



Republic of the Philippines
House of Representatives
Quezon City

EIGHTEENTH CONGRESS

First Regular Session

House Bill No. 6653



Introduced by Representative Jose Enrique S. Garcia III

EXPLANATORY NOTE

In 1987, the government replaced the sales tax regime with a multi-stage value-added tax (VAT) system. The adoption of the VAT was one of the structural reforms of the 1986 Tax Reform Program allegedly designed to simplify tax administration and make the tax system more equitable.¹

Even before the VAT system could actually be imposed, however, efforts to suspend or stop its implementation gathered steam in the House of Representatives because of its perceived evils compared to the tax regime it replaced. The initiative proved unsuccessful though but opposition to the VAT in different fora continued.

VAT opponents such as the American think-tank The Heritage Foundation have argued that the tax expands the cost of government. This could be attributed to the fact that the VAT is based on full billing system which makes VAT implementation expensive.² All purchases and sales records are required to be maintained, causing an increase in compliance costs.³

The more potent argument against the VAT system, however, is its loophole for corruption. One columnist⁴ wrote that the VAT expands the venue for corruption and tax evasion. In this regime, a manufacturer can easily cheat by fabricating spurious purchase invoices to increase his tax credits, thus reducing his tax liability to the government. Since the country's tax administration is weak, the BIR cannot monitor the use of these invoices, which nullifies the self-policing mechanism of the VAT.

¹ See Executive Order No. 273 dated 25 July 1987.

² www.obmworldwide.com/blog/advantages-and-disadvantages-of-vat/; date last accessed: 22 September 2019.

³ www.obmworldwide.com/blog/advantages-and-disadvantages-of-vat/; date last accessed: 22 September 2019.

⁴ Article of Cielo Magno published in the 16 April 2002 issue of "TODAY."

Another columnist echoed this sentiment and asked: "How does a handicapped BIR monitor VAT collections in the vast tax jungle infested with dishonest merchants and tax collectors?"⁵ He noted that even the mighty US stepped back from the daunting task."⁴

The foregoing apprehensions have, in fact, become a reality as evidenced by the data from the Bureau of Internal Revenue (BIR). From 2008 to 2019, the total input tax reported perennially exceeded the total output tax at an increasing rate of 25% to 47%. As of the end of 2019, the excess of input tax over output tax amounted to P924.6 billion.

Fundamentally, when all "VATable" transactions are truthfully and faithfully declared, a net VAT payable equivalent to the amount of the output tax passed on to the consumer less allowable input tax is paid to the government. What could possibly make the input tax exceed the output tax are zero-rated and VAT-exempt transactions without any counterpart local output tax against which the input taxes may be deducted. Even then, this could not have been the only reason why the input tax exceeded the output tax by such a huge amount.

The BIR records showing input tax significantly exceeding the output tax for the past 12 years unquestionably demonstrate the adverse effects of the nagging loopholes that beset our VAT system. These loopholes emanate from the inherent complexity of the VAT system, particularly its deceitful input tax mechanism, and the difficulty of administering and monitoring the same. These challenges emboldened tax cheats to resort to a combination of schemes in order to lessen or totally eliminate their tax liabilities. The schemes could involve under-reporting of sales or over-reporting of input taxes through the use of spurious receipts or receipts issued by fly-by-night companies.

The BIR disclosed that the effective collection rate of the 12% VAT for the past 12 years ranged from 2.8% to 3.1%. In other words, while the 12% VAT passed on to consumers is dutifully paid by the latter, an average of only 3% is being collected by the government out of the 12% VAT. This translates to a collection efficiency of only 25%, a rate dismally lower compared to some of our ASEAN neighbors.

In 2015, Cambodia and Laos registered collection efficiency of 40% and 38%, respectively, with VAT rates of only 10%. Thailand, which only imposes 7% VAT, has a significantly better collection efficiency rate of 68%.

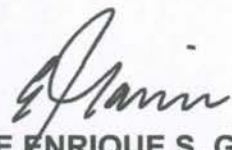
The BIR records also disclose that, on the average, only about one per cent (1%) of the VAT-registered taxpayers are randomly audited to validate the allowable input taxes that were deducted from their output taxes. The BIR blames this low validation rate to the inadequacy of their manpower and resources. This accentuates the enormity of manpower and corresponding cost which the BIR needs to carry out a larger validation coverage.

⁵ Federico Pascual Jr., Postscript, The Philippine Star, 22 September 2011.

All the foregoing unquestionably justifies the imperative of abandoning the VAT system. By shifting to sales tax system, the government will achieve the following advantages:

1. Do away with the tax loopholes and tremendously increase internal revenue tax by pegging a tax rate much lower than the 12% VAT;
2. The lower tax rate will significantly reduce the tax which consumers pay on goods and services;
3. Gross taxation eliminates the deceitful input tax credit and all the taxes paid are remitted to the government's treasury;
4. Gross tax system is relatively easier and simpler to monitor and administer. This undoubtedly reduces the cost of administration.
5. Gross tax system eases cost of doing business benefiting employers. At the same time, it is favorable to the consumers due to lower prices of goods. Both advantages lead to lower overall inflation rate;
6. Gross taxation assures steady cash collection. It deters taxpayers from employing tax avoidance schemes by eliminating the option to inflate their input tax in order to avoid paying VAT; and
7. The shift to gross sales tax system enables the BIR to avoid the accumulation of input tax refund and eliminates the cumulative input tax claim by taxpayers amounting to P924.6 Billion as of December 31, 2019.

Support for this bill is therefore earnestly requested from my colleagues.


REP. JOSE ENRIQUE S. GARCIA III
Second District, Bataan



Republic of the Philippines
House of Representatives
Quezon City

EIGHTEENTH CONGRESS

First Regular Session

House Bill No. 6653

Introduced by Representative Jose Enrique S. Garcia III

AN ACT

IMPOSING SALES TAX IN LIEU OF VALUE-ADDED TAX, REPLACING FOR THE PURPOSE THE ENTIRE PROVISIONS OF TITLE IV, AND AMENDING SECTION 116, TITLE V, AND SECTION 236, TITLE IX, OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, 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.** The provisions of Title IV of the National Internal Revenue
2 Code of 1997, as amended, governing value-added tax are hereby repealed and
3 replaced with new provisions imposing sales tax, to read as follows:
4

5 **"TITLE IV**
6 **"SALES TAX**

7
8 **"CHAPTER I – IMPOSITION OF TAX**

9
10 **"SEC. 105. PERSONS LIABLE. – ANY PERSON WHO, IN**
11 **THE COURSE OF TRADE OR BUSINESS, SELLS, BARTERS,**
12 **EXCHANGES, LEASES GOODS OR PROPERTIES, RENDERS**
13 **SERVICES, AND ANY PERSON WHO IMPORTS GOODS SHALL**
14 **BE SUBJECT TO THE SALES TAX IMPOSED IN SECTIONS 106**
15 **TO 108 OF THIS CODE.**

16
17 **"THE SALES TAX IS A CONSUMPTION TAX IMPOSED ON**
18 **THE SALE OF GOODS, PROPERTIES AND SERVICES. IT MAY**
19 **BE SHIFTED OR PASSED ON TO THE BUYER, TRANSFEREE**
20 **OR LESSEE OF THE GOODS, PROPERTIES OR SERVICES.**

