

SENATE OF THE PHILIPPINES
OFFICE OF THE SECRETARY
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NINTH CONGRESS OF THE REPUBLIC }
OF THE PHILIPPINES }
Second Regular Session }

S E N A T E

COMMITTEE REPORT NO. 349

Submitted by the Committee on Ways and Means on February 7 1994

Re: S. B. No. 1630 prepared by the Committee

Recommending its approval in substitution of S.B. No. 1129, taking into consideration P.S. Res. No. 734 and H.B. No. 11197.

Sponsors: Senators Herrera, Angara, Romulo, Sotto, Ople and Shahani.

MR. PRESIDENT:

The Committee on Ways and Means, to which were referred S. No. 1129, introduced by Senator Ernesto F. Herrera, entitled:

"AN ACT RESTRUCTURING THE VALUE-ADDED TAX (VAT) SYSTEM BY EXPANDING ITS TAX BASE, AMENDING SECTIONS 103, 113, 114 OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED"

P.S. Res. No. 734, introduced by Senator Vicente C. Sotto, III, entitled:

"RESOLUTION URGING THE SENATE COMMITTEE ON WAYS AND MEANS TO STUDY THE PROPOSAL TO EXEMPT LOCAL MOVIE PRODUCERS FROM THE PAYMENT OF THE VALUE-ADDED TAX AS AN INCENTIVE TO THE PRODUCTION OF QUALITY AND WHOLESOME FILIPINO MOVIES, WHENEVER THEY FEATURE AN ALL FILIPINO CAST OF ACTORS AND ACTRESSES"

and H. No. 11197, introduced by Congressmen Bagatsing, Jr., Almario, Lobregat, Recto, Matti, Carmona, Ty, Paredes, Jr., Javier (E.), Montejo, Isidro, Gullas, Perez (H.), Del Rosario, Bakunawa, Chiongbian, Almoro, Valdez, Mastura, Sator, Tingzon, Sarmiento (R.), Guanzon, Lacson, Puey, Starke, Yulo, Quimpo, Plaza, Ramirez, Liban, Fuentebella, Diaz (R.), Gillego, Tajon, Figueroa, Paras, Del Mar, Durano III, Singson, Martinez, Jr.,

Andolana, Espinosa, Lopez (A.), Bondoc, Tinga, Candazo, Cabilao, Urro, Tammanq, Lopez (J.), Sarmiento (A.), Venegas, Fuentes, Soon-Ruiz, Henson, Garcia (M.), Baquio, Zubiri, Jr., Alfelor, Payumo, Enrile, Bichara, Chaves, Tanjuatco, Jr., Aquino (F.), Arroyo, Tuazon, Golez, Belmonte, Jr., Adasa, Jr., Albano, Perez, Jr., Daza, Bagatsing (A.), Punzalan, Jr., Veloso, Yap (R.), Ecleo, Dragon and Madrona, entitled:


"AN ACT RESTRUCTURING THE VALUE-ADDED TAX (VAT) SYSTEM TO WIDEN ITS TAX BASE AND ENHANCE ITS ADMINISTRATION, AMENDING FOR THESE PURPOSES SECTIONS 99, 100, 102, 103, 104, 105, 106, 107, 108, AND 110 OF TITLE IV, 112, 115, AND 116 OF TITLE V, AND 236, 237, AND 238 OF TITLE IX, AND REPEALING SECTIONS 113 AND 114 OF TITLE V, ALL OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED"

has considered the same and has the honor to report them back to the Senate with the recommendation that the attached bill, S.B. No. , prepared by the Committee, entitled:

"AN ACT RESTRUCTURING THE VALUE-ADDED TAX (VAT) SYSTEM TO WIDEN ITS TAX BASE AND ENHANCE ITS ADMINISTRATION, AMENDING FOR THESE PURPOSES SECTIONS 99, 100, 102, 103, 104, 106, 107, 108, AND 110 OF TITLE IV, AND 112 OF TITLE V, AND 236, 237 AND 238 OF TITLE IX, AND REPEALING SECTIONS 113, 114 AND 116 OF TITLE V, ALL OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES"

be approved, in substitution of S.No. 1129, taking into consideration P.S. No. 734 and H.B. No. 11197 with Senators Herrera, Angara, Romulo, Sotto, Ople and Shahani as authors.

Respectfully Submitted:


ERNESTO F. HERRERA
Chairman
Committee on Ways and Means

VICE-CHAIRMAN

Dissenting

ERNESTO M. MACEDA

M E M B E R S

[Signature]
~~NEPTALI A. GONZALES~~
w/ reservations

ANNA DOMINIQUE M.L. COSETENG

with amendments
Macapagal
GLORIA M. MACAPAGAL

[Signature]
BLAS F. OPLE
w/ reservation

[Signature]
RAMON B. REVILLA

[Signature]
JOHN H. OSMENA

[Signature]
SANTANINA T. RASUL

[Signature]
HEHERSON T. ALVAREZ

EX-OFFICIO MEMBERS

[Signature]
LETICIA RAMOS-SHAHANI
President Pro Tempore

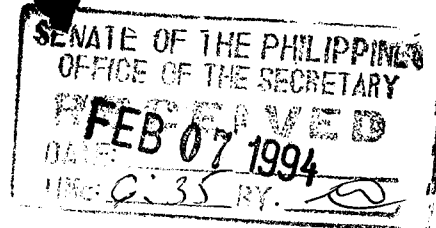
[Signature]
ALBERTO G. ROMULO
Majority Floor Leader

w/ reservation
[Signature]
WIGBERTO E. TANADA
Minority Floor Leader

HON. EDGARDO J. ANGARA
Senate President
Senate
Manila

[WMCRII:CRVAT]
CAV:MEH:jrmb

Ninth Congress of the Republic }
of the Philippines }
Second Regular Session }



S E N A T E
S. NO. 1630

Introduced by Senators Herrera, Anqara, Romulo,
Sotto, Ople and Shahani

AN ACT
RESTRUCTURING THE VALUE-ADDED TAX (VAT) SYSTEM TO WIDEN ITS
TAX BASE AND ENHANCE ITS ADMINISTRATION, AMENDING FOR THESE
PURPOSES SECTIONS 99, 100, 102, 103, 104, 105, 107, 108, AND
110 OF TITLE IV, 112 OF TITLE V, AND 236, 237 AND 238 OF
TITLE IX, AND REPEALING SECTIONS 113, 114 AND 116 OF TITLE
V, ALL OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED,
AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 99 of the National Internal
2 Revenue Code, as amended, is hereby further amended to read
3 as follows:

4 "SEC. 99. [Persons Liable. - Any person
5 who, in the course of trade or business, sells,
6 barter or exchanges goods, renders services, or
7 engages in similar transactions and any person who
8 imports goods shall be subject to the value-added
9 tax (VAT) imposed in Sections 100 to 102 of this
10 Code.] DEFINITIONS. - AS USED IN THIS CODE, THE
11 FOLLOWING WORDS OR PHRASES SHALL HAVE THE
12 FOLLOWING MEANINGS:

13
14 1. "CODE" - REFERS TO THE NATIONAL
15 INTERNAL REVENUE CODE, AS AMENDED.

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1 2. "FOREIGN CURRENCY DENOMINATED SALE" -
2 SALE TO A NON-RESIDENT OF GOODS EXCEPT THOSE
3 MENTIONED IN SECTIONS 149 AND 150 OF THIS CODE,
4 AS AMENDED, ASSEMBLED OR MANUFACTURED IN THE
5 PHILIPPINES FOR DELIVERY TO A RESIDENT IN THE
6 PHILIPPINES, PAID FOR IN ACCEPTABLE FOREIGN
7 CURRENCY AND ACCOUNTED FOR IN ACCORDANCE WITH THE
8 RULES AND REGULATIONS OF THE BANGKO SENTRAL NG
9 PILIPINAS (BSP).

10 3. "GOODS OR PROPERTIES" - ALL TANGIBLE
11 AND INTANGIBLE OBJECTS WHICH ARE CAPABLE OF
12 PECUNIARY ESTIMATION.

