines: *Provided*, That effective January 1, 2009 [1998], the rate of  
16 income tax shall be **THIRTY PERCENT (30%)**. [thirty-four percent (34%);  
17 effective January 1, 1999, the rate shall be thirty-three percent (33%), and  
18 effective January 1, 2000 and thereafter the rate shall be thirty-two  
19 percent (32%).]

20           x x x.

21           The [reduced] corporate income tax rates shall be applied on the  
22 amount computed by multiplying the number of months covered by the new  
23 rates within the fiscal year by the taxable income of the corporation for the  
24 period, divided by twelve.

25           x x x .

1 (B) *Tax on Nonresident Foreign Corporation.* -

2 (1) *In General.* - Except as otherwise provided in this Code, a foreign  
3 corporation not engaged in trade or business in the Philippines shall pay a  
4 tax equal to thirty-five percent (35%) of the gross income received during  
5 each taxable year from all sources within the Philippines, such as  
6 interests, dividends, rents, royalties, salaries, premiums (except  
7 reinsurance premiums), annuities, emoluments or other fixed or  
8 determinable annual, periodic or casual gains, profits and income, and  
9 capital gains, except capital gains subject to tax under subparagraph[s]  
10 5(c) [and (d)]: *Provided*, That effective January 1, **2009** [1998], the rate  
11 of income tax shall be **THIRTY PERCENT (30%)**. [thirty-four percent  
12 (34%); effective January 1, 1999, the rate shall be thirty-three percent  
13 (33%); and, effective January 1, 2000 and thereafter the rate shall be  
14 thirty-two percent (32%).]

15 (2) x x x

16 (3) x x x

17 (4) x x x

18 (5) *Tax on Certain Incomes Received by a Nonresident Foreign Corporation.* -

19 (a) x x x

20 (b) *Intercorporate Dividends.* - A final withholding tax at the rate of fifteen  
21 percent (15%) is hereby imposed on the amount of cash and/or  
22 property dividends received from a domestic corporation, which shall  
23 be collected and paid as provided in Section 57(A) of this Code,  
24 subject to the condition that the country in which the nonresident  
25 foreign corporation is domiciled, shall allow a credit against the tax due  
26 from the nonresident foreign corporation taxes deemed to have been  
27 paid in the Philippines equivalent to twenty percent (20%) [for 1997,

1           nineteen percent (19%) for 1998, eighteen percent (18%) for 1999, and  
2           seventeen percent (17%) thereafter], which represents the difference  
3           between the regular income tax of thirty-five percent (35%) [in 1997,  
4           thirty-four percent (34%) in 1998, and thirty-three percent (33%) in  
5           1999, and thirty-two percent (32%) thereafter on corporations] and the  
6           fifteen percent (15%) tax on dividends as provided in this  
7           subparagraph[;]: **PROVIDED, THAT EFFECTIVE JANUARY 1, 2009**  
8           **THE CREDIT AGAINST THE TAX DUE SHALL BE EQUIVALENT TO**  
9           **FIFTEEN PERCENT (15%), WHICH REPRESENTS THE**  
10           **DIFFERENCE BETWEEN THE REGULAR INCOME TAX OF THIRTY**  
11           **PERCENT (30%) AND THE FIFTEEN PERCENT (15%) TAX ON**  
12           **DIVIDENDS.**

13           (c) x x x.”

14           SEC. 3. Section 34(B)(1) of the same Code, as amended, is hereby further  
15 amended to read as follows:

16           “SEC. 34. *Deductions from Gross Income.* -

17           (A) x x x

18           (B) *Interest.* -

19           (1) *In General.* - The amount of interest paid or incurred within a taxable year  
20           on indebtedness in connection with the taxpayer's profession, trade or  
21           business shall be allowed as deduction from gross income: *Provided,*  
22           *however,* That the taxpayer's otherwise allowable deduction for interest  
23           expense shall be reduced by **FORTY-TWO PERCENT (42%)** [an amount  
24           equal to the following percentages] of the interest income subjected to final  
25           tax: **PROVIDED, THAT EFFECTIVE JANUARY 1, 2009 THE PERCENTAGE**  
26           **SHALL BE THIRTY-THREE PERCENT (33%).**

1 [Forty-one percent (41%) beginning January 1, 1998;

2 Thirty-nine percent (39%) beginning January 1, 1999; and

3 Thirty-eight percent (38%) beginning January 1, 2000.]

4 x x x."

5 SEC. 4. Sec. 106(A) of the same Code, as amended, is hereby further amended  
6 to read as follows:

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

8 (A) *Rate and Base of Tax.* – There shall be levied, assessed and collected on  
9 every sale, barter or exchange **BY A VAT-REGISTERED PERSON** of goods  
10 or properties **LOCATED IN THE CUSTOMS TERRITORY OF THE**  
11 **PHILIPPINES AT THE TIME OF SALE**, a value-added tax equivalent to ten  
12 percent (10%) of the gross selling price or gross value in money of the goods  
13 or properties sold, bartered or exchanged, such tax to be paid by the seller or  
14 transferor.

15 (1) x x x

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

18 (a) *Export Sales.* – The term 'export sales' means:

19 (1) x x x;

20 (2) x x x;

21 (3) x x x;

22 (4) x x x; [and]

23 (5) x x x[.]; AND

24 (6) **THE SALE OF GOODS, SUPPLIES AND FUEL TO PERSONS**  
25 **ENGAGED EXCLUSIVELY IN INTERNATIONAL SHIPPING OR**  
26 **INTERNATIONAL AIR TRANSPORT.**

27 x x x.

1 (B) x x x

2 (C) x x x

3 (D) x x x"

4 SEC. 5. Section 108 of the same Code, as amended, is hereby further amended  
5 to read as follows:

6 "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of*  
7 *Properties.* -

8 (A) *Rate and Base of Tax.* - There shall be levied, assessed and collected, a  
9 value-added tax equivalent to ten percent (10%) of gross receipts derived **BY**  
10 **A VAT-REGISTERED PERSON** from the sale or exchange of services,  
11 including the use or lease of properties.

