

REPUBLIC OF THE PHILIPPINES }  
CONGRESS OF THE PHILIPPINES }  
    *Second Regular Session*

H. No. 11197  
S. No. 1630

REPUBLIC ACT NO. 7716

AN ACT RESTRUCTURING THE VALUE-ADDED TAX (VAT) SYSTEM, WIDENING ITS TAX BASE AND ENHANCING ITS ADMINISTRATION, AND FOR THESE PURPOSES AMENDING AND REPEALING THE RELEVANT PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES

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

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

"SEC. 99. *Persons Liable.* – Any person who, in the course of trade or business, sells, barter, exchanges, leases goods or properties, renders services, and any person who imports goods shall be liable to the value-added tax (VAT) imposed in Sections 100 to 102 of this Code.

"The value-added tax is an indirect tax and the amount of tax may be shifted or passed on to the buyer, transferee or lessee of the goods, properties or services. This rule shall likewise apply to existing contracts of sale or lease of goods, properties or services at the time of the effectivity of this Act.

"The phrase 'in the course of trade or business' means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a non-stock, non-profit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity.

"The rule of regularity, to the contrary, notwithstanding, services as defined in this Code rendered in the Philippines by nonresident foreign persons shall be considered as being rendered in the course of trade or business."

SEC. 2. Section 100 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 100. *Value-added tax on sale of goods or properties.*  
– (a) *Rate and base of tax.* – There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, a value-added tax equivalent to 10% of the gross selling price or gross value in money of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

"(1) The term 'goods or properties' shall mean all tangible and intangible objects which are capable of pecuniary estimation and shall include:

"(A) Real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business;

"(B) The right or the privilege to use patent, copyright, design or model, plan, secret formula or process, goodwill, trademark, trade brand or other like property or right;

"(C) The right or the privilege to use in the Philippines of any industrial, commercial or scientific equipment;

"(D) The right or the privilege to use motion picture films, films, tapes and discs; and

"(E) Radio, television, satellite transmission and cable television time.

"The term 'gross selling price' means the total amount of money or its equivalent which the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the value-added tax. The excise tax, if any, on such goods or properties shall form part of the gross selling price.

"(2) The following sales by VAT-registered persons shall be subject to 0%:

"(A) Export sales. - The term 'export sales' means:

"(i) The sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that may be agreed upon which may influence or determine the transfer of ownership of the goods so exported and paid for in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

"(ii) Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise to be used in manufacturing, processing, packing or repacking in the Philippines of the said buyer's goods and paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

"(iii) Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;

"(iv) Sale of gold to the Bangko Sentral ng Pilipinas (BSP);  
and

"(v) Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws.

"(B) Foreign currency denominated sale. - The phrase 'foreign currency denominated sale' means sale to a nonresident of goods, except those mentioned in Sections 149 and 150, assembled or manufactured in the Philippines for delivery to a resident in the Philippines, paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

"(C) Sales to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects such sales to zero-rate.

"(b) *Transactions deemed sale.* - The following transactions shall be deemed sale:

"(1) Transfer, use, or consumption not in the course of business of goods or properties originally intended for sale or for use in the course of business.

"(2) Distribution or transfer to:

"(A) Shareholders or investors as share in the profits of the VAT-registered persons; or

"(B) Creditors in payment of debt.

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

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

"(c) *Changes in cessation of status of a VAT-registered person.* - The tax imposed in paragraph (a) of this section shall also apply to goods disposed of or existing as of a certain date if under circumstances to be prescribed in regulations to be promulgated by the Secretary of Finance, the status of a person as a VAT-registered person changes or is terminated.

"(d) *Determination of the tax.* - (1) The tax shall be computed by multiplying the total amount indicated in the invoice by 1/11.

"(2) Sales returns, allowances and sales discounts. - The value of goods or properties sold and subsequently returned or for which allowances were granted by a VAT-registered person may be deducted from the gross sales or receipts for the quarter in

which a refund is made or a credit memorandum or refund is issued. Sales discount granted and indicated in the invoice at the time of sale and the grant of which does not depend upon the happening of a future event may be excluded from the gross sales within the same quarter it was given.

