



Republic of the Philippines
DEPARTMENT OF ENERGY

As of 7 November 2005

Frequently Asked Questions on VAT on Petroleum

- 1. RA 9337 or Reformed VAT Law (R-VAT) lifts the VAT exemptions on certain goods and services, including petroleum products. How will this affect fuel prices?**

Ayon sa Republic Act 9337 o Reformed VAT Law (R-VAT), papatawan na ng VAT ang ilang mga produkto at serbisyo kasama ang mga produktong petrolyo. Ano ang magiging epekto nito sa presyo ng langis?

For the first time petroleum products, among other goods and services, will be subject to VAT.

Prices of petroleum products are expected to rise slightly, but the burden of higher prices will be borne by consumers depending on their level of consumption. Those who consume more fuel will bear a bigger burden than those who consume less fuel.

Sa kauna-unahang pagkakataon, ang mga produktong petrolyo ay papatawan na ng VAT. Hindi ito kabilang sa mga produkto at serbisyonang may VAT bago naipasa ang RA 9337 dahil na rin ang industriya ng langis ay sakop ng regulasyon at ang presyo nito ay dumadaan sa dating Energy Regulatory Board (ERB).

Dahil ang VAT ay isang buwis sa pagkonsumo ng produkto at serbisyo, ang dagdag sa presyo ng langis ay ayon sa laki o dami ng konsumo ng mga motorista at mamimili.

- 2. How much will fuel prices increase?**

Magkano ang itataas ng presyo ng langis?

The 10% VAT will not be fully passed on oil products. This means that the impact of VAT will be substantially less than 10%. Using the November 1 prevailing pump prices, fuel prices will only increase by an average of 4.2% instead of 10%. This is because government has put in place mitigating measures to lessen the impact of VAT on petroleum such as (a) removing excise taxes and (b) reducing import duty.

Di tulad ng ibang mga produkto at serbisyo, mas mababa sa 10% ang epekto ng VAT sa presyo ng langis. Kung gagamitin ang November 1 pump prices, tataas lamang ng 4.2 percent ang presyo ng langis dahil naglagay ang Gobyerno ng mga hakbang upang maibsan ang epekto nito sa mga mamimili. Ilan dito ay pagtanggap ng excise taxes at pagpapababa ng taripa o import duty sa mga inaangkat na produkto ng langis.

3. By how much have the mitigating measures lessened the impact of the VAT on petroleum?

Bunga ng mga hakbang na ito, magkano na lamang ang epekto ng pagpapataw ng 10% VAT sa presyo ng produktong petrolyo?

The R-VAT removed the excise tax on socially sensitive products such as diesel which is used by public transport, kerosene used for lighting purposes in the countryside and fuel oil used for power generation. The R-VAT also reduced the excise tax on regular unleaded gasoline. In addition, Executive Order No. 440 reduced the import duty of crude and petroleum products to three percent from five percent to further reduce the impact of VAT. For socially sensitive liquefied petroleum gas (LPG) used by households, the VAT impact is significantly mitigated as it is now zero import duty and zero excise tax.

Sinigurado ng Gobyerno na maiibsan ang epekto ng VAT sa ilang mga sektor tulad ng pampublikong transportasyon, power generation na gumagamit ng fuel oil, at mga mamamayan sa kanayunan na gumagamit ng kerosene para sa pailaw. Tinanggal ang tinatawag na excise taxes sa mga produktong disel, fuel oil and kerosene.

Binawasan din ang excise tax para sa regular unleaded gasoline.

Ibinaba ang taripa sa 3 percent mula 5 percent ng lahat ng mga produkto at krudong inaangkat sa pamamagitan ng Executive Order 440. Samantala, tinanggal naman ang taripa sa LPG upang lalong mas maging magaan para sa mamimili ang epekto ng VAT sa langis.

Table 1. Total Impact of Mitigation Measures

Products	Mitigation Measures		Total
	Removal of Excise Tax	Reduction of Tariff*	
Unleaded	0.00	(0.52)	0.52
Regular	(0.45)	(0.46)	0.91
Diesel	(1.63)	(0.57)	2.2
Kerosene	(0.60)	(0.57)	1.17
Bunker	(0.30)	(0.35)	0.65
LPG (P/cylinder)	0.00	(10.03)	10.03

* Based on Oct 1-20, 2005 MOPS / Contract Price+. This tariff reduction is pursuant to E.O. 440 which will take effect upon the implementation of RVAT Law.