12 The phrase '**sale or exchange of services**' means the performance of  
13 all kinds of services in the Philippines for others for a fee, remuneration or  
14 consideration, including those performed or rendered by construction and  
15 service contractors; stock, real estate, commercial, customs and immigration  
16 brokers; lessors of property, whether personal or real; warehousing services;  
17 lessors or distributors of cinematographic films; persons engaged in milling,  
18 processing, manufacturing or repacking goods for others; proprietors,  
19 operators or keepers of hotels, motels, resthouses, pension houses, inns,  
20 resorts; proprietors or operators of restaurants, refreshment parlors, cafes  
21 and other eating places, including clubs and caterers; **PROPRIETORS,**  
22 **LESSEES OR OPERATORS OF CABARETS AND NIGHT OR DAY**  
23 **CLUBS**; dealers in securities; lending investors; transportation contractors on  
24 their transport of goods or cargoes, including persons who transport goods or  
25 cargoes for hire and other domestic common carriers by land [ , air and water ]  
26 relative to their transport of goods or cargoes; **COMMON CARRIERS BY AIR**  
27 **AND SEA RELATIVE TO THEIR TRANSPORT OF PASSENGERS, GOODS**  
28 **OR CARGOES FROM ONE AIRPORT OR PLACE IN THE PHILIPPINES TO**

1 ANOTHER AIRPORT OR PLACE IN THE PHILIPPINES; SALES OF  
2 ELECTRICITY BY GENERATION COMPANIES, TRANSMISSION, AND  
3 DISTRIBUTION COMPANIES; services of franchise grantees of ELECTRIC  
4 UTILITIES, telephone and telegraph, radio and television broadcasting and all  
5 other franchise grantees except those under Section 118 [119] of this Code  
6 and non-life insurance companies (except their crop insurances), including  
7 surety, fidelity, indemnity and bonding companies; and similar services  
8 regardless of whether or not the performance thereof calls for the exercise or  
9 use of the physical or mental faculties. IN DETERMINING WHERE THE  
10 SERVICES ARE PERFORMED UNDER THIS PARAGRAPH, THE  
11 RELEVANT TEST IS WHERE THE SERVICES ARE PERFORMED BY VAT-  
12 REGISTERED PERSONS PROVIDING THE SERVICES. The phrase 'sale or  
13 exchange of services' shall likewise include:

14 (1) x x x;

15 (2) x x x;

16 (3) x x x;

17 (4) x x x;

18 (5) x x x;

19 (6) x x x;

20 (7) x x x;

21 (8) x x x.

22 (B) *Transactions Subject to Zero Percent (0%) Rate.* - The following services  
23 performed in the Philippines by VAT-registered persons shall be subject to  
24 zero percent (0%) rate:

25 (1) x x x;

26 (2) Services other than those mentioned in the preceding paragraph  
27 PERFORMED FOR PERSONS DOING BUSINESS OUTSIDE THE  
28 PHILIPPINES, the consideration for which is paid for in acceptable foreign

1 currency and accounted for in accordance with the rules and regulations  
2 of the *Bangko Sentral ng Pilipinas* (BSP);

3 (3) x x x;

4 (4) Services rendered to **PERSONS** [vessels] engaged exclusively in  
5 international shipping **OR INTERNATIONAL AIR TRANSPORT**; [and]

6 (5) x x x; **AND**

7 **(6) TRANSPORT OF PASSENGERS AND CARGO BY AIR OR SEA**  
8 **VESSELS FROM THE PHILIPPINES TO A FOREIGN COUNTRY.**

9 (C) x x x.”

10 SEC. 6. Section 109 of the same Code, as amended, is hereby further amended  
11 to read as follows:

12 “SEC. 109. *Exempt Transactions.* – (1) **SUBJECT TO THE PROVISIONS**  
13 **OF SUBSECTION (2) HEREOF, [T]**the following **TRANSACTIONS** shall be  
14 exempt from the value-added tax:

15 **[(a) Sale of nonfood agricultural products; marine and forest products in their**  
16 **original state by the primary producer or the owner of the land where the**  
17 **same are produced;]**

18 **[(b) Sale of cotton and cotton seeds in their original state; and copra;]**

19 **[(c)] (A) Sale or importation of agricultural and marine food products in their**  
20 **original state, livestock and poultry of a kind generally used as, or yielding or**  
21 **producing foods for human consumption; and breeding stock and genetic**  
22 **materials therefor.**

23 Products classified under this paragraph [and paragraph (a)] shall be  
24 considered in their original state even if they have undergone the simple  
25 processes of preparation or preservation for the market, such as freezing,  
26 drying, salting, broiling, roasting, smoking or stripping. Polished and/or

1 husked rice, corn grits, raw cane sugar and molasses, [and] ordinary salt,

2 **AND COPRA** shall be considered in their original state[;].

3 [(d)] (B) Sale or importation of fertilizers; seeds, seedlings and fingerlings; fish,  
4 prawn, livestock and poultry feeds, including ingredients, whether locally  
5 produced or imported, used in the manufacture of finished feeds (except  
6 specialty feeds for race horses, fighting cocks, aquarium fish, zoo animals  
7 and other animals generally considered as pets);

8 [(e)] (C) Sale [or importation] of [coal and] natural gas **AND OTHER**  
9 **INDIGENOUS AND RENEWABLE SOURCES OF ENERGY**, in whatever  
10 form or state[, and petroleum products (except lubricating oil, processed gas,  
11 grease, wax and petrolatum) subject to excise tax imposed under Title VI];

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

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

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

22 [(i)] (E) Importation of professional instruments and implements, wearing  
23 apparel, domestic animals, and personal household effects (except any  
24 vehicle, vessel, aircraft, machinery, other goods for use in the manufacture  
25 and merchandise of any kind in commercial quantity) belonging to persons

1 coming to settle in the Philippines, for their own use and not for sale, barter or  
2 exchange, accompanying such persons, or arriving within ninety (90) days  
3 before or after their arrival, upon the production of evidence satisfactory to the  
4 Commissioner, that such persons are actually coming to settle in the  
5 Philippines and that the change of residence is bona fide;