"(3) Authority of the Commissioner to determine the appropriate tax base. - The Commissioner shall, by regulations, determine the appropriate tax base in cases where a transaction is deemed a sale, barter or exchange of goods or properties under paragraph (b) hereof, or where the gross selling price is unreasonably lower than the actual market value."

SEC. 3. Section 102 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 102. *Value-added tax on sale of services and use or lease of properties.* - (a) *Rate and base of tax.* - There shall be levied, assessed and collected, a value-added tax equivalent to 10% of gross receipts derived from the sale or exchange of services, including the use or lease of properties.

"The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors; operators of taxicabs; utility cars for rent or hire driven by the lessees (rent-a-car companies), tourist buses; and other common carriers by land, air, and sea relative to their transport of goods or cargoes; services of franchise grantees of telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 117 of this Code; services of banks, non-bank financial intermediaries and finance

companies; and non-life insurance companies (except their crop insurances) including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

"(1) The lease or the use of or the right or privilege to use any copyright, patent, design or model, plan, secret formula or process, goodwill, trademark, trade brand or other like property or right;

"(2) The lease or the use of, or the right to use of any industrial, commercial or scientific equipment;

"(3) The supply of scientific, technical, industrial or commercial knowledge or information;

"(4) The supply of any assistance that is ancillary and subsidiary to and is furnished as a means of enabling the application or enjoyment of any such property, or right as is mentioned in subparagraph (2) or any such knowledge or information as is mentioned in subparagraph (3); or

"(5) The supply of services by a nonresident person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any brand, machinery, or other apparatus purchased from such nonresident person;

"(6) The supply of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;

"(7) The lease of motion picture films, films, tapes and discs; and

"(8) The lease or the use of or the right to use radio, television, satellite transmission and cable television time.

"Lease of properties shall be subject to the tax herein imposed irrespective of the place where the contract of lease or licensing agreement was executed if the property is leased or used in the Philippines.

"The term 'gross receipts' means the total amount of money or its equivalent representing the contract price, compensation, service fee, rental or royalty, including the amount charged for materials supplied with the services and deposits and advanced payments actually or constructively received during the taxable quarter for the services performed or to be performed for another person, excluding value-added tax.

"(b) *Transactions subject to zero-rate.* - The following services performed in the Philippines by VAT-registered persons shall be subject to 0%:

"(1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

"(2) Services other than those mentioned in the preceding sub-paragraph, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

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

"(4) Services rendered to vessels engaged exclusively in international shipping; and

"(5) Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of total annual production.

"(c) *Determination of the tax.* - The tax shall be computed by multiplying the total amount indicated in the official receipt by 1/11."

SEC. 4. Section 103 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 103. *Exempt transactions.* - The following shall be exempt from the value-added tax:

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

"(b) Sale of cotton and cotton seeds in their original state; and copra;

"(c) Sale or importation of agricultural and marine food products in their original state, except importation of meat, livestock and poultry of a kind generally used as, or yielding or producing foods for human consumption; and breeding stock and genetic materials therefor.

"Products classified under this paragraph and paragraph (a) shall be considered in their original state even if they have undergone the simple processes of preparation or preservation for the market, such as freezing, drying, salting, smoking or stripping. Polished and/or husked rice, corn grits, locally produced raw cane sugar and ordinary salt shall be considered in their original state;

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

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

"(f) 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;

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

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

"(i) Importation of professional instruments and implements, wearing apparel, domestic animals, and personal household effects (except any vehicle, vessel, aircraft, machinery, other goods for use in the manufacture and merchandise of any kind in commercial quantity) belonging to persons coming to settle in the Philippines, for their own use and not for sale, barter or exchange, accompanying such persons, or arriving within ninety (90) days before or after their arrival, upon the production of evidence satisfactory to the Commissioner of Internal Revenue, that such persons are actually coming to settle in the Philippines and that the change of residence is *bona fide*;

