



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Sixteenth Congress
First Regular Session

HOUSE BILL NO. **2865**

Introduced by Honorable Karlo Alexei B. Nograles

EXPLANATORY NOTE

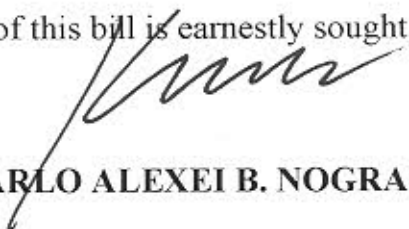
This bill seeks to exempt electricity produced and sold by power generation companies in Mindanao from value-added tax, amending for the purpose Republic Act No. 8424, otherwise known as the "*Tax Reform Act of 1997*," as amended.

Value-added tax or VAT is a tax on consumption levied on the sale or lease of goods, properties or services in the Philippines. VAT is an indirect tax which may be passed on to the buyer or lessee and, as such, a burden shouldered by the end consumer.

The current power crisis in Mindanao is a bane for people in the region as the situation substantially lessens their productivity and earning capacity. In time of unabated price increases of fuel, food, and other commodities, it is the duty of Congress to provide economic relief to the people. Removing VAT on electricity is one of the most viable options for Congress to act on and provide immediate economic relief for all households in Mindanao.

Whatever revenue losses that might be suffered by the government will not only be offset by the increased purchasing power for all households in Mindanao but will also allow cheaper production costs, redounding to a more robust and equitable economy.

In view of the foregoing, approval of this bill is earnestly sought.


KARLO ALEXEI B. NOGRALES



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AN ACT
INCLUDING THE SALE OF ELECTRICITY BY POWER GENERATION
COMPANIES IN MINDANAO IN THE EXEMPTION FROM VALUE-
ADDED TAX, AMENDING FOR THE PURPOSE REPUBLIC ACT NO.
8424, OTHERWISE KNOWN AS THE "TAX REFORM ACT OF 1997" AS
AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Paragraph (s) of Section 109 of the National Internal Revenue Code, as amended, is hereby amended to read as follows:

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

xxx

xxx

xxx

(s) Sales by electric cooperatives duly registered with the Cooperative Development Authority or National Electrification Administration, AND POWER GENERATION COMPANIES IN MINDANAO, relative to the generation and distribution of

electricity as well as their importation of machineries and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity;

xxx

xxx

xxx”

SEC. 2. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) national newspapers of general circulation.

Approved,