13 TANGIBLE OBJECTS INCLUDE COMMODITIES,
14 PRODUCTS, RAW MATERIALS, MACHINERY, BUILDINGS AND
15 OTHER OBJECTS WHICH HAVE TANGIBLE FORM.

16 INTANGIBLE OBJECTS INCLUDE MOTIVE POWER,
17 HEAT, AND OTHER FORCES OF NATURE BROUGHT UNDER
18 CONTROL BY SCIENCE. IT ALSO INCLUDES THAT WHICH
19 HAS NO PHYSICAL EXISTENCE BUT WHICH HAS A
20 VALUE BASED ON A LEGAL RIGHT SUCH AS, BUT NOT
21 LIMITED TO, THE FOLLOWING:

22 A) THE RIGHT OR THE PRIVILEGE TO USE PATENT,
23 COPYRIGHT, DESIGN OR MODEL, PLAN, SECRET FORMULA
24 OR PROCESS, GOODWILL, TRADEMARK, TRADEBRAND, OR
25 OTHER LIKE PROPERTY OR RIGHT;

1 B) THE RIGHT OR THE PRIVILEGE TO USE IN THE
2 PHILIPPINES OF ANY INDUSTRIAL, COMMERCIAL, OR
3 SCIENTIFIC EQUIPMENT;

4 C) THE RIGHT OR THE PRIVILEGE TO USE MOTION
5 PICTURE FILMS, FILMS, TAPES AND DISCS;

6 D) RADIO AND TELEVISION TIME; AND

7 E) OTHER SIMILAR PROPERTIES.

8 4. "GROSS RECEIPTS" - THE TOTAL AMOUNT OF
9 MONEY OR ITS EQUIVALENT REPRESENTING THE CONTRACT
10 PRICE, COMPENSATION, SERVICE FEE, RENTAL OR
11 ROYALTY, INCLUDING THE AMOUNT CHARGED FOR
12 MATERIALS SUPPLIED WITH THE SERVICES AND DEPOSITS
13 AND ADVANCE PAYMENTS ACTUALLY OR CONSTRUCTIVELY
14 RECEIVED DURING THE TAXABLE QUARTER FOR THE
15 SERVICES PERFORMED OR TO BE PERFORMED FOR ANOTHER
16 PERSON, EXCLUDING VALUE-ADDED TAX.

17 5. "GROSS SELLING PRICE" - THE TOTAL
18 AMOUNT OF MONEY OR ITS EQUIVALENT WHICH THE
19 PURCHASER PAYS OR IS OBLIGATED TO PAY TO THE
20 SELLER IN CONSIDERATION OF THE SALE, BARTER, OR
21 EXCHANGE OF THE GOODS OR PROPERTIES, EXCLUDING THE
22 VALUE-ADDED TAX. THE EXCISE TAX, IF APPLICABLE,
23 ON SUCH GOODS OR PROPERTIES SHALL FORM PART OF THE
24 GROSS SELLING PRICE.

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1 6. "INPUT TAX" - THE VALUE-ADDED TAX DUE
 2 FROM OR PAID BY A VAT-REGISTERED PERSON IN THE
 3 COURSE OF HIS TRADE OR BUSINESS ON IMPORTATION OF
 4 GOODS OR LOCAL PURCHASE OF GOODS OR SERVICES,
 5 INCLUDING LEASE OR USE OF PROPERTY, FROM A VAT-
 6 REGISTERED PERSON. IT SHALL ALSO INCLUDE THE
 7 TRANSITIONAL INPUT TAX DETERMINED IN ACCORDANCE
 8 WITH SECTION 105 OF THIS CODE, AS AMENDED.

9 7. "IN THE COURSE OF TRADE OR BUSINESS" -
 10 THE REGULAR CONDUCT OR PURSUIT OF A COMMERCIAL OR
 11 AN ECONOMIC ACTIVITY INCLUDING TRANSACTIONS
 12 INCIDENTAL THERETO, BY ANY PERSON REGARDLESS OF
 13 WHETHER OR NOT THE PERSON ENGAGED THEREIN IS A
 14 NON-STOCK, NON-PROFIT, PRIVATE ORGANIZATION,
 15 (IRRESPECTIVE OF THE DISPOSITION OF ITS NET INCOME
 16 AND WHETHER OR NOT IT SELLS EXCLUSIVELY TO MEMBERS
 17 OR THEIR GUESTS), OR GOVERNMENT ENTITY.

18 THE RULE OF REGULARITY TO THE CONTRARY
 19 NOTWITHSTANDING, SERVICES RENDERED IN THE
 20 PHILIPPINES BY NON-RESIDENT FOREIGN PERSONS SHALL
 21 BE CONSIDERED AS BEING RENDERED IN THE COURSE OF
 22 TRADE OR BUSINESS.

23 8. "OUTPUT TAX" - THE VALUE-ADDED TAX DUE
 24 ON THE SALE OR LEASE OF TAXABLE GOODS OR
 25 PROPERTIES OR SERVICES BY ANY PERSON REGISTERED OR
 26 REQUIRED TO REGISTER UNDER SECTION 107 OF THIS
 27 CODE, AS AMENDED.

1 9. "SALE OR EXCHANGE OF SERVICES" - THE
2 PERFORMANCE OF ALL KINDS OF SERVICES IN THE
3 PHILIPPINES FOR OTHERS FOR A FEE, REMUNERATION OR
4 CONSIDERATION, INCLUDING THOSE PERFORMED OR
5 RENDERED BY CONSTRUCTION AND SERVICE CONTRACTORS;
6 STOCK, REAL ESTATE, COMMERCIAL, CUSTOMS AND
7 IMMIGRATION BROKERS; LESSORS OF PROPERTY; OWNERS,
8 LESSORS, OR DISTRIBUTORS OF CINEMATOGRAPHIC FILMS;
9 PERSONS ENGAGED IN MILLING, PROCESSING,
10 MANUFACTURING OR REPACKING GOODS FOR OTHERS;
11 PROPRIETORS, OPERATORS, OR KEEPERS OF HOTELS,
12 MOTELS AND OTHERS; PROPRIETORS OR OPERATORS OF
13 RESTAURANTS, REFRESHMENT PARLORS, CAFES AND OTHER
14 EATING PLACES INCLUDING CLUBS AND CATERERS; AND
15 SIMILAR SERVICES REGARDLESS OF WHETHER OR NOT THE
16 PERFORMANCE THEREOF CALLS FOR THE EXERCISE OR USE
17 OF THE PHYSICAL OR MENTAL FACULTIES. IT SHALL
18 LIKEWISE INCLUDE, BUT NOT BE LIMITED TO, THE
19 FOLLOWING:

20 (1) THE LEASE OR THE USE OF OR THE RIGHT
21 OR PRIVILEGE TO USE ANY COPYRIGHT, PATENT, DESIGN
22 OR MODEL, PLAN, SECRET FORMULA OR PROCESS,
23 GOODWILL, TRADEMARK, TRADE BRAND OR OTHER LIKE
24 PROPERTY OR RIGHT;

25 (2) THE LEASE OR THE USE OF, OR THE RIGHT
26 TO THE USE OF ANY INDUSTRIAL, COMMERCIAL OR
27 SCIENTIFIC EQUIPMENT;

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1 (3) THE SUPPLY OF SCIENTIFIC, TECHNICAL,
2 INDUSTRIAL OR COMMERCIAL KNOWLEDGE OR INFORMATION;

3 (4) THE SUPPLY OF ANY ASSISTANCE THAT IS
4 ANCILLARY AND SUBSIDIARY TO AND IS FURNISHED AS A
5 MEANS OF ENABLING THE APPLICATION OR ENJOYMENT OF
6 ANY SUCH PROPERTY, OR RIGHT AS IS MENTIONED IN
7 SUBPARAGRAPH (2) HEREOF OR ANY SUCH KNOWLEDGE OR
8 INFORMATION AS IS MENTIONED IN SUBPARAGRAPH (3)
9 HEREOF; OR