6 **[(j)] Services subject to percentage tax under Title V;**

7 **[(k)] (F) Services by agricultural contract growers and milling for others of palay**  
8 **into rice, corn into grits and sugar cane into raw sugar;**

9 **[(l)] (G) Medical, dental, hospital and veterinary services except those rendered**  
10 **by professionals;**

11 **[(m)] (H) Educational services rendered by private educational institutions, duly**  
12 **accredited by the Department of Education (DEPED) [ , Culture and Sports**  
13 **(DECS)] and the Commission on Higher Education (CHED), and those**  
14 **rendered by government educational institutions;**

15 **[(n)] Sale by the artist himself of his works of art, literary works, musical**  
16 **compositions and similar creations, or his services performed for the**  
17 **production of such works;**

18 **[(o)] (I) Services rendered by individuals pursuant to an employer-employee**  
19 **relationship;**

20 **[(p)] (J) Services rendered by regional or area headquarters established in the**  
21 **Philippines by multinational corporations which act as supervisory,**  
22 **communications and coordinating centers for their affiliates, subsidiaries or**  
23 **branches in the Asia-Pacific Region and do not earn or derive income from**  
24 **the Philippines;**

1        **[(q)] (K)** Transactions which are exempt under international agreements to  
2        which the Philippines is a signatory or under special laws, except those under  
3        Presidential Decree Nos. 66, 529 and 1590;

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

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

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

18       **[(u)] (N)** Sales by non-agricultural, non-electric and non-credit cooperatives duly  
19       registered with the Cooperative Development Authority: *Provided*, That the  
20       share capital contribution of each member does not exceed Fifteen thousand  
21       pesos (P15,000) and regardless of the aggregate capital and net surplus  
22       ratably distributed among the members;

23       **[(v)]** Export sales by persons who are not VAT-registered;]

24       **[(w)] (O)** Sale of real properties not primarily held for sale to customers or held  
25       for lease in the ordinary course of trade or business, or real property utilized  
26       for low-cost and socialized housing as defined by Republic Act No. 7279,

1 otherwise known as the Urban Development and Housing Act of 1992, and  
2 other related laws, house and lot and other residential dwellings valued at  
3 **ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000)** [One  
4 million pesos (P1,000,000)] and below[: *Provided*, That not later than  
5 January 31st of the calendar year subsequent to the effectivity of this Act and  
6 each calendar year thereafter, the amount of One million pesos (P1,000,000)  
7 shall be adjusted to its present value using the Consumer Price Index, as  
8 published by the National Statistics Office (NSO)];

9 **[(x)] (P)** Lease of a residential unit with a monthly rental not exceeding **TEN**  
10 **THOUSAND PESOS (P10,000)** [Eight thousand pesos(P8,000): *Provided*,  
11 That not later than January 31st of the calendar year subsequent to the  
12 effectivity of Republic Act No. 8241 and each calendar year thereafter, the  
13 amount of Eight thousand pesos (P8,000) shall be adjusted to its present  
14 value using the Consumer Price Index as published by the National Statistics  
15 Office (NSO)];

16 **[(y)] (Q)** Sale, importation, printing or publication of books and any newspaper,  
17 magazine, review or bulletin which appears at regular intervals with fixed  
18 prices for subscription and sale and which is not devoted principally to the  
19 publication of paid advertisements; **AND**

20 **[(z)] (R)** Sale or lease of goods or properties or the performance of services  
21 other than the transactions mentioned in the preceding paragraphs, the gross  
22 annual sales and/or receipts do not exceed the amount of **SEVEN HUNDRED**  
23 **FIFTY THOUSAND PESOS (P750,000)** [Five hundred fifty thousand pesos  
24 (P550,000): *Provided*, That not later than January 31st of the calendar year  
25 subsequent to the effectivity of Republic Act No. 8241 and each calendar year  
26 thereafter, the amount of Five hundred fifty thousand pesos (P550,000) shall

1 be adjusted to its present value using the Consumer Price Index, as  
2 published by the National Statistics Office (NSO);]

3 [(aa) Services of banks, non-bank financial intermediaries performing quasi-  
4 banking functions, and other non-bank financial intermediaries;]

5 [(bb) Services rendered by doctors of medicine duly registered with the  
6 Professional Regulation Commission (PRC); and]

7 [(cc) Services rendered by lawyers duly registered with the Integrated Bar of the  
8 Philippines (IBP).]

9 [The foregoing exemptions to the contrary notwithstanding, any person  
10 whose sale of goods or properties or services which are otherwise not subject to  
11 VAT, but who issues a VAT invoice or receipt therefor shall, in addition to his  
12 liability to other applicable percentage tax, if any, be liable to the tax imposed in  
13 Section 106 or 108 without the benefit of input tax credit, and such tax shall also  
14 be recognized as input tax credit to the purchaser under Section 110, all of this  
15 Code].

16 (2) A VAT-REGISTERED PERSON MAY ELECT THAT SUBSECTION  
17 (1) NOT APPLY TO ITS SALE OF GOODS OR PROPERTIES OR SERVICES:  
18 PROVIDED, THAT AN ELECTION MADE UNDER THIS SUBSECTION SHALL  
19 BE IRREVOCABLE FOR A PERIOD OF THREE (3) YEARS FROM THE  
20 MONTH THE ELECTION WAS MADE.”

21 SEC. 7. Section 110 of the same Code, as amended, is hereby further amended  
22 to read as follows:

23 “SEC. 110. *Tax Credits.* -

24 (A) *Creditable Input Tax.* -

25 (1) x x x

1 (2) The input tax on domestic purchase **OR IMPORTATION** of goods or  
2 properties **BY A VAT-REGISTERED PERSON** shall be creditable:

3 (a) To the purchaser upon consummation of sale and on importation of goods  
4 or properties; and

5 (b) To the importer upon payment of the value-added tax prior to the release  
6 of the goods from the custody of the Bureau of Customs.

