

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

HOUSE BILL NO. **1440**



Introduced by Honorable Mark O. Go

EXPLANATORY NOTE

After months of continuous rounds of price hikes, pump prices for both gasoline and diesel all over the country have pushed past 90 pesos, with some provinces expecting prices to breach the 100-peso mark. As of June 28, 2022, year-to-date adjustments stand at a net increase of P30 per liter for gasoline, P45 per liter for diesel, and P39.75 per liter for kerosene. Not only a burden to motorists and drivers and operators of public utility vehicles, the ongoing fuel crisis heavily impacts inflation, as production and transportation costs are driven higher which are then passed onto consumers. The continuous increase in fuel prices is largely due to increases in barrel price in the world market, aggravated by several factors including the Ukraine-Russia conflict, the US inflation, the latest Covid surge in China, and the devaluation of the Philippine Peso against the US Dollar. It is unlikely that current prices would significantly roll down anytime soon, as the European Union has recently adopted a partial embargo on Russian oil to take effect by the end of 2022 which will shrink the amount of oil available on the world market, further driving the prices up.

Another factor that has significantly influenced the prices of petroleum products over the years is the implementation of RA 10963, or the TRAIN Law. The TRAIN Law imposed a staggered schedule of excise tax increases beginning in 2018 until 2020. This bill seeks to temporarily reduce excise taxes on certain petroleum products back to their rates prior to the implementation of the TRAIN Law in order to bring down local fuel prices. The proposed reduction of excise tax shall last for eight (8) months or until the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) drops to USD65, or in the case of LPG, when LPG price based on Saudi Aramco's Contract price drops to USD580. During this period of rate reduction, oil companies shall be mandated to report to the Department of Energy and the Department of Finance changes on the retail prices of petroleum products and their justification for such changes.

While the erratic and volatile behavior of oil price in the world market is beyond the control of the Philippine legislature, it remains its duty to provide immediate relief to Filipinos amidst the ongoing fuel crisis. The temporary reduction of excise tax on petroleum

products is a viable remedy that Congress may adopt in order to ease the burden on motorists and consumers.

In view of the foregoing, the immediate consideration and approval of this measure is earnestly sought.



MARK O. GO

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AN ACT
REDUCING THE EXCISE TAX ON CERTAIN PETROLEUM PRODUCTS,
AMENDING FOR THE PURPOSE SECTION 148 AND ADDING SECTION 148-B
IN THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 148 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 148. *Manufactured Oils and Other Fuels.* - There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:

“[Effective January 1, 2018

(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts, and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight, Eight pesos (P8.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, re-refined or recycled shall likewise be subject to the tax imposed under this Section.

(b) Processed gas, per liter of volume capacity, Eight pesos (P8.00);

(c) Waxes and petrolatum, per kilogram, Eight pesos (P8.00);

(d) On denatured alcohol to be used for motive power, per liter of volume capacity, Eight pesos (P8.00): Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been

paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this Subsection, the removal of denatured alcohol of not less than one hundred eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

(e) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity, Seven pesos (P7.00): Provided, however, That naphtha and pyrolysis gasoline, when used as a raw material in the reproduction of petrochemical products or in refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (P0.00): Provided, further, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: Provided, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

(f) Unleaded premium gasoline, per liter of volume capacity, Seven pesos (P7.00);

(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (P4.00);

(h) Kerosene, per liter of volume capacity, Three pesos (P3.00): Provided, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Two pesos and fifty centavos (P2.50);

(j) Liquefied petroleum gas, per kilogram, One peso (P1.00): Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, shall be taxed zero (P0.00) per kilogram: Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;

(k) Asphalts, per kilogram, Eight pesos (P8.00);

(l) Bunker fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Two pesos and fifty centavos (P2.50): Provided, however, That the excise taxes paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due therefrom; and

(m) Petroleum coke, per metric ton, Two pesos and fifty centavos (P2.50): Provided, however, That, petroleum coke, when used as feedstock to any power generating facility, per metric ton, zero (P0.00).]

[Effective January 1, 2019

(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts, and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight, Nine pesos (P9.00): Provided, That lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax: Provided, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, re-refined or recycled shall likewise be subject to the tax imposed under this Section.

