

[**PRESIDENTIAL DECREE NO. 1991, October 31,
1985**]

**RESTRUCTURING AND AMENDING CERTAIN PROVISIONS OF THE
NATIONAL INTERNAL REVENUE CODE TO BE KNOWN AS THE
"SALES TAX REFORM DECREE OF 1985"**

WHEREAS, the current economic crisis amounts to a grave emergency which affects the stability of the nation and requires immediate action;

WHEREAS, there is an imperative need to simply and restructure certain provisions of the National Internal Revenue Code, particularly those imposing sales taxes;

WHEREAS, the present sales tax system prescribes complicated and difficult compliance requirements for taxpayers which in turn creates serious problems of administration ;

WHEREAS, it is the consensus of various business sectors that the multiplicity of sales tax rates have adversely affected to a great extent the conduct of their business ;

WHEREAS, the issuance of this Decree is an essential and necessary component of the national economic recovery program formulated to meet and overcome the emergency;

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. Section 193 of the Tax Code is hereby amended to read as follows:

"SEC. 193. *Returns and payment of sales and other taxes. (1) Return of gross sales, receipts, etc. and payment of tax. (a) Persons liable to pay sales tax on original sales and other percentage taxes. —* Every person liable to pay any percentage tax imposed under this Title, other than the sales tax on second sale, shall file a quarterly return of the amount of his gross sales, receipts or earnings or gross value of output actually removed from the factory or mill warehouse and to pay the tax due thereon within twenty days after the end of each taxable quarter.

*" (b) Persons liable to sales tax on second sale. —*Every person liable to pay sales tax on second sale shall file a monthly return of his gross sales or receipts and pay the tax due thereon within ten days after the end of each month.

"(c) Persons retiring from business. — Any person retiring from a business subject to percentage tax shall notify the nearest internal revenue officer, file his return and pay the tax due thereon within twenty days after closing his business.

*"(d) Exceptions. —*The Commissioner may, by regulation, prescribe:

(1) the time for filing the return at intervals other than the time prescribed in the preceding paragraphs for a particular

class or classes of taxpayers after considering such factors as volume of sales, financial condition, adequate measures of security, and such other relevant information required to be submitted under the pertinent provisions of this Code; and

(2) the manner and time of payment of sales and other percentage taxes other than as herein-above prescribed, including a scheme of tax prepayment.

"(e) *Presumption of sales, (i) Sales on consignment.*—For purposes of this Section, sales on consignment shall be considered actually sold on the day of sale or sixty days after the date consigned, whichever is earlier.

"(ii) *Determination of correct sales or receipts.* — When it is found that a person has failed to issue receipts or invoices, or when no return is filed or when there is reason to believe that the books of accounts or other records do not correctly reflect the declarations made or to be made in a return required to be filed under the provisions of this Code, the Commissioner, after taking into account the sales, receipts or other taxable base of other persons engaged in similar business under similar situations or circumstances, may prescribe a minimum amount of such gross receipts, sales and taxable base and such amount so prescribed shall be prima facie correct for purposes of determining the correct sales tax liabilities of such person.

"(2) *Where to file.*—(a) Persons subject to sales tax on original sale. Every manufacturer, producer or importer shall file the required return with the Revenue District Officer, Collection Agent or duly authorized Treasurer of the city or municipality where such taxpayer has his legal residence or principal place of business.

"(b) *Persons subject to sales tax on second sale.*— Every person subject to sales tax on second sale shall file a separate return with the Revenue District Officer, Collection Agent or duly authorized Treasurer of the city or municipality where each and every separate branch or distinct place of business is located; *Provided,* That a taxpayer may elect to file a consolidated return for all the branches or places of business located within the same revenue district with the Revenue District Officer concerned.

"(c) *Persons subject to other percentage taxes.* —Every person other than those mentioned in paragraphs (a) and (b) above, who is required to file a percentage tax return under this Title shall, at his option/file either a separate return with the Revenue District Officer, Collection Agent or duly authorized Treasurer of the city or municipality where each separate or distinct place of business is located, or a consolidated return with the same officers mentioned herein where such taxpayer has his legal residence or principal place of business.

"The foregoing provisions notwithstanding, the Commissioner may, in a meritorious case and upon request of the taxpayer, allow the filing of the return with any other authorized revenue officer.

" (3) *Ad valorem penalties.* — (a) *Failure to file and pay the tax.* —In case of failure to file the required percentage tax return, or if the percentage tax return is filed with a person other than those mentioned in the preceding subparagraphs, or if the percentage tax due on the return is not paid within the time specified above, the amount of the tax shall be increased by 25 %, the increment to be a part of the tax and the entire unpaid amount shall be subject to interest at the rate of 20% per annum from the due date until it is paid.

