ADJUSTMENT IN INDICATIVE FREIGHT RATES TO IMPLEMENT THE EXPANDED VAT SYSTEM UNDER R.A. 7716

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Republic Act No. 7716, an act restructuring the Value-Added Tax (VAT), widening its tax base and enhancing its administration, stipulates that 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. It provides further that 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 and that any input tax evidenced by a VAT invoice or official receipts issued in accordance with Section 108 thereof shall be creditable against the output tax.

After consultation with the Bureau of Internal Revenue (BIR), shippers, shipping operators, and other affected/concerned parties, it is deemed necessary, equitable and proper to adjust the existing freight rates before the 10% EVAT could be directly added on said rates, considering that the 3% common carriers tax has already been provided therein and that there are input taxes that are still deductible/creditable against the 10% output tax.

Considering the foregoing, and whereas rates being charged for cargo/freight transport services provided by domestic shipping liner companies are presently being regulated/prescribed by government by virtue of Section 16 of the Public Service Act, as amended, this Authority, upon approval by the MARINA Board of Directors in its meeting on 10 June 1996, hereby orders a 6% reduction in indicative freight rates for inter-island liner vessels, the percentage determined based on 3% common carriers tax and 1994/1995 financial statements submitted by representative domestic liner shipping companies from which estimates of input taxes were computed.

It is understood, however, that the above rate adjustment is provisional in nature. Let a public hearing for the aforesaid rate adjustment be set on 21 June 1996 at 10:30 a.m. at the Hearing Room, 6th Floor, this Building, U.N. Avenue, Manila.

Parties opposed to this Adjustment in Indicative Freight Rates to Implement The Expanded VAT System Under R.A. 7716 must file their opposition in writing with this Office within five (5) days from publication hereof.

SO ORDERED.

Adopted: 11 June 1996

(SGD.) PIO H. GARRIDO, JR.
Administrator

(SGD.) LAMBERTO V. PIA
Deputy Administrator for Operations

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