



Republic of the Philippines
House of Representatives
Quezon City



TWENTIETH CONGRESS

First Regular Session

House Bill No. **864**

Introduced by
APEC Party-List Representative Sergio C. Dagooc

EXPLANATORY NOTE

This bill proposes to exempt the sale of electricity 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 subsequent imposition of VAT on not only the generation, but also on the transmission and distribution of power, further increased this cost.

The Philippine Statistics Authority, based on the results of 2011 Household Energy Consumption Survey (HECS), has said that electricity remains as the most common source of energy used by household in the Philippines. About 87 percent of 21.0 million households used electricity from March to August 2011. This accounts for 4.800195% or more than 1/25 of all household expenditures in the Philippines goes towards electricity.

The challenge is for the state to ensure affordable, reliable, and accessible electricity at the heart of balancing price fluctuations. This is especially true in view of the massive increases of fuel costs which is reflected by higher generation charges in our electricity bill. The effect of pricier oil products on our power rates will be a continuing burden to Filipino consumers until the global market improves.

In view of the foregoing and in order to help alleviate the crippling burden of high power costs, this proposed measure seeks to exempt the sale

of electric power from VAT. By lowering the cost of electricity, this bill hopes to spur additional investments, boost the competitiveness of small and medium enterprises through lower operating costs, and increase the purchasing power of a household. The amount of VAT foregone through this exemption will eventually be recovered by the State through the consumption of goods and services from this increased purchasing power.

The passage of this bill is earnestly and sincerely sought.



REP. SERGIO C. DAGOOC
APEC Party-List



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AN ACT
EXEMPTING THE SALE OF ELECTRICITY BY GENERATION,
TRANSMISSION AND DISTRIBUTION COMPANIES AND ELECTRIC
COOPERATIVES FROM THE IMPOSITION OF VALUE ADDED TAX,
AMENDING FOR THE PURPOSE, SECTIONS 108 (A) AND 109 (1) OF THE
NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY REPUBLIC
ACT NOS. 9337 AND 10863, AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 108 of Republic Act No. 8424, as amended by
2 Republic Act No 9337 and 10963, otherwise known as the National Internal
3 Revenue Code of 1997, is hereby further amended to read as follows:

4 “Sec. 108. *Value-added Tax on Sale of Services and Use or*
5 *Lease of Properties.* –

6 (A) *Rate and Base of Tax.* – There shall be levied, assessed
7 and collected, a value-added tax equivalent to twelve
8 percent (12%) of gross receipts derived from the sale or
9 exchange or services, including the use or lease of
10 properties.

11 “The phrase ‘sale or exchange of services’ means the
12 performance of all kinds of services in the Philippines for
13 others for a fee, remuneration or consideration, including

1 those performed or rendered by construction and service
2 contractors; stock, real estate, commercial, customs and
3 immigration brokers; lessors of property, whether personal
4 or real; warehousing services; lessors or distributors of
5 cinematographic films; persons engaged in milling,
6 processing, manufacturing or repacking goods for others;
7 proprietors, operators or keepers of hotels, motels,
8 resthouses, pension houses, inns, resorts; proprietors or
9 operators of restaurants, refreshment parlors, cafes and
10 other eating places, including clubs and caterers; dealers
11 in securities; lending investors; transportation contractors
12 on their transport of goods or cargoes, including persons
13 who transport goods or cargoes for hire and other domestic
14 common carriers by land relative to their transport of goods
15 or cargoes; common carriers by air and sea relative to their
16 transport of passengers, goods or cargoes from one place
17 in the Philippines to another place in the Philippines; **[sales**
18 **of electricity by generation companies, transmission**
19 **by any entity, and distribution companies, including**
20 **electric cooperatives;]** services of franchise grantees of
21 **[electric utilities,]** telephone and telegraph, radio and
22 television broadcasting and all other franchise grantees
23 except those under Section 119 of this Code and non-life
24 insurance companies (except their crop insurances),
25 including surety, fidelity, indemnity and bonding
26 companies; and similar services regardless of whether or
27 not the performance thereof calls for the exercise or use of
28 the physical or mental faculties. The phrase 'sale or
29 exchange of services' shall likewise include:"

30 SECTION 2. Section 109 (1) of Republic Act No. 8424, as amended by
31 Republic Act No 9337, otherwise known as the National Internal Revenue
32 Code of 1997, is hereby further amended to read as follows:

33 "Sec. 109. *Exempt Transactions* – (1) Subject to the
34 provisions of Subsection (2) hereof, the following
35 transactions shall be exempt from the value-added tax:

36 x x x

37 (CC) Sale or lease of goods or properties or the performance
38 of services other than the transactions mentioned in the
39 preceding paragraphs, the gross annual sales and/or

1 receipts do not exceed the amount of Three million pesos
2 (P3,000,000);

3 **(DD) Sale of electricity by generations, transmission,**
4 **and distribution companies and electric cooperatives;**
5 **and**

6 **(EE) Services of Franchise Grantees of Electric**
7 **Utilities.”**

8 SECTION 3. ***Repealing Clause.*** - All laws, presidential decrees,
9 executive orders, letters of instruction, administrative rules and regulations or
10 parts thereof which are contrary to or inconsistent with the provisions of this
11 Act are hereby repealed or modified accordingly.

12 SECTION 4. ***Separability Clause.*** - Should any part or provision of
13 this Act be held unconstitutional or invalid, all other provisions hereof which
14 are not affected thereby shall continue to be in full force and effect.

15 SECTION 5. ***Effectivity.*** - This Act shall take effect after fifteen (15)
16 days following its complete publication in the Official Gazette or in two (2)
17 newspapers of general circulation whichever is earlier.

18 Approved,