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 columnist\(^4\) 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.

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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?" He noted that even the mighty US stepped back from the daunting task.

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.

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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
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:

SECTION 1. The provisions of Title IV of the National Internal Revenue
Code of 1997, as amended, governing value-added tax are hereby repealed and
replaced with new provisions imposing sales tax, to read as follows:

"TITLE IV
"SALES TAX

"CHAPTER I – IMPOSITION OF TAX

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

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

"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, NONPROFIT 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. 106. 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, SALES TAX EQUIVALENT TO FOUR PER CENT (4%) 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) GOOD OR PROPERTIES. — THE TERM "GOODS" OR "PROPERTIES" SHALL MEAN ALL TANGIBLE AND INTANGIBLE OBJECTS WHICH ARE CAPABLE OF PECUNIARY ESTIMATION AND SHALL INCLUDE:

(A) REAL PROPERTY 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, 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 SALES TAX.
THE EXCISE TAX, IF ANY, ON SUCH GOODS OR PROPERTIES
SHALL FORM PART OF THE GROSS SELLING PRICE.

"(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; OR

"(B) CREDITORS IN PAYMENT OF DEBT;

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

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

"(C) CHANGES IN OR CESSATION OF STATUS OF A
SALES TAX REGISTERED PERSON. — THE TAX IMPOSED IN
SUBSECTION (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 RULES
AND REGULATIONS TO BE PROMULGATED BY THE
SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE
COMMISSIONER, THE STATUS OF A PERSON AS A SALES TAX
REGISTERED PERSON CHANGES OR IS TERMINATED.

"(D) SALES RETURNS, ALLOWANCES AND SALES
DISCOUNTS. — THE VALUE OF GOODS OR PROPERTIES SOLD
AND SUBSEQUENTLY RETURNED OR FOR WHICH
ALLOWANCES WERE GRANTED BY A TAXPAYER 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.

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

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

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

"(B) TRANSFER OF GOODS BY TAX-EXEMPT PERSONS. – IN THE CASE OF TAX-FREE IMPORTATION OF GOODS INTO THE PHILIPPINES BY PERSONS, ENTITIES OR AGENCIES EXEMPT FROM TAX WHERE SUCH GOODS ARE SUBSEQUENTLY SOLD, TRANSFERRED OR EXCHANGED IN THE PHILIPPINES TO NON-EXEMPT PERSONS OR ENTITIES, THE PURCHASERS, TRANSFERRERS OR RECIPIENTS SHALL BE CONSIDERED THE IMPORTERS THEREOF, WHO SHALL BE LIABLE FOR ANY INTERNAL REVENUE TAX ON SUCH IMPORTATION. THE TAX DUE ON SUCH IMPORTATION SHALL CONSTITUTE A LIEN ON THE GOODS SUPERIOR TO ALL CHARGES OR LIENS ON THE GOODS, IRRESPECTIVE OF THE POSSESSOR THEREOF."

"SEC. 108. TAX ON SALE OF SERVICES AND USE OR LEASE OF PROPERTIES. – THERE SHALL BE LEVIED, ASSESSED AND COLLECTED, A SALES TAX EQUIVALENT TO FOUR PER CENT (4%) 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, REST HOUSES, 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;
TRANSPORTATION CONTRACTORS ON THEIR TRANSPORT OF
GOODS OR CARGOES, INCLUDING PERSONS WHO
TRANSPORT GOODS OR CARGOES FOR HIRE ANOTHER
DOMESTIC COMMON CARRIERS BY LAND RELATIVE TO THEIR
TRANSPORT OF GOODS OR CARGOES; COMMON CARRIERS
BY AIR AND SEA RELATIVE TO THEIR TRANSPORT OF
PASSENGERS, GOODS OR CARGOES FROM ONE PLACE IN
THE PHILIPPINES TO ANOTHER PLACE IN THE PHILIPPINES;
SALES OF ELECTRICITY BY GENERATION COMPANIES,
TRANSMISSION, AND DISTRIBUTION COMPANIES; SERVICES
OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES,
TELEPHONE AND TELEGRAPH, RADIO AND TELEVISION
BROADCASTING AND ALL OTHER FRANCHISE GRANTEES
EXCEPT THOSE UNDER SECTION 116 OF THIS CODE, 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 OF 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);

"(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 HEREBIN 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 THE SALES TAX."