10 (5) THE SUPPLY OF SERVICES BY A NON-
11 RESIDENT PERSON OR HIS EMPLOYEE IN CONNECTION WITH
12 THE USE OF PROPERTY OR RIGHTS BELONGING TO, OR THE
13 INSTALLATION OR OPERATION OF ANY BRAND, MACHINERY
14 OR OTHER APPARATUS PURCHASED FROM SUCH NON-
15 RESIDENT PERSON;

16 (6) THE SUPPLY OF TECHNICAL ADVICE,
17 ASSISTANCE OR SERVICES RENDERED IN CONNECTION WITH
18 TECHNICAL MANAGEMENT OR ADMINISTRATION OF ANY
19 SCIENTIFIC INDUSTRIAL OR COMMERCIAL UNDERTAKING,
20 VENTURE, PROJECT OR SCHEME;

21 (7) THE LEASE OR THE USE OF OR THE RIGHT TO
22 USE MOTION PICTURE FILMS, FILMS, TAPES AND DISCS;
23 AND

24 (8) THE LEASE OR THE USE OF OR THE RIGHT TO
25 USE TELEVISION AND RADIO AIRTIME.

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1 LEASE OF PROPERTIES SHALL BE SUBJECT TO THE
 2 TAX IMPOSED UNDER THIS CODE IRRESPECTIVE OF THE
 3 PLACE WHERE THE CONTRACT OF LEASE OR LICENSING
 4 AGREEMENT WAS EXECUTED IF THE PROPERTY IS LEASED
 5 OR USED IN THE PHILIPPINES.

6 10. "SPECIALTY FEEDS" - FEEDS OR FOOD FOR
 7 RACE HORSES, FIGHTING COCKS, AQUARIUM FISH, ZOO
 8 ANIMALS AND OTHER ANIMALS GENERALLY CONSIDERED AS
 9 PETS.

10 SEC. 2. There shall be incorporated a new Section 99-
 11 A after Section 99 of the same Code to read as follows:

12 "SEC. 99-A. PERSONS LIABLE. - ANY
 13 PERSON WHO, IN THE COURSE OF TRADE OR BUSINESS,
 14 SELLS, BARTERS OR EXCHANGES GOODS OR PROPERTIES,
 15 RENDERS SERVICES, OR ENGAGES IN SIMILAR
 16 TRANSACTIONS AND ANY PERSON WHO IMPORTS GOODS OR
 17 PROPERTIES SHALL BE SUBJECT TO THE VALUE-ADDED TAX
 18 (VAT) IMPOSED IN SECTIONS 100 TO 102 OF THIS
 19 CODE."

20 SEC. 3. Section 100 of the same Code, as amended, is
 21 hereby further amended to read as follows:

22 "SEC. 100. Value-added tax on sale of
 23 goods OR PROPERTIES. - (a) Rate and Base of
 24 Tax. - There shall be levied, assessed and
 25 collected on every sale, barter or exchange of
 26 goods OR PROPERTIES, a value-added tax equivalent
 27 to 10% of the gross selling price or gross value

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1 in money of the goods OR PROPERTIES sold, bartered
2 or exchanged, such tax to be paid by the seller or
3 transferor.[:Provided, That the following sales by
4 VAT-registered persons shall be subject to 0%;]

5 [(1) Export sales; and

6 (2) Sales to persons or entities whose
7 exemption under special laws or international
8 agreements to which the Philippines is a signatory
9 effectively subjects such sales to zero rate.

10 "Export Sales" means the sale and shipment
11 or exproation of goods from the Philippines to a
12 foreign country, irrespective of any shipping
13 arrangement that may be agreed upon which may
14 influence or determine the transfer of ownership
15 of the goods so exported, or foreign currency
16 denominated sales. "Foreign currency denominated
17 sales", means sales to nonresidents of goods
18 assembled or manufactured in the Philippines, for
19 delivery to residents in the Philippines and paid
20 for in convertible foreign currency remitted
21 through the banking system in the Philippines.]

22 (b) Transactions deemed sale. - The
23 following transactions shall be deemed sale:

24 (1) Transfer, use, or consumption not in the
25 course of business of goods OR PROPERTIES
26 originally intended for sale or for use in the
27 course of business.

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1 (2) Distribution or transfer to:

2 (A) Shareholders or investors
3 as share in the profits of the VAT-
4 registered person; or

5 (B) Creditors in payment of
6 debt.

7 (3) Consignment of goods if actual sale is
8 not made within 60 days following the date such
9 goods were consigned.

10 (4) Retirement from or cessation of
11 business, with respect to inventories of taxable
12 goods existing as of such retirement or
13 cessation.

14 [(c) Changes in or cessation of status of a
15 VAT-registered person. - The tax imposed in
16 paragraph (a) of this Section shall also apply to
17 goods disposed of or existing as of a certain date
18 if under circumstances to be prescribed in
19 Regulations to be promulgated by the Secretary of
20 Finance, the status of a person as a VAT-
21 registered person changes or is terminated.]

22 [(d)] (C) Determination of the tax. - (1)
23 [Tax billed as a separate item in the invoice. -
24 If the tax is billed as a separate item in the
25 invoice, the tax shall be based on the gross
26 selling price, excluding the tax. "Gross selling

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1 price" means the total amount of money or its
2 equivalent which the purchaser pays or is
3 obligated to pay to the seller in consideration of
4 the sale, barter or exchange of the goods,
5 excluding the value-added tax. The excise tax, if
6 any, on such goods shall form part of the gross
7 selling price.] THE TAX SHALL BE COMPUTED BY
8 MULTIPLYING THE TOTAL AMOUNT INDICATED IN THE
9 INVOICE BY 1/11.

10 [(2) Tax not billed separately or is billed
11 erroneously in the invoice. - In case the tax is
12 not billed separately or is billed erroneously in
13 the invoice, the tax shall be determined by
14 multiplying the gross selling price, including the
15 amount intended by the seller to cover the tax or
16 the tax billed erroneously, by the factor 1/11 or
17 such factor as may be prescribed by regulations in
18 case of persons partially exempt under special
19 laws.]

20 [(3)] (2) Sales returns, allowances and sales
21 discounts. - The value of goods OR PROPERTIES
22 sold and subsequently returned or for which
23 allowances were granted by a VAT-registered person
24 may be deducted from the gross sales or receipts
25 for the quarter in which a refund is made or a
26 credit memorandum or refund is issued. Sales
27 discounts granted and indicated in the invoice at
28 the time of sale AND THE GRANT OF WHICH DOES NOT

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1 DEPEND UPON THE HAPPENING OF A FUTURE EVENT may be
2 excluded from the gross sales within the same
3 quarter[.] IT WAS GIVEN.

4 [(4)] (3) Authority of the Commissioner to
5 determine the appropriate tax base. - The
6 Commissioner shall, by regulations, determine the
7 appropriate tax base in cases where a transaction
8 is deemed a sale, barter or exchange of goods OR
9 PROPERTIES under paragraph (b) hereof, or where
10 the gross selling price is unreasonably lower than
11 the actual market value.

12 SEC. 4. Section 102 of the same Code, as amended, is
13 hereby further amended to read as follows:

14 "SEC. 102. Value-added tax on sale of
15 services. - (a) Rate and base of tax. - There
16 shall be levied, assessed and collected, a value-
17 added tax equivalent to 10% of gross receipts
18 derived [by any person engaged in the sale of
19 services.] FROM THE SALE OR EXCHANGE OF SERVICES,
20 INCLUDING THE USE OR LEASE OF PROPERTIES. [The
21 phrase "sale of services" means the performance of
22 all kinds of services for others for a fee,
23 remuneration or consideration, including those
24 performed or rendered by construction and service
25 contractors; stock, real estate, commercial,
26 customs and immigration brokers; lessors of
27 personal property; lessors or distributors of

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1 cinematographic films; persons engaged in
 2 milling, processing, manufacturing or repacking
 3 goods for others; and similar services regardless
 4 of whether or not the performance thereof calls
 5 for the exercise or use of the physical or mental
 6 faculties: Provided, That the following services
 7 performed in the Philippines by VAT-registered
 8 persons shall be subject to 0%:

9 (1) Processing, manufacturing or repacking
 10 goods for other persons doing business outside the
 11 Philippines which goods are subsequently exported,
 12 where the services are paid for in acceptable
 13 foreign currency, inwardly remitted to the
 14 Philippines and accounted for in accordance with
 15 the rules and regulations of the Central Bank of
 16 the Philippines.

