

H. No. 6022  
S. No. 3343

Republic of the Philippines  
**Congress of the Philippines**

Metro Manila

Fifteenth Congress

Third Regular Session

— ■ —  
Begun and held in Metro Manila, on Monday, the twenty-third  
day of July, two thousand twelve.

[ REPUBLIC ACT NO. 10378 ]

AN ACT RECOGNIZING THE PRINCIPLE OF RECIPROCITY  
AS BASIS FOR THE GRANT OF INCOME TAX  
EXEMPTIONS TO INTERNATIONAL CARRIERS AND  
RATIONALIZING OTHER TAXES IMPOSED THEREON  
BY AMENDING SECTIONS 28(A)(3)(a), 109, 118 AND 236  
OF THE NATIONAL INTERNAL REVENUE CODE  
(NIRC), AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Section 28(A)(3)(a) of Republic Act No. 8424,  
otherwise known as the National Internal Revenue Code of 1997,  
as amended, is hereby further amended to read as follows:

"SEC. 28. *Rates of Income Tax on Foreign  
Corporations.* —

"(A) *Tax on Resident Foreign Corporations.* —

"(1) x x x

"(2) x x x

"(3) *International Carrier.* — An international carrier doing business in the Philippines shall pay a tax of two and one-half percent (2 ½%) on its 'Gross Philippine Billings' as defined hereunder:

"(a) *International Air Carrier.* — 'Gross Philippine Billings' refers to the amount of gross revenue derived from carriage of persons, excess baggage, cargo, and mail originating from the Philippines in a continuous and uninterrupted flight, irrespective of the place of sale or issue and the place of payment of the ticket or passage document: *Provided,* That tickets revalidated, exchanged and/or indorsed to another international airline form part of the Gross Philippine Billings if the passenger boards a plane in a port or point in the Philippines: *Provided, further,* That for a flight which originates from the Philippines, but transshipment of passenger takes place at any part outside the Philippines on another airline, only the aliquot portion of the cost of the ticket corresponding to the leg flown from the Philippines to the point of transshipment shall form part of Gross Philippine Billings.

"(b) *International Shipping.* — 'Gross Philippine Billings' means gross revenue whether for passenger, cargo or mail originating from the Philippines up to final destination, regardless of the place of sale or payments of the passage or freight documents.

"*Provided,* That international carriers doing business in the Philippines may avail of a preferential rate or exemption from the tax herein imposed on their gross revenue derived from the carriage of persons and their excess baggage on the basis of an applicable tax treaty or international agreement to

which the Philippines is a signatory or on the basis of reciprocity such that an international carrier, whose home country grants income tax exemption to Philippine carriers, shall likewise be exempt from the tax imposed under this provision.

"x x x."

SEC. 2. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 109. *Exempt Transactions.* — The following shall be exempt from the value-added tax:

"(A) x x x;

"x x x

"(S) Transport of passengers by international carriers;

"(T) Sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations;

"(U) Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations;

"(V) Services of bank, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries; and

"(W) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of One million five hundred thousand pesos (P1,500,000): *Provided,*

That not later than January 31, 2009 and every three (3) years thereafter, the amount herein stated shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO);

"x x x."

SEC. 3. Section 118 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 118. *Percentage Tax on International Carriers.*

"(A) International air carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax of three percent (3%) of their quarterly gross receipts.

"(B) International shipping carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax equivalent to three percent (3%) of their quarterly gross receipts."

SEC. 4. Section 236 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 236. *Registration Requirements.* -

"(A) *Requirements.* - x x x

"x x x

"(G) *Persons Required to Register for Value-Added Tax.* -

"(1) Any person who, in the course of trade or business, sells, barter or exchanges goods or properties, or engages in the sale or exchange of services, shall be liable to register for value-added tax if:

"(a) His gross sales or receipts for the past twelve (12) months, other than those that are exempt under Section 109(A) to (V), have exceeded One million five hundred thousand pesos (P1,500,000); or

"(b) There are reasonable grounds to believe that his gross sales or receipts for the next twelve (12) months, other than those that are exempt under Section 109(A) to (V), will exceed One million five hundred thousand pesos (P1,500,000).

"x x x."


SEC. 5. *Implementing Rules and Regulations.* - The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its effective implementation. The Department of Finance (DOF), in coordination with the Department of Foreign Affairs (DFA), shall oversee the exchange of notes between the Philippines and concerned countries for purposes of facilitating the availment of reciprocal exemptions intended under this Act.

SEC. 6. *Separability Clause.* - If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.


SEC. 7. *Repealing Clause.* - All laws, acts, presidential decrees, executive orders, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly.


SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication either in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,



  
 JUAN PONCE ENRILE FELICIANO BELMONTE JR.  
*President of the Senate* *Speaker of the House*  
*of Representatives*

This Act which is a consolidation of House Bill No. 6022 and Senate Bill No. 3343 was finally passed by the House of Representatives and the Senate on January 23, 2013.

  
 EMMA LIRIO REYES  
*Secretary of the Senate*

  
 MARILYN B. BARUA YAP  
*Secretary General*  
*House of Representatives*

Approved: MAR 07 2013

  
 BENIGNO S. AQUINO III  
*President of the Philippines*