21
22 **"THE PHRASE "IN THE COURSE OF TRADE OR**
23 **BUSINESS" MEANS THE REGULAR CONDUCT OR PURSUIT OF**

1 A COMMERCIAL OR AN ECONOMIC ACTIVITY, INCLUDING
2 TRANSACTIONS INCIDENTAL THERETO, BY ANY PERSON
3 REGARDLESS OF WHETHER OR NOT THE PERSON ENGAGED
4 THEREIN IS A NON-STOCK, NONPROFIT PRIVATE
5 ORGANIZATION (IRRESPECTIVE OF THE DISPOSITION OF ITS
6 NET INCOME AND WHETHER OR NOT IT SELLS EXCLUSIVELY
7 TO MEMBERS OR THEIR GUESTS), OR GOVERNMENT ENTITY.
8

9 "THE RULE OF REGULARITY, TO THE CONTRARY
10 NOTWITHSTANDING, SERVICES AS DEFINED IN THIS CODE
11 RENDERED IN THE PHILIPPINES BY NONRESIDENT FOREIGN
12 PERSONS SHALL BE CONSIDERED AS BEING RENDERED IN
13 THE COURSE OF TRADE OR BUSINESS."
14

15 "SEC. 106. TAX ON SALE OF GOODS OR PROPERTIES. –
16

17 "(A) RATE AND BASE OF TAX. – THERE SHALL BE
18 LEVIED, ASSESSED AND COLLECTED ON EVERY SALE,
19 BARTER OR EXCHANGE OF GOODS OR PROPERTIES, SALES
20 TAX EQUIVALENT TO FOUR PER CENT (4%) OF THE GROSS
21 SELLING PRICE OR GROSS VALUE IN MONEY OF THE GOODS
22 OR PROPERTIES SOLD, BARTERED OR EXCHANGED, SUCH
23 TAX TO BE PAID BY THE SELLER OR TRANSFEROR.
24

25 "{1} GOOD OR PROPERTIES. – THE TERM "GOODS" OR
26 "PROPERTIES" SHALL MEAN ALL TANGIBLE AND
27 INTANGIBLE OBJECTS WHICH ARE CAPABLE OF PECUNIARY
28 ESTIMATION AND SHALL INCLUDE:
29

30 "(A) REAL PROPERTY HELD PRIMARILY FOR SALE TO
31 CUSTOMERS OR HELD FOR LEASE IN THE ORDINARY
32 COURSE OF TRADE OR BUSINESS;
33

34 "(B) THE RIGHT OR THE PRIVILEGE TO USE PATENT,
35 COPYRIGHT, DESIGN OR MODEL, PLAN, SECRET FORMULA
36 OR PROCESS, GOODWILL, TRADEMARK, TRADE BRAND OR
37 OTHER LIKE PROPERTY OR RIGHT;
38

39 "(C) THE RIGHT OR THE PRIVILEGE TO USE IN THE
40 PHILIPPINES OF ANY INDUSTRIAL, COMMERCIAL OR
41 SCIENTIFIC EQUIPMENT;
42

43 "(D) THE RIGHT OR THE PRIVILEGE TO USE MOTION
44 PICTURE FILMS, TAPES AND DISCS; AND
45

46 "(E) RADIO, TELEVISION, SATELLITE TRANSMISSION AND
47 CABLE TELEVISION TIME.
48

49 "THE TERM "GROSS SELLING PRICE" MEANS THE TOTAL
50 AMOUNT OF MONEY OR ITS EQUIVALENT WHICH THE

1 PURCHASER PAYS OR IS OBLIGATED TO PAY TO THE SELLER
2 IN CONSIDERATION OF THE SALE, BARTER OR EXCHANGE OF
3 THE GOODS OR PROPERTIES, EXCLUDING THE SALES TAX.
4 THE EXCISE TAX, IF ANY, ON SUCH GOODS OR PROPERTIES
5 SHALL FORM PART OF THE GROSS SELLING PRICE.
6

7 "(B) TRANSACTIONS DEEMED SALE. – THE FOLLOWING
8 TRANSACTIONS SHALL BE DEEMED SALE:
9

10 "(1) TRANSFER, USE OR CONSUMPTION NOT IN THE
11 COURSE OF BUSINESS OF GOODS OR PROPERTIES
12 ORIGINALLY INTENDED FOR SALE OR FOR USE IN THE
13 COURSE OF BUSINESS;
14

15 "(2) DISTRIBUTION OR TRANSFER TO:
16

17 "(A) SHAREHOLDERS OR INVESTORS AS SHARE IN THE
18 PROFITS; OR
19

20 "(B) CREDITORS IN PAYMENT OF DEBT;
21

22 "(3) CONSIGNMENT OF GOODS IF ACTUAL SALE IS NOT
23 MADE WITHIN SIXTY (60) DAYS FOLLOWING THE DATE SUCH
24 GOODS WERE CONSIGNED; AND
25

26 "(4) RETIREMENT FROM OR CESSATION OF BUSINESS,
27 WITH RESPECT TO INVENTORIES OF TAXABLE GOODS
28 EXISTING AS OF SUCH RETIREMENT OR CESSATION.
29

30 "(C) CHANGES IN OR CESSATION OF STATUS OF A
31 SALES TAX REGISTERED PERSON. – THE TAX IMPOSED IN
32 SUBSECTION (A) OF THIS SECTION SHALL ALSO APPLY TO
33 GOODS DISPOSED OF OR EXISTING AS OF A CERTAIN DATE
34 IF UNDER CIRCUMSTANCES TO BE PRESCRIBED IN RULES
35 AND REGULATIONS TO BE PROMULGATED BY THE
36 SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE
37 COMMISSIONER, THE STATUS OF A PERSON AS A SALES TAX
38 REGISTERED PERSON CHANGES OR IS TERMINATED.
39

40 "(D) SALES RETURNS, ALLOWANCES AND SALES
41 DISCOUNTS. – THE VALUE OF GOODS OR PROPERTIES SOLD
42 AND SUBSEQUENTLY RETURNED OR FOR WHICH
43 ALLOWANCES WERE GRANTED BY A TAXPAYER MAY BE
44 DEDUCTED FROM THE GROSS SALES OR RECEIPTS FOR THE
45 QUARTER IN WHICH A REFUND IS MADE OR A CREDIT
46 MEMORANDUM OR REFUND IS ISSUED. SALES DISCOUNT
47 GRANTED AND INDICATED IN THE INVOICE AT THE TIME OF
48 SALE AND THE GRANT OF WHICH DOES NOT DEPEND UPON
49 THE HAPPENING OF A FUTURE EVENT MAY BE EXCLUDED

1 FROM THE GROSS SALES WITHIN THE SAME QUARTER IT
2 WAS GIVEN.

3
4 "(E) AUTHORITY OF THE COMMISSIONER TO DETERMINE
5 THE APPROPRIATE TAX BASE. - THE COMMISSIONER SHALL,
6 BY RULES AND REGULATIONS PRESCRIBED BY THE
7 SECRETARY OF FINANCE, DETERMINE THE APPROPRIATE
8 TAX BASE IN CASES WHERE A TRANSACTION IS DEEMED A
9 SALE, BARTER OR EXCHANGE OF GOODS OR PROPERTIES
10 UNDER SUBSECTION (B) HEREOF, OR WHERE THE GROSS
11 SELLING PRICE IS UNREASONABLY LOWER THAN THE
12 ACTUAL MARKET VALUE.