Table1. Resulta ng mga Hakbangin Upang Maibaba ang Epekto ng VAT sa Langis

Produkto	Mga Hakbangin para Maibsan ang Epekto ng VAT (P/liter)		Total
	Pagtanggal ng Excise Tax	Pagbawas ng Taripa sa 3% mula 5% noon	
Unleaded	0.00	(0.52)	0.52
Regular	(0.45)	(0.46)	0.91
Diesel	(1.63)	(0.57)	2.2
Kerosene	(0.60)	(0.57)	1.17
Bunker	(0.30)	(0.35)	0.65
LPG (P/11 kg cylinder)	0.00	(10.03)	10.03

*Base sa Oktubre 1-20, 2005 MOPS/Contract Prices+. Ang pagbawas ng taripa ay ayon sa E.O. 440 na ipatutupad kasabay ng implementasyon ng RVAT Law.

4. How does one compute for VAT on petroleum?

Paano natin malalaman ang tamang computation ng VAT sa presyo ng langis?

For illustration purposes, using the pump prices of 1 November 2005 as base, we deduct the impact of mitigation measures (i.e., reduced tariff and excise taxes) to get the new pump price to be imposed with 10 percent VAT.

The rollback on fuel prices effected by the oil companies to reflect the softening of world oil prices for the month of October compared to September also cushioned the impact of VAT.

Here is a sample computation below:

Halimbawa, kung gagamitin ang presyo noong 1 November 2005 bilang basehan, ibabawas ang kaukulang epekto ng pagtanggap ng excise tax at pagbaba ng taripa upang makuha ang bagong presyo na papatawan ng 10% VAT.

Ang pag-rollback ng mga kumpanya ng langis sa presyo ng lokal na produkto biglang pagtugon sa pagbaba ng presyo ng langis sa pandaigdigang pamilihan sa buwan ng Oktubre kumpara sa Setyembre ay nakatulong din para maibsan ang epekto ng VAT.

Makikita sa baba ang sample computation:

Table 2: Sample/Illustration of the Impact of VAT on Petroleum Products

Product	Pump Price before 1 Nov 05 (PhP/li)	Rollback*	Mitigating Measures		Total reduction in pre-VAT pump price	New Pump Price	10% VAT	Final Pump Price with VAT**	Nominal Increase	Percentage Increase
			Excise	Tariff**						
	a	b	c	d	e=(b+c+d)	f=a+(e)	g=(f*0.1)	h=f+g	i= h-a	j= i/a
Unleaded	36.05	(0.60)	0.00	(0.52)	(1.12)	34.93	3.49	38.42	2.37	6.6%
Regular	34.57	(0.60)	(0.45)	(0.46)	(1.51)	33.06	3.31	36.37	1.80	5.2%
Diesel	32.95	(0.60)	(1.63)	(0.57)	(2.80)	30.15	3.02	33.17	0.22	0.7%
Kerosene	33.51	(0.60)	(0.60)	(0.57)	(1.77)	31.74	3.17	34.91	1.40	4.2%
Bunker	21.98	(0.60)	(0.30)	(0.35)	(1.25)	20.73	2.07	22.80	0.82	3.7%
LPG (P/cyl)	464.00	(11.00)	0.00	(10.03)	(21.03)	442.97	44.0	487.27	23.27	5.0%

***ROLLBACK** of P0.60/liter on all products; P1.00/kg or P11 for 11 kg LPG

**Based on Oct 1-20, 2005 MOPS / Contract Price+

Prices may vary based on location, company and other factors.