7 **PROVIDED, THAT THE INPUT TAX ON GOODS PURCHASED OR**  
8 **IMPORTED IN A CALENDAR MONTH FOR USE IN TRADE OR BUSINESS**  
9 **FOR WHICH DEDUCTION FOR DEPRECIATION OR AMORTIZATION IS**  
10 **ALLOWED UNDER THIS CODE, SHALL BE SPREAD EVENLY OVER THE**  
11 **MONTH OF ACQUISITION AND THE FIFTY-NINE (59) SUCCEEDING**  
12 **MONTHS IF THE AGGREGATE ACQUISITION COST FOR SUCH GOODS**  
13 **EXCEEDS SIX HUNDRED SIXTY THOUSAND PESOS (P660,000):**

14 **PROVIDED, [H]**however, **THAT** in the case of purchase of services, lease or  
15 use of properties, the input tax shall be creditable to the purchaser, lessee or  
16 licensee upon payment of the compensation, rental, royalty or fee.

17 (3) x x x.

18 x x x

19 (B) *Excess Output or Input Tax.* - If at the end of any taxable quarter the output tax  
20 exceeds the input tax, the excess shall be paid by the VAT-registered person. If  
21 the input tax exceeds the output tax, the excess shall be carried over to the  
22 succeeding quarter or quarters. Any input tax attributable [to the purchase of  
23 capital goods or] to zero-rated sales by a VAT-registered person may at his  
24 option be refunded or credited against other internal revenue taxes, subject to  
25 the provisions of Section 112.

26 (C) x x x.

27 x x x."

1 SEC. 8. Section 111 of the same Code, as amended, is hereby further amended  
2 to read as follows:

3 "SEC. 111. *Transitional/ Presumptive Input Tax Credits.* –

4 (A) *Transitional Input Tax Credits.* – A person who becomes liable to value-added  
5 tax or any person who elects to be a VAT-registered person shall, subject to  
6 the filing of an inventory according to rules and regulations prescribed by the  
7 Secretary of Finance, upon recommendation of the Commissioner, be  
8 allowed input tax on his beginning inventory of goods, materials and supplies  
9 equivalent to **TWO PERCENT (2%)** [eight percent (8%)] of the value of such  
10 inventory or the actual value-added tax paid on such goods, materials and  
11 supplies, whichever is higher, which shall be creditable against the output tax.

12 (B) *Presumptive Input Tax Credits.* –

13 [(1)] Persons or firms engaged in the processing of sardines, mackerel and  
14 milk, and in manufacturing refined sugar and cooking oil, shall be allowed  
15 a presumptive input tax, creditable against the output tax, equivalent to  
16 **FOUR PERCENT (4%)** [one and one-half percent (1 ½%)] of the gross  
17 value in money of their purchases of primary agricultural products which  
18 are used as inputs to their production.

19 x x x.

20 [(2)] Public works contractors shall be allowed a presumptive input tax  
21 equivalent to one and one-half percent (1½%) of the contract price with  
22 respect to government contracts only in lieu of actual input taxes  
23 therefrom.]”

24 SEC. 9. Section 112 of the same Code, as amended, is hereby further amended  
25 to read as follows:

26 "SEC. 112. *Refunds or Tax Credits of Input Tax.* -

27 (A) x x x.

1        **[(B) Capital Goods.** - A VAT-registered person may apply for the issuance of a  
2        tax credit certificate or refund of input taxes paid on capital goods imported or  
3        locally purchased, to the extent that such input taxes have not been applied  
4        against output taxes. The application may be made only within two (2) years  
5        after the close of the taxable quarter when the importation or purchase was  
6        made.]

7        **[(C)] (B) Cancellation of VAT Registration.** - A person whose registration has  
8        been cancelled due to retirement from or cessation of business, or due to  
9        changes in or cessation of status under Section 106(C) of this Code may,  
10       within two (2) years from the date of cancellation, apply for the issuance of a  
11       tax credit certificate for any unused input tax which may be used in payment  
12       of his other internal revenue taxes.

13       **[(D)] (C) Period within which Refund or Tax Credit of Input Taxes shall be**  
14       **Made.** - In proper cases, the Commissioner shall grant a refund or issue the  
15       tax credit certificate for creditable input taxes within one hundred twenty (120)  
16       days from the date of submission of complete documents in support of the  
17       application filed in accordance with Subsection[s] (A) [and (B)] hereof.

18                    x x x.

19       **[(E)] (D) Manner of Giving Refund.** - Refunds shall be made upon warrants  
20       drawn by the Commissioner or by his duly authorized representative without  
21       the necessity of being countersigned by the Chairman, Commission on Audit,  
22       the provisions of the Administrative Code of 1987 to the contrary  
23       notwithstanding: *Provided*, That refunds under this paragraph shall be subject  
24       to post audit by the Commission on Audit."

25       SEC. 10. Section 113 of the same Code, as amended, is hereby further  
26       amended to read as follows:

1           "SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered*  
2 *Persons.* -

3 (A) *Invoicing Requirements.* - A VAT-registered person shall **ISSUE [ ]**:

4           **(1) A VAT INVOICE for every sale, BARTER OR EXCHANGE OF GOODS**  
5           **OR PROPERTIES[ , issue an invoice or receipt.]; AND**

6           **(2) A VAT OFFICIAL RECEIPT FOR EVERY LEASE OF GOODS OR**  
7           **PROPERTIES, AND FOR EVERY SALE, BARTER OR EXCHANGE OF**  
8           **SERVICES.**

9 **(B) INFORMATION CONTAINED IN THE VAT INVOICE OR VAT OFFICIAL**

10 **RECEIPT.** - [In addition to the information required under Section 237 t] The  
11 following information shall be indicated in the VAT invoice or VAT OFFICIAL  
12 receipt:

13 (1) A statement that the seller is a VAT-registered person, followed by his  
14 taxpayer's identification number (TIN); [and]

15 (2) The total amount which the purchaser pays or is obligated to pay to the  
16 seller with the indication that such amount includes the value-added  
17 tax[.]; **PROVIDED, THAT:**