17 (2) Services other than those mentioned in
 18 the preceding subparagraph, the consideration for
 19 which is paid for in acceptable foreign currency
 20 which is remitted inwardly to the Philippines
 21 and accounted for in accordance with the rules and
 22 regulations of the Central Bank of the
 23 Philippines.

24 (3) Services rendered to persons or
 25 entities whose exemption under special laws or
 26 international agreements to which the Philippines
 27 is a signatory effectively subjects the supply of
 28 such services to zero rate.

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1 "Gross receipts" means the total amount of
 2 money or its equivalent representing the contract
 3 price, compensation or service fee, including the
 4 amount charged for materials supplied with the
 5 services and deposits or advance payments actually
 6 or constructively received during the taxable
 7 quarter for the service performed or to be
 8 performed for another person, excluding value-
 9 added tax.]

10 (b) Determination of the tax. - [(1) Tax
 11 billed as a separate item in the invoice. - If
 12 the tax is billed as a separate item in the
 13 invoice, the tax shall be based on the gross
 14 receipts, excluding the tax.]

15 [(2) Tax not billed separately or is billed
 16 erroneously in the invoice. - If the tax is not
 17 billed separately or is billed erroneously in the
 18 invoice, the tax shall be determined by
 19 multiplying the gross receipts (including the
 20 amount intended to cover the tax or the tax billed
 21 erroneously) by 1/11.] THE TAX SHALL BE COMPUTED
 22 BY MULTIPLYING THE TOTAL AMOUNT INDICATED IN THE
 23 OFFICIAL RECEIPT BY 1/11.

24
 25 SEC. 5. There shall be inserted after Section 102 of
 26 the same Code a new Section 102-1 to read as follows:

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1 "SEC. 102-A. SALES AND SERVICES SUBJECT TO
 2 ZERO-RATE. (A) THE FOLLOWING SALES BY VAT-
 3 REGISTERED PERSONS SHALL BE SUBJECT TO 0%:

4 "(1) EXPORT SALES - (i) THE SALE AND
 5 ACTUAL SHIPMENT OF GOODS FROM THE PHILIPPINES TO A
 6 FOREIGN COUNTRY, IRRESPECTIVE OF ANY SHIPPING
 7 ARRANGEMENT THAT MAY BE AGREED UPON WHICH MAY
 8 INFLUENCE OR DETERMINE THE TRANSFER OF OWNERSHIP
 9 OF THE GOODS SO EXPORTED AND PAID FOR IN
 10 ACCEPTABLE FOREIGN CURRENCY OR ITS EQUIVALENT IN
 11 GOODS OR SERVICES, AND ACCOUNTED FOR IN ACCORDANCE
 12 WITH THE RULES AND REGULATIONS OF THE BANGKO
 13 SENTRAL NG PILIPINAS (BSP);

14 (ii) THE SALE OF RAW MATERIALS OR PACKAGING
 15 MATERIALS TO A NON-RESIDENT BUYER FOR DELIVERY TO
 16 A RESIDENT LOCAL EXPORT-ORIENTED ENTERPRISE TO BE
 17 USED IN MANUFACTURING, PROCESSING, PACKING OR
 18 REPACKING IN THE PHILIPPINES OF THE SAID BUYER'S
 19 GOODS AND PAID FOR IN ACCEPTABLE FOREIGN CURRENCY
 20 AND ACCOUNTED FOR IN ACCORDANCE WITH THE RULES AND
 21 REGULATIONS OF THE BANGKO SENTRAL NG PILIPINAS
 22 (BSP);

23 (iii) THE SALE OF RAW MATERIALS OR PACKAGING
 24 MATERIALS TO AN EXPORT-ORIENTED ENTERPRISE WHOSE
 25 EXPORT SALES EXCEED SEVENTY PERCENT (70%) OF TOTAL
 26 ANNUAL PRODUCTION;

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1 (iv) THE SALE OF GOLD TO BANGKO SENTRAL NG
2 PILIPINAS (BSP); AND

3 (v) THOSE CONSIDERED EXPORT SALES UNDER
4 EXECUTIVE ORDER NO. 226, OTHERWISE KNOWN AS THE
5 OMNIBUS INVESTMENT CODE OF 1987, AND THOSE UNDER
6 REPUBLIC ACT 6938 IN FAVOR OF AGRICULTURAL
7 COOPERATIVES.

8 "(2) FOREIGN CURRENCY DENOMINATED SALE. -

9 "(3) SALES TO PERSONS OR ENTITIES EXEMPTED
10 UNDER INTERNATIONAL AGREEMENTS TO WHICH THE
11 PHILIPPINES IS A SIGNATORY EFFECTIVELY SUBJECT
12 SUCH SALES TO ZERO-RATE.

13 (B) THE FOLLOWING SERVICES PERFORMED IN THE
14 PHILIPPINES BY VAT-REGISTERED PERSONS SHALL BE
15 SUBJECT TO 0%:

16 (1) PROCESSING, MANUFACTURING OR REPACKING
17 GOODS FOR OTHER PERSONS DOING BUSINESS OUTSIDE THE
18 PHILIPPINES WHICH GOODS ARE SUBSEQUENTLY EXPORTED,
19 WHERE THE SERVICES ARE PAID FOR IN ACCEPTABLE
20 FOREIGN CURRENCY AND ACCOUNTED FOR IN ACCORDANCE
21 WITH THE RULES AND REGULATIONS OF THE BANGKO
22 SENTRAL NG PILIPINAS (BSP).

23 (2) SERVICES OTHER THAN THOSE MENTIONED IN
24 THE PRECEDING SUBPARAGRAPH, THE CONSIDERATION FOR
25 WHICH IS PAID FOR IN ACCEPTABLE FOREIGN CURRENCY
26 AND ACCOUNTED FOR IN ACCORDANCE WITH THE RULES AND

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1 REGULATIONS OF THE BANGKO SENTRAL NG PILIPINAS
2 (BSP).

3 (3) SERVICES RENDERED TO PERSONS OR
4 ENTITIES EXEMPTED UNDER INTERNATIONAL
5 AGREEMENTS TO WHICH THE PHILIPPINES IS A SIGNATORY
6 EFFECTIVELY SUBJECTS THE SUPPLY OF SUCH SERVICES
7 TO ZERO RATE.

8 SEC. 6. Section 103 of the same Code, as amended, is
9 hereby further amended to read as follows:

10 SEC. 103. Exempt Transactions. - The
11 following shall be exempt from the value-added
12 tax:

13 "(a) Sale of nonfood agricultural; marine
14 and forest products in their original state by the
15 primary producer or the owner of the land where
16 the same are produced.

17 "(b) Sale or importation [in their original
18 state] of agricultural and marine food products IN
19 THEIR ORIGINAL STATE; livestock and poultry of a
20 kind generally used as, or yielding or producing
21 foods for human consumption; and breeding stock
22 and genetic materials therefor.

23 "Products classified under this paragraph and
24 paragraph (a) shall be considered in their
25 original state even if they have undergone the
26 simple processes of preparation or preservation

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1 for the market, such as freezing, drying, salting,
 2 smoking or stripping. Polished and/or husked
 3 rice, corn grits, [and] raw cane sugar AND
 4 ORDINARY SALT shall be considered in their
 5 original state.