(b) Processed gas, per liter of volume capacity, Nine pesos (P9.00);

(c) Waxes and petrolatum, per kilogram, Nine pesos (P9.00);

(d) On denatured alcohol to be used for motive power, per liter of volume capacity, Nine pesos (P9.00): Provided, That unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. For purposes of this Subsection, the removal of denatured alcohol of not less than one hundred eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

(e) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity, Nine pesos (P9.00): Provided, however, That naphtha and pyrolysis gasoline, when used as a raw material in the reproduction of petrochemical products or in refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (P0.00): Provided, further, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: Provided, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the

processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

(f) Unleaded premium gasoline, per liter of volume capacity, Nine pesos (P9.00);

(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (P4.00);

(h) Kerosene, per liter of volume capacity, Four pesos (P4.00): Provided, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof;

(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Four pesos and fifty centavos (P4.50);

(j) Liquefied petroleum gas, per kilogram, Two pesos (P2.00): Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, shall be taxed zero (P0.00) per kilogram: Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;

(k) Asphalts, per kilogram, Nine pesos (P9.00);

(l) Bunker fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Four pesos and fifty centavos (P4.50): Provided, however, That the excise taxes paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due therefrom; and

(m) Petroleum coke, per metric ton, Four pesos and fifty centavos (P4.50): Provided, however, That, petroleum coke, when used as feedstock to any power generating facility, per metric ton, zero (P0.00).

“Effective January 1, 2020]

“(a) Lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts, and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight, Ten pesos (P10.00): *Provided*, That lubricating oils and greases produced from basestocks

and additives on which the excise tax has already been paid shall no longer be subject to excise tax: *Provided*, further, That locally produced or imported oils previously taxed as such but are subsequently reprocessed, re-refined or recycled shall likewise be subject to the tax imposed under this Section.

“(b) xxx

“(c) xxx

“(d) xxx

“(e) Naphtha, [regular] gasoline **WITH NINETY-ONE (91) RESEARCH OCTANE NUMBER (RON) AND BELOW**, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity, Ten pesos (P10.00): ***PROVIDED*, THAT FOR THE PERIOD OF EIGHT (8) MONTHS AFTER THE EFFECTIVITY OF THIS ACT, THE EXCISE TAX ON GASOLINE WITH NINETY-ONE (91) RON AND BELOW SHALL BE FOUR PESOS AND THIRTY-FIVE CENTAVOS (P4.35): *PROVIDED*, FURTHER, THAT THIS RATE SHALL REVERT TO TEN PESOS (P10.00) WHEN THE AVERAGE DUBAI CRUDE OIL PRICE BASED ON MEAN OF PLATTS SINGAPORE (MOPS) FOR FOUR (4) SUCCESSIVE WEEKS DECLINES TO SIXTY-FIVE DOLLARS (USD 65) OR LOWER: *Provided***, however, That naphtha and pyrolysis gasoline, when used as a raw material in the reproduction of petrochemical products or in refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero **PESOS (P0.00): *Provided*, [further]FURTHERMORE**, That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: *Provided*, finally, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;

“(f) [Unleaded premium gasoline] **GASOLINE WITH OCTANE NUMBER ABOVE NINETY-ONE (91) RON**, per liter of volume capacity, Ten pesos (P10.00): ***PROVIDED*, THAT, FOR THE PERIOD OF EIGHT (8) MONTHS AFTER THE EFFECTIVITY OF THIS ACT, THE EXCISE TAX UNDER THIS PARAGRAPH SHALL BE FIVE PESOS AND THIRTY-FIVE CENTAVOS (P5.35): *PROVIDED*, FURTHER, THAT THIS RATE SHALL REVERT TO TEN PESOS (P10.00) WHEN THE AVERAGE DUBAI CRUDE OIL PRICE**

BASED ON MOPS FOR FOUR (4) SUCCESSIVE WEEKS DECLINES TO SIXTY-FIVE DOLLARS (USD 65) OR LOWER;

“(g) Aviation turbo jet fuel, aviation gas, per liter of volume capacity, Four pesos (P4.00);

“(h) Kerosene, per liter of volume capacity, Five pesos (P5.00): ***PROVIDED, THAT FOR THE PERIOD OF EIGHT (8) MONTHS AFTER THE EFFECTIVITY OF THIS ACT, THE EXCISE TAX UNDER THIS PARAGRAPH SHALL BE ZERO PESO (P0.00):* Provided, FURTHER, That kerosene, when used as aviation fuel, shall be subject to the same tax on aviation turbo jet fuel under the preceding paragraph (g), such tax to be assessed on the user thereof: *PROVIDED, FINALLY, THAT THE RATE OF EXCISE TAX UNDER THIS PARAGRAPH SHALL REVERT TO FIVE PESOS (P5.00) WHEN THE AVERAGE DUBAI CRUDE OIL PRICE BASED ON MOPS FOR FOUR (4) SUCCESSIVE WEEKS DECLINES TO SIXTY-FIVE DOLLARS (USD 65) OR LOWER;***