"SEC. 109. EXEMPT TRANSACTIONS. — THE FOLLOWING TRANSACTIONS SHALL BE EXEMPT FROM THE SALES TAX:
“(A) SALE OR IMPORTATION OF AGRICULTURAL AND MARINE FOOD PRODUCTS IN THEIR ORIGINAL STATE, LIVESTOCK AND POULTRY OF OR KIND GENERALLY USED AS, OR YIELDING OR PRODUCING FOODS FOR HUMAN CONSUMPTION; AND BREEDING STOCK AND GENETIC MATERIALS THEREFOR.

PRODUCTS CLASSIFIED UNDER THIS PARAGRAPH 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, BROILING, ROASTING, SMOKING OR STRIPPING. POLISHED AND/OR HUSKED RICE, CORN GRITS, RAW CANE SUGAR AND MOLASSES, ORDINARY SALT AND COPRA SHALL BE CONSIDERED IN THEIR ORIGINAL STATE;

“(B) 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);

“(C) IMPORTATION OF PERSONAL AND HOUSEHOLD EFFECTS BELONGING TO THE RESIDENTS OF THE PHILIPPINES RETURNING FROM ABROAD AND NONRESIDENT CITIZENS COMING TO RESETTEL IN THE PHILIPPINES: PROVIDED, THAT SUCH GOODS ARE EXEMPT FROM CUSTOMS DUTIES UNDER THE CUSTOMS MODERNIZATION AND TARIFF ACT;

“(D) 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, THAT SUCH PERSONS ARE ACTUALLY COMING TO SETTLE IN THE PHILIPPINES AND THAT THE CHANGE OF RESIDENCE IS BONA FIDE;
“(E) SERVICES SUBJECT TO PERCENTAGE TAX UNDER
TITLE V;

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

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

“(H) EDUCATIONAL SERVICES RENDERED BY PRIVATE
EDUCATIONAL INSTITUTIONS, DULY ACCREDITED BY THE
DEPARTMENT OF EDUCATION (DEPED), THE COMMISSION
ON HIGHER EDUCATION (CHED), THE TECHNICAL
EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
(TESDA) AND THOSE RENDERED BY GOVERNMENT
EDUCATIONAL INSTITUTIONS;

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

“(J) 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;

“(K) SERVICES RENDERED IN 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);

“(L) SERVICES OTHER THAN THOSE MENTIONED IN THE
PRECEDING PARAGRAPH, RENDERED TO A PERSON
ENGAGED IN BUSINESS CONDUCTED OUTSIDE THE
PHILIPPINES OR TO A NONRESIDENT PERSON NOT
ENGAGED IN BUSINESS WHO IS OUTSIDE THE PHILIPPINES
WHEN THE SERVICES ARE PERFORMED, THE
CONSIDERATION FOR WHICH IS PAID FOR IN ACCEPTABLE
FOREIGN CURRENCY AND ACCOUNTED FOR IN
ACCORDANCE WITH THE RULES AND REGULATIONS OF THE
BSP;
“(M) SERVICES RENDERED TO PERSONS OR ENTITIES WHOSE EXEMPTION UNDER SPECIAL LAWS OR INTERNATIONAL AGREEMENTS TO WHICH THE PHILIPPINES IS A SIGNATORY EFFECTIVELY EXEMPTS THE SUPPLY OF SUCH SERVICES;

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

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

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

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

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

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

“(T) GROSS RECEIPTS FROM LENDING ACTIVITIES BY CREDIT OR MULTI-PURPOSE COOPERATIVES Duly REGISTERED WITH THE COOPERATIVE DEVELOPMENT AUTHORITY;

“(U) SALES BY NON-AGRICULTURAL, NON-ELECTRIC AND NON-CREDIT COOPERATIVES Duly REGISTERED WITH
THE COOPERATIVE DEVELOPMENT AUTHORITY: PROVIDED,
THAT THE SHARE CAPITAL CONTRIBUTION OF EACH
MEMBER DOES NOT EXCEED FIFTEEN THOUSAND PESOS
(P15,000) AND REGARDLESS OF THE AGGREGATE CAPITAL
AND NET SURPLUS Ratably DISTRIBUTED AMONG THE
MEMBERS;

"(V) EXPORT SALES, OR 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
BSP;