13
14 "SEC. 107. TAX ON IMPORTATION OF GOODS. -

15
16 "(A) IN GENERAL. - THERE SHALL BE LEVIED, ASSESSED
17 AND COLLECTED ON EVERY IMPORTATION OF GOODS A
18 SALES TAX EQUIVALENT TO FOUR PER CENT (4%) BASED ON
19 THE TOTAL VALUE USED BY THE BUREAU OF CUSTOMS IN
20 DETERMINING TARIFF AND CUSTOMS DUTIES PLUS
21 CUSTOMS DUTIES, EXCISE TAXES, IF ANY, AND OTHER
22 CHARGES, SUCH TAX TO BE PAID BY THE IMPORTER PRIOR
23 TO THE RELEASE OF SUCH GOODS FROM CUSTOMS
24 CUSTODY: *PROVIDED*, THAT WHERE THE CUSTOMS DUTIES
25 ARE DETERMINED ON THE BASIS OF THE QUANTITY OR
26 VOLUME OF THE GOODS, THE SALES TAX SHALL BE BASED
27 ON THE LANDED COST PLUS EXCISE TAXES, IF ANY;

28
29 "(B) TRANSFER OF GOODS BY TAX-EXEMPT PERSONS. -
30 IN THE CASE OF TAX-FREE IMPORTATION OF GOODS INTO
31 THE PHILIPPINES BY PERSONS, ENTITIES OR AGENCIES
32 EXEMPT FROM TAX WHERE SUCH GOODS ARE
33 SUBSEQUENTLY SOLD, TRANSFERRED OR EXCHANGED IN
34 THE PHILIPPINES TO NON-EXEMPT PERSONS OR ENTITIES,
35 THE PURCHASERS, TRANSFEREES OR RECIPIENTS SHALL BE
36 CONSIDERED THE IMPORTERS THEREOF, WHO SHALL BE
37 LIABLE FOR ANY INTERNAL REVENUE TAX ON SUCH
38 IMPORTATION. THE TAX DUE ON SUCH IMPORTATION SHALL
39 CONSTITUTE A LIEN ON THE GOODS SUPERIOR TO ALL
40 CHARGES OR LIENS ON THE GOODS, IRRESPECTIVE OF THE
41 POSSESSOR THEREOF."

42
43 "SEC. 108. TAX ON SALE OF SERVICES AND USE OR
44 LEASE OF PROPERTIES. - THERE SHALL BE LEVIED,
45 ASSESSED AND COLLECTED, A SALES TAX EQUIVALENT TO
46 FOUR PER CENT (4%) OF GROSS RECEIPTS DERIVED FROM
47 THE SALE OR EXCHANGE OF SERVICES, INCLUDING THE USE
48 OR LEASE OF PROPERTIES;

1 "THE PHRASE "SALE OR EXCHANGE OF SERVICES"
2 MEANS THE PERFORMANCE OF ALL KINDS OF SERVICES IN
3 THE PHILIPPINES FOR OTHERS FOR A FEE, REMUNERATION
4 OR CONSIDERATION, INCLUDING THOSE PERFORMED OR
5 RENDERED BY CONSTRUCTION AND SERVICE
6 CONTRACTORS; STOCK, REAL ESTATE, COMMERCIAL,
7 CUSTOMS AND IMMIGRATION BROKERS; LESSORS OF
8 PROPERTY, WHETHER PERSONAL OR REAL; WAREHOUSING
9 SERVICES; LESSORS OR DISTRIBUTORS OF
10 CINEMATOGRAPHIC FILMS; PERSONS ENGAGED IN MILLING
11 PROCESSING, MANUFACTURING OR REPACKING GOODS FOR
12 OTHERS; PROPRIETORS, OPERATORS OR KEEPERS OF
13 HOTELS, MOTELS, REST HOUSES, PENSION HOUSES, INNS,
14 RESORTS; PROPRIETORS OR OPERATORS OF
15 RESTAURANTS, REFRESHMENT PARLORS, CAFES AND
16 OTHER EATING PLACES, INCLUDING CLUBS AND CATERERS;
17 DEALERS IN SECURITIES; LENDING INVESTORS;
18 TRANSPORTATION CONTRACTORS ON THEIR TRANSPORT OF
19 GOODS OR CARGOES, INCLUDING PERSONS WHO
20 TRANSPORT GOODS OR CARGOES FOR HIRE ANOTHER
21 DOMESTIC COMMON CARRIERS BY LAND RELATIVE TO THEIR
22 TRANSPORT OF GOODS OR CARGOES; COMMON CARRIERS
23 BY AIR AND SEA RELATIVE TO THEIR TRANSPORT OF
24 PASSENGERS, GOODS OR CARGOES FROM ONE PLACE IN
25 THE PHILIPPINES TO ANOTHER PLACE IN THE PHILIPPINES;
26 SALES OF ELECTRICITY BY GENERATION COMPANIES,
27 TRANSMISSION, AND DISTRIBUTION COMPANIES; SERVICES
28 OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES,
29 TELEPHONE AND TELEGRAPH, RADIO AND TELEVISION
30 BROADCASTING AND ALL OTHER FRANCHISE GRANTEES
31 EXCEPT THOSE UNDER SECTION 116 OF THIS CODE, AND
32 NON-LIFE INSURANCE COMPANIES (EXCEPT THEIR CROP
33 INSURANCES), INCLUDING SURETY, FIDELITY, INDEMNITY,
34 AND BONDING COMPANIES; AND SIMILAR SERVICES
35 REGARDLESS OF WHETHER OR NOT THE PERFORMANCE
36 THEREOF CALLS FOR THE EXERCISE OR USE OF THE
37 PHYSICAL OR MENTAL FACULTIES. THE PHRASE "SALE OR
38 EXCHANGE OF SERVICES" SHALL LIKEWISE INCLUDE:
39

40 "(1) THE LEASE OR THE USE OF OR THE RIGHT OR
41 PRIVILEGE TO USE ANY COPYRIGHT, PATENT, DESIGN OR
42 MODEL, PLAN, SECRET FORMULA OR PROCESS, GOODWILL,
43 TRADEMARK, TRADE BRAND OR OTHER LIKE PROPERTY OR
44 RIGHT;
45

46 "(2) THE LEASE OF THE USE OF, OR THE RIGHT TO USE
47 OF ANY INDUSTRIAL, COMMERCIAL OR SCIENTIFIC
48 EQUIPMENT;
49

1 “(3) THE SUPPLY OF SCIENTIFIC, TECHNICAL,
2 INDUSTRIAL OR COMMERCIAL KNOWLEDGE OR
3 INFORMATION;
4

5 “(4) THE SUPPLY OF ANY ASSISTANCE THAT IS
6 ANCILLARY AND SUBSIDIARY TO AND IS FURNISHED AS A
7 MEANS OF ENABLING THE APPLICATION OR ENJOYMENT OF
8 ANY SUCH PROPERTY, OR RIGHT AS IS MENTIONED IN
9 SUBPARAGRAPH (2) OR ANY SUCH KNOWLEDGE OR
10 INFORMATION AS IS MENTIONED IN SUBPARAGRAPH (3);
11