18           **(a) THE AMOUNT OF THE TAX SHALL BE SHOWN AS A SEPARATE**  
19           **ITEM IN THE INVOICE OR RECEIPT;**

20           **(b) IF THE SALE IS EXEMPT FROM VALUE-ADDED TAX, THE WORDS**  
21           **"VAT EXEMPT SALE" SHALL BE DISPLAYED PROMINENTLY ON**  
22           **THE INVOICE OR RECEIPT;**

23           **(c) IF THE SALE IS SUBJECT TO ZERO PERCENT (0%) VALUE-**  
24           **ADDED TAX, THE WORDS "ZERO-RATED SALE" SHALL BE**  
25           **DISPLAYED PROMINENTLY ON THE INVOICE OR RECEIPT;**

26           **(d) IF THE SALE IS ONLY PARTIALLY SUBJECT TO VALUE-ADDED**  
27           **TAX, THE INVOICE OR RECEIPT SHALL CLEARLY INDICATE THE**

1 BREAK-DOWN OF THE SALE PRICE BETWEEN ITS TAXABLE,  
2 EXEMPT AND ZERO-RATED COMPONENTS, AND THE  
3 CALCULATION OF THE VALUE-ADDED TAX ON EACH PORTION  
4 OF THE SALE SHALL BE SHOWN ON THE INVOICE OR RECEIPT:  
5 *PROVIDED*, THAT THE SELLER MAY ISSUE SEPARATE  
6 INVOICES OR RECEIPTS FOR THE TAXABLE, EXEMPT, AND  
7 ZERO-RATED COMPONENTS OF THE SALE.

8 (3) THE DATE OF TRANSACTION, QUANTITY, UNIT COST AND  
9 DESCRIPTION OF THE MERCHANDISE OR NATURE OF THE  
10 SERVICE; AND

11 (4) IN THE CASE OF SALES IN THE AMOUNT OF ONE THOUSAND  
12 PESOS (P1,000) OR MORE WHERE THE SALE OR TRANSFER IS  
13 MADE TO A VAT-REGISTERED PERSON, THE NAME, BUSINESS  
14 STYLE, IF ANY, ADDRESS AND TAXPAYER IDENTIFICATION  
15 NUMBER (TIN) OF THE PURCHASER, CUSTOMER OR CLIENT.

16 **[(B)](C) Accounting Requirements.** - Notwithstanding the provisions of Section  
17 **232[233]**, all persons subject to the value-added tax under Sections 106 and  
18 108 shall, in addition to the regular accounting records required, maintain a  
19 subsidiary sales journal and subsidiary purchase journal on which the daily  
20 sales and purchases are recorded. The subsidiary journals shall contain such  
21 information as may be required by the Secretary of Finance.

22 **(D) CONSEQUENCE OF ISSUING ERRONEOUS VAT INVOICE OR VAT**  
23 **OFFICIAL RECEIPT. -**

24 **(1) IF A PERSON WHO IS NOT A VAT-REGISTERED PERSON ISSUES**  
25 **AN INVOICE OR RECEIPT CONTAINING A STATEMENT THAT THE**  
26 **SELLER IS A VAT-REGISTERED PERSON, FOLLOWED BY HIS**  
27 **TAXPAYER IDENTIFICATION NUMBER (TIN):**

1 (a) THE ISSUER SHALL, IN ADDITION TO ANY LIABILITY TO OTHER  
2 PERCENTAGE TAXES, BE LIABLE TO:

3 (i) THE TAX IMPOSED IN SECTION 106 OR 108 WITHOUT THE  
4 BENEFIT OF ANY INPUT TAX CREDIT; AND

5 (ii) A 50% SURTAX UNDER SECTION 247(B) OF THIS CODE;

6 (b) THE TAX SHALL, IF THE OTHER REQUISITE INFORMATION  
7 REQUIRED UNDER SUBSECTION (B) IS SHOWN ON THE INVOICE  
8 OR RECEIPT, BE RECOGNIZED AS AN INPUT TAX CREDIT TO  
9 THE PURCHASER UNDER SECTION 110 OF THIS CODE.

10 (2) IF A VAT-REGISTERED PERSON ISSUES A VAT INVOICE OR VAT  
11 OFFICIAL RECEIPT FOR A VAT-EXEMPT TRANSACTION, BUT FAILS  
12 TO DISPLAY PROMINENTLY ON THE INVOICE OR RECEIPT THE  
13 WORDS "VAT EXEMPT SALE", THE ISSUER SHALL BE LIABLE TO  
14 ACCOUNT FOR THE TAX IMPOSED IN SECTION 106 OR 108 AS IF  
15 SECTION 109 DID NOT APPLY.

16 (E) *TRANSITIONAL RULE* - NOTWITHSTANDING SUBSECTION (B),  
17 TAXPAYERS MAY CONTINUE TO ISSUE VAT INVOICES AND VAT  
18 OFFICIAL RECEIPTS FOR THE PERIOD JULY 1, 2005 TO DECEMBER 31,  
19 2005, IN ACCORDANCE WITH BUREAU OF INTERNAL REVENUE  
20 ADMINISTRATIVE PRACTICES THAT EXISTED AS OF DECEMBER 31,  
21 2004."

22 SEC. 11. Section 114 of the same Code, as amended, is hereby further  
23 amended to read as follows:

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

25 (A) x x x.

26 (B) x x x.