THE 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 BSP; SALE OF RAW
MATERIALS OR PACKAGING MATERIALS TO EXPORT-
ORIENTED ENTERPRISE WHOSE EXPORT SALES EXCEED
SEVENTY PERCENT (70%) OF TOTAL ANNUAL PRODUCTION;
THOSE CONSIDERED EXPORT SALES UNDER EXECUTIVE
ORDER NO. 226, OTHERWISE KNOWN AS THE "OMNIBUS
INVESTMENT CODE OF 1987", AND OTHER SPECIAL LAWS;
AND SALE OF GOODS, SUPPLIES, EQUIPMENT AND FUEL TO
PERSONS ENGAGED IN INTERNATIONAL SHIPPING OR
INTERNATIONAL AIR TRANSPORT OPERATIONS SHALL BE
CONSIDERED AS EXPORT SALES;

"(W) FOREIGN-CURRENCY DENOMINATED SALE, OR
SALE TO A NONRESIDENT OF GOODS, EXCEPT THOSE
MENTIONED IN SECTIONS 146 AND 147, 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
BSP;

"(X) 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, RESIDENTIAL LOT VALUED AT TWO MILLION PESOS (P2,000,000.00) AND BELOW, HOUSE AND LOT, AND OTHER RESIDENTIAL DWELLINGS VALUED AT THREE MILLION PESOS (P3,000,000.00) AND BELOW: PROVIDED, THAT NOT LATER THAN JANUARY 31, 2023 AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE ADJUSTED TO THEIR PRESENT VALUES USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA);

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

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

"(AA) TRANSPORT OF PASSENGERS BY INTERNATIONAL CARRIERS;

"(BB) SALE, IMPORTATION OR LEASE OF PASSENGER OR CARGO VESSELS AND AIRCRAFT, INCLUDING ENGINE, EQUIPMENT AND SPARE PARTS THEREOF FOR DOMESTIC OR INTERNATIONAL TRANSPORT OPERATIONS;

"(CC) IMPORTATION OF FUEL, GOODS AND SUPPLIES BY PERSONS ENGAGED IN INTERNATIONAL SHIPPING OR AIR TRANSPORT OPERATIONS;

"(DD) SALE OF GOLD TO THE BSP;

"(EE) SERVICES OF BANK, NON-BANK FINANCIAL INTERMEDIARIES PERFORMING QUASI-BANKING FUNCTIONS, AND OTHER NON-BANK FINANCIAL INTERMEDIARIES; AND
"(FF) 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 OF THREE MILLION PESOS (P3,000,000): PROVIDED, THAT NOT LATER THAN JANUARY 31, 2023 AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE WITH FOOTNOTE IN THE BOOK VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PSA;

CHAPTER II – COMPLIANCE REQUIREMENTS

"SEC. 110. INVOICING AND ACCOUNTING REQUIREMENTS FOR SALES TAX REGISTERED PERSONS. –

"(A) INVOICING REQUIREMENT. – A SELLER, PROVIDER OR LESSOR OF GOODS, SERVICES OR PROPERTIES SHALL ISSUE:

"(1) INVOICE FOR EVERY SALE, BARTER OR EXCHANGE OF GOODS OR PROPERTIES; AND

"(2) OFFICIAL RECEIPT FOR EVERY LEASE OF GOODS OR PROPERTIES, AND FOR EVERY SALE, BARTER OR EXCHANGE OF SERVICES.

"(B) INFORMATION CONTAINED IN THE INVOICE OR OFFICIAL RECEIPT. – THE FOLLOWING INFORMATION SHALL BE INDICATED IN THE INVOICE OR OFFICIAL RECEIPT:

"(1) THE TAXPAYER'S IDENTIFICATION NUMBER (TIN);

"(2) THE TOTAL AMOUNT WHICH THE PURCHASER PAYS OR IS OBLIGATED TO PAY TO THE SELLER WITH THE INDICATION THAT SUCH AMOUNT INCLUDES THE SALES TAX: PROVIDED, THAT:

"(A) THE AMOUNT OF THE TAX SHALL BE SHOWN AS A SEPARATE ITEM IN THE INVOICE OR RECEIPT;

"(B) IF THE SALE IS EXEMPT FROM SALES TAX, THE TERM "TAX EXEMPT SALE" SHALL BE WRITTEN OR PRINTED PROMINENTLY ON THE INVOICE OR RECEIPT;

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

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

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

“(C) ACCOUNTING REQUIREMENTS. – NOTWITHSTANDING THE PROVISIONS OF SECTION 230, ALL PERSON SUBJECT TO THE SALES TAX UNDER SECTIONS 106 AND 108 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.