“(i) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity, Six pesos (P6.00): ***PROVIDED, THAT, FOR THE PERIOD OF EIGHT (8) MONTHS AFTER THE EFFECTIVITY OF THIS ACT, THE EXCISE TAX UNDER THIS PARAGRAPH SHALL BE ZERO PESO (P0.00):* *PROVIDED, FURTHER, THAT THIS RATE SHALL REVERT TO SIX PESOS (P6.00) WHEN THE AVERAGE DUBAI CRUDE OIL PRICE BASED ON MOPS FOR FOUR (4) SUCCESSIVE WEEKS DECLINES TO SIXTY-FIVE DOLLARS (USD 65) OR LOWER;***

“(j) Liquefied petroleum gas, per kilogram, Three pesoS (P3.00) ***PROVIDED, THAT, FOR THE PERIOD OF EIGHT (8) MONTHS AFTER THE EFFECTIVITY OF THIS ACT, THE EXCISE TAX UNDER THIS PARAGRAPH SHALL BE ZERO PESO (P0.00);* *PROVIDED, FURTHER, THAT THIS RATE SHALL REVERT TO THREE PESOS (P3.00) WHEN THE AVERAGE LIQUEFIED PETROLEUM GAS PRICE BASED ON SAUDI ARAMCO’S CONTRACT PRICE FOR TWO (2) SUCCESSIVE MONTHS DECLINES TO FIVE HUNDRED EIGHTY DOLLARS (USD 580) PER METRIC TON OR LOWER:* *Provided, That liquefied petroleum gas when used as raw material in the production of petrochemical products, subject to the rules and regulations to be promulgated by the Secretary of Finance, shall be taxed zero PESO (P0.00) per kilogram: Provided, finally, That liquefied petroleum gas used for motive power shall be taxed at the equivalent rate as the excise tax on diesel fuel oil;***

“(k) xxx

“(l) xxx

“(m) xxx

“Petroleum products, including naphtha, LPG, petroleum coke, refinery fuel and other products of distillation, when used as input, feedstock or as raw material in the manufacturing of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero **PESO** (P0.00): Provided, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases, and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section.

“[For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this Section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three (3) months prior to the scheduled increase of the month reaches or exceeds Eighty dollars (USD 80) per barrel.]

“*Provided*, That the Department of Finance shall perform an annual review of the implementation of the excise tax on fuel and shall, based on projections **AND ASSESSMENTS** provided and recommendations of the Development Budget Coordination Committee, as reconciled from the conditions as provided above, recommend **TO THE PRESIDENT** the [implementation or] suspension **OR REDUCTION** of the excise tax [on fuel] **UNDER THIS SECTION**: *Provided*, [further,] That the recommendation shall be given on a yearly basis[:]. [*Provided*, finally, That any suspension of the increase in excise tax shall not result in any reduction of the excise tax being imposed at the time of the suspension.]

SEC. 2. A new section designated as Section 148-B of the National Internal Revenue Code of 1997, as amended, is hereby added, to read as follows:

“SEC. 148-B. PRICE MONITORING – OIL COMPANIES SHALL NOTIFY THE DEPARTMENT OF ENERGY (DOE) AND THE DEPARTMENT OF FINANCE (DOF) OF THE RETAIL PRICES, INCLUDING TAXES, OF GASOLINE, KEROSENE, DIESEL FUEL OIL, LPG, AND SIMILAR FUEL OILS HAVING MORE OR LESS THE SAME GENERATING POWER A DAY BEFORE THE IMPLEMENTATION OF THE EIGHT-MONTH EXCISE TAX RATE ADJUSTMENT, AND OF EVERY CHANGE IN THE RETAIL PRICE UNTIL THE END OF THE SAID EIGHT-MONTH PERIOD, STATING IN EACH NOTIFICATION THE JUSTIFICATION FOR SUCH CHANGES. THE DOE AND THE DOF SHALL JOINTLY ISSUE GUIDELINES PROVIDING A REPORTING MECHANISM FOR THIS PURPOSE.

THE DOE AND THE DOF SHALL FURNISH DATA SUBMITTED UNDER THIS SECTION TO THE DOE-DOJ TASK FORCE CREATED UNDER SECTION 14 (D) OF REPUBLIC ACT NO. 8479, OTHERWISE KNOWN AS THE DOWNSTREAM OIL INDUSTRY DEREGULATION ACT OF 1998, FOR APPROPRIATE ACTION.

SEC. 3. *Implementing Rules and Regulations.* - Within thirty (30) days from the effectivity of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for its effective implementation.

SEC. 4. *Separability Clause.* – If any of the sections or provisions of this Act is held invalid, all the other provisions not affected thereby shall remain in full force and effect.

SEC. 5. *Repealing Clause* – The provisions of the National Internal Revenue Code of 1997, as amended, shall continue to have full force and effect, except insofar as they are inconsistent with this Act.

SEC. 6. *Effectivity.* –This Act shall take effect after fifteen (15) days following its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,