



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session

HOUSE BILL NO. 4926



**Introduced by Representatives Ferdinand Martin G. Romualdez,
Yedda Marie K. Romualdez, Andrew Julian K. Romualdez
and Jude A. Acidre**

AN ACT
TO LOWER THE PRICE OF ELECTRICITY BY EXEMPTING ITS
SALE BY GENERATION, TRANSMISSION AND DISTRIBUTION
COMPANIES AND ELECTRICITY 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 NO.
9337, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Electricity is a basic necessity that powers our homes, fuels our industries, and supports the delivery of essential public services. However, the high cost of electricity in the Philippines continues to burden Filipino households and businesses, contributing significantly to the rising cost of living and the overall cost of doing business in the country.

A major component of electricity pricing is the imposition of the Value Added Tax (VAT) on the sale of electricity by generation, transmission, and distribution companies, as well as electric cooperatives. Under the current system, VAT is imposed on each stage of the power supply chain, from generation, transmission, to distribution, resulting in compounded tax costs that are ultimately passed on to consumers.

This bill seeks to amend Sections 108(A) and 109(1) of the National Internal Revenue Code, as amended by Republic Act No. 9337, to exempt the sale of electricity from VAT. By removing the VAT on electricity, we aim to provide immediate relief to Filipino households and ease financial pressures on businesses, particularly micro, small, and medium enterprises (MSMEs) that are still recovering from the economic impacts of the COVID-19 pandemic and inflationary pressures.

Lowering electricity costs will not only improve the purchasing power of Filipino families but also enhance the competitiveness of local industries, encourage job creation, and promote inclusive economic growth. This measure forms part of a broader agenda to bring down the cost of living and ensure that economic development is felt by all.

In view of the foregoing, approval of this bill is earnestly requested.



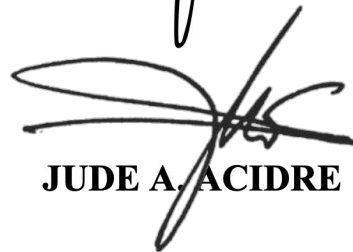
FERDINAND MARTIN G. ROMUALDEZ



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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, 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 gross receipts derived from the sale or exchange of services, including digital services, and the use of 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; 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:

x x x.

SEC. 2. Section 109 (1) of the National Internal Revenue Code, as amended, is 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.

(A)X X X

“X X X;

(DD) Importation of goods by an export-oriented enterprise whose export sales is at least seventy percent (70%) of the total annual production of the preceding taxable year: Provided, That such goods are directly attributable to the export activity of the export-oriented enterprise: Provided, further, That the Export Marketing Bureau of the DTI shall determine the compliance with the aforementioned threshold. For this purpose, 'directly attributable' shall follow the same definition under Section 106 of this Code.

(EE) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;

AND

(FF) SERVICES OF FRANCHISE GRANTEES OR ELECTRIC UTILITIES.

SEC. 3. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed and modified accordingly.

SEC. 4. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SEC. 5. *Effectivity.* – This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation.

Approved,