

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

TWENTIETH CONGRESS
FIRST REGULAR SESSION

House Bill No. 5119



INTRODUCED BY Rep. Francisco A. Barzaga

EXPLANATORY NOTE

The imposition of the **12% Value-Added Tax (VAT)** under the National Internal Revenue Code (NIRC), as amended, has long been considered and criticized for its regressive impact. VAT places the greatest burden on ordinary consumers particularly low- and middle-income families, as it is imposed on goods and services regardless of the ability to pay.

With the rising cost of living, inflationary pressures, and widespread calls for tax reforms that promote equity and social justice, it is imperative for Congress to revisit the VAT system. This measure seeks to **abolish VAT by reducing its rate from twelve percent (12%) to zero percent (0%)**, thereby relieving the tax burden on Filipino consumers and enhancing their purchasing power.

To compensate for the loss of VAT revenues, the bill proposes alternative and substitute sources of government income that are more progressive, fair, and sustainable.

As such, the approval of this Bill is earnestly sought.

A handwritten signature in black ink, appearing to be "F. Barzaga", written in a cursive style.

REP. FRANCISCO A. BARZAGA
Lone District of the City of Dasmariñas

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HOUSE BILL NO. **5119**

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**AN ACT ABOLISHING THE IMPOSITION OF VALUE-ADDED TAX (VAT) AND
PROVIDING FOR ALTERNATIVE SOURCES OF REVENUE, AMENDING FOR
THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, AND FOR OTHER PURPOSES**

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

SECTION 1. Title – This act shall be known as the “VAT Abolition Act of 2025.”

SECTION 2. Declaration of Policy – It is hereby declared the policy of the State to adopt a progressive system of taxation that promotes equity, lessens the burden on the poor and the working class, and ensures sustainable revenue sources for national development.

SECTION 3. Abolition of the Value-Added Tax (VAT). — Section 106, Section 107, Section 108, and other pertinent provisions of the National Internal Revenue Code of 1997, as amended, are hereby amended to reduce the **Value-Added Tax (VAT) rate from twelve percent (12%) to zero percent (0%)** on the sale of goods, properties, and services, including importation.

SECTION 4. Alternative/Substitute Revenue Sources. — (1) To offset the revenue loss from the abolition of the Value-Added Tax, the State shall strengthen and expand other sources of taxation. Excise taxes on **non-essential and luxury goods**, including **automobiles, tobacco, alcohol, sweetened beverages, and gambling activities**, shall be rationalized and increased. Taxes on **digital transactions, e-commerce activities, streaming services, online advertisements, and other digital platforms** operated by both domestic and foreign entities shall be imposed;

(2) **Wealth and property taxation** shall be enhanced through improved administration of real property taxes and the adoption of a progressive wealth tax applicable to **ultra-high-net-worth individuals**. **Environmental taxation** shall be enhanced through carbon, plastic, and other green-related taxes on industries and activities that generate pollution and greenhouse gas emissions;

(3) **Corporate income taxation** shall be rationalized by closing loopholes, preventing profit-shifting, and strengthening enforcement to ensure compliance. These measures shall collectively provide adequate and stable revenues for the State while ensuring fairness, sustainability, and economic equity;

SECTION 5. Transitional Provisions. — The Department of Finance (DOF) and the Bureau of Internal Revenue (BIR), in coordination with concerned government agencies, shall promulgate the necessary rules and regulations to implement this Act within six (6) months from its effectivity.

SECTION 6. Separability Clause. — If any part of this Act is declared unconstitutional, the remaining provisions shall remain valid and enforceable.

SECTION 7. Repealing Clause. — All laws, decrees, executive orders, and rules inconsistent with this Act are hereby repealed or modified accordingly.

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

Approved,