6 "(c) Sale or importation of fertilizer[,
 7 pesticides and herbicides; chemicals for the
 8 formulation of pesticides;], seeds, seedlings and
 9 fingerlings; fish, [animal] LIVESTOCK and poultry
 10 feeds[;], [and soya bean and fish meals] INCLUDING
 11 INGREDIENTS, WHETHER LOCALLY PRODUCED OR IMPORTED,
 12 USED IN THE MANUFACTURE OF FINISHED FEEDS EXCEPT
 13 SPECIALTY FEEDS.

14 "(d) Sale or importation of petroleum
 15 products (except lubricating oil, processed gas,
 16 grease, wax, and petrolatum) subject to excise tax
 17 imposed under Title VI;

18 "(e) Sale or importation of raw materials to
 19 be used by the buyer or importer himself in the
 20 manufacture of petroleum products [(except
 21 lubricating oil and grease)] subject to excise
 22 tax[;], EXCEPT LUBRICATING OIL, PROCESSED GAS,
 23 GREASE, WAX AND PETROLATUM;

24 "(f) Printing, publication, importation or
 25 sale of books and any newspaper, magazine, review,
 26 or bulletin which appears at regular intervals
 27 with fixed prices for subscription and sale and

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1 which is not devoted principally to the
2 publication of advertisements;

3 "(g) Importation of passenger and/or cargo
4 vessel of more than ten thousand tons, whether
5 coastwise or ocean-going, including engine and
6 spare parts of said vessel to be used by the
7 importer himself as operator thereof;

8 "(h) Importation of personal and household
9 effects belonging to residents of the Philippines
10 returning from abroad and non-resident citizens
11 coming to resettle in the Philippines: Provided,
12 That such goods are exempt from customs duties
13 under the Tariff and Customs Code of the
14 Philippines;

15 "(i) Importation of professional instruments
16 and implements, wearing apparel, domestic animals,
17 and personal households effects (except any
18 vehicle, vessel, aircraft, machinery, other goods
19 for use in manufacture and merchandise of any kind
20 in commercial quantity) belonging to persons
21 coming to settle for the first time in the
22 Philippines, for their own use and not for sale,
23 barter or exchange, accompanying such persons, or
24 arriving within ninety (90) days before or after
25 their arrival, upon the production of evidence
26 satisfactory to the Commissioner of Internal
27 Revenue, that such persons are actually coming to

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1 settle in the Philippines and that the change of
2 residence is bona fide;

3 "(j) Services [rendered by persons] subject
4 to percentage tax under Title V EXCEPT DEALERS IN
5 SECURITIES AND LENDING INVESTORS.

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

9 "(l) Medical, dental, hospital and
10 veterinary services;

11 "(m) Educational services rendered by
12 private educational institutions, duly accredited
13 by the Department of Education, Culture and
14 Sports, and those rendered by government
15 educational institutions;

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

20 ["(o) Services performed as actors and
21 actresses, talents, singers and emcees; radio and
22 television broadcasters, choreographers; musical,
23 radio, movie, television and stage directors;]

24 ["(p) Services performed as professional
25 athletes;]

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1 "[(q)] (o) Leasing of [real property]
 2 AGRICULTURAL LAND; AND RESIDENTIAL PROPERTY WITH
 3 A MONTHLY RENTAL OF LESS THAN TEN THOUSAND PESOS
 4 (P10,000.00).

5 ["(r) Services performed in the exercise of
 6 profession or calling (except customs brokers)
 7 subject to the occupation tax under the Local Tax
 8 Code, and professional services performed by
 9 registered general professional partnerships;]

10 "[(s)] (p) Services rendered by individuals
 11 pursuant to an employer-employee relationship;

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

19 "[(u)] (r) Transactions which are exempt
 20 under [special laws or] international agreements
 21 to which the Philippines is a signatory;

22 "[(v)] (s) Export sales by persons who are
 23 not VAT-registered; [and]

24 [(w) Sales and/or services performed by
 25 persons other than those mentioned in the
 26 preceding paragraphs whose annual gross sales

1 and/or receipts do not exceed the amount
2 prescribed in regulations to be promulgated by the
3 Secretary of Finance which shall not be less than
4 P100,000 or higher than P500,000.]

5 "(T) SALE OR TRANSFER OF SECURITIES AS
6 DEFINED IN THE REVISED SECURITIES ACT (BATAS
7 PAMBANSA BLG. 178);

8 "(U) SALE OF AGRICULTURAL LAND NOT EXCEEDING
9 ONE MILLION PESOS (P1,000,000.00) OR REAL PROPERTY
10 UTILIZED FOR SOCIALIZED HOUSING;

11 "(V) SALE OR LEASE OF GOODS OR PROPERTIES OR
12 THE PERFORMANCE OF SERVICES OTHER THAN THE
13 TRANSACTIONS MENTIONED IN THE FOREGOING
14 PARAGRAPHS, THE GROSS ANNUAL SALES AND/OR RECEIPTS
15 OF WHICH DO NOT EXCEED THE AMOUNT PRESCRIBED IN
16 REGULATIONS TO BE PROMULGATED BY THE SECRETARY OF
17 FINANCE WHICH SHALL NOT BE LESS THAN ONE HUNDRED
18 THOUSAND PESOS OR HIGHER THAN FIVE HUNDRED
19 THOUSAND PESOS TAKING INTO CONSIDERATION FACTORS
20 SUCH AS THE INFLATION RATE AND OTHER ECONOMIC AND
21 SOCIAL INDICATORS.

22 SEC. 7. Section 104 of the same Code, as amended, is
23 hereby further amended to read as follows:

24 "SEC. 104. Tax Credits. - (a) Creditable
25 input tax. - Any input tax [on the] EVIDENCED BY

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1 A VAT INVOICE OR OFFICIAL RECEIPT ISSUED IN
2 ACCORDANCE WITH SECTION 108 OF THIS CODE ON THE
3 FOLLOWING TRANSACTIONS SHALL BE CREDITABLE AGAINST
4 THE OUTPUT TAX:

5 "(1) Purchase or importation of goods;

6 "(A) For sale [or for conversion
7 into or intended to form part of a
8 finished product for sale or for use in
9 the course of business]; or

10 "(B) FOR CONVERSION INTO OR
11 INTENDED TO FORM PART OF A FINISHED
12 PRODUCT FOR SALE; OR

13 "[(B)] (C) For use as supplies
14 in the course of business; or

15 "[(C)] (D) For use as materials
16 supplied in the sale of service; or

17 "[(D)] (E) For use in trade or
18 business for which deduction for
19 depreciation OR AMORTIZATION is allowed
20 under [Section 29(f) of] this Code [;
21 and], EXCEPT AUTOMOBILES, AIRCRAFT AND
22 YACHTS.

23 "(2) [Service performed by a VAT-registered
24 person shall be credited against the output tax
25 payable by the VAT-registered person: Provided,

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1 That in the case of domestic purchase of goods or
2 services, the invoice or receipt was issued
3 therefor by a VAT-registered person in a manner
4 prescribed in Section 108.] PURCHASE OF SERVICES.

5 "THE INPUT TAX SHALL BE CREDITABLE (A) TO
6 THE PURCHASER OF DOMESTIC GOODS OR PROPERTIES UPON
7 CONSUMMATION OF SALE AND ON IMPORTATION OF SAID
8 GOODS OR PROPERTIES, (B) TO THE IMPORTER, UPON
9 PAYMENT OF THE VALUE-ADDED TAX PRIOR TO THE
10 RELEASE OF THE GOODS FROM THE CUSTODY OF THE
11 BUREAU OF CUSTOMS AND (C) IN THE CASE OF PURCHASE
12 OF SERVICES, LEASE OR USE OF PROPERTIES, THE INPUT
13 TAX SHALL BE CREDITABLE TO THE PURCHASER, LESSEE
14 OR LICENSEE UPON PAYMENT OF THE COMPENSATION,
15 RENTAL, ROYALTY OR FEE.

16 "A VAT-registered person who is also engaged
17 in transactions not subject to the value-added tax
18 shall be allowed INPUT tax credit as follows:

19 "(A) Total input tax which can be
20 directly attributed to transactions
21 subject to value-added tax; and

22 "(B) A rateable portion of any
23 input tax which cannot be directly
24 attributed to either activity.