12 “(5) THE SUPPLY OF SERVICES BY A NONRESIDENT
13 PERSON OR HIS EMPLOYEE IN CONNECTION WITH THE USE
14 OF PROPERTY OR RIGHTS BELONGING TO, OR THE
15 INSTALLATION OR OPERATION OF ANY BRAND, MACHINERY
16 OR OTHER APPARATUS PURCHASED FROM SUCH
17 NONRESIDENT PERSON;
18

19 “(6) THE SUPPLY OF TECHNICAL ADVICE, ASSISTANCE
20 OR SERVICES RENDERED IN CONNECTION WITH TECHNICAL
21 MANAGEMENT OR ADMINISTRATION OF ANY SCIENTIFIC,
22 INDUSTRIAL OR COMMERCIAL UNDERTAKING, VENTURE,
23 PROJECT OR SCHEME;
24

25 “(7) THE LEASE OF MOTION PICTURE FILMS, FILMS,
26 TAPES AND DISCS; AND
27

28 “(8) THE LEASE OR THE USE OF OR THE RIGHT TO USE
29 RADIO, TELEVISION, SATELLITE TRANSMISSION AND CABLE
30 TELEVISION TIME.
31

32 “LEASE OF PROPERTIES SHALL BE SUBJECT TO THE
33 TAX HEREIN IMPOSED IRRESPECTIVE OF THE PLACE
34 WHERE THE CONTRACT OF LEASE OR LICENSING
35 AGREEMENT WAS EXECUTED IF THE PROPERTY IS LEASED
36 OR USED IN THE PHILIPPINES.
37

38 “THE TERM “GROSS RECEIPTS” MEANS THE TOTAL
39 AMOUNT OF MONEY OR ITS EQUIVALENT REPRESENTING
40 THE CONTRACT PRICE, COMPENSATION, SERVICE FEE,
41 RENTAL OR ROYALTY, INCLUDING THE AMOUNT CHARGED
42 FOR MATERIALS SUPPLIED WITH THE SERVICES AND
43 DEPOSITS AND ADVANCED PAYMENTS ACTUALLY OR
44 CONSTRUCTIVELY RECEIVED DURING THE TAXABLE
45 QUARTER FOR THE SERVICES PERFORMED OR TO BE
46 PERFORMED FOR ANOTHER PERSON, EXCLUDING THE
47 SALES TAX.”
48

49 “SEC. 109. *EXEMPT TRANSACTIONS.* – THE FOLLOWING
50 TRANSACTIONS SHALL BE EXEMPT FROM THE SALES TAX:

1
2 “(A) SALE OR IMPORTATION OF AGRICULTURAL AND
3 MARINE FOOD PRODUCTS IN THEIR ORIGINAL STATE,
4 LIVESTOCK AND POULTRY OF OR KIND GENERALLY USED
5 AS, OR YIELDING OR PRODUCING FOODS FOR HUMAN
6 CONSUMPTION; AND BREEDING STOCK AND GENETIC
7 MATERIALS THEREFOR.
8

9 PRODUCTS CLASSIFIED UNDER THIS PARAGRAPH
10 SHALL BE CONSIDERED IN THEIR ORIGINAL STATE EVEN IF
11 THEY HAVE UNDERGONE THE SIMPLE PROCESSES OF
12 PREPARATION OR PRESERVATION FOR THE MARKET, SUCH
13 AS FREEZING, DRYING, SALTING, BROILING, ROASTING,
14 SMOKING OR STRIPPING. POLISHED AND/OR HUSKED RICE,
15 CORN GRITS, RAW CANE SUGAR AND MOLASSES,
16 ORDINARY SALT AND COPRA SHALL BE CONSIDERED IN
17 THEIR ORIGINAL STATE;
18

19 “(B) SALE OR IMPORTATION OF FERTILIZERS; SEEDS,
20 SEEDLINGS AND FINGERLINGS; FISH, PRAWN, LIVESTOCK
21 AND POULTRY FEEDS, INCLUDING INGREDIENTS, WHETHER
22 LOCALLY PRODUCED OR IMPORTED, USED IN THE
23 MANUFACTURE OF FINISHED FEEDS (EXCEPT SPECIALTY
24 FEEDS FOR RACE HORSES, FIGHTING COCKS, AQUARIUM
25 FISH, ZOO ANIMALS AND OTHER ANIMALS GENERALLY
26 CONSIDERED AS PETS);
27

28 “(C) IMPORTATION OF PERSONAL AND HOUSEHOLD
29 EFFECTS BELONGING TO THE RESIDENTS OF THE
30 PHILIPPINES RETURNING FROM ABROAD AND
31 NONRESIDENT CITIZENS COMING TO RESETTLE IN THE
32 PHILIPPINES: *PROVIDED*, THAT SUCH GOODS ARE EXEMPT
33 FROM CUSTOMS DUTIES UNDER THE CUSTOMS
34 MODERNIZATION AND TARIFF ACT;
35

36 “(D) IMPORTATION OF PROFESSIONAL INSTRUMENTS
37 AND IMPLEMENTS, WEARING APPAREL, DOMESTIC
38 ANIMALS, AND PERSONAL HOUSEHOLD EFFECTS (EXCEPT
39 ANY VEHICLE, VESSEL, AIRCRAFT, MACHINERY OTHER
40 GOODS FOR USE IN THE MANUFACTURE AND
41 MERCHANDISE OF ANY KIND IN COMMERCIAL QUANTITY)
42 BELONGING TO PERSONS COMING TO SETTLE IN THE
43 PHILIPPINES, FOR THEIR OWN USE AND NOT FOR SALE,
44 BARTER OR EXCHANGE, ACCOMPANYING SUCH PERSONS,
45 OR ARRIVING WITHIN NINETY (90) DAYS BEFORE OR AFTER
46 THEIR ARRIVAL, UPON THE PRODUCTION OF EVIDENCE
47 SATISFACTORY TO THE COMMISSIONER, THAT SUCH
48 PERSONS ARE ACTUALLY COMING TO SETTLE IN THE
49 PHILIPPINES AND THAT THE CHANGE OF RESIDENCE IS
50 *BONA FIDE*;

1
2 “(E) SERVICES SUBJECT TO PERCENTAGE TAX UNDER
3 TITLE V;

4
5 “(F) SERVICES BY AGRICULTURAL CONTRACT
6 GROWERS AND MILLING FOR OTHERS OF PALAY INTO RICE,
7 CORN INTO GRITS AND SUGAR CANE INTO RAW SUGAR;

8
9 “(G) MEDICAL, DENTAL, HOSPITAL AND VETERINARY
10 SERVICES EXCEPT THOSE RENDERED BY PROFESSIONALS;

11
12 “(H) EDUCATIONAL SERVICES RENDERED BY PRIVATE
13 EDUCATIONAL INSTITUTIONS, DULY ACCREDITED BY THE
14 DEPARTMENT OF EDUCATION (DEPED), THE COMMISSION
15 ON HIGHER EDUCATION (CHED), THE TECHNICAL
16 EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
17 (TESDA) AND THOSE RENDERED BY GOVERNMENT
18 EDUCATIONAL INSTITUTIONS;

19
20 “(I) SERVICES RENDERED BY INDIVIDUALS PURSUANT
21 TO AN EMPLOYER-EMPLOYEE RELATIONSHIP;

