

LEVYING A SURTAX ON EXTRAORDINARY GAINS REALIZED BY OIL COMPANIES ON PETROLEUM PRODUCTS

PRESIDENTIAL DECREE NO. 1709, August 13, 1980

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WHEREAS, the grant of immediate price increases on the whole range of refined or blended petroleum products, oil companies derived extraordinary gains from the sale at higher prices of finished products processed from crude oil and other base stocks acquired at lower prices;

WHEREAS, a part of such extraordinary gains should be remitted to the Government for the benefit of a greater member of our people and the balance of such gains be devoted by the oil companies in projects designed to improve the capacity and efficiency of their facilities;

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:

SEC. 1. Surtax on Extraordinary Gains; Rate of Surtax — In addition to the income imposed under Title II of the National Internal Revenue Code, there is hereby imposed a surtax of twenty (20%) per cent on extraordinary gains realized by oil companies as a result of price and specific taxes increases authorized for petroleum products, which surtax shall not be an allowable deduction for income tax purposes.

SEC. 2. Computation of Extraordinary Gains — The extraordinary gain shall be measured by the difference between the approved wholesale posted prices of refined petroleum products immediately before the authorized price increases and the new posted prices multiplied by the number of units of petroleum products existing as of the day of effectivity of the price increases. Any such profit or gain so determined, shall be deemed realized during the quarter when the authorized price increases occurred. Extraordinary gains shall not only refer to the aggregate increases in the value of crude oil, base stocks and refined petroleum products resulting from the authorized price increases of petroleum products but shall also include the gains accruing to the oil companies as a result of the upward revision of the specific tax rates applicable to said petroleum products.

SEC. 3. Time Manner and Place of Payment. — The surtax herein imposed shall be paid within thirty (30) days following the promulgation of this Decree. Oil companies will be allowed to use the receivables which they have forthcoming from the Crude equalization. fund as credits to offset their liabilities for the surtax herein imposed. The rules and regulations authorized under Section 6 hereof may provide for installment payments.

A return therefore should be filed at the time of payment with the Revenue District Office or Collection Agent or duly authorized Municipal Treasurer having jurisdiction over the principal office and place where the books of accounts and other data of the oil companies are kept.

SEC. 4. Penalties. — failure to pay the tax and to file the corresponding tax return as hereinabove specified, as well as any other violations of this Decree, shall be subject to surcharges, interests and penalties provided under Title II of the National Internal Revenue Code.

SEC. 5. Program for Investment of Balance of Gains. — The oil companies shall prepare a program for the

investment of the balance of the extraordinary gains in their own projects which will increase the capacity and improve the efficiency of their refining or bulk storage and distribution facilities in the country.

SEC. 6. Rules and Regulations. — The Minister of Finance upon recommendation of the Commissioner of Internal Revenue and in consultation with the Minister of Energy shall promulgate all rules and regulations in order to implement the provisions of this Decree.

SEC. 7. Repealing Clause. — All acts, decrees, executive and administrative orders and other issuances which are inconsistent herewith, are hereby repealed or modified accordingly,

SEC. 8. Effectivity and Applicability. — This Decree shall apply on extraordinary gains realized beginning August 1, 1979.

Done in the City of Manila this 13th day of August, nineteen hundred and eighty.

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

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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