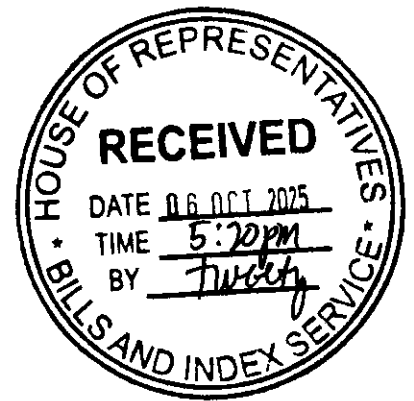


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5205



Introduced by Representative Arthur C. Yap

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

In the Philippines, electricity costs remain high for households and businesses, affecting the cost of living and the expenses associated with operating a business. One factor influencing electricity prices is the Value Added Tax (VAT) applied to the sale of electricity by generation, transmission, and distribution companies, as well as electric cooperatives. The current system imposes VAT at each stage of the supply chain, generation, transmission, and distribution, which increases tax costs that are ultimately passed on to consumers.

This proposed bill seeks to amend Sections 108(A) and 109(1) of the National Internal Revenue Code, as amended by Republic Act (R.A.) No. 9337, to exempt the sale of electricity from VAT. This exemption aims to decrease financial burdens on households and businesses, including micro, small, and medium enterprises (MSMEs), which have been affected by recent economic challenges such as the COVID-19 pandemic and inflation.

Reducing electricity costs may affect household purchasing power and the competitiveness of industries, potentially impacting job creation and economic growth. This proposal is part of broader efforts to address living expenses and promote economic development.

Thus, the passage of this bill is earnestly sought.


HON. ARTHUR C. YAP
Representative, Murang Kuryente Partylist

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

Section 1. Section 108 (a) of the National Internal Revenue Code, as amended 2 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 7 from the sale or exchange of services, including digital services, and the use of 8 lease of properties

"The phrase 'sale or exchange of services' means the performance of all kinds 10 of services in the Philippines for others for a fee, remuneration, or 11 consideration, including those performed or rendered by construction and 12 service contractors; stock, real estate, commercial, customs and immigration 13 brokers; lessors of property, whether personal or real; warehousing services; 14 lessors or distributors of cinematographic films; persons engaged in milling, 1 processing, manufacturing or repacking goods for others; proprietors, 2 operators or keepers of hotels, motels, rest houses, pension houses, inns, 3 resorts; proprietors or operators of restaurants, refreshment parlors, cafes and 4 other eating places, including dubs and caterers; dealers in securities; lending 5 investors; transportation contractors on their transport of goods or cargoes, 6 including persons who transport goods or cargoes for hire and other domestic 7 common carriers by land relative to their transport of goods or cargoes; 8

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 (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) xxx

"xxx

(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 Clause. - This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation.

Approved,