

FURTHER AMENDING CERTAIN PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE

PRESIDENTIAL DECREE NO. 2031, February 04, 1986

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WHEREAS, certain raw material inputs are taxable at higher rates than the finished article which may result in accumulation of excess tax credits;

WHEREAS, certain articles presently classified as ordinary articles should be considered as essential articles for sales tax purposes;

WHEREAS, to achieve the effect of placing the raw materials and finished products at essentially the same rate of tax on finished articles under the existing tax credit system;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. Paragraph (c) of Section 162 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(c) Imported articles. —When the articles are imported, the percentage taxes established in Sections 163, 164 and 165 (A) of this Code shall be paid in advance by the importer prior to the release of such articles from customs custody, based on the total value used by the Bureau of Customs in determining tariff and customs duties, including customs duties and other charges. On the original sale, barter, exchange or transfer of such imported articles by the importer himself, there shall be levied, assessed and collected a sales tax at the same rate on the gross value in money of the articles so sold, bartered, exchanged or transferred: Provided, That the tax paid in advance the importer shall be credited against the sales tax due on the original sale. The tax required to be paid herein shall not apply to articles to be used by the importer himself in the manufacture or preparation of articles subject to excise tax under Title IV of this Code: Provided, however, That where the National Economic and Development Authority certifies to the availability of local raw materials of sufficient quantity, comparable quality and price to meet the needs of manufacturers subject to excise tax, the importation of such raw materials shall be subject to the tax herein imposed."

SEC. 2. Sub-paragraph (3), paragraph (A) of Section 165 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(3) Essential articles. —10% of the gross selling Price or gross value in money of the following articles so sold, bartered, exchanged, or transferred:

"(a) Processed meat, fruits, vegetables, fish and other sea foods;

"(b) Beverages and concentrates thereof, whether in liquid, powder or granulated form, intended for consumption as a drink, including but not limited to processed coffee, cocoa, tea or ginger;

"(c) Processed milk, dairy products, butter and its substitutes like margarine;

"(d) Cooking oil which are not subject to miller's tax under Section 168 of this Code;

"(e) Wheat flour;

"(f) Bread and ordinary bakery products;

"(g) Medicine;

"(h) Laundry soap and detergents;

"(i) Writing pads, notebooks and ordinary lead pencils;

"(j) Cement, hollow blocks, logs, lumber, plywood, plyboard, fiberboard glass, roofing materials, steel bars, nails, sand and gravel;

"(k) Fish, poultry, swine and cattle feeds; and

"(l) Fertilisers."

SEC. 3. Section 165 of the National Internal Revenue Code is hereby further amended by adding a new paragraph thereto to read as follows:

"Any part or accessory of the articles under Subsection (A) shall be taxed at the same rate as the finished articles."

SEC. 4. Section 166 (c) of the National Internal Revenue Code is hereby amended to read as follows:

"(c) excess tax credit.—If at the end of a taxable year, the total tax paid on the raw material, part, accessory or other article exceeds the amount of the sales tax due on the finished product, the manufacturer or producer may elect to:

"1. Carry over such excess or a portion thereof to be credited against his sales tax liability in the succeeding taxable quarter or quarters; or

"2. File an application for the issuance of a tax credit certificate for such excess or a portion thereof which can be used in payment of any advance sales tax; or

"3. Deduct such excess or a portion thereof from gross income for income tax purposes: Provided, That the amount of the tax on raw material, part, accessory, or other article shall be indicated as a separate item in the sales invoice; and Provided, further, That the amount of tax credits opted for and any tax credit corresponding to the raw materials which are subsequently sold, transferred, disposed of, or, for any other reason, can no longer be used in the manufacture of the finished product for sale, shall either be deducted from any unused tax credit or paid as a part of the tax due in the quarter following the disposal: and Provided, finally, That in the case of an importer, if the advance sales tax paid on imported articles exceeds the sales tax due on the original sale of the imported articles, in any quarter, the excess shall be credited against the sales tax liability of the importer in the succeeding taxable quarter or quarters."

SEC. 5. Paragraph (a) of Section 169 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(a) Taxable articles. —There shall be imposed upon the importer of commodities, goods, wares, or merchandise brought into the Philippines, a compensating tax equivalent to the rates prescribed in Sections 163, 164 and 165 (A) based on the total value used by the Bureau of Customs in determining tariff and customs duties, including customs duty and all other charges, such tax to be paid before the withdrawal of the said commodities, goods, wares or merchandise from customshouse or the post office."

SEC. 6. Effectivity.—The options on excess tax credits can be availed of by the manufacturer or producer on the balance of deferred tax credits existing as of the end of his taxable year following the effectivity of this Decree.

All other provisions of this Decree shall take effect on January 1st, 1986.

Done in the City of Manila, this 4th day of February, in the Year of Our Lord, nineteen hundred and eighty-six.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Executive Assistant

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