

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

TWENTIETH CONGRESS
1st Regular Session

House Bill No. **5645**



**Introduced by Representatives OMAR VINCENT S. DUTERTE and
PAOLO Z. DUTERTE**

EXPLANATORY NOTE

The 1987 Constitution no less than mandates the Congress to develop a progressive system of taxation. The said mandate primarily entails that the State shall ensure that the rules on taxation are both uniform and equitable. Accordingly, the Value-Added Tax (VAT), being an indirect consumption tax, disproportionately burdens indigent citizens who spend a higher percentage of their income on basic necessities. VAT refund is generally allowed for zero-rated transactions, but this only pertains to the ability of the seller to claim a refund or credit of input tax or the VAT paid on related purchases. Strictly speaking, the burden on the part of the taxpayers was never given enough consideration and credence—incurring additional burden to the country's most vulnerable even just for mere spending of basic necessities.

To uphold the constitutional mandate of promoting social justice and a dynamic social order, the State shall institutionalize a permanent, fiscally responsible, and highly-targeted social transfer mechanism to automatically rebate the VAT paid by indigent citizens, ensuring that the tax system remains equitable and progressive.

In this regard, this proposed Bill seeks to institutionalize the Value-Added Tax Social Transfer (VAST) for Indigent Citizens Program to establish a permanent, well-targeted, and multi-component social assistance program that provides a periodic VAT Rebate through direct cash and non-cash benefits. The VAST Program is not tantamount to a typical tax refund but as a targeted, expenditure-side cash transfer and grants that use VAT revenue to offset the tax burden on the country's most vulnerable citizens.

In addition, this measure also seeks to create a VAT Social Fund (VSF) which is a revolving fund created under this Act to finance the VAST Program and an Inter-Agency Council which ensures the continuous and strict implementation of the said Program.

In view of the foregoing, the approval of this Bill is earnestly sought.


HON. OMAR VINCENT S. DUTERTE


HON. PAOLO Z. DUTERTE

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Introduced by Representatives **OMAR VINCENT S. DUTERTE** and
PAOLO Z. DUTERTE

AN ACT
INSTITUTIONALIZING THE VALUE-ADDED TAX SOCIAL TRANSFER (VAST)
FOR INDIGENT CITIZENS PROGRAM, PROVIDING FUNDS THEREFOR, AND
FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be known as the *"Value-Added Tax Social Transfer (VAST) for Indigent Citizens Act of 2025."*

SEC 2. *Declaration of Policy.* – The 1987 Constitution provides that it is the policy of the State to promote a just and dynamic social order and to protect the welfare of the poor and vulnerable. In order to mitigate the regressive impact of the Value-Added Tax (VAT) on indigent citizens, the State shall establish a permanent, well-targeted, and multi-component social assistance program that provides a periodic VAT Rebate through direct cash and non-cash benefits.

SEC. 3. *Definition of Terms.* - For the purposes of this Act, the term:

- a. **Indigent Citizen** means any Filipino citizen identified as belonging to the "Poor" or "Near-Poor" category based on the National Household Targeting System for Poverty Reduction (NHTS-PR) or Listahanan of the Department of Social Welfare and Development (DSWD).
- b. **Core Indigent Household** means an Indigent Citizen household whose assets, as determined by the DSWD's asset-testing formula, fall below the lowest wealth percentile threshold set by the National Economic and Development Authority (NEDA) which ought to be the highest benefit for the program.
- c. **VAT Social Fund (VSF)** means the special, revolving fund created under this Act to finance the VAST Program.

SEC. 4. *Establishment of the Value-Added Tax Social Transfer (VAST) for Indigent Citizens Program.* – The VAST for Indigent Citizens Program is hereby established as the permanent mechanism to provide a periodic VAT rebate to Indigent Citizens. The program shall be composed of three (3) main components:

- a. **VAST - Cash Rebate (VAST-CR)** - A direct, unconditional cash grant paid to Indigent Citizens to offset the estimated annual VAT they pay on non-exempt essential goods and services.
- b. **VAST - Utility Credit (VAST-UC)** - A non-cash, automatic credit applied directly to the monthly consumption of basic utilities for Core Indigent Households.
- c. **VAST - Health/Education Voucher (VAST-HE)** - a non-cash voucher for use in purchasing essential, non-VAT-exempt medicines, or for paying miscellaneous school fees in public institutions.

SEC. 5. *Eligibility and Identification of Beneficiaries.* – The following pertains to the procedures in identifying the target beneficiaries.

1. All households officially and actively listed in the Department of Social Welfare and Development's (DSWD's) National Household Targeting System for Poverty Reduction (NHTS-PR) or *Listahanan* database shall be automatically enrolled in the VAST Program. No separate application shall be required.
2. The Department of Social Welfare and Development (DSWD), in coordination with National Economic Development (NEDA), and the Department of Finance (DOF), shall establish a three (3) tiered schedule of benefits based on the objective criteria of the NHTS-PR:
 - a. **Tier 1 (Core Indigent)** - Households categorized as "Core Indigent Household" (lowest income and asset percentile) shall receive 100% of the maximum calculated VAST benefit across all components.
 - b. **Tier 2 (Indigent - Poor)** - Households categorized as "Poor" shall receive 80% of the maximum calculated VAST benefit.
 - c. **Tier 3 (Indigent - Near-Poor)** - Households categorized as "Near-Poor" shall receive 60% of the maximum calculated VAST benefit.