25 ["Input tax" means the value-added tax paid
26 by a VAT-registered person in the course of his

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1 trade or business on importation of goods or local
 2 purchases of goods or services from a VAT-
 3 registered person. It shall also include the
 4 transitional input tax determined in accordance
 5 with Section 105 of this Code and other
 6 transitional input taxes as prescribed by
 7 regulations].

8 "[In case tax-exempt products of a pioneer
 9 enterprise registered with the BOI as of August 1,
 10 1986 are sold domestically to a value-added tax
 11 registered person, the value-added tax otherwise
 12 due on such products shall also be considered as
 13 input tax creditable against his output tax
 14 payable.]

15 ["The term 'output tax' means the value-added
 16 tax due on the sale of taxable goods or services
 17 by any person registered or required to register
 18 under Section 107 of this Code.]

19 "(b) Excess output or input tax. - If at
 20 the end of any taxable quarter the output tax
 21 exceeds the input tax, the excess shall be paid by
 22 the VAT-registered person. If the input tax
 23 exceeds the output tax, the excess shall be
 24 carried over to the succeeding quarter or
 25 quarters. Any input tax attributable to the
 26 purchase of capital goods or to zero-rated sales
 27 by a VAT-registered person may at his option be
 28 refunded or credited against other internal

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1 revenue taxes, subject to the provisions of
2 Section 106.

3 "(C) DETERMINATION OF CREDITABLE INPUT TAX.
4 - THE SUM OF THE EXCESS INPUT TAX CARRIED OVER
5 FROM THE PRECEDING MONTH OR QUARTER AND THE INPUT
6 TAX CREDITABLE TO A VAT-REGISTERED PERSON DURING
7 THE TAXABLE MONTH OR QUARTER SHALL BE REDUCED BY
8 THE AMOUNT OF CLAIM FOR REFUND OR TAX CREDIT FOR
9 VALUE-ADDED TAX AND OTHER ADJUSTMENTS, SUCH AS
10 PURCHASE RETURNS OR ALLOWANCES AND INPUT TAX
11 ATTRIBUTABLE TO EXEMPT SALE.

12 "THE CLAIM FOR TAX CREDIT REFERRED TO IN THE
13 PRECEDING PARAGRAPH SHALL INCLUDE NOT ONLY THOSE
14 FILED WITH THE BUREAU OF INTERNAL REVENUE (BIR)
15 BUT ALSO THOSE FILED WITH THE OTHER GOVERNMENT
16 AGENCIES SUCH AS THE BOARD OF INVESTMENTS (BOI)
17 AND THE BUREAU OF CUSTOMS (BOC)."

18 SEC. 8. Section 106 of the same Code, as amended, is
19 hereby further amended to read as follows:

20 "SEC. 106. [Refunds or tax credits of input
21 tax. - (a) Export sales. - An exporter who is
22 a VAT-registered person may within two years from
23 the date of exportation, apply for the issuance of
24 a tax credit certificate or refund of the input
25 tax attributable to the goods exported, to the
26 extent that such input tax has not been applied to
27 output tax and upon presentation of proof that the
28 foreign exchange proceeds has been accounted for
29 in accordance with the regulations of the Central
30 Bank of the Philippines.]

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1 "[(b) Zero-rated or effectively zero-rated
2 sales. - Any person, except those covered by
3 paragraph (a) above, whose sales are zero-rated or
4 are effectively zero-rated may, within two years
5 after the close of the quarter when such sales
6 were made, apply for the issuance of a tax credit
7 certificate or refund of the input taxes
8 attributable to such sales to the extent that such
9 input tax has not been applied against output
10 tax.] REFUNDS OR TAX CREDITS OF CREDITABLE INPUT
11 TAX (A) ANY VAT-REGISTERED PERSON WHOSE SALES ARE
12 ZERO-RATED OR EFFECTIVELY ZERO-RATED MAY, WITHIN
13 TWO (2) YEARS AFTER THE CLOSE OF THE TAXABLE
14 QUARTER WHEN THE SALES WERE MADE, APPLY FOR THE
15 ISSUANCE OF A TAX CREDIT CERTIFICATE OR REFUND OF
16 CREDITABLE INPUT TAX DUE OR PAID ATTRIBUTABLE TO
17 SUCH SALES. PROVIDED, THAT IN THE CASE OF ZERO-
18 RATED SALES UNDER SECTION 102-A. THE ACCEPTABLE
19 FOREIGN CURRENCY EXCHANGE PROCEEDS THEREOF HAD
20 BEEN DULY ACCOUNTED FOR IN ACCORDANCE WITH THE
21 REGULATIONS OF THE BANGKO SENTRAL NG PILIPINAS
22 (BSP): PROVIDED, FURTHER, THAT WHERE THE TAXPAYER
23 IS ENGAGED IN ZERO-RATED OR EFFECTIVELY ZERO-RATED
24 SALE AND ALSO IN TAXABLE OR EXEMPT SALE OF GOODS
25 OR PROPERTIES OR SERVICES AND THE AMOUNT OF
26 CREDITABLE INPUT TAX DUE OR PAID CANNOT BE
27 DIRECTLY AND ENTIRELY ATTRIBUTED TO ANY ONE OF THE
28 TRANSACTIONS, IT SHALL BE ALLOCATED

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1 PROPORTIONATELY ON THE BASIS OF THE VOLUME OF
2 SALES.

3 "[c] (B) Capital goods. - A VAT-
4 registered person may apply for the issuance of a
5 tax credit certificate or refund of input taxes
6 paid on capital goods imported or locally
7 purchased, to the extent that such input taxes
8 have not been applied against output taxes. The
9 application [for refund] may be made only WITHIN
10 TWO (2) YEARS after the [expiration of 2
11 succeeding quarters following the quarter in which
12 the] CLOSE OF THE TAXABLE QUARTER WHEN THE
13 importation or [local] purchase was made.
14 [: Provided, That a VAT-registered person who is
15 just commencing business may apply for refund of
16 input taxes under this paragraph not earlier than
17 180 days from the date of registration or actual
18 start of business operations, whichever comes
19 later: Provided, however, That the application is
20 filed not later than 2 years from the dates herein
prescribed.]

21 "[d] (C) Cancellation of VAT-registration.-
22 A person whose registration has been cancelled due
23 to retirement from or cessation of business, or
24 due to changes in or cessation of status under
25 Section 107(F) of this Code may, within 2 years
26 from the date of cancellation, apply for the
27 issuance of a tax credit certificate for any

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1 unused input tax which he may use in payment of
2 his other internal revenue taxes.

3 "[e](D) Period within which refund OR TAX
4 CREDIT of input taxes [may] SHALL be made [by the
5 Commissioner]. - The Commissioner shall GRANT A
6 refund OR ISSUE THE TAX CREDIT FOR CREDITABLE
7 input taxes within Sixty (60) days from the date
8 [the application for refund was filed with him or
9 his duly authorized representative. No refund of
10 input taxes shall be allowed unless the VAT-
11 registered person files an application for refund
12 within the period prescribed in paragraphs (a),
13 (b) and (c) as the case may be.] OF SUBMISSION OF
14 COMPLETE DOCUMENTS IN SUPPORT OF THE APPLICATION
15 FILED IN ACCORDANCE WITH SUBPARAGRAPHS (A) AND (B)
16 HEREOF. IN CASE OF DENIAL, FULLY OR PARTIALLY OF
17 THE CLAIM FOR TAX REFUND OR TAX CREDIT, OR THE
18 FAILURE ON THE PART OF THE COMMISSIONER TO ACT ON
19 THE APPLICATION WITHIN THE PERIOD PRESCRIBED
20 ABOVE, THE TAXPAYER AFFECTED MAY, WITHIN THIRTY
21 (30) DAYS FROM THE RECEIPT OF THE DECISION DENYING
22 THE CLAIM OR AFTER THE EXPIRATION OF THE SIXTY-DAY
23 PERIOD, APPEAL THE DECISION OR THE UNACTED CLAIM
24 TO THE COURT OF TAX APPEALS."