"(j) Services subject to percentage tax under Title V;

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

"(l) Medical, dental, hospital and veterinary services except those rendered by professionals;

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

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

"(o) Services rendered by individuals pursuant to an employer-employee relationship;

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

"(q) Transactions which are exempt under special laws, except those granted under Presidential Decree Nos. 66, 529, 972, 1491, and 1590, and non-electric cooperatives under Republic Act No. 6938, or international agreements to which the Philippines is a signatory;

"(r) Export sales by persons who are not VAT-registered;

"(s) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, and other related laws;

"(t) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount prescribed in regulations to be promulgated by the President upon the recommendation by the Secretary of Finance which shall not be less than Four hundred eighty thousand pesos

(P480,000) or more than Seven hundred twenty thousand pesos (P720,000) subject to tax under Section 112 of this Code.

"The foregoing exemptions to the contrary notwithstanding, any person whose sale of goods or properties or services which are otherwise not subject to VAT, but who issues a VAT invoice or receipt therefor shall, in addition to his liability to other applicable percentage tax, if any, be liable to the tax imposed in Section 100 or 102 without the benefit of input tax credit, and such tax shall not also be recognized as input tax credit to the purchaser under Section 104, all of this Code."

SEC. 5. Section 104 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 104. *Tax Credits.* – (a) *Creditable input tax.* - Any input tax evidenced by a VAT invoice or official receipt issued in accordance with Section 108 hereof on the following transactions shall be creditable against the output tax:

"(1) Purchase or importation of goods:

"(A) For sale; or

"(B) For conversion into or intended to form part of a finished product for sale including packaging materials; or

"(C) For use as supplies in the course of business; or

"(D) For use as materials supplied in the sale of service; or

"(E) For use in trade or business for which deduction for depreciation or amortization is allowed under this Code, except automobiles, aircraft and yachts.

"(2) Purchase of services on which a value-added tax has been actually paid.

"The input tax on domestic purchase of goods or properties shall be creditable:

"(AA) To the purchaser upon consummation of sale and on importation of goods or properties;

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

"However, in the case of purchase of services, lease or use of properties the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.

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

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

"(B) A ratable portion of any input tax which cannot be directly attributed to either activity.

"The term 'input tax' means the value-added tax due from or paid by a VAT-registered person in the course of his trade or business on importation of goods or local purchase of goods or services, including lease or use of property, from a VAT-registered person. It shall also include the transitional input tax determined in accordance with Section 105 of this Code.

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

"(b) *Excess output or input tax.* - If at the end of the any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarters. Any input tax attributable to the purchase of capital goods or to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes, subject to the provisions of Section 106.

"(c) *Determination of creditable input tax.* - The sum of the excess input tax carried over from the preceding month or quarter and the input tax creditable to a VAT-registered person during the taxable month or quarter shall be reduced by the amount of claim for refund or tax credit for value-added tax and other adjustments, such as purchase returns or allowances and input tax attributable to exempt sale.

"The claim for tax credit referred to in the foregoing paragraph shall include not only those filed with the Bureau of Internal Revenue (BIR) but also those filed with the other government agencies, such as the Board of Investments (BOI) and the Bureau of Customs (BOC)."

SEC. 6. Section 106 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 106. *Refunds or tax credits of creditable input tax.*  
– (a) Any VAT-registered person, whose sales are zero-rated or effectively zero-rated, may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 100(a)(2)(A)(i), (ii) and (b) and Section 102(b)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales.

"(b) *Capital goods.* - A VAT-registered person may apply for the issuance of a tax credit certificate or refund of input taxes paid on capital goods imported or locally purchased, to the extent that such input taxes have not been applied against output taxes. The application may be made only within two (2) years after the

close of the taxable quarter when the importation or purchase was made.

"(c) *Cancellation of VAT-registration.* - A person whose registration has been cancelled due to retirement from or cessation of business, or due to changes in or cessation of status under Section 100(c) of this Code may, within two (2) years from the date of cancellation, apply for the issuance of a tax credit certificate for any unused input tax which may be used in payment of his other internal revenue taxes.

