

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1633



Introduced by Representative Paolo Henry M. Marcoleta

EXPLANATORY NOTE

The Philippines continues to grapple with one of the highest costs of electricity in Southeast Asia, a situation that has persisted due to several factors that contribute to the continuing energy problem of the country. These factors include deregulation of power generation, transmission bottlenecks, high distribution losses, reliance on imported fuel for power plants, and an unrealistic regulatory asset base, among others. These factors cumulatively lead to elevated operating expenses that deter investment and contribute to the persistently high cost of electricity that places a significant burden on Filipino households and businesses.

In 2024, the generation charge for electricity experienced multiple increases, primarily driven by several economic and market factors. The average household consuming 200 kWh monthly saw an increase of Php0.1839 per kWh, primarily due to a rise in the generation charge, influenced by higher costs from the Wholesale Electricity Spot Market (WESM) and “sweetheart deals” in Power Supply Agreements (PSAs).

Specifically, WESM charges rose by Php0.2531 per kWh due to tight supply conditions, while PSAs saw a P0.1050 per kWh increase due to the weakening peso. Increases in the generation charge for electricity in 2024 highlight the complex interplay between currency fluctuations, supply chain issues, and market conditions. As the costs associated with power generation continue to rise, consumers may need to adjust their budgeting for electricity expenses and consider energy saving measures.

Given these challenges, this measure seeks to exempt the sales of electricity from the twelve percent (12%) value-added tax (VAT). The goal is to alleviate operational costs and, consequently, reduce the price of electricity for end-users. Lowering the cost of electricity would not only ease the financial burden on households and enterprises but also stimulate economic activity by increasing disposable income and boosting domestic consumption.

The removal of VAT from electricity sales is likewise anticipated to enhance the competitiveness of local industries and improve business confidence, thereby supporting the development of a more inclusive and resilient energy system. By addressing a key cost component of power, this reform may contribute to a more sustainable economic growth and a higher quality of life for all Filipinos.

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



PAOLO HENRY M. MARCOLETA
Representative, SAGIP Party-List

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AN ACT
EXEMPTING ELECTRICITY SALES FROM VALUE-ADDED TAX,
FURTHER AMENDING FOR THE PURPOSE SECTIONS 108 AND 109
OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

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

1 **SECTION 1.** *Short Title.* – This act shall be known as “*Mas Murang*
2 *Kuryente Act.*”

3
4 **SEC. 2.** Section 108 of the National Internal Revenue Code of 1997, as
5 amended, is hereby further amended to read as follows:

6
7 “Sec. 108. *Value-added Tax on Sale of Services and Use or Lease of*
8 *Properties.* –

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

14
15 “The phrase “sale or exchange of services” means the performance of
16 all kinds of services in the Philippines for others for a fee,
17 remuneration or consideration, including those performed or
18 rendered by construction and service contractors; stock, real estate,

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

23
24 “XXX.”
25

26 **SEC. 3.** Section 109 of the National Internal Revenue Code of 1997, as
27 amended, is hereby further amended to read as follows:
28

29 “Sec. 109. *Exempt Transactions.* – “(1) Subject to the provisions of
30 Subsection (2) hereof, the following transactions shall be exempt from
31 the value-added tax:
32

33 XXX
34

35 “(AA) xxx.; ~~{and}~~
36

37 “(BB) xxx;

1
2 “(CC) xxx;

3
4 “(DD) xxx;

5
6 **“(EE) SALE OF ELECTRICITY BY GENERATION,**
7 **TRANSMISSION, AND DISTRIBUTION COMPANIES AND**
8 **ELECTRIC COOPERATIVES; AND**

9
10 **(FF) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC**
11 **UTILITIES.”**

12
13 **SEC. 4. *Separability Clause.*** - If any provision or part of this Act is
14 declared invalid or unconstitutional, the remaining parts not affected shall remain
15 in full force and effect.

16
17 **SEC. 5. *Repealing Clause.*** - All laws, presidential decrees, executive
18 orders, letters of instructions, administrative orders, proclamations or
19 administrative regulations that are inconsistent with the provisions of this Act
20 are hereby repealed, amended, or modified accordingly.

21
22 **SEC. 6. *Effectivity.*** - This Act shall take effect fifteen (15) days after its
23 publication in the Official Gazette or in a newspaper of general circulation.

24
25 ***Approved,***