25 "[f](E) Manner of giving refund. -
26 Refund shall be made upon warrants drawn by the
27 Commissioner or by his duly authorized
28 representative without the necessity of being

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1 countersigned by the Chairman, Commission on
 2 Audit, the provisions of the Revised
 3 Administrative Code to the contrary
 4 notwithstanding: Provided, That refunds under
 5 this paragraph shall be subject to post audit by
 6 the Commission on Audit."

7 SEC. 9. Section 107 of the same Code, as amended, is
 8 hereby further amended to read as follows:

9 "SEC. 107. Registration of value-added
 10 taxpayers. (a) In General. - Any person
 11 subject to a value-added tax under Section 100 and
 12 102 of this Code shall register with the
 13 appropriate revenue district officer AND PAY AN
 14 ANNUAL REGISTRATION FEE IN THE AMOUNT OF FIVE
 15 HUNDRED PESOS (P500.00) FOR EVERY SEPARATE OR
 16 DISTINCT ESTABLISHMENT OR PLACE OF BUSINESS AND
 17 EVERY YEAR THEREAFTER ON OR BEFORE THE LAST DAY OF
 18 JANUARY. ANY PERSON JUST COMMENCING A BUSINESS
 19 SUBJECT TO THE VALUE-ADDED TAX MUST PAY THE FEE
 20 BEFORE ENGAGING THEREIN.

21 "A person who maintains a head or main office
 22 and branches in difference places shall register
 23 with the revenue district office which has
 24 jurisdiction over the place wherein the main or
 25 head office is located. HOWEVER, THE FEE SHALL BE
 26 PAID TO THE REVENUE DISTRICT OFFICER, COLLECTION

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1 AGENT, AUTHORIZED TREASURER OF THE MUNICIPALITY
 2 WHERE EACH PLACE OF BUSINESS OR BRANCH IS
 3 SITUATED.

4 "(b) Persons commencing a business. - Any
 5 person who expects to realize gross sales or
 6 receipts subject to value-added tax in excess of
 7 the amount prescribed by the Secretary of
 8 Finance UNDER SECTION 103 (V) OF THIS CODE for
 9 the next 12 month period from the commencement of
 10 the business shall, within thirty (30) days before
 11 the start of the said business, register with the
 12 revenue district officer who has jurisdiction over
 13 his principal place of business AND SHALL PAY THE
 14 ANNUAL REGISTRATION FEE PRESCRIBED IN THE
 15 PRECEDING PARAGRAPH.

16 "(c) Persons becoming liable to the value-
 17 added tax. - Any person whose gross sales or
 18 receipts in any 12-months period exceeds the
 19 amount prescribed [by regulations] UNDER SECTION
 20 103 (V) OF THIS CODE for exemption from the value-
 21 added tax shall register AND PAY THE ANNUAL
 22 REGISTRATION FEE PRESCRIBED IN PARAGRAPH (A) OF
 23 THIS SECTION within thirty (30) days after the end
 24 of the last month of that period; and shall be
 25 liable to the value-added tax commencing from the
 26 first day of the month following his registration.

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1 "(d) Optional registration of exempt person.
2 Any person whose transactions are exempt from
3 value-added tax under Section 103 [(a), (b), (c),
4 (f), and (w)] (V) of this Code, OR ANY PERSON
5 WHOSE TRANSACTIONS ARE EXEMPT FROM VALUE-ADDED TAX
6 UNDER SECTION 103 (A), (B), (C), (D) AND (F) OF
7 THIS CODE WITH RESPECT TO HIS EXPORT SALES ONLY,
8 may apply for registration as a VAT-registered
9 person not later than ten (10) days before the
10 beginning of the taxable quarter AND SHALL PAY THE
11 ANNUAL REGISTRATION FEE PRESCRIBED IN SUBPARAGRAPH
12 (A) OF THIS SECTION. "[A VAT-registered person
13 who is, at the same time, engaged in activities
14 exempted under Section 103 (a), (b), (c) and (f)
15 of this Code may register any or all of his exempt
16 activities within the same period provided for in
17 this paragraph.]

18 "In any case, the Commissioner may, for
19 administrative reasons, deny any application for
20 registration.

21 "For purposes of this Title, any person
22 registered in accordance with the provisions of
23 this section shall be referred to as VAT-
24 registered person. Each VAT-registered person
25 shall be assigned only one [registration]
26 TAXPAYER'S IDENTIFICATION number.

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1 "(e) Cancellation of Registration. - The
 2 registration of any person who ceases to be liable
 3 to the value-added tax shall be cancelled by the
 4 Commissioner upon filing of an application for
 5 cancellation of registration. Any person who
 6 opted to be registered under paragraph (d) of this
 7 section may, under regulation of the Secretary of
 8 Finance, apply for cancellation of such
 9 registration."

10 (F) CHANGES IN OR CESSATION OF STATUS OF A
 11 VAT-REGISTERED PERSON. - THE TAX IMPOSED IN
 12 PARAGRAPH (A) OF SECTION 100 OF THIS CODE SHALL
 13 ALSO APPLY TO GOODS OR PROPERTIES DISPOSED OF OR
 14 EXISTING AS OF A CERTAIN DATE IF UNDER
 15 CIRCUMSTANCES TO BE PRESCRIBED IN REGULATIONS TO
 16 BE PROMULGATED BY THE SECRETARY OF FINANCE, THE
 17 STATUS OF A PERSON AS A VAT-REGISTERED PERSON
 18 CHANGES OR IS TERMINATED.

19 SEC. 10. Section 108 of the same Code, as amended, is
 20 hereby further amended to read as follows:

21 "SEC. 108. Invoicing and accounting
 22 requirements for VAT-registered persons. (a)
 23 Invoicing requirements. - A VAT-registered
 24 person shall, for every sale, issue an invoice or
 25 receipt. In addition to the information required
 26 under Section 238, the following information shall
 27 be indicated in the invoice or receipt:

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1 "[(1) The VAT registration number.]

2 "[(2) If the seller bills the tax as a
3 separate item in the invoice;]

4 "[(A) The amount of gross
5 selling price or gross receipts on
6 which the value-added tax is
7 based;]

8 "[(B) The amount of value-
9 added tax determined by multiplying
10 the amount of gross selling price
11 or gross receipts by the rate of
12 tax; and]

13 "[(C) The sum of (i) the gross
14 selling price or gross receipts and
15 (ii) the value-added tax which the
16 purchaser pays or is obligated to
17 pay to the vendor;]

18 "[(3) If the seller elects not to bill the
19 tax as a separate item in the invoice or receipt,
20 the total amount charged against the buyer.]

21 "(1) A STATEMENT THAT THE SELLER IS A VAT-
22 REGISTERED PERSON FOLLOWED BY HIS TAXPAYER
23 IDENTIFICATION NUMBER (TIN); AND

24 "(2) THE TOTAL AMOUNT WHICH THE PURCHASER
25 PAYS OR IS OBLIGATED TO PAY TO THE SELLER WITH THE

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1 INDICATION THAT SUCH AMOUNT INCLUDES THE VALUE-
2 ADDED TAX."

3 "(b) Accounting requirements. -
4 Notwithstanding the provision of Section 233, all
5 persons subject to the value-added tax under
6 Sections 100 and 102 shall, in addition to the
7 regular accounting records required, maintain a
8 subsidiary sales journal and subsidiary purchase
9 journal on which the daily sales and purchases are
10 recorded. The subsidiary journals shall contain
11 such information as may be required by the
12 Secretary of Finance."