SEC. 6. *Exclusions from the VAST Program.* – The following shall be grounds for automatic exclusion from the VAST Program:

- a. Ownership of properties, both personal and real, exceeding the aggregate value of two-hundred thousand Pesos (₱200,000.00)
- b. Having a gross annual income that exceeds the threshold for the highest income tax bracket, which is to be determined by the Bureau of Internal Revenue (BIR).

SEC. 7. *Calculation of VAST Benefits*– The Department of Finance (DOF) and National Economic Development (NEDA) shall jointly conduct an annual review to compute the maximum cash rebate (VAST-CR). The formula shall estimate the total average VAT paid by a household in the lowest national income decile on all goods and services subject to VAT, based on the latest Family Income and Expenditure Survey (FIES) data. The result shall be the Maximum VAST-CR for Tier 1.

SEC. 8. *Disbursement of VAST Benefits.* – The VAST - Cash rebate (VAST-CR) shall be disbursed by the DSWD through Land Bank of the Philippines (LBP) cash cards or other Department of Social Welfare and Development (DSWD)-accredited financial service providers, thereby mitigate, if not totally eliminate, administrative costs and potential leakages associated with direct cash payouts.

When it comes to VAST - Utility Credit (VAST-UC), the DSWD shall coordinate with public utility providers such as, but not limited to, electric cooperatives and water districts, to ensure that the VAST-UC is automatically deducted as a credit line on the registered monthly utility bills of the beneficiary household. The Utility Providers shall be reimbursed by the DSWD from the VAT Social Fund.

In VAST - Health/Education Voucher (VAST-HE), the DSWD shall issue periodic digital or physical vouchers for the VAST-HE component, which shall be accepted by the Bureau of Internal Revenue - registered pharmacies and public educational institutions and shall be treated as a claimable credit by the DSWD.

SEC 9. *Creation of VAT Social Fund.* – There is hereby created a special, revolving fund to be known as the VAT Social Fund (VSF), which shall be managed and administered by the Department of Finance (DOF), in consultation with the Department of Social Welfare and Development (DSWD).

The VSF shall be perpetually and automatically funded by the following:

- a. Twenty percent (20%) of the total incremental revenue generated from any future expansion of the VAT base or increase in the VAT rate;
- b. A mandatory appropriation equivalent to the total computed annual cost of the VAST Program, to be included in the General Appropriations Act (GAA); and
- c. Any foreign or local grants, donations, or endowments specifically intended for the support of VAT social protection measures.

SEC. 10. *Inter-agency Council for Value-Added Tax Social Transfer (VAST).* – The Inter - Agency Council for for Value-Added Tax Social Transfer (VAST) is hereby established composed of the Secretary of Department of Finance as chairperson and the following as members:

- a. Secretary of the Social Welfare and Development;
- b. Commissioner of the Bureau of Internal Revenue; and
- c. Director - General of the National Economic and Development Authority

The members of the Council may designate their permanent representatives, who shall have a rank not lower than assistant secretary or its equivalent, to meetings and shall receive emoluments as may be determined by the Council in accordance with existing budget and accounting rules and regulations

SEC. 11. *Functions of Inter-agency Council for Value-Added Tax Social Transfer (VAST).* – The Inter-agency Council for Value-Added Tax Social Transfer (VAST) shall have the following functions:

- a. Ensure that the Department of Social Welfare and Development's (DSWD's) National Household Targeting System for Poverty Reduction (NHTS-PR) or *Listahanan* is annually updated;
- b. Establish a three (3) tiered schedule of benefits based on the objective criteria of the NHTS-PR;
- c. Evaluate the prospective exclusions of beneficiaries whose income already fail to qualify the minimum threshold;

- d. Conduct an annual review to compute the maximum VAST - Cash Rebate (VAST-CR), which shall estimate the total average VAT paid by a household in the lowest national income decile on all goods and services subject to VAT, based on the latest Family Income and Expenditure Survey (FIES) data; and
- e. Exercise quasi-judicial functions on prospective violations against this Act.

SEC. 12. Penalties. – The VAST Inter-agency Council, may, *motu proprio* or upon receipt of complaint by the requesting party, file a criminal case against the following:

- a. Any person who makes a fraudulent claim or misrepresents their eligibility to avail of the VAST benefits. The said person shall be penalized with a fine of not less than Fifty Thousand Pesos (₱50,000.00) but not more than Two Hundred Thousand Pesos (₱200,000.00), and/or imprisonment of not less than six (6) months but not more than one (1) year.
- b. Any official or employee found guilty of misappropriating the VAT Social Fund (VSF) who shall suffer the maximum penalties under existing laws, including perpetual disqualification from holding public office.

SEC. 12. Implementing Rules and Regulations. – Within ninety (90) days from the effectivity of this Act, the Inter-agency Council for Value-Added Tax Social Transfer (VAST), in coordination with other relevant government agencies, shall jointly promulgate the necessary rules and regulations for the effective implementation of the VAST Program.

SEC. 13. Separability Clause. – If any portion or provision of this Act is declared unconstitutional or invalid, the other portions or provisions hereof, which are not affected thereby, shall continue in full force and effect.

SEC. 14. Repealing Clause. — All other laws, decrees, orders, rules and regulations or parts thereof inconsistent with the Act or rules and regulations promulgated pursuant thereto are hereby repealed or amended accordingly.

SEC. 15. Effectivity. – This Act shall take effect fifteen (15) days after publication in the official gazette or in newspaper of national circulation.

Approved,