"(d) *Period within which refund or tax credit of input taxes shall be made.* - In proper cases, the Commissioner shall grant a refund or issue the tax credit for creditable input taxes within sixty (60) days from the date of submission of complete documents in support of the application filed in accordance with sub-paragraphs (a) and (b) hereof. In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the sixty-day period, appeal the decision or the unacted claim with the Court of Tax Appeals.

"(e) *Manner of giving refund.* - Refund shall be made upon warrants drawn by the Commissioner or by his duly authorized representative without the necessity of being countersigned by the Chairman, Commission on Audit, the provisions of the Revised Administrative Code to the contrary notwithstanding: *Provided,* That refunds under this paragraph shall be subject to post audit by the Commission on Audit."

SEC. 7. Section 107 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 107. *Registration of value-added taxpayers.* - (a) *In general.* - Any person subject to a value-added tax under Sections 100 and 102 of this Code shall register with the appropriate Revenue District Officer and pay an annual registration fee in

the amount of One thousand pesos (P1,000) for every separate or distinct establishment or place of business and every year thereafter on or before the last day of January. Any person just commencing a business subject to the value-added tax must pay the fee before engaging therein.

"A person who maintains a head or main office and branches in different places shall register with the Revenue District Office which has jurisdiction over the place wherein the main or head office is located. However, the fee shall be paid to the Revenue District Officer, collection agent, authorized treasurer of the municipality where each place of business or branch is situated.

"(b) *Persons commencing business.* - Any person who expects to realize gross sales or receipts subject to value-added tax in excess of the amount prescribed under Section 103(t) of this Code for the next 12-month period from the commencement of the business shall, within thirty (30) days before the start of the said business, register with the Revenue District Officer who has jurisdiction over his principal place of business and shall pay the annual registration fee prescribed in the preceding paragraph.

"(c) *Persons becoming liable to the value-added tax.* - Any person whose gross sales or receipts in any 12-month period exceeds the amount prescribed under Section 103(t) of this Code for exemption from the value-added tax shall register and pay the annual registration fee prescribed in paragraph (a) of this section within thirty (30) days after the end of the last month of that period, and shall be liable to the value-added tax commencing from the first day of the month following his registration.

"(d) *Optional registration of exempt person.* - Any person whose transactions are exempt from value-added tax under Section 103(t) of this Code, or any person whose transactions are exempt from value-added tax under Section 103(a), (b), (c), and (d) of this Code with respect to his export sales only, may apply for registration as a VAT-registered person not later than ten (10) days before the beginning of the taxable quarter and shall pay the annual registration fee prescribed in sub-paragraph (a) of this section.

"In any case, the Commissioner may, for administrative reason, deny any application for registration.

"For purposes of this Title, any person registered in accordance with the provisions of this section shall be referred to as 'VAT-registered person.' Each VAT-registered person shall be assigned only one taxpayer's identification number.

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

SEC. 8. Section 108 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

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

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

"(2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax.

"(b) *Accounting requirements.* - Notwithstanding the provision of Section 223, all persons subject to the value-added tax under Sections 100 and 102 shall, in addition to the regular accounting records required, maintain a subsidiary sales journal and subsidiary purchase journal on which the daily sales and purchases are recorded. The subsidiary journals shall contain such information as may be required by the Secretary of Finance."

SEC. 9. Section 110(c) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(c) *Withholding of Creditable Value-Added Tax.* - The government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs) shall, before making payment on account of its purchase of goods from sellers and services rendered by contractors which are subject to the value-added tax imposed in Sections 100 and 102 of this Code, deduct and withhold the value-added tax due at the rate of three percent (3%) of the gross payment for the purchase of goods and six percent (6%) on gross receipts for services rendered by contractors on every sale or installment payment which shall be creditable against the value-added tax liability of the seller or contractor: *Provided, however,* That the payment for lease or use of properties or property rights to nonresident owners shall be subject to ten percent (10%) withholding tax at the time of payment. For this purpose, the payor or person in control of the payment shall be considered as the withholding agent."