27 (C) *Withholding of Creditable Value-added Tax.* - The Government or any of its  
28 political subdivisions, instrumentalities or agencies, including government-  
29 owned or -controlled corporations (GOCCs) shall, before making payment on

1 account of each purchase of goods from sellers and services rendered by  
2 contractors which are subject to the value-added tax imposed in Sections 106  
3 and 108 of this Code, deduct and withhold the value-added tax due at the rate  
4 of:

5 **(1) FIVE PERCENT (5%)** [three percent (3%)] of the gross payment for the  
6 purchase of goods, and **ON** [six percent (6%) on] gross receipts for  
7 services rendered by contractors, **INCLUDING PUBLIC WORKS**  
8 **CONTRACTORS** [on every sale or installment payment] which shall be  
9 creditable against the value-added tax liability of the seller; **AND** [or  
10 contractor: *Provided, however,* That in the case of government public  
11 works contractors, the withholding rate shall be eight and one-half percent  
12 (8.5%): *Provided, further,* That the]

13 **(2) TEN PERCENT (10%) OF THE GROSS** payment for lease or use of  
14 properties or property rights to nonresident owners [shall be subject to ten  
15 percent (10%) withholding tax at the time of payment]. For [this purpose]  
16 **THE PURPOSES OF THIS SECTION**, the payor or person in control of  
17 the payment shall be considered as the withholding agent.

18 x x x.”

19 SEC. 12. Section 116 of the same Code, as amended, is hereby further  
20 amended to read as follows:

21 “SEC. 116. *Tax on Persons Exempt from Value-Added Tax (VAT).* - Any  
22 person whose sales or receipts **AMOUNT TO SEVEN HUNDRED FIFTY**  
23 **THOUSAND PESOS (P750,000) AND BELOW OR** are exempt under Section  
24 109[(z)](R) of this Code from the payment of value-added tax and who is not a  
25 VAT-registered person shall pay a tax equivalent to three percent (3%) of his

1 gross quarterly sales or receipts: *Provided*, That cooperatives shall be exempt  
2 from the three percent (3%) gross receipts tax herein imposed.”

3 SEC. 13. Section 117 of the same Code, as amended, is hereby further  
4 amended to read as follows:

5 “SEC. 117. *Percentage Tax on Domestic Carriers and Keepers of*  
6 *Garages.* – Cars for rent or hire driven by the lessee[.]; transportation  
7 contractors, including persons who transport passengers for hire, and other  
8 domestic carriers by land[, air or water,] for the transport of passengers[.]  
9 (except owners of bancas and owners of animal-drawn two wheeled vehicle),  
10 and keepers of garages shall pay a tax equivalent to three percent (3%) of their  
11 quarterly gross receipts.

12 x x x.”

13 SEC. 14. Section 118 of the same Code, as amended, is hereby deleted and the  
14 succeeding sections of the Code are hereby renumbered accordingly:

15 [“SEC. 118. *Percentage Tax on International Carriers.* –

16 (A) *International air carriers* doing business in the Philippines shall pay a tax of  
17 three percent (3%) of their quarterly gross receipts.

18 (B) *International shipping carriers* doing business in the Philippines shall pay a  
19 tax equivalent to three percent (3%) of their quarterly gross receipts.”]

20 SEC. 15. Section 119 of the same Code, as amended, is hereby further  
21 amended to read as follows:

22 “SEC. 118[119]. *Tax on Franchises.* – Any provision of general or  
23 special law to the contrary notwithstanding, there shall be levied, assessed and  
24 collected in respect to all franchises on radio and/or television broadcasting  
25 companies whose annual gross receipts of the preceding year DO [does] not  
26 exceed Ten million pesos (P10,000,000), subject to Section 235[236] of this

1 Code, a tax of three percent (3%) and on [electric,] gas and water utilities, a tax  
2 of two percent (2%) on the gross receipts derived from the business covered by  
3 the law granting the franchise: *Provided, however,* That radio and television  
4 broadcasting companies referred to in this Section shall have an option to be  
5 registered as a value-added taxpayer and pay the tax due thereon: *Provided,*  
6 *further,* That once the option is exercised, **SAID OPTION SHALL BE**  
7 **IRREVOCABLE [it shall not be revoked].**

8 x x x."

9 SEC. 16. Section 125 of the same Code, as amended, is hereby further  
10 amended to read as follows:

11 "SEC. 124[125]. *Amusement Taxes.* - There shall be collected from the  
12 proprietor, lessee or operator of cockpits, [cabarets, night or day clubs,] boxing  
13 exhibitions, professional basketball games, Jai-Alai and racetracks, a tax  
14 equivalent to:

15 (a) x x x

16 [(b) Eighteen percent (18%) in the case of cabarets, night or day clubs;]

17 [(c)] (B) x x x

18 [(d)] (C) x x x

19 [(e)] (D) x x x

20 x x x."

21 SEC. 17. Section 148 of the same Code, as amended, is hereby further  
22 amended to read as follows:

23 "SEC. 147[148]. *Manufactured Oils and Other Fuels.* - There shall be  
24 collected on refined and manufactured mineral oils and motor fuels, the following  
25 excise taxes which shall attach to the goods hereunder enumerated as soon as  
26 they are in existence as such:

- 1 (a) x x x;
- 2 (b) x x x;
- 3 (c) x x x;
- 4 (d) x x x;
- 5 (e) Naphtha, regular gasoline and other similar products of distillation, per liter of  
6 volume capacity, **FOUR PESOS AND THIRTY-FIVE CENTAVOS (P4.35)**  
7 **[Four pesos and eighty centavos (P4.80)]**: *Provided, however,* That naphtha,  
8 when used as a raw material in the production of petrochemical products or  
9 as replacement fuel for natural-gas-fired-combined cycle power plant, in lieu  
10 of locally-extracted natural gas during the non-availability thereof, subject to  
11 the rules and regulations to be promulgated by the Secretary of Energy, in  
12 consultation with the Secretary of Finance, per liter of volume capacity, Zero  
13 (P0.00): *Provided, further,* That the by-product including fuel oil, diesel fuel,  
14 kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils  
15 having more or less the same generating power, which are produced in the  
16 processing of naphtha into petrochemical products shall be subject to the  
17 applicable excise tax specified in this Section, except when such by-products  
18 are transferred to any of the local oil refineries through sale, barter or  
19 exchange, for the purpose of further processing or blending into finished  
20 products which are subject to excise tax under this Section;
- 21 (f) Leaded premium gasoline, per liter of volume capacity, Five pesos and thirty-  
22 five centavos (P5.35); unleaded premium gasoline, per liter of volume  
23 capacity, **FOUR PESOS AND EIGHTY CENTAVOS (P4.80)** **[Four pesos and**  
24 **thirty-five centavos (P4.35)]**;
- 25 (g) x x x;
- 26 (h) Kerosene, per liter of volume capacity, **ZERO (P0.00)** **[Sixty centavos**  
27 **(0.60)]**: *Provided,* That kerosene, when used as aviation fuel, shall be subject

