

# In the Service of Our Foreign Debt – Republic Act No. 9337: The E-Vat Law

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The Article enumerates the new provisions introduced by the E-Vat Law and to narrate the deliberations of Congress regarding a few of the introduced provisions. Most of the materials and data from the Article were drawn from the House Committee Report as this is the version that was approved by both Houses and passed. This Article therefore aims to enlighten readers and provide them with an insight as to the reason behind the passage of the E-Vat law.

The Article discusses several important provisions. The first provision involves the Corporate taxation and its proper application. It also includes a discussion on the removal of exemption of the Philippine Amusement and Gaming Corporation (PAGCOR), allowable deductions for interest expenses and exemption of depository banks from tax on income derived under the Expanded Foreign Currency Deposit System. Second, the Article explains the basics of the Value-Added Tax (VAT) and the expansion of its coverage, such as VAT coverage on transportation and inedible agricultural products. Third, the Article explores the percentage tax and the excise tax aspect of the E-VAT Law. The discussion on this topic includes the additional exemptions granted to certain transactions such as importation of fuel, goods, and supplies by persons engaged in international shipping or air transport operations to name a few. Fourth, the Article also discusses input taxes introduced by the E-VAT Law such as input tax claim for depreciable goods, a 70% cap on crediting of input taxes, a reduction in transitional input tax, and an increase in presumptive input tax. Fifth, the Article explains the administration of VAT and how to make it work in commercial documentation, issuance of receipts or sales or commercial invoices, cancellation of VAT registration, requirements to register for VAT, withholding tax for Government and GOCC purchases, and more. Sixth, the Article discusses incremental revenues for VAT, funds allocated for public information, incremental revenues from excise tax on alcohol and tobacco products, and more.

The Author concludes by summarizing the reason behind the passage of the E-VAT Law. The provisions do provide some relief, but believes that the relief is merely illusory. Thus, a fresh look into our taxation system is necessary because a country with a large underground economy can benefit from a simplified value-added tax system. However, this must come be accompanied by reforms more suitable for compliance.