SEC. 10. Section 112 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 112. *Tax on persons exempt from value-added tax (VAT).* - Any person whose sales or receipts are exempt under Section 103(t) of this Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) upon the effectivity of this Act and four percent (4%) two (2) years thereafter, of his gross quarterly sales or receipts."

SEC. 11. Section 115 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 115. *Percentage tax on carriers and keepers of garages.* - Keepers of garages, and common carriers by land, air or water for the transport of passengers, except owners of bancas, and owners of animal-drawn two-wheeled vehicles, shall pay a

tax equivalent to three *per centum* (3%) of their quarterly gross receipts.

"The gross receipts of common carriers derived from their incoming and outgoing freight shall not be subjected to the local taxes imposed under Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

"In computing the percentage tax provided in this section, the following shall be considered the minimum quarterly gross receipts in each particular case:

"Jeepney for hire-

1. Manila and other cities	P2,400
2. Provincial	P1,200

"Public utility bus-

Not exceeding 30 passengers	P3,600
Exceeding 30 but not exceeding 50 passengers	P6,000
Exceeding 50 passengers	P7,200

"Taxis -

1. Manila and other cities	P3,600
2. Provincial	P2,400
Car for hire (w/ chauffeur)	P3,000
Car for hire (w/out chauffeur)	P1,800"

SEC. 12. Section 117 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 117. *Tax on franchises.* – Any provision of general or special law to the contrary notwithstanding, there shall be levied, assessed and collected in respect to all franchises on electric, gas and water utilities a tax of two percent (2%) on the gross receipts derived from the business covered by the law granting the franchise.

"The grantee shall file the return with, and pay the tax due thereon to, the Commissioner of Internal Revenue or his duly authorized representative in accordance with the provisions of Section 125 of this Code and the return shall be subject to audit by the Bureau of Internal Revenue, any provision of any existing law to the contrary notwithstanding."

SEC. 13. The first paragraph of Section 121 of this Code is hereby further amended to read as follows:

"SEC. 121. *Tax on Life Insurance Premium.* – There shall be collected from every person, company, or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines a tax of five *per centum* (5%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax; nor upon premiums collected or received by any branch of a domestic corporation, firm or association doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the insured of personal insurance resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts (as defined in Sec. 232(2) of Presidential Decree No. 612), in excess of the amounts necessary to insure the lives of the variable contract workers."

SEC. 14. Section 236 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 236. *Indication of taxpayer identification number (TIN).* – For tax identification purposes, any person required under the authority of this Code, to make, render, or file a return, statement, or a document, shall be supplied with or assigned a

taxpayer identification number (TIN) which shall be indicated on such return, statement or document.

"Any person who shall secure more than one TIN or who fails to indicate his correct TIN as required in the foregoing paragraph, shall be criminally liable under the provisions of Section 274 of this Code."

SEC. 15. Section 237 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 237. *Registration of name or style with the revenue district officer or collection agent.* – Every person, other than persons required to be registered under the provisions of Section 107 engaged in any business shall, on or before the commencement of his business, or whenever he transfers to another revenue district, register with the Revenue District Officer concerned within 10 days from the commencement of business or transfer and shall pay the annual registration fee in the amount of One thousand pesos (P1,000) for every separate or distinct establishment or place of business and every year thereafter on or before the last day of January. The fee shall be paid to the Revenue District Officer, collection agent, authorized treasurer of the municipality where each place of business or branch is situated. In cities or municipalities where no revenue district officer is stationed, such person shall register and pay the fee prescribed herein with the collection agent. The registration shall contain his name or style, place of residence, business, the place where such business is carried on, and such other information as may be required by the Commissioner in the form prescribed therefor. In the case of a firm, the names and residences of the various persons constituting the same shall also be registered. The Commissioner, after taking into consideration the volume of sales, financial condition and other relevant factors, may require the registrant to guarantee the payment of his taxes by way of advance payment, or the posting or filing of a security, guarantee or collateral acceptable to the Commissioner."