13 SEC. 11. Section 110(c) of the same Code, as amended,
14 is hereby further amended to read as follows:

15 "(c) Withholding of Creditable Value-Added
16 Tax. - The government or any of its political
17 subdivisions, instrumentalities or agencies,
18 including government-owned or controlled
19 corporations (GOCCs) shall, before making payment
20 on account of its purchase of goods from sellers
21 and services rendered by contractors which are
22 subject to the value-added tax imposed in Sections
23 100 and 102 of this Code, deduct and withhold the
24 value-added tax due at the rate of three percent
25 (3%) of the gross payment for the purchase of
26 goods and six percent (6%) on gross receipts for
27 services rendered by contractors on every release

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1 or installment payment which shall be creditable
 2 against the value-added tax liability of the
 3 seller or contract: PROVIDED, HOWEVER, THAT THE
 4 PAYMENT FOR LEASE OR USE OF PROPERTIES OR PROPERTY
 5 RIGHTS TO NON-RESIDENT OWNERS SHALL BE SUBJECT TO
 6 TEN PERCENT (10%) WITHHOLDING TAX AT THE TIME OF
 7 PAYMENT. FOR THIS PURPOSE, THE PAYOR OR PERSON IN
 8 CONTROL OF THE PAYMENT SHALL BE CONSIDERED AS THE
 9 WITHHOLDING AGENT."

10 SEC. 12. Section 112 of the same Code, as amended, is
 11 hereby further amended to read as follows:

12 "SEC. 112. Tax on persons exempt from
 13 value-added tax (VAT). - Any person whose sales
 14 or receipts are exempt under Section 103 [(w)](v)
 15 of this Code from payment of value-added tax and
 16 who is not a VAT-registered person shall pay a tax
 17 equivalent to [two] THREE percent [(2%)] (3%) of
 18 his gross quarterly sales or receipts.

19 NOTWITHSTANDING THE EXEMPTIONS GRANTED UNDER
 20 THIS CODE, ANY PERSON WHOSE SALE OF GOODS OR
 21 PROPERTIES OR SERVICES WHICH ARE OTHERWISE NOT
 22 SUBJECT TO VAT, BUT WHO ISSUES A VAT INVOICE OR
 23 RECEIPT THEREFOR SHALL, IN ADDITION TO HIS
 24 LIABILITY TO OTHER APPLICABLE PERCENTAGE TAX, IF
 25 ANY, BE LIABLE TO THE TAX IMPOSED IN SECTION 100
 26 OR 102 WITHOUT THE BENEFIT OF INPUT TAX CREDIT AND
 27 SUCH TAX SHALL NOT ALSO BE RECOGNIZED AS INPUT TAX

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1 CREDIT TO THE PURCHASER UNDER SECTION 104, ALL OF
2 THIS CODE.

3 SEC. 13. Section 236 of the same Code, as amended, is
4 hereby further amended to read as follows:

5 "SEC. 236. [Supplying] INDICATION of
6 taxpayer [account] IDENTIFICATION number (TIN). -
7 FOR TAX IDENTIFICATION PURPOSES, [Any] ANY person
8 required under the authority of this Code, to
9 make, render, or file a return, statement, or
10 [other] A document, shall be supplied with or
11 assigned a taxpayer [account] IDENTIFICATION
12 number (TIN) which shall [include] BE INDICATED ON
13 such return, statement or document [filed with the
14 Commissioner for his proper identification for tax
15 purposes].

16 "[Only one account number shall be given to a
17 person required to have one, and a] Any person who
18 shall secure more than one [account number] TIN OR
19 WHO FAILS TO INDICATE HIS CORRECT TIN AS REQUIRED
20 IN THE PRECEDING PARAGRAPH, shall be criminally
21 liable under the provisions of Section [337] 274
22 of this Code.

23 SEC. 14. Section 237 of the same Code, as amended, is
24 hereby further amended to read as follows:

25 "SEC. 237. Registration of name or style
26 with the revenue district officer or collection

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1 agent. - Every person, other than persons
2 required to be registered under the provisions of
3 Section 107, engaged in any business shall, on or
4 before the commencement of his business, or
5 whenever he transfers to another revenue district,
6 register with the revenue district officer
7 concerned within 10 days from the commencement of
8 business or transfer AND SHALL PAY THE ANNUAL
9 REGISTRATION FEE IN THE AMOUNT OF FIVE HUNDRED
10 PESOS (P500.00) FOR EVERY SEPARATE OR DISTINCT
11 ESTABLISHMENT OR PLACE OF BUSINESS AND EVERY YEAR
12 THEREAFTER ON OR BEFORE THE LAST DAY OF JANUARY.
13 THE FEE SHALL BE PAID TO THE REVENUE DISTRICT
14 OFFICER, COLLECTION AGENT, AUTHORIZED TREASURER
15 OF THE MUNICIPALITY WHERE EACH PLACE OF BUSINESS
16 OR BRANCH IS SITUATED. In cities or
17 municipalities where no revenue district officer
18 is stationed, such person shall register AND PAY
19 THE FEE PRESCRIBED HEREIN with the collection
20 agent. The registration shall contain his name or
21 style, place of residence, business, the place
22 where such business is carried on, and such other
23 information as may be required by the Commissioner
24 in the form prescribed therefor. In the case of a
25 firm, the names and residences of the various
26 persons constituting the same shall also be
27 registered. The Commissioner, after taking into
28 consideration the volume of sales, financial

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1 condition and other relevant factors, may require
 2 the registrant to guarantee the payment of his
 3 taxes by way of advance payment, or the posting or
 4 filing of a security, guarantee or collateral
 5 acceptable to the Commissioner."

6 SEC. 15. Section 238 of the same Code, as amended, is
 7 hereby further amended to read as follows:

8 "SEC. 238. Issuance of receipts or sales or
 9 commercial invoices. - All persons, subject to
 10 an internal revenue tax shall for each sale or
 11 transfer of merchandise or for services rendered
 12 valued at P25.00 or more, issue DULY REGISTERED
 13 receipts or sales or commercial invoices, prepared
 14 at least in duplicate, showing the date of
 15 transaction, quantity, unit cost and description
 16 of merchandise or nature of service: Provided,
 17 HOWEVER, That in the case of sales, receipts or
 18 transfers in the amount of P100.00 or more, or,
 19 regardless of amount, where the sale or transfer
 20 is made by A person[s] subject to value-added tax
 21 to [other] ANOTHER person[s] also [subjectS] to
 22 value-added tax; or, where the receipt is issued
 23 to cover payment made as rentals, commissions,
 24 compensations or fees, receipts or invoices shall
 25 be issued which shall show the name, business
 26 style, if any, and address of the purchase,
 27 customer, or client[.]: PROVIDED, FURTHER, THAT
 28 WHERE THE PURCHASER IS A VAT-REGISTERED PERSON, IN

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1 ADDITION TO THE INFORMATION HEREIN REQUIRED, THE
2 INVOICE OR RECEIPT SHALL FURTHER SHOW THE TAXPAYER
3 IDENTIFICATION NUMBER OF THE PURCHASER.

4 "The original of each receipt or invoice
5 shall be issued to the purchaser, customer or
6 client at the time the transaction is effected,
7 who, if engaged in business or in the exercise of
8 profession, shall keep and preserve the same in
9 his place of business for a period of 3 years from
10 the close of the taxable year in which such
11 invoice or receipt was issued, while the duplicate
12 shall be kept and preserved by the issuer, also in
13 his place of business, for a like period.

14 "The Commissioner may, in meritorious cases,
15 exempt any person subject to an internal revenue
16 tax from compliance with the provisions of this
17 section."

18 SEC. 16. Sections 113, 114, and 116 of the same
19 Code, as amended are hereby repealed.

20 SEC. 17. The Secretary of Finance shall, upon the
21 recommendation of the Commissioner of Internal Revenue,
22 promulgate the necessary rules and regulations for the
23 effective implementation of this Act.

24 SEC. 18. Any law, decree, executive order, rule and
25 regulation or part thereof, which is inconsistent with this
26 Act is hereby repealed or modified accordingly.

S. No. _____

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1 SEC. 19. This Act shall take effect fifteen (15) days
2 following its complete publication in the Official Gazette
3 or in at least two (2) national newspapers of general
4 circulation whichever comes earlier.

Approved,

[WMCRIII:SBVAT]

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