

HOUSE OF REPRESENTATIVES
House Bill No. **4722**

Introduced by : **MA. THERESA B. BONOAN-DAVID**
Representative, 4th District, City of Manila

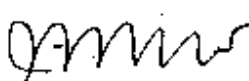
EXPLANATORY NOTE

This bill proposes to exempt the sale of electricity to residential consumers with consumption not exceeding two hundred fifty kilowatt hour (250 kwh) from the payment of value-added tax (VAT).

Prior to the enactment of Republic Act No. 9337, also known as the Expanded Value Added Tax Law, the cost of electricity in the Philippines was already one of the highest in Asia and the imposition of VAT on power further increased the cost. According to the Department of Energy (DOE), residential consumers or households would have to shell out additional 0.592 centavos per kwh due to the imposition of VAT. If a household consumes an average of 250 kwh per month, household members would be able to save P148.00 in electricity payment if VAT is removed, a rather substantial amount especially to those who belong to the lower middle income bracket and below.

The bill is limited to exempting residential users or households only because households cannot avail of output VAT to mitigate their VAT liability unlike industries, business and commercial establishments which could pass on the cost of electricity to the users of their services. Moreover, commercial users are in a better position to carry out the burden of VAT on electricity compared to households. Lastly, households are also the last point in the VAT chain so the exemption will not adversely affect VAT collection efficiency in terms of establishing paper trail of VATable transactions.

In view of these, the immediate passage of this bill is earnestly sought.


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**AN ACT EXEMPTING THE SALE OF ELECTRICITY TO RESIDENTIAL
CONSUMERS WITH CONSUMPTION NOT EXCEEDING 250 KILOWATT
HOUR FROM THE VALUE -ADDED TAX, AMENDING FOR THE PURPOSE
SECTION 109 (1) OF REPUBLIC ACT NO. 8424 OR THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER
PURPOSES.**

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

SECTION 1. Section 109 (1) of Republic Act No. 8424, as amended, otherwise
known as the National Internal Revenue Code of 1997, is hereby amended to read as
follows:

“SEC. 109. Exempt Transactions. - (1) Subject to the provisions of Subsection (2)
hereof, the following transactions shall be exempt from the value-added tax:

X X X

“(U) Deductions Allowed to the Estate of Citizen or a Resident. - In the case of a
citizen or resident of the Philippines, by deducting from the value of the gross
estate - Services of banks, non-bank financial intermediaries performing quasi-
banking functions, and other non-bank financial intermediaries; [and]

“(V) SALE OF ELECTRICITY BY DISTRIBUTION UTILITIES TO
RESIDENTIAL CONSUMERS WHOSE MONTHLY CONSUMPTION DOES
NOT EXCEED TWO HUNDRED FIFTY KILOWATT HOUR (250 KWH);
AND,

“[(V)] (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);”

Sec. 2. Implementing Rules and Regulations. - The Secretary of Finance shall,
upon the recommendation of the Commissioner of Internal Revenue, promulgate the
necessary rules and regulations for the effective implementation of this Act.

Sec. 3. Repealing Clause. - All laws, decrees, orders, rules and regulations or
other issuances or parts thereof inconsistent with the provisions of this Act are hereby
repealed and modified accordingly.

Sec. 4. Effectivity. - This Act shall take effect fifteen (15) days following the
completion of its publication either in the Official Gazette or in a newspaper of general
circulation in the Philippines.

Approved.