22
23 “(J) SERVICES RENDERED BY REGIONAL OR AREA
24 HEADQUARTERS ESTABLISHED IN THE PHILIPPINES BY
25 MULTINATIONAL CORPORATIONS WHICH ACT AS
26 SUPERVISORY, COMMUNICATIONS AND COORDINATING
27 CENTERS FOR THEIR AFFILIATES, SUBSIDIARIES OR
28 BRANCHES IN THE ASIA-PACIFIC REGION AND DO NOT
29 EARN OR DERIVE INCOME FROM THE PHILIPPINES;

30
31 “(K) SERVICES RENDERED IN PROCESSING,
32 MANUFACTURING OR REPACKING GOODS FOR OTHER
33 PERSONS DOING BUSINESS OUTSIDE THE PHILIPPINES
34 WHICH GOODS ARE SUBSEQUENTLY EXPORTED, WHERE
35 THE SERVICES ARE PAID FOR IN ACCEPTABLE FOREIGN
36 CURRENCY AND ACCOUNTED FOR IN ACCORDANCE WITH
37 THE RULES AND REGULATIONS OF THE *BANGKO SENTRAL*
38 *NG PILIPINAS* (BSP);

39
40 “(L) SERVICES OTHER THAN THOSE MENTIONED IN THE
41 PRECEDING PARAGRAPH, RENDERED TO A PERSON
42 ENGAGED IN BUSINESS CONDUCTED OUTSIDE THE
43 PHILIPPINES OR TO A NONRESIDENT PERSON NOT
44 ENGAGED IN BUSINESS WHO IS OUTSIDE THE PHILIPPINES
45 WHEN THE SERVICES ARE PERFORMED, THE
46 CONSIDERATION FOR WHICH IS PAID FOR IN ACCEPTABLE
47 FOREIGN CURRENCY AND ACCOUNTED FOR IN
48 ACCORDANCE WITH THE RULES AND REGULATIONS OF THE
49 BSP;

1 “(M) SERVICES RENDERED TO PERSONS OR ENTITIES
2 WHOSE EXEMPTION UNDER SPECIAL LAWS OR
3 INTERNATIONAL AGREEMENTS TO WHICH THE PHILIPPINES
4 IS A SIGNATORY EFFECTIVELY EXEMPTS THE SUPPLY OF
5 SUCH SERVICES;
6

7 “(N) SERVICES RENDERED TO PERSONS ENGAGED IN
8 INTERNATIONAL SHIPPING OR INTERNATIONAL AIR
9 TRANSPORT OPERATIONS, INCLUDING LEASES OF
10 PROPERTY FOR USE THEREOF;
11

12 “(O) SERVICES PERFORMED BY SUBCONTRACTORS
13 AND/OR CONTRACTORS IN PROCESSING, CONVERTING, OF
14 MANUFACTURING GOODS FOR AN ENTERPRISE WHOSE
15 EXPORT SALES EXCEED SEVENTY PERCENT (70%) OF
16 TOTAL ANNUAL PRODUCTION;
17

18 “(P) TRANSPORT OF PASSENGERS AND CARGO BY AIR
19 OR SEA VESSELS FROM THE PHILIPPINES TO A FOREIGN
20 COUNTRY;
21

22 “(Q) SALE OF POWER OR FUEL GENERATED THROUGH
23 RENEWABLE SOURCES OF ENERGY SUCH AS, BUT NOT
24 LIMITED TO, BIOMASS, SOLAR, WIND, HYDROPOWER,
25 GEOTHERMAL, OCEAN ENERGY, AND OTHER EMERGING
26 ENERGY SOURCES USING TECHNOLOGIES SUCH AS FUEL
27 CELLS AND HYDROGEN FUELS;
28

29 “(R) TRANSACTIONS WHICH ARE EXEMPT UNDER
30 INTERNATIONAL AGREEMENTS TO WHICH THE PHILIPPINES
31 IS A SIGNATORY OR UNDER SPECIAL LAWS, EXCEPT THOSE
32 UNDER PRESIDENTIAL DECREE NO. 529;
33

34 “(S) SALES BY AGRICULTURAL COOPERATIVES DULY
35 REGISTERED WITH THE COOPERATIVE DEVELOPMENT
36 AUTHORITY TO THEIR MEMBERS AS WELL AS SALE OF
37 THEIR PRODUCE, WHETHER IN ITS ORIGINAL STATE OR
38 PROCESSED FORM, TO NON-MEMBERS; THEIR
39 IMPORTATION OF DIRECT FARM INPUTS, MACHINERIES AND
40 EQUIPMENT, INCLUDING SPARE PARTS THEREOF, TO BE
41 USED DIRECTLY AND EXCLUSIVELY IN THE PRODUCTION
42 AND/OR PROCESSING OF THEIR PRODUCE;
43

44 “(T) GROSS RECEIPTS FROM LENDING ACTIVITIES BY
45 CREDIT OR MULTI-PURPOSE COOPERATIVES DULY
46 REGISTERED WITH THE COOPERATIVE DEVELOPMENT
47 AUTHORITY;
48

49 “(U) SALES BY NON-AGRICULTURAL, NON-ELECTRIC
50 AND NON-CREDIT COOPERATIVES DULY REGISTERED WITH

1 THE COOPERATIVE DEVELOPMENT AUTHORITY: *PROVIDED*,
2 THAT THE SHARE CAPITAL CONTRIBUTION OF EACH
3 MEMBER DOES NOT EXCEED FIFTEEN THOUSAND PESOS
4 (P15,000) AND REGARDLESS OF THE AGGREGATE CAPITAL
5 AND NET SURPLUS RATABLY DISTRIBUTED AMONG THE
6 MEMBERS;

7
8 "(V) EXPORT SALES, OR THE SALE AND ACTUAL
9 SHIPMENT OF GOODS FROM THE PHILIPPINES TO A
10 FOREIGN COUNTRY, IRRESPECTIVE OF ANY SHIPPING
11 ARRANGEMENT THAT MAY BE AGREED UPON WHICH MAY
12 INFLUENCE OR DETERMINE THE TRANSFER OF OWNERSHIP
13 OF THE GOODS SO EXPORTED AND PAID FOR IN
14 ACCEPTABLE FOREIGN CURRENCY OR ITS EQUIVALENT IN
15 GOODS OR SERVICES, AND ACCOUNTED FOR IN
16 ACCORDANCE WITH THE RULES AND REGULATIONS OF THE
17 BSP;

18
19 THE SALE OF RAW MATERIALS OR PACKAGING
20 MATERIALS TO A NONRESIDENT BUYER FOR DELIVERY TO
21 A RESIDENT LOCAL EXPORT-ORIENTED ENTERPRISE TO BE
22 USED IN MANUFACTURING, PROCESSING, PACKING OR
23 REPACKING IN THE PHILIPPINES OF THE SAID BUYER'S
24 GOODS AND PAID FOR IN ACCEPTABLE FOREIGN
25 CURRENCY AND ACCOUNTED FOR IN ACCORDANCE WITH
26 THE RULES AND REGULATIONS OF THE BSP; SALE OF RAW
27 MATERIALS OR PACKAGING MATERIALS TO EXPORT-
28 ORIENTED ENTERPRISE WHOSE EXPORT SALES EXCEED
29 SEVENTY PERCENT (70%) OF TOTAL ANNUAL PRODUCTION;
30 THOSE CONSIDERED EXPORT SALES UNDER EXECUTIVE
31 ORDER NO. 226, OTHERWISE KNOWN AS THE "OMNIBUS
32 INVESTMENT CODE OF 1987", AND OTHER SPECIAL LAWS;
33 AND SALE OF GOODS, SUPPLIES, EQUIPMENT AND FUEL TO
34 PERSONS ENGAGED IN INTERNATIONAL SHIPPING OR
35 INTERNATIONAL AIR TRANSPORT OPERATIONS SHALL BE
36 CONSIDERED AS EXPORT SALES;