1 to the same tax on aviation turbo jet fuel under the preceding paragraph (g),  
2 such tax to be assessed on the user thereof;

3 (i) Diesel fuel oil, and on similar fuel oils having more or less the same generating  
4 power, per liter of volume capacity, **ZERO (P0.00)** [One peso and sixty-three  
5 centavos (P1.63)];

6 (j) x x x;

7 (k) x x x;

8 (l) Bunker fuel oil, and on similar fuel oils having more or less the same  
9 generating power, per liter of volume capacity, **ZERO (P0.00)** [Thirty  
10 centavos (P0.30)].”

11 SEC. 18, Section 236 of the same Code, as amended, is hereby further  
12 amended to read as follows:

13 “SEC. 235[236]. *Registration Requirements.* –

14 (A) x x x

15 (B) x x x

16 (C) x x x

17 (D) x x x

18 (E) x x x

19 (F) *Cancellation of Registration.* –

20 (1) **GENERAL RULE.** – The registration of any person who ceases to be  
21 liable to a tax shall be cancelled upon filing with the Revenue District  
22 Office where he is registered an application for registration information  
23 update in a form prescribed therefor;

24 (2) **CANCELLATION OF VALUE-ADDED TAX REGISTRATION.** - A VAT-  
25 REGISTERED PERSON MAY CANCEL HIS REGISTRATION FOR VAT  
26 IF:

1 (a) HE MAKES WRITTEN APPLICATION AND CAN DEMONSTRATE  
2 TO THE COMMISSIONER'S SATISFACTION THAT HIS GROSS  
3 SALES OR RECEIPTS FOR THE FOLLOWING TWELVE (12)  
4 MONTHS, OTHER THAN THOSE THAT ARE EXEMPT UNDER  
5 SECTION 109 (A) TO (Q), WILL BE LESS THAN SEVEN  
6 HUNDRED FIFTY THOUSAND PESOS (P750,000), OR

7 (b) HE HAS CEASED TO CARRY ON HIS TRADE OR BUSINESS,  
8 AND DOES NOT EXPECT TO RECOMMENCE ANY TRADE OR  
9 BUSINESS WITHIN THE NEXT TWELVE (12) MONTHS.

10 THE CANCELLATION OF REGISTRATION WILL BE EFFECTIVE  
11 FROM THE FIRST DAY OF THE FOLLOWING MONTH.

12 (G) *Persons REQUIRED TO REGISTER FOR VALUE-ADDED TAX*  
13 *[Commencing Business]. -*

14 (1) Any person[,] who, IN THE COURSE OF TRADE OR BUSINESS,  
15 SELLS, BARTERS OR EXCHANGES GOODS OR PROPERTIES, OR  
16 ENGAGES IN THE SALE OR EXCHANGE OF SERVICES, SHALL BE  
17 LIABLE TO REGISTER FOR VALUE-ADDED TAX IF:

18 (a) HIS GROSS SALES OR RECEIPTS FOR THE PAST TWELVE (12)  
19 MONTHS, OTHER THAN THOSE THAT ARE EXEMPT UNDER  
20 SECTION 109 (A) TO (Q), HAVE EXCEEDED SEVEN HUNDRED  
21 FIFTY THOUSAND PESOS (P750,000); OR

22 (b) THERE ARE REASONABLE GROUNDS TO BELIEVE THAT HIS  
23 GROSS SALES OR RECEIPTS FOR THE NEXT TWELVE (12)  
24 MONTHS, OTHER THAN THOSE THAT ARE EXEMPT UNDER  
25 SECTION 109 (A) TO (Q), WILL EXCEED SEVEN HUNDRED  
26 FIFTY THOUSAND PESOS (P750,000).

27 (2) EVERY PERSON WHO BECOMES LIABLE TO BE REGISTERED  
28 UNDER PARAGRAPH (1) OF THIS SUBSECTION [expects to realize

1 gross sales or receipts subject to value-added tax in excess of the amount  
2 prescribed under Section 109(z) for the next 12-month period from the  
3 commencement of the business,] shall register with the Revenue District  
4 Office which has jurisdiction over the head office or branch of that person,  
5 and shall pay the annual registration fee prescribed in Subsection (B)  
6 hereof. **IF HE FAILS TO REGISTER, HE SHALL BE LIABLE TO TAX**  
7 **UNDER TITLE IV AS IF HE WERE A VAT-REGISTERED PERSON, BUT**  
8 **WITHOUT THE BENEFIT OF INPUT TAX CREDITS FOR THE PERIOD**  
9 **IN WHICH HE WAS NOT PROPERLY REGISTERED.**

10 **[(H) *Persons Becoming Liable to the Value-Added Tax.* – Any person, whose**  
11 **gross sales or receipts in any 12-month period exceeds the amount**  
12 **prescribed under Section 109(z) of this Code for exemption from the value-**  
13 **added tax shall register in accordance with Subsection (A) hereof, and shall**  
14 **pay the annual registration fee prescribed within ten (10) days after the end of**  
15 **the last month of that period, and shall be liable to the value-added tax**  
16 **commencing from the first day of the month following his registration.]**

17 **[(I) (H) *Optional Registration FOR VALUE-ADDED TAX of Exempt Person.* –**

18 **(1) Any person [whose transactions are exempt from value-added tax under**  
19 **Section 109 of this Code] WHO IS NOT REQUIRED TO REGISTER FOR**  
20 **VALUE-ADDED TAX UNDER SUBSECTION (G) HEREOF MAY ELECT[; or**  
21 **any person whose transactions are exempt from value-added tax under**  
22 **Section 109 (a), (b), (c), and (d) of this Code, who opts] to register FOR**  
23 **VALUE-ADDED TAX BY REGISTERING WITH THE REVENUE DISTRICT**  
24 **OFFICE THAT HAS JURISDICTION OVER THE HEAD OFFICE OF THAT**  
25 **PERSON, AND PAYING [as a VAT taxpayer with respect to his export sales**  
26 **only, may update his registration information in accordance with Subsection**

1 (E) hereof, not later than ten (10) days before the beginning of the taxable  
2 quarter and shall pay] the annual registration fee in Subsection (B) hereof.

