

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FOURTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3442

Introduced by **Bayan Muna Reps. TEODORO A. CASIÑO**
and **SATUR C. OCAMPO**

EXPLANATORY NOTE

The imposition of the regressive value-added tax (VAT) on goods and services has greatly affected the purchasing capacity of Filipino citizens from all walks of life – especially on the majority of those who receive salaries below the required cost of living and those who are under-employed or have no jobs at all

Petroleum products, particularly fuel and cooking oils, are important commodities that affect all aspects of living in our country. Aside from having a direct impact on transportation, it is a key input to production, thereby affecting all goods and services. Any change in prices of oil directly affects the prices of food, energy and other goods. It is a key determinant to the quality of life of our people, which is the primary task of the government.

As of the filing of this bill, the prevailing pump price of unleaded gasoline has increased since the start of the year by 19.3% or P7.20 per Liter, from P37.25 to P44.4/L; for diesel oil, 15.6% or P5.20/L, from P33.25 to P38.45/L; for liquefied petroleum gas (LPG), 27.3% or P6.57/L, from P24.07 to P30.64/L; for kerosene, 14.9% or P5.20/L, from P34.79 to P39.99/L; and for fuel oil, 38.3% or P8.21/L, from P21.45 to P29.66/L.

For the year 2007 alone, there have been a total of 18 price increases versus 6 rollbacks for liquefied petroleum gas (LPG); 17 hikes for unleaded gasoline and fuel oil, versus 5 and 4 rollbacks, respectively; and 14 hikes for kerosene and diesel oil versus 6 and 5 rollbacks, respectively.

These pump price increases are in light of the increase of international crude oil and finished petroleum prices. As of November 2007, the price of Dubai crude oil has increased, year on year, by 51.5% to \$85.92 per barrel, from \$56.72/barrel. In the same light, international prices of finished petroleum products have increased by as much as 50% from December 2006 to November 2007.

Up to 95% of the country's petroleum requirements are imported, rendering us exceedingly vulnerable to the dictates of big transnational oil corporations. The worst implication of this system is that our severe dependence on such corporations, which control not only the importation, refining, and retailing of crude and petroleum products from abroad, but also control the exploration, exploitation, refining, retailing, and even re-exportation of our country's indigenous petroleum and petroleum-based products, deprives us the opportunity to be self-sufficient.

The Big Three, or the local subsidiaries of Shell, Caltex, and Petron, claim that they do not overprice, that they set prices based on the price increases of Dubai oil exchanged over the spot market and on Peso-Dollar exchange rate fluctuations. Moreover, they deny the existence of a cartel, alleging that they merely follow the movements of world oil prices. They claim these even as they are minimally affected by prices in world markets and even as they are able to trade in the same currency between subsidiaries.

The Reformed Value-Added Tax (RVAT) under Republic Act No. 9337 does not consider the present world economy and geopolitical scenario. The government has unjustly earned a net windfall of P38.9B in 2006 from the imposition of a 12% value-added tax (VAT) on the sale and importation of crude oil and finished petroleum products. Because of the erroneous assumptions used in this law, Congress has even heightened the sufferings of the Filipino people.

Furthermore, we see that this windfall from VAT on oil has been used to cover-up the continued inefficiencies and irregularities in tax collections that would have also resulted in a more sustainable windfall for the government if addressed sincerely.

It is a primary task of the government to ensure the improvement of the quality of living of the people, including protecting its citizens from rapacious business practices of foreign companies and its local subsidiaries. Thus, this proposal that the sale or importation of petroleum products and raw materials used in the manufacture of the same be exempted from the regressive VAT.

In view of the foregoing, the immediate approval of this measure – along with the passage of other concrete actions by the legislature to address the problematic situation of the oil industry – is earnestly sought.

Rep. TEODORO A. CASIÑO
Bayan Muna Partylist

Rep. SATUR C. OCAMPO
Bayan Muna Partylist

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Introduced by **Bayan Muna Reps. TEODORO A. CASIÑO**
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**AN ACT
CLASSIFYING THE SALE OR IMPORTATION OF PETROLEUM PRODUCTS
AND RAW MATERIALS IN THE MANUFACTURE THEREOF AS VALUE-
ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE
SECTION 109 (1) OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS
THE TAX REFORM ACT OF 1997, AS AMENDED BY REPUBLIC ACT NO.
9337, AND FOR OTHER PURPOSES.**

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

SECTION 1: Section 109 (1), Chapter 1, Title IV, Value-Added Tax of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

“SEC. 109. *Exempt Transactions.* – (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

“(A) xxx

“(B) xxx

After paragraph (B), insert the following paragraphs (C) and (D).

“(C) SALE OR IMPORTATION OF PETROLEUM PRODUCTS (EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE, WAX, PETROLATUM, AND COAL AND NATURAL GAS IN WHATEVER FORM OR STATE) SUBJECT TO EXCISE TAX IMPOSED UNDER TITLE VI;

“(D) SALE OR IMPORTATION OF RAW MATERIALS TO BE USED BY THE BUYER OR IMPORTER HIMSELF IN THE MANUFACTURE OF PETROLEUM PRODUCTS SUBJECT TO EXCISE TAX, EXCEPT LUBRICATING OIL, PROCESSED GAS, GREASE, WAX AND PETROLATUM;

And re-letter the succeeding paragraphs as from (E) to (X).

SEC. 2. *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules and Regulations for the effective implementation of this Act.

SEC. 3. *Repealing Clause.* – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and

inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 4. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 5. *Effectivity Clause.* - This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,