



HOUSE OF REPRESENTATIVES

H. No. 3555

BY REPRESENTATIVES SINGSON, LAPUS, TEVES, JAVIER, ARROYO (I.),
LOCSIN, CUA (J.), BADELLES, PABLO, MALANYAON, BACULIO,
OLAÑO, RAMIRO, ZIALCITA, BATERINA, ERMITA-BUHAIN, ECLEO,
SANDOVAL, LAGMAN, ANDAYA, VALDEZ, VILLAFUERTE, GOLEZ,
ABLAN, TULAGAN, ESPINA, DY (C.), DEFENSOR (M.), ALFELOR,
MACAPAGAL ARROYO, BANAAG, BUESER, BULUT, CABILAO,
CAGAS. CAJES, CARI, CHATTO, CODILLA, DADIVAS, DIMAPORO,
DOMOGAN, DUMARPA, DY (F.), ESPINOSA (E.T.), ESTRELLA, IPONG,
JALA, JOAQUIN, JOSON, MACARAMBON, MACIAS, ORTEGA, PINGOY,
RODRIGUEZ, SILVERIO, SOON-RUIZ, UY (E.), VELOSO, YAPHA, DEL
MAR, MAGSAYSAY (E.), DEFENSOR (A.), DE GUZMAN, GULLAS
AND MANGUDADATU, PER COMMITTEE REPORT NO 182

AN ACT RESTRUCTURING THE VALUE-ADDED TAX, AMENDING
FOR THE PURPOSE TITLE IV OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND
FOR OTHER PURPOSES

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

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

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

5 "(A) *Rate and Base of Tax.* – There shall be levied,
6 assessed and collected on every sale, barter or exchange of

1 goods or properties, a value-added tax equivalent to [ten
2 percent (10%)] TWELVE PERCENT (12%) of the gross selling
3 price or gross value in money of the goods or properties sold,
4 bartered or exchanged, such tax to be paid by the seller or
5 transferor.

6 "x x x

7 "(B) *Transactions Deemed Sale.* – x x x

8 "(C) *Changes in or Cessation of Status of a VAT-*
9 *registered Person.* – x x x

10 "(D) *Determination of the Tax.* –

11 "(1) The tax shall be computed by multiplying the total
12 amount indicated in the invoice by [one-eleventh (1/11)]
13 THREE-TWENTY EIGHTH (3/28).

14 "x x x."

15 SEC. 2. Section 107 (A) of the National Internal Revenue Code of
16 1997, as amended, is hereby further amended to read as follows:

17 "SEC. 107. *Value-added Tax on Importation of*
18 *Goods.* –

19 "(A) *In General.* – There shall be levied, assessed and
20 collected on every importation of goods a value-added tax
21 equivalent to [ten percent (10%)] TWELVE PERCENT (12%)
22 based on the total value used by the Bureau of Customs in
23 determining tariff and customs duties, plus customs duties,
24 excise taxes, if any, and other charges, such tax to be paid by
25 the importer prior to the release of such goods from customs
26 custody: *Provided,* That where the customs duties are
27 determined on the basis of the quantity or volume of the
28 goods, the value-added tax shall be based on the landed cost
29 plus excise taxes, if any."

1 SEC. 3. Section 108 of the National Internal Revenue Code of
2 1997, as amended, is hereby further amended to read as follows:

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

5 "(A) *Rate and Base of Tax.* - There shall be levied,
6 assessed and collected, a value-added tax equivalent to [ten
7 percent (10%)] **TWELVE PERCENT (12%)** of gross receipts
8 derived from the sale or exchange of services, including the
9 use or lease of properties.

