

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 1138

HOUSE OF REPRESENTATIVES	
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REGISTRATION UNIT BILLS AND INDEX SERVICE	

Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

It cannot be denied that the Petroleum industry is imbued with public interest. Virtually all aspects of the economic and social life of the nation are affected by the unabated increase in the prices of petroleum products.

Our problem is that, under the current deregulation law, Government is virtually helpless in checking the apparent abuses by petroleum industry players in increasing and/or refusing to decrease of petroleum products even when warranted by market forces.

The situation is aggravated by the lack of transparency in the formula used by petroleum companies in order to arrive at their prices and the apparent incompetence and/or indifference of the officials of the Department of Energy (DOE) in addressing the situation. The consuming public is virtually at the mercy of the oil industry cartel, which has gleefully taken advantage situation at the expense of entire populace.

This Act is intended to set the allowable level of profit for companies in the petroleum industry and impose a "windfall profits tax" on petroleum companies in order to discourage them from engaging in excessive profiteering. The imposition of the tax is likewise intended as well as a mode of recouping the excess profits earned by said corporations at the expense of the public and of redistributing the said excess profits to the public in the form of public services.

It is the hope of the author that this will help "moderate the greed" of petroleum companies and provide much-needed relief to our overburdened citizens.

This measure was filed by the Magdalo Party-List in the 16th Congress and was subsequently referred to the Committee on Energy.

In view of the foregoing premises, approval of this bill is earnestly sought.


HON. GARY C. ALEJANO

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AN ACT
DECLARING THE PETROLEUM INDUSTRY TO BE AFFECTED WITH
PUBLIC INTEREST, SETTING THE ALLOWABLE LEVEL OF PROFIT FOR
PETROLEUM COMPANIES, IMPOSING A WINDFALL PROFITS TAX ON
PETROLEUM COMPANIES AND FOR OTHER RELATED PURPOSES

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

1 **SECTION 1. *Short Title.*** - This Act shall be known as the "Petroleum Windfall
2 Profits Tax Act of 2016".

3
4 **SEC. 2. *Statement of Policy.*** - It is hereby declared the policy of the State to
5 consider the petroleum industry to be affected with public interest. Accordingly, the State
6 shall regulate the levels of permissible profits companies operating in the petroleum
7 industry shall be allowed to make and shall impose a windfall or excess profit tax on
8 profits made in excess thereof.

9
10 **SEC. 3. *Permissible Level of Profit.*** - Companies engaged in the petroleum
11 industry, including companies engaged In the importation, refining, processing,
12 transportation, storage, distribution and retail of petroleum products shall be allowed to
13 make a reasonable return on their capital or investment but not to exceed Twelve Percent
14 (12%) of their Paid-Up Capital per year.

1 **SEC. 4. *Petroleum Windfall Profits Tax.*** - Companies engaged in the petroleum
2 industry whose Net Profit exceed Twelve Percent (12%) of their Paid-Up Capital per year
3 shall pay a windfall profit tax at the following rates:

4 (a) Profits in excess of Twelve Percent (12%) but not more than Twenty Percent
5 (20%) of the Paid-up Capital of the Company- Fifty Percent (50%) of the amount of
6 Profit in excess of Twelve Percent (12%);

7 (b) Profits in excess of Twenty Percent (20%) of their Paid-up Capital of the
8 Company - Eighty Percent (80%) of the amount of Profit in excess of Twenty Percent
9 (20%).

10 It is understood that the Profits of petroleum companies not exceeding the
11 threshold amount of Twelve Percent (12%) of their Paid-Up Capital shall be subject only
12 to the regular corporate income tax and other imposed by the National Internal Revenue
13 Code.

14
15 **SEC. 5. *Implementing Rules and Regulations.*** - The Bureau of Internal
16 Revenue (BIR), in consultation with the Department of Finance (DOF) shall promulgate
17 the necessary rules and regulations to implement this Act within thirty (30) days from the
18 enactment hereof.

19
20 **SEC. 6. *Repealing Clause.*** - All laws, decrees, executive orders, rules and
21 regulations, issuances or any part thereof inconsistent with the provisions of this Act are
22 hereby repealed or amended accordingly.

23
24 **SEC. 7. *Effectivity.*** - This Act shall take effect fifteen (15) days following its
25 publication in the Official Gazette or in at least two (2) national newspapers of general
26 circulation.

Approved,