SEC. 16. Section 238 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 238. *Issuance of receipts or sales or commercial invoices.* – All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at P25 or more, issue duly registered receipts or sales or commercial invoices, prepared at least in duplicate, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service: *Provided, however,* That in the case of sales, receipts or transfers in the amount of P100 or more, or, regardless of amount, where the sale or transfer is made by a person liable to value-added tax to another person also liable to value-added tax; or, where the receipt is issued to cover payment made as rentals, commissions, compensations or fees, receipts or invoices shall be issued which shall show the name, business style, if any, and address of the purchaser, customer, or client: *Provided, further,* That where the purchaser is a VAT-registered person, in addition to the information herein required, the invoice or receipt shall further show the taxpayer's identification number of the purchaser.

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

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

SEC. 17. *Effectivity of the Imposition of VAT on Certain Goods, Properties and Services.* – The value-added tax shall be levied, assessed and collected on the following, two (2) years after the effectivity of this Act:

(a) Services performed in the exercise of profession or calling subject to the professional tax under the Local Government Code or Republic Act No. 7160, and professional services performed by registered general professional partnerships; actors, actresses, talents, singers and emcees; radio and television broadcasters, choreographers; musical, radio, movie, television and stage directors; and professional athletes;

(b) Services rendered by banks, non-bank financial intermediaries, finance companies and other financial intermediaries not performing quasi-banking functions;

(c) Freight services rendered by international cargo vessels; and

(d) The lease or use of sports facilities and equipment by amateur players, as provided under Republic Act No. 6847, except sports facilities and equipment which are exclusively or mainly for the private use of shareholders or members of the club or organization which owns or operates such sports facilities and equipment.

Prior to their inclusion in the coverage of the value-added tax, the above services shall continue to pay the applicable tax prescribed under the present provisions of the National Internal Revenue Code, as amended.

However, when public interest so requires, the President, taking into account the impact on the prices of goods and services, may, upon the recommendation of the Secretary of Finance, exclude any of the above services from the coverage of the value-added tax: *Provided, however,* That in the event of the exclusion of any of the above services the existing applicable tax under the provisions of the National Internal Revenue Code, as amended, shall continue to be paid on the service so excluded.

SEC. 18. *Tax Administration Development Fund.* – For the effective implementation of this Act, there is hereby created a Tax Administration Development Fund to be sourced from five percent (5%) of the increase in value-added tax collections for

1995 over that of the immediately preceding year and annually thereafter for a period of four (4) years five percent (5%) of the increase over the collection of the preceding year. Such amount which shall be retained by the Bureau of Internal Revenue shall be considered receipts automatically appropriated for the first year. Disbursements from this fund shall be subject to such rules and guidelines as may be promulgated by the Department of Finance upon recommendation of the Commissioner of Internal Revenue. These funds shall not be used for the purchase of vehicles, the payment of salaries and incentives, creation of regular positions, and construction of buildings and offices.

SEC. 19. *Rules and Regulations.* – For the effective implementation of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations within ninety (90) days from effectivity hereof.

SEC. 20. *Repealing Clauses.* – The provisions of any special law relative to the rate of franchise taxes are hereby expressly repealed. Sections 113, 114, and 116 of the National Internal Revenue Code are hereby repealed.

Paragraphs (c), (d), and (e) of Article 39 of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, are hereby repealed: *Provided, however,* That the benefits and incentives under said paragraphs shall continue to be enjoyed by enterprises registered with the Board of Investments before the effectivity of this Act.

Unless otherwise excluded by the President pursuant to Section 17 hereof, Sections 119 and 120 of the National Internal Revenue Code shall be repealed upon the expiration of two (2) years from the effectivity of this Act. During the period that the freight services rendered by international cargo vessels are not covered by the value-added tax imposed under this Act, said services shall pay a tax at a rate of three *per centum* (3%) of their quarterly gross receipts derived from outgoing cargoes.

All other laws, orders, issuances, rules and regulations or parts thereof inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 21. This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved, May 5, 1994.