3 (2) ANY PERSON WHO ELECTS TO REGISTER UNDER THIS  
4 SUBSECTION SHALL NOT BE ENTITLED TO CANCEL THEIR  
5 REGISTRATION UNDER SUBSECTION (F)(2) FOR THE NEXT TWO (2)  
6 YEARS.

7 [In any case, the Commissioner may, for administrative reasons, deny any  
8 application for registration including updates prescribed in Subsection (E)  
9 hereof.]

10 For purposes of Title IV of this Code, any person who has registered  
11 value-added tax as a tax type in accordance with the provisions of Subsection  
12 (C) hereof shall be referred to as A "VAT-registered person" who shall be  
13 assigned only one Taxpayer Identification Number (TIN).

14 [(J)] (I) x x x.

15 x x x"

16 SEC. 19. Section 237 of the Code, as amended, is hereby amended to read as  
17 follows:

18 "SEC. 236[237]. *Issuance of Receipts or Sales or Commercial Invoices.* —

19 All persons subject to an internal revenue tax shall, for each sale and transfer of  
20 merchandise or for services rendered valued at Twenty-five pesos (P25.00) or  
21 more, issue duly registered receipts or sale or commercial invoices, prepared at  
22 least in duplicate, showing the date of transaction, quantity, unit cost and  
23 description of merchandise or nature of service: *Provided, however, That* [in the  
24 case of sales, receipts or transfers in the amount of One hundred pesos  
25 (P100.00) or more, or regardless of amount, where the sale or transfer is made  
26 by a person liable to value-added tax to another person also liable to value-  
27 added tax; or] where the receipt is issued to cover payment made as rentals,

1 commissions, compensation or fees, receipts or invoices shall be issued which  
2 shall show the name, business style, if any, and address of the purchaser,  
3 customer or client<sup>1</sup>: *Provided, further,* That where the purchaser is VAT-  
4 registered person, in addition to the information herein required, the invoice or  
5 receipt shall further show the Taxpayer Identification Number (TIN) of the  
6 purchaser].

7 x x x.”

8 Sec. 20. Section 288 of the same Code, as amended, is hereby further amended  
9 to read as follows:

10 “SEC. 287 [288]. *Disposition of Incremental Revenues.* –

11 (A) x x x.

12 (B) x x x.

13 (C) x x x.

14 (D) **REVENUE FROM THE VALUE-ADDED TAX. – TEN PERCENT (10%) OF**  
15 **THE TOTAL VALUE-ADDED TAX COLLECTION SHALL BE ALLOCATED**  
16 **AND DIVIDED EQUALLY BETWEEN THE FOLLOWING:**

17 (1) **PUBLIC ELEMENTARY AND SECONDARY EDUCATION; AND**

18 (2) **PUBLIC HEALTH SERVICES IN ORDER TO SUSTAIN THE GOAL OF**  
19 **UNIVERSAL COVERAGE OF THE NATIONAL HEALTH INSURANCE**  
20 **PROGRAM.**

21 **FURTHERMORE, THE AMOUNT OF FIFTEEN MILLION PESOS**  
22 **(P15,000,000) SHALL BE ALLOCATED FOR THE PUBLIC INFORMATION**  
23 **AND EDUCATION PROGRAM OF THE BUREAU OF INTERNAL REVENUE.”**

24 SEC. 21. *Implementing Rules and Regulations.* – The Secretary of Finance  
25 shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate  
26 not later than May 31, 2005 the necessary Rules and Regulations for the effective  
27 implementation of this Act. Upon issuance of the said Rules and Regulations, all former  
28 rules and regulations pertaining to value-added tax shall be deemed revoked.

1           SEC. 22. *Repealing Clause.* - The following laws or provisions of laws are  
2 hereby repealed and the persons and/or transactions affected herein are made subject  
3 to the value-added tax subject to the provisions of Title IV of the National Internal  
4 Revenue Code of 1997, as amended:

5           (a) Section 13(b)(1) and (2) of P.D. No. 1590 on the franchise tax of Philippine  
6           Airlines, Inc.;

7           (b) Section 11 of R.A. No. 7151 on the franchise tax of Cebu Air, Inc.;

8           (c) Section 11 of R.A. No. 7583 on the franchise tax of Aboitiz Air Transport  
9           Corporation;

10          (d) Sections 12 and 14 of R.A. No. 7909 on the franchise tax of Pacific Airways  
11          Corporation;

12          (e) Sections 11 and 15 of R.A. No. 8339 on the franchise tax of Air Philippines;

13          (f) Section 13 of R.A. No. 6395 on the exemption from value-added tax of  
14          National Power Corporation (NPC);

15          (g) Section 6, fifth paragraph of R.A. No. 9136 on the sales of generated power  
16          by generation companies; and

17          (h) Section 15 of R.A. No. 9209 on the franchise tax of the Manila Electric  
18          Company (MERALCO), including the provisions of all laws imposing franchise  
19          tax to franchise grantees of electric utilities.

20          All other laws, acts, decrees, executive orders, issuances and rules and  
21 regulations or parts thereof which are contrary to and inconsistent with any provisions of  
22 this Act are hereby repealed, amended or modified accordingly.

23          SEC. 23. *Separability Clause.* - If any provision of this Act is subsequently  
24 declared unconstitutional, the validity of the remaining provisions hereof shall remain in  
25 full force and effect.

26          SEC. 24. *Effectivity Clause.* - This Act shall take effect on July 1, 2005.

*Approved,*