

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3465



Introduced by Representative Jan Rurik D. Padiernos, GP (Galing sa Puso) Party-List

EXPLANATORY NOTE

Electricity is a basic need. It is essential to every Filipino family. But in the Philippines, electricity is very expensive. As of November 2024, the cost of electricity in the Philippines averaged ₱12.49 per kilowatt hour, compared to ₱7.56 in Thailand and ₱7.06 in Vietnam, based on Department of Energy data.¹

One reason for this high cost is the value added tax or VAT. At present, VAT is charged on almost every part of the electric bill. This includes the generation charge, transmission charge, distribution charge, system loss, metering, and other fees. As a result, the several charges placed in the electricity bill, places a heavy burden on the consumers. A household bill of 1,000 pesos can increase by more than 100 pesos just because of VAT.

This bill seeks to amend Sections 108 and 109 of the National Internal Revenue Code. It will remove VAT on the sale and supply of electricity. This includes all charges in the electric bill including but not limited to generation, transmission, distribution, system loss, metering, and other pass-through charges

This proposal supports the duty of the State to promote social justice, reduce inequality, and protect consumers from unfair pricing. It will also help rural areas by supporting electric cooperatives and ensuring access to reliable and affordable electricity across the country.

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


ATTY. JAN RURIK D. PADIERNOS
GP (Galing sa Puso) Party-List

¹ Department of Energy – Energy Policy and Information Management Bureau. (2024, November). *ASEAN electricity rates as of November 2024*. Department of Energy, Republic of the Philippines.

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**AN ACT EXEMPTING ALL COMPONENTS OF THE ELECTRICITY BILL FROM
VALUE ADDED TAX (VAT), AMENDING SECTIONS 108 AND 109 OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**

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

SECTION 1. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. "Sec. 108. Value-added Tax on the Sale of Services, Including Digital Services, and the Use or Lease of Properties. - "(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to twelve percent (12%) of the gross sales derived from the sale or exchange of services, including digital services, and the use or lease of properties. "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 and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; ~~sales of electricity by generation companies, transmission by any entity, and distribution companies, including electric cooperatives~~; services of franchise grantees of ~~electric utilities~~ telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code, and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity, and bonding companies; digital service providers; and similar services regardless of whether or not the

performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

XXX.”

SEC. 2. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Sec. 109. Exempt Transactions. -

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the VAT:

XXX

(EE) SALE OF ELECTRICITY BY GENERATION, TRANSMISSION, AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, INCLUDING BUT NOT LIMITED TO CHARGES FOR GENERATION, TRANSMISSION, DISTRIBUTION, SYSTEM LOSS, METERING, AND OTHER PASS-THROUGH CHARGES AS DETERMINED BY THE ENERGY REGULATORY COMMISSION (ERC), REGARDLESS OF CONSUMER CLASSIFICATION. THIS SHALL NOT APPLY TO THE FOLLOWING: (1) EMBEDDED RESELLERS OR NON-UTILITY ENTITIES ENGAGED IN THE RESALE OF ELECTRICITY UNLESS THEY ARE REGULATED BY THE ENERGY REGULATORY COMMISSION (ERC);(2) EXPORT-ORIENTED ENTERPRISES OR PEZA LOCATORS ALREADY ENJOYING VAT ZERO-RATING UNDER SPECIAL ECONOMIC ZONE LAWS; AND (3) UTILITY OPERATIONS OUTSIDE PHILIPPINE JURISDICTION OR THOSE GOVERNED BY INTERNATIONAL TREATIES.

(FF) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES."

SEC. 3. If any provision of this Act is held unconstitutional or invalid, the remaining provisions shall remain in full force and effect.

SEC. 4. All other laws, decrees, issuances, rules and regulations, inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 5. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,