10 " x x x

11 "(B) *Transactions Subject to Zero Percent (0%) Rate*
12 - x x x

13 "(C) *Determination of the Tax.* - The tax shall be
14 computed by multiplying the total amount indicated in the
15 official receipt by [one-eleventh (1/11)] **THREE-TWENTY**
16 **EIGHTH (3/28).**"

17 SEC. 4. Section 110 (A)(1)(a)(v) of the National Internal Revenue
18 Code of 1997, as amended, is hereby further amended to read as follows:

19 "SEC. 110. *Tax Credits.* -

20 "(A) *Creditable Input Tax Credits.* -

21 "(1) x x x

22 "(a) x x x

23 "(i) x x x

24 "(ii) x x x

25 "(iii) x x x

26 "(iv) x x x

27 "(v) For use in trade or business for which deduction
28 for depreciation or amortization is allowed under this Code,
29 except automobiles, aircrafts and yachts: **PROVIDED,**

1 *HOWEVER, THAT THE INPUT TAX CREDIT FOR SUCH CAPITAL*
 2 *GOODS ON WHICH A VAT HAS BEEN PAID BY A VAT-*
 3 *REGISTERED PERSON SHALL BE EQUALLY DISTRIBUTED*
 4 *OVER A PERIOD OF FIVE YEARS: PROVIDED, FURTHER, THAT*
 5 *ANY EXCESS INPUT TAX AFTER THE FIRST FIVE YEARS MAY*
 6 *BE UTILIZED FURTHER FOR A PERIOD NOT TO EXCEED THE*
 7 *DEPRECIABLE LIFE OF THE CAPITAL GOODS AS DETERMINED*
 8 *UNDER SECTION 34 (F)(2) OF THIS CODE."*

9 SEC. 5. Section 114 of the National Internal Revenue Code of
 10 1997, as amended, is hereby further amended to read as follows:

11 "SEC. 114. *Return and Payment of Value-added Tax. -*

12 "(A) *In General. - x x x*

13 "(B) *Where to File the Return and Pay the*
 14 *Tax. - x x x*

15 "(C) *Withholding of Creditable Value-added Tax. -* The
 16 Government or any of its political subdivisions,
 17 instrumentalities or agencies, including government -owned
 18 or-controlled corporations (GOCCs) shall, before making
 19 payment on account of each purchase of goods from sellers
 20 and services rendered by contractors which are subject to the
 21 value-added tax imposed in Sections 106 and 108 of this Code,
 22 deduct and withhold the value-added tax due at the rate of
 23 [three percent (3%)] FIVE PERCENT (5%) of the gross
 24 payment for the purchase of goods and [six percent (6%)]
 25 EIGHT PERCENT (8%) on gross receipts for services rendered
 26 by contractors on every sale or installment payment which
 27 shall be creditable against the value-added tax liability of the
 28 seller or contractor: *Provided, however, That in the case of*
 29 *government public works contractors, the withholding rate*
 30 *shall be [eight and one-half percent (8.5%)] TEN AND ONE-*

1 HALF PERCENT (10.5%): *Provided, further,* That the payment
2 for lease or use of properties or property rights to nonresident
3 owners shall be subject to [ten percent (10%)] TWELVE
4 PERCENT (12%) withholding tax at the time of payment. For
5 this purpose, the payor or person in control of the payment
6 shall be considered as the withholding agent.

7 “The value-added tax withheld under this Section shall
8 be remitted within ten (10) days following the end of the
9 month the withholding was made.”

10 SEC. 6. *Implementing Rules and Regulations.* – The Secretary of
11 Finance shall, upon the recommendation of the Commissioner of Internal
12 Revenue, promulgate the necessary rules and regulations for the effective
13 implementation of this Act.

14 SEC. 7. *Separability Clause.* – If any provision of this Act is
15 subsequently declared unconstitutional, the validity of the remaining
16 provisions hereof shall remain in full force and effect.

17 SEC. 8. *Repealing Clause.* – All laws, decrees, executive orders,
18 rules and regulations or parts thereof which are contrary to or inconsistent
19 with this Act are hereby repealed, amended or modified accordingly.

20 SEC. 9. *Effectivity.* – This Act shall take effect fifteen (15) days
21 after its publication in the *Official Gazette* or in any two newspapers of
22 general circulation, whichever comes earlier.

Approved,