37
38 "(W) FOREIGN-CURRENCY DENOMINATED SALE, OR
39 SALE TO A NONRESIDENT OF GOODS, EXCEPT THOSE
40 MENTIONED IN SECTIONS 146 AND 147, ASSEMBLED OR
41 MANUFACTURED IN THE PHILIPPINES FOR DELIVERY TO A
42 RESIDENT IN THE PHILIPPINES, PAID FOR IN ACCEPTABLE
43 FOREIGN CURRENCY AND ACCOUNTED FOR IN
44 ACCORDANCE WITH THE RULES AND REGULATIONS OF THE
45 BSP;

46
47 "(X) SALE OF REAL PROPERTIES NOT PRIMARILY HELD
48 FOR SALE TO CUSTOMERS OR HELD FOR LEASE IN THE
49 ORDINARY COURSE OF TRADE OR BUSINESS OR REAL
50 PROPERTY UTILIZED FOR LOW-COST AND SOCIALIZED

1 HOUSING AS DEFINED BY REPUBLIC ACT NO. 7279,
2 OTHERWISE KNOWN AS THE URBAN DEVELOPMENT AND
3 HOUSING ACT OF 1992, AND OTHER RELATED LAWS,
4 RESIDENTIAL LOT VALUED AT TWO MILLION PESOS
5 (P2,000,000.00) AND BELOW, HOUSE AND LOT, AND OTHER
6 RESIDENTIAL DWELLINGS VALUED AT THREE MILLION
7 PESOS (P3,000,000.00) AND BELOW: *PROVIDED*, THAT NOT
8 LATER THAN JANUARY 31, 2023 AND EVERY THREE (3)
9 YEARS THEREAFTER, THE AMOUNT HEREIN STATED SHALL
10 BE ADJUSTED TO THEIR PRESENT VALUES USING THE
11 CONSUMER PRICE INDEX, AS PUBLISHED BY THE
12 PHILIPPINE STATISTICS AUTHORITY (PSA);
13

14 “(Y) LEASE OF A RESIDENTIAL UNIT WITH A MONTHLY
15 RENTAL NOT EXCEEDING TEN THOUSAND PESOS
16 (P10,000.00): *PROVIDED*, THAT NOT LATER THAN JANUARY
17 31, 2023 AND EVERY THREE (3) YEARS THEREAFTER, THE
18 AMOUNT HEREIN STATED SHALL BE ADJUSTED TO ITS
19 PRESENT VALUE USING THE CONSUMER PRICE INDEX AS
20 PUBLISHED BY THE PSA;
21

22 “(Z) SALE, IMPORTATION, PRINTING OR PUBLICATION
23 OF BOOKS AND ANY NEWSPAPER, MAGAZINE REVIEW OR
24 BULLETIN WHICH APPEARS AT REGULAR INTERVALS WITH
25 FIXED PRICES FOR SUBSCRIPTION AND SALE AND WHICH IS
26 NOT DEVOTED PRINCIPALLY TO THE PUBLICATION OF PAID
27 ADVERTISEMENTS;
28

29 “(AA) TRANSPORT OF PASSENGERS BY INTERNATIONAL
30 CARRIERS;
31

32 “(BB) SALE, IMPORTATION OR LEASE OF PASSENGER
33 OR CARGO VESSELS AND AIRCRAFT, INCLUDING ENGINE,
34 EQUIPMENT AND SPARE PARTS THEREOF FOR DOMESTIC
35 OR INTERNATIONAL TRANSPORT OPERATIONS;
36

37 “(CC) IMPORTATION OF FUEL, GOODS AND SUPPLIES
38 BY PERSONS ENGAGED IN INTERNATIONAL SHIPPING OR
39 AIR TRANSPORT OPERATIONS;
40

41 “(DD) SALE OF GOLD TO THE BSP;
42

43 “(EE) SERVICES OF BANK, NON-BANK FINANCIAL
44 INTERMEDIARIES PERFORMING QUASI-BANKING
45 FUNCTIONS, AND OTHER NON-BANK FINANCIAL
46 INTERMEDIARIES; AND
47

1 “(FF) SALE OR LEASE OF GOODS OR PROPERTIES OR
2 THE PERFORMANCE OF SERVICES OTHER THAN THE
3 TRANSACTIONS MENTIONED IN THE PRECEDING
4 PARAGRAPHS, THE GROSS ANNUAL SALES AND/OR
5 RECEIPTS DO NOT EXCEED THE AMOUNT OF THREE
6 MILLION PESOS (P3,000,000): *PROVIDED*, THAT NOT LATER
7 THAN JANUARY 31, 2023 AND EVERY THREE (3) YEARS
8 THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE
9 ADJUSTED TO ITS PRESENT VALUE WITH FOOTNOTE IN THE
10 BOOK VALUE USING THE CONSUMER PRICE INDEX, AS
11 PUBLISHED BY THE PSA;
12

13 CHAPTER II – COMPLIANCE REQUIREMENTS

14 “SEC. 110. *INVOICING AND ACCOUNTING* 15 *REQUIREMENTS FOR SALES TAX REGISTERED PERSONS. –* 16

17 “(A) INVOICING REQUIREMENT. – A SELLER, PROVIDER
18 OR LESSOR OF GOODS, SERVICES OR PROPERTIES SHALL
19 ISSUE:
20

21 “(1) INVOICE FOR EVERY SALE, BARTER OR EXCHANGE
22 OF GOODS OR PROPERTIES; AND
23

24 “(2) OFFICIAL RECEIPT FOR EVERY LEASE OF GOODS
25 OR PROPERTIES, AND FOR EVERY SALE, BARTER OR
26 EXCHANGE OF SERVICES.
27

28 “(B) INFORMATION CONTAINED IN THE INVOICE OR
29 OFFICIAL RECEIPT. – THE FOLLOWING INFORMATION SHALL
30 BE INDICATED IN THE INVOICE OR OFFICIAL RECEIPT:
31

32 “(1) THE TAXPAYER’S IDENTIFICATION NUMBER (TIN);
33

34 “(2) THE TOTAL AMOUNT WHICH THE PURCHASER
35 PAYS OR IS OBLIGATED TO PAY TO THE SELLER WITH THE
36 INDICATION THAT SUCH AMOUNT INCLUDES THE SALES
37 TAX: *PROVIDED*, THAT:
38

39 “(A) THE AMOUNT OF THE TAX SHALL BE SHOWN AS A
40 SEPARATE ITEM IN THE INVOICE OR RECEIPT;
41

42 “(B) IF THE SALE IS EXEMPT FROM SALES TAX, THE
43 TERM “TAX EXEMPT SALE” SHALL BE WRITTEN OR PRINTED
44 PROMINENTLY ON THE INVOICE OR RECEIPT;
45

46 “(C) IF THE SALE INVOLVES GOODS, PROPERTIES OR
47 SERVICES SOME OF WHICH ARE SUBJECT TO AND SOME OF
48 WHICH ARE SALES TAX EXEMPT, THE INVOICE OR RECEIPT
49

