

SEVENTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES
H.B. No. **4634**



Introduced by Representative Rolando G. Andaya Jr.

AN ACT
EXEMPTING THE SALE OF ELECTRICITY BY GENERATION TRANSMISSION
AND DISTRIBUTION COMPANIES AND ELECTRICITY COOPERATIVES FROM
VALUE-ADDED TAX (VAT), AMENDING FOR THE PURPOSE, SECTIONS 108
(A) AND 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED
BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

Explanatory Note

Electricity has become a crucial commodity in this day. In fact, electricity accounted for 4.5% of total family expenditure in 2012.¹ For a family of five in the lowest income decile, this is equivalent to spending Php 7,023 or Php 585 a month.²

Although fully subsidizing electricity rates is not feasible due to budgetary constraints, the State still has the mandate to keep electricity prices as affordable as possible. The removal of the Value Added Tax (VAT) on electricity generation, transmission and distribution offers some relief. The removal of the VAT is projected to reduce electricity rates among residential consumers by 0.7918 Php/KwH-equivalent to savings of Php 19 a day or Php 6,936 a year.³

In view of the foregoing, approval of this measure is eagerly sought.


ROLANDO G. ANDAYA Jr.

¹ Philippine Statistics Authority. 2012 Family Income and Expenditure Survey.

² *Ibid.*

³ United States Agency for International Development. "Challenges in Pricing Electric Power Services in Selected ASEAN Countries" (April 2013). Retrieved from <http://www.catif.org/wp-content/uploads/2013/10/Challenges-in-Pricing-Electric-Power-Services.pdf>

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(A) AND 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED
BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

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

SECTION 1.- Section 108 (a) of the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

“Sec. 108.- Value-Added Tax on Sale of Services and Use or Lease of Properties.-

“(A) Rate and Base of Tax.- x x x

(i) x x x

(ii) x x x

“The phrase ‘sale or exchange of services’ means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, rest houses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire another domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their

1 transport of passengers, goods or cargoes from one place in the
2 Philippines to another place in the Philippines; [sales of electricity by
3 generation companies, transmission, and distribution companies;]
4 services of franchise grantees of [electric utilities,] telephone and
5 telegraph, radio and television broadcasting and all other franchise
6 grantees except those under section 119 of this Code, and non-life
7 insurance companies (except their crop insurances), including surety,
8 fidelity, indemnity, and bonding companies; and similar services
9 regardless of whether or not the performance thereof calls for the
10 exercise or use of the physical or mental faculties. The phrase 'sale or
11 exchange of services' shall likewise include:
12

13 "x x x.

14
15 **SECTION 2.-** Section 109 (1) of the National Internal Revenue Code, as
16 amended by Republic Act No. 9337, is further amended to read as follows:
17

18 "SEC. 109. Exempt Transactions-

19
20 (1) Subject to the provisions of Subsection (2) hereof, the following
21 transactions shall be exempt from the value-added tax.
22

23 (A) x x x

24
25 (B) x x x

26
27 "x x x

28
29 (W) x x x

30
31 **(X) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND**
32 **DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**
33

34 **(Y) SERVICES OF FRANCHISE GRANTEES OR ELECTRIC UTILITIES.**
35

36 **SECTION 3. Repealing Clause.-** All laws, decrees, orders, rules and
37 regulations or other issuances or parts thereof inconsistent with the provisions of this
38 Act are hereby repealed and modified accordingly.
39

40 **SECTION 4. Separability Clause.-** If any provision of this Act is subsequently
41 declared unconstitutional, the validity of the remaining provisions hereof shall remain
42 in full force and effect.
43

44 **SECTION 5. Effectivity Clause.-** This Act shall take effect immediately after
45 its complete publication either in the Official Gazette or in a newspaper of general
46 circulation in the Philippines.
47

48 Approved,