

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 161



Introduced by Rep. Rodante D. Marcoleta and Rep. Caroline L. Tanchay

EXPLANATORY NOTE

Electricity is no longer a luxury but a necessity. Our daily routines are crippled without a reliant supply of electric power. In the latest Department of Energy Compendium of Philippine Energy Statistics and Information, electricity remains to be the most consumed energy in the residential sector ranging from 1,032 kWh in the National Capital Region to 260 kWh in Region IV-A.¹ Data on household expenditures also show that electricity cost is higher than medical and household expenses.²

This obvious dependence on electricity gave the power firms and inequitable leaders unrestrained control as to the charges imposed against the helpless consumers.

An electricity bill is riddled with various components with additional VAT imposition—generation, transmission, distribution, universal, and feed-in-tariff allowance. Except for universal, and feed-in-tariff allowance charges, the rest of the components include the imposition of VAT. Under the TRAIN Law, or Republic Act (RA) No. 10963, a twelve percent (12%) VAT is imposed on the sale of electricity, transmission by any entity, including the National Grid Corporation of the Philippines, and distribution companies, including electric cooperatives.³

While a decent few may be able to tolerate them, a great majority are seriously impaired by the stack of taxes on top of all the component charges. This is not even taking into consideration yet the unresolved issue of possible double taxation involved in the payment of electric bills.

Thus, this bill seeks to mitigate the burden on the more vulnerable by exempting residential households with 200kWh and below total consumption from the imposition

¹ Department of Energy Compendium on Philippine Energy Statistics and Information for years 1990-2016
<https://www.doe.gov.ph/key-energy-statistics-2010?q=compendium-philippine-energy-statistics-and-information>.

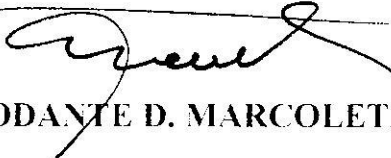
² 2015 Family Income and Expenditure Survey

³ Tax Reform for Acceleration and Inclusion, R.A. 10963.

of VAT. The average consumption per household in the entire country is 562kWh, a far cry from the number of households consuming 200kWh and less.

With the above data, it is vital to provide a little more support for the low-income earners who could no longer keep up with the rising prices of goods and services. Exempting the low-income households from the payment of VAT will be a huge relief as it would translate to a discount of almost PhP1.20 per kWh, or roughly ₱240.00 per month.⁴

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



RODANTE D. MARCOLETA



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⁴ Based on April 2022 electricity rate charged by Meralco.

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AN ACT
AUTHORIZING EXEMPTION FROM IMPOSITION OF VALUE-ADDED TAXES
(VAT) ON THE ELECTRICAL BILLINGS OF RESIDENTIAL HOUSEHOLDS WITH
A TOTAL MONTHLY CONSUMPTION OF 200KWH AND LESS

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

SECTION 1. This Act shall be known as the “*VAT Exemption for Covered Electric Billing Act of 2022*”.

SECTION 2. *Declaration of Policies and Objectives* – It is the policy of the State to provide reliable and equitable electricity to the consuming public. Towards this end, the State shall endeavor to provide assistance to consumers of electricity, especially those living below the poverty line, the poor and marginalized sector of the community, and ensure a more equitable and reliable distribution of electricity across the country.

SECTION 3. *Value-Added Tax (VAT) Exemption for Covered Residential Households* – Residential households with 200kWh and less electrical consumption in a month is exempt from the imposition of VAT on the sale of electricity, transmission by any entity, including the National Grid Corporation of the Philippines, and distribution by companies, and electric cooperatives.

The exemption should be automatically applied by the private utilities and rural electric cooperatives in their statements of accounts without the need for application from the consumer.

SECTION 4. *Implementing Rules and Regulations (IRR)* - Within ninety (90) days from the effectivity of this Act, the Department of Energy, as the lead agency, together with the ERC, and in consultation with the Power Supply Agreements, and other public and private stakeholders representing consumers and sectors affected by this Act, including the Bureau of Revenue (BIR), shall promulgate the necessary implementing rules and regulations of this Act.

The Department of Finance (DOF), through the BIR, shall come up with the appropriate Revenue Regulations for the VAT exemption within thirty (30) days from the effectivity of the IRR.

SECTION 5. *Penal Clause* - Non-compliance to any of the provisions of this Act and its IRR shall be held criminally liable, and/or penalized with a fine of not less than One Hundred Thousand Pesos (PhP100,000.00).

SECTION 6. *Separability Clause* - If, for any reason, any provision of this Act or any part thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which are not affected thereby, shall remain in full force and effect.

SECTION 7. *Repealing Clause* - All laws, decrees, issuances, orders, letters of instructions, administrative orders, rules and regulations or parts thereof contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 8. *Effectivity* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,