"(b) *Willful neglect to file, or filing false or fraudulent return.* — In case of willful neglect to file the return within the period prescribed herein, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax in case any payment has been made on the basis of such return before the discovery of the falsity or fraud, a surcharge of 50% of its amount and the entire unpaid amount shall be subject to interest at the rate of 20% per annum from due date until it is paid. The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the falsity or fraud, in which case the amount so added shall be collected in the same manner as the tax.

"(4) *Imported articles.* — When the articles are imported, the percentage taxes established in Sections 194, 195 and 196 (A) (1) (2) and (3) 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 by 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 specific 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 specific tax, the importation of such raw materials shall be subject to the tax herein imposed."

SEC. 2. Sections 196, 197, 198, 199 and 201 of the Tax Code are hereby consolidated and renumbered as Section 196 and amended to read as follows:

"**SEC. 196.** *Sales Taxes.* (A) *On original sales of articles.* —There shall be levied, assessed, and collected once only on every original sale, barter,

exchange, or similar transaction intended to transfer ownership of, or title to, the articles herein-below enumerated, a sales tax to be paid by the manufacturer, producer or importer:

"(1) Semi-essential articles: 30% of the gross selling price or gross value in money of the following articles so sold, bartered, exchanged or transferred:

"(a) Luggage, trunks, valises, travelling bags, suitcases, satchels, overnight bags, hat boxes for use of travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, and salesman's sample and display cases; handbags, cards, pass and key cases; toilet cases and other cases, bags and kits (without regard to size, shape, construction, or material from which made) for use in carrying toilet articles or articles of wearing apparel;

" (b) Harpsicord and accordions;

" (c) Firearms and cartridges or other forms of ammunitions;

" (d) Electric, gas or oil water heaters; electric, gas or oil appliances, stoves and ranges; electric mixers, whippers, and juicers; and household type electric vacuum cleaners or polishers;

"(e) Washing machines, cloth dryers and combination washing and cloth dryers of all types;

" (f) Mechanical lighters;

"(g) Textiles wholly or in chief value of silk, wool, linen; nylon or other synthetic and/or chemical fabrics except those primarily intended for clothing; wool and silk hats; and furs and manufactures thereof;

" (h) Toys and playthings of all sorts;

"(i) Beverage coolers, ice cream cabinets, water coolers, food and beverage storage cabinets, ice-making machines, and mild cooler cabinets, each having, or being primarily designated for use with a mechanical refrigerating unit operated by electricity, gas, kerosene, or other means;

" (j) Electricity and/or battery operated beauty equipments and accessories;

"(k) Pianos, electric or electronic musical organ;

"(1) Fountain pens;

"(m) Chairs, sofas, beds, show cases, lockers, cabinets, except filing cabinets and dental chairs;

"(n) Watches, clocks, cases and movements therefor;

"(o) Electric fans and exhaust fans;

"(p) Television sets, phonographs or gramophones, combination radio-phonograph set, tape recorders, video tape recorders, tape decks, car

stereos, cassette-radio, and similar articles for reproducing and/or recording music, sound and images and any combinations thereof;

"(q) Household type refrigerators and freezers ; and

"(r) Air-conditioning units; and

"(s) Similar or analogous articles to those mentioned above.

"(2) *Other articles.* —20% of the gross selling price or gross value in money of articles not covered by Sections 194 and 195 and subsections 1, 3 and 4 hereof so sold, bartered, exchanged, or transferred.

"(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, beverages, vegetables, milk and dairy products, fish and other sea foods; 118

"(b) Wheat flour;

"(c) Bread and ordinary bakery products;

"(d) Medicine;

"(e) Laundry soap and detergents; and

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

"(4) *Agricultural products.*—1% of the gross selling price or gross value in money of the following articles when sold, bartered or exchanged by the producer or owner of the land where produced except those subject to tax under Section 203:

"(a) Agricultural food products including ordinary salt and all kinds of fish and its by-products whether in their original state or not; and

"(b) Agricultural non-food products whether in their original state or not.

"The phrase whether in their original state or not' includes the transformation of said products by the application of simple processes to preserve or otherwise prepare said products for the market such as freezing, drying, salting, smoking or stripping. Rice and corn shall be considered in their original state even if they have undergone milling.

"(5) *Percentage tax on sales of indigenous petroleum.* —Notwithstanding the provisions of Section 202 of this Code, there shall be levied, assessed, and collected once on the first taxable sale, barter, exchange or similar transaction intended to transfer ownership of or title to indigenous petroleum, a tax equivalent to 27-1/2% of the fair