1 SHALL CLEARLY INDICATE THE BREAK-DOWN OF THE SALE
2 PRICE BETWEEN ITS TAXABLE AND EXEMPT COMPONENTS,
3 AND THE CALCULATION OF THE SALES TAX ON EACH
4 PORTION OF THE SALE SHALL BE SHOWN ON THE INVOICE
5 OR RECEIPT: *PROVIDED*, THAT THE SELLER MAY ISSUE
6 SEPARATE INVOICES OR RECEIPTS FOR THE TAXABLE AND
7 EXEMPT COMPONENTS OF THE SALE.
8

9 “(3) THE DATE OF TRANSACTION, QUANTITY, UNIT
10 COST, AND DESCRIPTION OF THE GOODS OR PROPERTIES
11 OR NATURE OF THE SERVICE; AND
12

13 “(4) IN THE CASE OF SALES AMOUNTING TO ONE
14 THOUSAND PESOS (P1,000.00) OR MORE, THE NAME,
15 BUSINESS STYLE, IF ANY, ADDRESS AND TAXPAYER
16 IDENTIFICATION NUMBER (TIN) OF THE PURCHASER,
17 CUSTOMER OR CLIENT.
18

19 “(C) ACCOUNTING REQUIREMENTS. –
20 NOTWITHSTANDING THE PROVISIONS OF SECTION 230, ALL
21 PERSON SUBJECT TO THE SALES TAX UNDER SECTIONS
22 106 AND 108 SHALL, IN ADDITION TO THE REGULAR
23 ACCOUNTING RECORDS REQUIRED, MAINTAIN A
24 SUBSIDIARY SALES JOURNAL AND SUBSIDIARY PURCHASE
25 JOURNAL ON WHICH THE DAILY SALES AND PURCHASES
26 ARE RECORDED. THE SUBSIDIARY JOURNALS SHALL
27 CONTAIN SUCH INFORMATION AS MAY BE REQUIRED BY
28 THE SECRETARY OF FINANCE.
29

30 “(D) CONSEQUENCE OF ISSUING ERRONEOUS INVOICE
31 OR OFFICIAL RECEIPT. – IF A SELLER ISSUES AN INVOICE
32 OR OFFICIAL RECEIPT FOR A TAX-EXEMPT TRANSACTION,
33 BUT FAILS TO DISPLAY PROMINENTLY ON THE INVOICE OR
34 RECEIPT THE TERM “TAX EXEMPT SALE”, THE ISSUER
35 SHALL BE LIABLE TO ACCOUNT FOR THE TAX IMPOSED IN
36 SECTION 106 OR SECTION 108 AS IF SECTION 109 DID NOT
37 APPLY.
38

39 “(E) TRANSITIONAL PERIOD. – NOTWITHSTANDING
40 SUBSECTION (B) HEREOF, TAXPAYERS MAY CONTINUE TO
41 ISSUE VAT INVOICES AND VAT OFFICIAL RECEIPTS UNTIL
42 DECEMBER 31, 2020 IN ACCORDANCE WITH DEPARTMENT
43 OF FINANCE ISSUANCES AND BUREAU OF INTERNAL
44 REVENUE ADMINISTRATIVE PRACTICES THAT EXISTED AS
45 OF DECEMBER 31, 2019.”
46

47 “SEC. 111. *RETURN AND PAYMENT OF SALES TAX.* –
48

49 “(A) IN GENERAL. - EVERY PERSON LIABLE TO PAY THE
50 SALES TAX IMPOSED UNDER THIS TITLE SHALL FILE A

1 QUARTERLY RETURN OF THE AMOUNT OF HIS GROSS
2 SALES OR RECEIPTS WITHIN TWENTY-FIVE (25) DAYS
3 FOLLOWING THE CLOSE OF EACH TAXABLE QUARTER
4 PRESCRIBED FOR EACH TAXPAYER: *PROVIDED*, HOWEVER,
5 THAT THE TAXPAYER SHALL PAY THE SALES TAX ON A
6 MONTHLY BASIS.

7
8 "ANY PERSON, WHOSE REGISTRATION HAS BEEN
9 CANCELLED IN ACCORDANCE WITH SECTION 233, SHALL
10 FILE A RETURN AND PAY THE TAX DUE THEREON WITHIN
11 TWENTY-FIVE (25) DAYS FROM THE DATE OF
12 CANCELLATION OF REGISTRATION: *PROVIDED*, THAT ONLY
13 ONE CONSOLIDATED RETURN SHALL BE FILED BY THE
14 TAXPAYER FOR HIS PRINCIPAL PLACE OF BUSINESS OR
15 HEAD OFFICE AND ALL BRANCHES.

16
17 "(B) WHEN TO FILE THE RETURN AND PAY THE TAX. –
18 EXCEPT AS THE COMMISSIONER OTHERWISE PERMITS, THE
19 RETURN SHALL BE FILED WITH AND THE TAX PAID TO AN
20 AUTHORIZED AGENT BANK, REVENUE COLLECTION
21 OFFICER OR DULY AUTHORIZED CITY OR MUNICIPAL
22 TREASURER IN THE PHILIPPINES LOCATED WITHIN THE
23 REVENUE DISTRICT WHERE THE TAXPAYER IS REGISTERED
24 OR REQUIRED TO REGISTER.

25
26 "(C) WITHHOLDING OF SALES TAX. – THE GOVERNMENT
27 OR ANY OF ITS POLITICAL SUBDIVISIONS,
28 INSTRUMENTALITIES OR AGENCIES, INCLUDING
29 GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS
30 (GOCCs) SHALL, BEFORE MAKING PAYMENT ON ACCOUNT
31 OF EACH PURCHASE OF GOODS AND SERVICES WHICH ARE
32 SUBJECT TO THE SALES TAX IMPOSED IN SECTIONS 106
33 AND 108 OF THIS CODE, DEDUCT AND WITHHOLD THE
34 SALES TAX IMPOSED IN SECTIONS 106 AND 108 OF THIS
35 CODE AT THE RATE OF FOUR PER CENT (4%) OF THE GROSS
36 PAYMENT THEREOF. PAYMENT FOR LEASE OR USE OF
37 PROPERTIES OR PROPERTY RIGHTS TO NONRESIDENT
38 OWNERS SHALL ALSO BE SUBJECT TO FOUR PER CENT
39 (4%) WITHHOLDING TAX AT THE TIME OF PAYMENT. FOR
40 PURPOSES OF THIS SECTION, THE PAYOR OR PERSON IN
41 CONTROL OF THE PAYMENT SHALL BE CONSIDERED AS
42 THE WITHHOLDING AGENT.

43
44 "THE SALES TAX WITHHELD UNDER THIS SECTION
45 SHALL BE REMITTED WITHIN TEN (10) DAYS FOLLOWING
46 THE END OF THE MONTH THE WITHHOLDING WAS MADE."