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

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

“SEC. 111. RETURN AND PAYMENT OF SALES TAX. –

“(A) IN GENERAL. - EVERY PERSON LIABLE TO PAY THE SALES TAX IMPOSED UNDER THIS TITLE SHALL FILE A
QUARTERLY RETURN OF THE AMOUNT OF HIS GROSS SALES OR RECEIPTS WITHIN TWENTY-FIVE (25) DAYS FOLLOWING THE CLOSE OF EACH TAXABLE QUARTER PRESCRIBED FOR EACH TAXPAYER: PROVIDED, HOWEVER, THAT THE TAXPAYER SHALL PAY THE SALES TAX ON A MONTHLY BASIS.

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

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

"(C) WITHHOLDING OF SALES 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 EACH PURCHASE OF GOODS AND SERVICES WHICH ARE SUBJECT TO THE SALES TAX IMPOSED IN SECTIONS 106 AND 108 OF THIS CODE, DEDUCT AND WITHHOLD THE SALES TAX IMPOSED IN SECTIONS 106 AND 108 OF THIS CODE AT THE RATE OF FOUR PER CENT (4%) OF THE GROSS PAYMENT THEREOF. PAYMENT FOR LEASE OR USE OF PROPERTIES OR PROPERTY RIGHTS TO NONRESIDENT OWNERS SHALL ALSO BE SUBJECT TO FOUR PER CENT (4%) WITHHOLDING TAX AT THE TIME OF PAYMENT. FOR PURPOSES OF THIS SECTION, THE PAYOR OR PERSON IN CONTROL OF THE PAYMENT SHALL BE CONSIDERED AS THE WITHHOLDING AGENT.

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

"SEC. 112. POWER OF THE COMMISSIONER TO SUSPEND THE BUSINESS OPERATIONS OF A TAXPAYER. — THE COMMISSIONER OR HIS AUTHORIZED REPRESENTATIVE
IS HEREBY EMPOWERED TO SUSPEND THE BUSINESS 
OPERATIONS AND TEMPORARILY CLOSE THE BUSINESS 
ESTABLISHMENT OF ANY PERSON FOR ANY OF THE 
FOLLOWING VIOLATIONS:

"(A) IN THE CASE OF SALES TAX REGISTERED PERSON.

"(1) FAILURE TO ISSUE RECEIPTS OR INVOICES;

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

"(3) UNDERSTATEMENT OF TAXABLE SALES OR 
RECEIPTS BY THIRTY PER CENT (30%) OR MORE OF HIS 
CORRECT TAXABLE SALES OR RECEIPTS FOR THE 
taxable quarter.

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

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

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

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

All succeeding sections of the Code are hereby renumbered accordingly.

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

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

"(A) X X X

"(B) X X X
“(C) XXX

“(D) XXX

“(E) XXX

“(F) Cancellation of Registration. —

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

“(2) Cancellation of SALES [Value-Added] Tax Registration. — A SALES TAX [VAT-] registered person may cancel his registration for SALES TAX [VAT] if:

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

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

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

“(G) Persons Required to Register for SALES [Value-Added] Tax. —

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

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

“(b) There are reasonable grounds to believe that his gross sales or receipts for the next twelve (12) months, other than those that are exempt under Section 109(A) to (FF) [(V)], will exceed THREE MILLION PESOS (P3,000,000.00) [One million five hundred thousand pesos (P1,500,000)]; or
“(2) Every person who becomes liable to be registered under paragraph (1) of this Subsection shall register with the Revenue District Office which has jurisdiction over the head office or branch of that person, and shall pay the annual registration fee prescribed in Subsection (B) hereof. If he fails to register, he shall be liable to pay the tax under Title IV as if he were a **SALES TAX [VAT-]** registered person [, but without the benefit of input tax credits for the period in which he was not properly registered].

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

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

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

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

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

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

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

**SEC. 6.** The Department of Finance and the Bureau of Internal Revenue shall promulgate the necessary rules and regulations for the effective implementation of this Act.
SEC. 7. If any part or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

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

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

Approved.