

AMENDING SECTION 199 OF THE NATIONAL INTERNAL REVENUE CODE BY IMPOSING A PERCENTAGE TAX ON LOCALLY PRODUCED CRUDE OIL.

PRESIDENTIAL DECREE NO. 1615, March 31, 1979

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WHEREAS, the discovery of local crude oil in the Philippines has led to its commercial production in gradually increasing quantities;

WHEREAS, the domestic production of crude oil eliminates the inward ocean freight and other incidental costs, as well as customs duties, as cost components, thereby reducing the acquisition price of locally produced crude oil;

WHEREAS, despite such a reduction in the buying price of crude oil by local processors and refineries, it is not yet economically feasible to reduce appreciably the selling price of petroleum products for consumption, thereby benefiting only a group of oil refinery companies;

WHEREAS, it is necessary to spread the benefits arising from the discovery and production of oil in our country to a greater number of our people as far as possible;

WHEREAS, taxation, which is an accepted instrument for redistribution of wealth, can be utilized to achieve the optimum distribution of the said benefits which would otherwise inure to oil refineries only;

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

SECTION 1. Section 199 of the National Internal Revenue Code is hereby amended by inserting a new subsection thereon to read as follows:

"Sec. 199 (a) Percentage tax on sales of other articles.—There shall be levied, assessed and collected once only on every original sale, barter, exchange, and similar transaction either for nominal or valuable consideration, intended to transfer ownership of, or title to, the articles not covered in Section 194, 195, 196, 197, 198 and 201, a tax equivalent to ten per centum (10%) of the gross selling price or gross value in money of the articles so sold, bartered, exchanged, or transferred, such tax to be paid by the manufacturer or producer: Provided, That any percentage, specific or mining tax paid under this title, title IV or title VII, respectively, on domestically manufactured, processed or produced, or imported raw materials, part, accessory or other article forming part of the finished product shall be credited against the sales tax due on the finished product: Provided, however, That in case 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 excess shall be credited against the sales tax liabilities of the manufacturer for the succeeding taxable quarters: And, provided, further, That the amount of the tax on the raw materials, part, accessory or other article shall be indicated as a separate item in the sales invoice.

"Whenever the finished product subject to sales tax is manufactured or produced out of any raw material, part, accessory or other article which is exempt from tax, the tax otherwise due on the latter shall be deemed to have

been paid for purposes of the next preceding paragraph.

"Any part or accessory of the above-mentioned articles shall be taxed under this subsection."

"(b) Percentage tax on sales of indigenous petroleum.—Notwithstanding the provisions of Section 202 of this Code, there shall be levied, assessed, and collected once only on the first taxable sale, barter, exchange or similar transaction intended to transfer ownership of or title to indigenous petroleum, a tax equivalent to twenty-two per centum (22%) of the fair international market price thereof, such tax to be paid by the buyer or purchaser within fifteen (15) days from the date of actual or constructive delivery to the said buyer or purchaser. The phrase "first taxable sale, barter, exchange or similar transaction" means the transfer of the indigenous petroleum in its original state to a first taxable transferee. The fair international market price shall be determined in accordance with Regulations to be promulgated by the Minister of Finance upon the recommendation of the Commissioner of Internal Revenue in consultation with an appropriate government agency.

"For purposes of this subsection, "indigenous petroleum" shall include locally extracted mineral oil, hydrocarbon gas, bitumen, crude asphalt, mineral gas and all other similar or naturally associated substances with the exception of coal, peat, bituminous shale and/or stratified mineral deposits.

"In enforcing the provisions of this subsection, section 12 and the relevant provisions of Chapter II of Title IV of this Code shall apply."

SECTION 2. Repealing Clause.—The provisions of any general or special laws, decrees or orders which are in conflict or inconsistent herewith are hereby repealed or modified accordingly.

SECTION 3. Effectivity.—This act shall take effect upon its approval.

DONE in the City of Manila, this 31st of March, in the year of Our Lord, nineteen hundred and seventy-nine.

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

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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