Table 2: Sample ng Pag-compute ng Epekto ng VAT sa Presyo ng Langis

Product	Pump Price before 1 Nov 05 (PhP/li)	Rollback*	Mitigating Measures		Total reduction in pre-VAT pump price	New Pump Price	10% VAT	Final Pump Price with VAT**	Nominal Increase	Percentage Increase
			Excise	Tariff**						
	a	b	c	d	e=(b+c+d)	f=a+(e)	g=(f*0.1)	h=f+g	i= h-a	j= i/a
Unleaded	36.05	(0.60)	0.00	(0.52)	(1.12)	34.93	3.49	38.42	2.37	6.6%
Regular	34.57	(0.60)	(0.45)	(0.46)	(1.51)	33.06	3.31	36.37	1.80	5.2%
Diesel	32.95	(0.60)	(1.63)	(0.57)	(2.80)	30.15	3.02	33.17	0.22	0.7%
Kerosene	33.51	(0.60)	(0.60)	(0.57)	(1.77)	31.74	3.17	34.91	1.40	4.2%
Bunker	21.98	(0.60)	(0.30)	(0.35)	(1.25)	20.73	2.07	22.80	0.82	3.7%
LPG (P/cyl)	464.00	(11.00)	0.00	(10.03)	(21.03)	442.97	44.0	487.27	23.27	5.0%

***ROLLBACK** ng P0.60/liter sa mga produktong petrolyo; P1.00/kg para sa 11kg LPG

**Base sa Oktubre 1-20, 2005 MOPS/Contract Prices+

Ito ay isang halimbawa lamang at ang mga presyo ay maaaring mag-iba base sa lokasyon, kumpanya at iba pang mga dahilan.

5. Why are we imposing VAT on petroleum?

Bakit kinakailangang patawan ng VAT ang langis?

Foremost, the R-VAT is one of the major components of the government's fiscal program to put the country back on track in its economic reform agenda. In 2004, about 86 percent of the government revenues was used for servicing debt and only about 11 percent was allocated to infrastructure and other capital expenditures.

Reforming the VAT system, which includes VAT on petroleum, will help generate additional revenues for the Government to finance other basic services such as improved healthcare, better education, expanded electrification, quality roads and bridges, and other basic infrastructure for the people.

Isa ang R-VAT sa mga repormang pang-ekonomiya na isinusulong ng Gobyerno. Malaking bahagi ng kita ng Gobyerno ay nauuwi sa debt servicing (86 porsiyento noong 2004 at 11 porsiyento sa imprastruktura). Sa pagpapataw ng VAT sa langis inaasahang madaragdagan ang koleksyon ng buwis na magagamit sa mga iba pang serbisyo tulad ngpampublikong kalusugan, edukasyon, pagpapailaw at iba pang mga imprastruktura.

6. Are other countries taxing petroleum as much?

May VAT at iba pang buwis sa langis din ba sa ibang bansa?

In reality, the Philippines has one of the lower prices of oil compared with other countries in the region, mainly because of the very low taxes on petroleum products. Prior to the imposition of VAT on petroleum, tax on diesel in the country is only about 8.7 percent compared to 26.5 percent in Thailand and 33.5% in Malaysia. For gasoline, tax comprises 17 percent of the total pump price in the country as against 30% in Thailand and more than half that of in Malaysia at 51.7 percent.

Isa ang Pilipinas sa mga bansang may mababang presyo ng langis dahil na rin sa mababang buwis na ipinapataw dito. Sa katunayan, bago patawan ng VAT ang langis, 8.7 porsiyento lamang ng kabuuang presyo ng disel ang napupunta sa buwis na binibili. Samantala, sa Thailand umaabot ito ng 26.5 porsiyento at 33.5 porsiyento naman sa Malaysia.

Sa atin, 17 porsiyento ng kabuuang presyo ng presyo sa gasolina ang napupunta sa buwis kumpara sa 30 porsiyento sa Thailand at 51 porsiyento naman sa Malaysia.

