

[EXECUTIVE ORDER NO. 36, August 01, 1986]

**FURTHER AMENDING CERTAIN SECTIONS OF THE NATIONAL
INTERNAL REVENUE CODE, AS AMENDED**

WHEREAS, there is a need to simplify the sales tax structure to effect better compliance and administration;

WHEREAS, to recoup the differential arising from the simplification of the sales tax structures with respect to automobiles, there is a need to impose an additional excise tax on certain automobiles;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. Section 162, subparagraph (c), of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(c) Imported articles. - When the articles are imported, the percentage taxes established in Section 163 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 excise tax (except automobiles) under Title IV of this Code: Provided, further, 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 excise tax, the importation of such raw materials shall be subject to the tax herein imposed."

SECTION 2. Section 163 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"Section 163. Percentage tax on original sales of articles. - There shall be levied, assessed and collected, once only on every original sale, barter, exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to, the articles herein below enumerated a tax based on 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, producer or importer:

(1) Thirty per cent (30%), on the following non-essential articles:

(a) All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term 'precious metals' shall include platinum, gold, silver, and other metals of similar or greater value. The term "imitations thereof" shall include platings and alloys of such metals.

(b) Perfumes, essences, extracts, toilet waters, cosmetics, hair dressing, hair dyes, hair restoratives, aromatic cachous, toilet powders, (except tooth and mouth washes, dentifrice, talcum and medicated toilet powders, hair oils and pomades).

(c) Dice, mahjong sets and playing cards.

(d) Jukeboxes.

(e) Automobiles (except motor vehicles classified as trucks, jeeps and utility vehicles). A sale of an automobile shall, for purposes of this section, be considered as a sale of the chassis and of the body, together with parts and accessories with which the same is usually equipped, including the other parts and accessories permanently attached thereto at the time of the original sale.

(f) Parts and accessories of automobiles which are primarily for ornamentation or embellishment.

(g) Yachts and other vessels intended for pleasure or sports.

(h) Harpsichords, accordions, pianos and electric or electronic musical organs.

(i) Firearms and cartridges or other forms of ammunition.

(j) Household-type electric vacuum cleaners or polishers.

(k) Washing machines, clothes dryers and combination washing machine and clothes dryers of all types.

(l) Textiles wholly or in chief value of silk, wool, or linen; nylon or other synthetic and/or chemical fabrics not intended for clothing; wool and silk hats; and furs and manufactures thereof.

(m) Electricity and/or battery operated beauty equipment and accessories.

(n) Electricity and/or battery operated toys.

(o) Television sets, phonographs or gramophones, combination radio-phonograph sets, tape recorders, video tape recorders, tape decks, car stereos, cassette radios, and similar articles for reproducing and/or recording music, sound and images and any combination thereof.

(p) Air-conditioning units

(q) Similar or analogous articles, substances or preparations to those enumerated above as determined by the Commissioner of Internal Revenue based on the essentiality of the articles.

Any material, part or accessory of the abovementioned articles shall be taxes under this section.

(2) Ten per cent (10%) on the following essential articles:

(a) Processed meat, fruits, vegetables, fish and other sea foods and other processed food products for human consumption.

(b) Processed milk, creamers, dairy products, butter and its substitutes like margarine.

Bread and bakery products

Lard, shortening and cooking oil.

(e) Beverages and concentrates thereof, whether in liquid, powder or granulated form, intended for consumption as a drink, including but not limited to, processed coffee, cocoa, tea or ginger.

Wheat flour

Clothes and textiles intended for clothing.

(h) Medicines and articles primarily intended for the administration thereof.

(i) Soaps, detergents, toothbrushes and toothpastes.

(j) Writing pads, notebooks, ordinary lead pencils and disposable ballpens.

(k) Cement, hollow blocks, logs, lumber, plywood, plyboard, fiberboard, glass, roofing materials, steel bars, nails, sand and gravel, woven bamboo splits (sawali), nipa shingles, bamboo, basic sanitary and plumbing fixtures and fittings.

(l) Fish, poultry, swine and cattle feeds.

(m) Fertilizers, pesticides and technical materials for use in the formulation of pesticides.

(n) Spare parts and accessories of motor vehicles, except tires.

For purposes of sub-paragraphs (a) and (b) above, the term "processed" as applied to the food products have undergone the process of curing, canning, bottling or other manufacturing process. It does not include those which have merely undergone the simple process or preservation such as freezing, refrigeration, drying, salting or smoking.

Any article subject to the original sales tax, when used as a raw material in the manufacture or preparation of the above essential articles, shall be taxed at the same rate as the finished product, except when such material is taxed under sub-section (3) hereof or under Title IV of this Code: Provided, (1) the purchaser of such material inputs shall certify to the domestic supplier-importer or manufacturer, in the case of local purchase, or to the Bureau, in the case of direct importation, that the articles shall be used exclusively in the manufacture or preparation of any of the essential articles above enumerated, for resale in the case of a manufacturer, or direct use in the case of an agricultural producer; and (2) the supplier-manufacturer/importer shall maintain accounting records in a manner prescribed in the regulations to be issued by the Bureau whereby the sales can be classified according to different rates of tax.

(3) Zero per cent (0%), on the following agricultural products:

(a) Agricultural food products, including ordinary salt and all kinds of fish and its by-products in their original state.

(b) Agricultural non-food products in their original state.

Agricultural products shall still be considered in their original state even if they have undergone the simple processes of preservation such as freezing, drying, salting, smoking or stripping. Rice and corn shall be considered in their original state even when milled.

(4) Twenty per cent (20%), on other articles not covered by subsections (1), (2) and (3) of this Section."