47
48 "SEC. 112. POWER OF THE COMMISSIONER TO
49 SUSPEND THE BUSINESS OPERATIONS OF A TAXPAYER. –
50 THE COMMISSIONER OR HIS AUTHORIZED REPRESENTATIVE

1 IS HEREBY EMPOWERED TO SUSPEND THE BUSINESS
2 OPERATIONS AND TEMPORARILY CLOSE THE BUSINESS
3 ESTABLISHMENT OF ANY PERSON FOR ANY OF THE
4 FOLLOWING VIOLATIONS:
5

6 "(A) IN THE CASE OF SALES TAX REGISTERED PERSON.
7 -
8

9 "(1) FAILURE TO ISSUE RECEIPTS OR INVOICES;
10

11 "(2) FAILURE TO FILE A SALES TAX RETURN AS
12 REQUIRED UNDER SECTION 111; OR
13

14 "(3) UNDERSTATEMENT OF TAXABLE SALES OR
15 RECEIPTS BY THIRTY PER CENT (30%) OR MORE OF HIS
16 CORRECT TAXABLE SALES OR RECEIPTS FOR THE
17 TAXABLE QUARTER.
18

19 "(B) FAILURE OF ANY PERSON TO REGISTER AS
20 REQUIRED UNDER SECTION 233.
21

22 THE TEMPORARY CLOSURE OF THE ESTABLISHMENT
23 SHALL BE FOR THE DURATION OF NOT LESS THAN FIVE (5)
24 DAYS AND SHALL BE LIFTED ONLY UPON COMPLIANCE
25 WITH WHATEVER REQUIREMENTS PRESCRIBED BY THE
26 COMMISSIONER IN THE CLOSURE ORDER."
27

28 **SEC. 2.** Section 116, Title V of the National Internal Revenue Code, as
29 amended, is hereby renumbered and amended to read as follows:
30

31 "SEC. 113 [116]. Tax on Persons Exempt from **SALES TAX**
32 [Value-Added Tax (VAT)]. - Any person whose sales or receipts
33 are exempt under Section 109(**FF**) [(V)] of this Code from the
34 payment of **SALES** [value-added] tax and who is not a **SALES TAX**
35 [VAT-] registered person shall pay a tax equivalent to three percent
36 (3%) of his gross quarterly sales or receipts: *Provided*, That
37 cooperatives shall be exempt from the three percent (3%) gross
38 receipts tax herein imposed."
39

40 All succeeding sections of the Code are hereby renumbered accordingly.
41

42 **SEC. 3.** Section 236, Chapter II, Title IX of the National Internal Revenue
43 Code, as amended, is hereby renumbered and amended to read as follows:
44

45 "SEC. 233 [236]. Registration Requirements. -
46

47 "(A) X X X
48

49 "(B) X X X
50

1 “(C) X X X

2
3 “(D) X X X

4
5 “(E) X X X

6
7 “(F) Cancellation of Registration. –

8
9 “(1) General Rule. - The registration of any person who ceases
10 to be liable to a tax type shall be cancelled upon filing with the
11 Revenue District Office where he is registered an application for
12 registration information update in a form prescribed therefor.

13
14 “(2) Cancellation of **SALES [Value-Added]** Tax Registration. –
15 A **SALES TAX [VAT-]** registered person may cancel his registration
16 for **SALES TAX [VAT]** if:

17
18 “(a) He makes written application and can demonstrate to the
19 Commissioner's satisfaction that his gross sales or receipts for the
20 following twelve (12) months, other than those that are exempt
21 under Section 109 (A) to **(EE) [(U)]**, will not exceed **THREE**
22 **MILLION PESOS (P3,000,000.00)** [One million five hundred
23 thousand pesos (P1,500,000)]; or

24
25 “(b) He has ceased to carry on his trade or business, and does
26 not expect to recommence any trade or business within the next
27 twelve (12) months.

28
29 “The cancellation of registration will be effective from the first
30 day of the following month.

31
32 “(G) Persons Required to Register for **SALES [Value-Added]**
33 Tax. –

34
35 “(1) Any person who, in the course of trade or business, sells,
36 barter or exchanges goods or properties, or engages in the sale or
37 exchange of services, shall be liable to register for **SALES [value-**
38 **added]** tax if:

39
40 “(a) His gross sales or receipts for the past twelve (12)
41 months, other than those that are exempt under Section 109(A) to
42 **(FF) [(V)]**, have exceeded **THREE MILLION PESOS**
43 **(P3,000,000.00)** [One million five hundred thousand pesos
44 (P1,500,000)]; or

45
46 “(b) There are reasonable grounds to believe that his gross
47 sales or receipts for the next twelve (12) months, other than those
48 that are exempt under Section 109(A) to **(FF) [(V)]**, will exceed
49 **THREE MILLION PESOS (P3,000,000.00)** [One million five
50 hundred thousand pesos (P1,500,000)]; or

1
2 “(2) Every person who becomes liable to be registered under
3 paragraph (1) of this Subsection shall register with the Revenue
4 District Office which has jurisdiction over the head office or branch
5 of that person, and shall pay the annual registration fee prescribed
6 in Subsection (B) hereof. If he fails to register, he shall be liable to
7 pay the tax under Title IV as if he were a **SALES TAX [VAT-]**
8 registered person [, but without the benefit of input tax credits for
9 the period in which he was not properly registered].

10
11 “(H) Optional Registration for **SALES [Value-Added] Tax** of
12 Exempt Person. –

13
14 “(1) Any person who is not required to register for **SALES**
15 **[value-added] tax** under Subsection (G) hereof may elect to register
16 for **SALES [value-added] tax** by registering with the Revenue
17 District Office that has a jurisdiction over the head office of that
18 person, and paying the annual registration fee in Subsection (B)
19 hereof.

20
21 “(2) Any person who elects to register under this Subsection
22 shall not be entitled to cancel his registration under Subsection (F)
23 (2) for the next three (3) years.

24
25 “For purposes of Title IV of this code, any person who has
26 registered **SALES [value-added] tax** as a tax type in accordance
27 with the provisions of Subsection (C) hereof shall be referred to as
28 a “**SALES TAX [VAT-] registered person**” who shall be assigned
29 only one Taxpayer Identification Number (TIN).

30
31 **SEC. 4.** All exemptions from value-added tax mandated in other special
32 laws shall continue to be recognized as exemptions from the sales tax imposed by
33 this Act.

34
35 All other reference to value-added tax elsewhere in the Code or in other
36 laws, executive orders, and rules and regulations shall henceforth be understood
37 as referring to sales tax.

38
39 **SEC. 5.** Upon the effectivity of this Act, no carry-over of excess input taxes
40 as of December 31, 2020 shall be allowed. Nonetheless, all VAT-registered
41 persons may claim for refund or apply for the issuance of tax credit certificate of
42 their excess input taxes as of December 31, 2020. Claims for refund or application
43 for tax credit certificate from zero-rated or effectively zero-rated sales as of
44 December 31, 2020 shall also be allowed. All such claims for refund or application
45 of tax credit certificates should be filed before the Commissioner of Internal
46 Revenue not later than December 31, 2022.

47
48 **SEC. 6.** The Department of Finance and the Bureau of Internal Revenue
49 shall promulgate the necessary rules and regulations for the effective
50 implementation of this Act.

1
2 **SEC. 7.** If any part or provision of this Act is declared invalid or
3 unconstitutional, the remaining parts or provisions not affected shall remain in full
4 force and effect.

5
6 **SEC. 8.** All laws, decrees, executive orders, rules and regulations or parts
7 thereof which are contrary to or inconsistent with the provisions of this Act are
8 hereby repealed, amended or modified accordingly.

9
10 **SEC. 9.** This Act shall take effect on January 1, 2021, following its complete
11 publication in the *Official Gazette* or in a newspaper of general circulation.

12
13 ***Approved.***