Table 3: Share of VAT/Sales and Excise Taxes in the Consumer Price of **Gasoline** in Selected Asian Countries, 2005 (in US cents per liter and in percent)

Countries	Pump Price in US cents per liter	VAT/Sales tax in US cents per liter	Excise in US cents per liter	Total (in US cents per liter)	Percent of Tax to Pump Price
Indonesia	27	2.7	1.21	3.92	14.50
Malaysia	37	3.7	15.43	19.13	51.70
Thailand	54	5.4	10.86	16.26	30.13
Philippines	52	None	8.8	8.8	16.99
Vietnam	48	4.8	6.48	11.28	23.50
South Korea	135	13.5			74.81
Singapore	89	4.45	25	29.45	33.09
Hong Kong	154	0	82.56	82.56	53.61

Energy Products Taxation by Milwida M. Guevarra, 2005

Table 3: Bahagi ng VAT at iba pang Uri ng Buwis sa Kabuuang Presyo ng **Gasolina** sa mga Karatig Bansa, 2005 (in US cents per liter and in percent)

Bansa	Pump Price (in US cents per liter)	VAT/Sales tax (in US cents per liter)	Excise (in US cents per liter)	Total (in US cents per liter)	Percent of Tax to Pump Price
Indonesia	27	2.7	1.21	3.92	14.50
Malaysia	37	3.7	15.43	19.13	51.70
Thailand	54	5.4	10.86	16.26	30.13
Philippines	52	None	8.8	8.8	16.99
Vietnam	48	4.8	6.48	11.28	23.50
South Korea	135	13.5			74.81
Singapore	89	4.45	25	29.45	33.09
Hong Kong	154	0	82.56	82.56	53.61

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7. Is VAT on petroleum anti-poor?

Ang VAT ba sa langis ay laban sa mahihirap?

No. VAT is a consumption tax. Those who consume more are going to be taxed more. And the non-poor (high income groups) consume more petroleum. Studies show that the higher income group allocates or spends a higher percentage of their annual income on petroleum products and services.

Based on the 2000 Family Income and Expenditure Survey (FIES) conducted by the National Statistics Coordination Board (NSCB), the top 30 percent of the income groups consume about 65.4 percent of the total petroleum consumption in the country, while the bottom 30 percent consume only 7.5 percent.

The same data also show that 2 percent of the total income of the high income groups is spent on petroleum products. The low income groups, on the other hand, spend only 1.4 percent of their total income to petroleum products.

Hindi. Ang VAT ay buwis sa mga produkto at serbisyong ginagamit o binibili. Ibig sabihin kung sino ang mas maraming ginagamit, sila lamang ang makararamdam ng epekto ng VAT. Ayon sa mg pag-aaral, malaking bahagi ng kinikita ng higher income groups ang napupunta sa gastusin sa langis at iba pang serbisyo.

Ayon sa 2000 Family Income and Expenditure Survey (FIES) ng National Statistics Coordinating Board (NSCB), umaabot ng 65.4 percent ng kabuuang konsumo ng bansa sa langis ang ginagamit ng mayayaman o ang mga nasa 30 percent ng pinakamataas kumita kumpara ito sa 7.5 percent lamang para sa 30 percent ng pinakamababang kumita.

Ayon pa rin sa FIES, 2 percent ng buong kita ng mga mayayaman ay napupunta sa pambili ng langis, samantala 1.4 percent naman para sa mga mababa ang sahod.

8. Aside from revenue generation, what other benefits are expected as a result of VAT on petroleum?

Bukod sa dagdag na kita ng Gobyerno, anu-ano pang benepisyo ang makukuha sa VAT sa petrolyo?

Taxing petroleum will help regulate or lessen its use. This is good for the economy as the country is poised to benefit from foreign exchange savings as a result of less oil imports. This is also good for the environment as less consumption of petroleum means less pollution and improved health for our people.

Taxing petroleum is also a way to modify the behavior of people. As petroleum is becoming expensive, people are motivated to use petroleum efficiently and responsibly.

Inaasahang mababawasan din ang paggamit ng langis dahil sa karagdagang buwis. Ibig sabihin, makakatipid ang Gobyerno sa paggamit ng dolyar bunga ng mas mababang importasyon ng langis.

Ang pagbawas sa gamit ng langis lalo na sa transportasyon ay makakatulong sa paglinis ng hangin at maayos na kalusugan para sa lahat.

Dahil sa lalo pang pataas na presyo ng langis sa ibang bansa, mahihikayat ang mga mamamili na gamitin nang wasto at responsable ang produktong petrolyo.