

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 5906



Introduced by Representative ROLANDO M. VALERIANO

EXPLANATORY NOTE

The Filipino people continue to face the growing challenge of the rising cost of living, with the prices of essential goods and services increasing at a rate that burdens ordinary households. It is the duty of the State to ensure that the tax system remains fair, humane, and responsive to the realities of ordinary citizens.

This measure aims to reduce the burden faced by our fellow countrymen by 1. removing the twelve percent (12%) Value-Added Tax (VAT) from sale of electricity; and 2. By raising the minimum non-taxable annual income to ₱480,000.

First, electricity is an essential household necessity and currently, Filipinos experience some of the highest electricity rates in Asia partly due to the twelve percent (12%) Value-Added Tax (VAT) imposed on generation, transmission, and distribution. This tax, though indirect, is ultimately borne by consumers. By exempting electricity used by consumers from VAT, direct and immediate relief will be delivered to millions of Filipino families.

Second, the current minimum non-taxable annual income threshold is set at ₱250,000 under the TRAIN Law of 2017. This amount no longer reflects present economic realities. Inflation and wage adjustments over the years have eroded the real value of income, which has effectively increased the tax burden on low and middle-income earners.

By raising the minimum non-taxable annual income to ₱480,000, this measure restores equity in the tax system, ensures greater take-home pay, and strengthens the purchasing power of working Filipinos.

These reforms are guided by fairness, justice, and the goal of easing the people's economic burden; showing the true meaning of taxation, which is to help people –not to make life harder.

Immediate passage of this Bill is earnestly sought.


ROLANDO M. VALERIANO

Representative
Manila, 2nd District

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 5906

Introduced by Representative ROLANDO M. VALERIANO

AN ACT EXEMPTING THE SALE OF ELECTRICITY TO RESIDENTIAL CONSUMERS FROM THE TWELVE PERCENT (12%) VALUE-ADDED TAX (VAT), INCREASING THE MINIMUM NON-TAXABLE ANNUAL INCOME TO FOUR HUNDRED EIGHTY THOUSAND PESOS (₱480,000.00), AMENDING FOR THE PURPOSE SECTIONS 24(A)(2) AND 109(1) OF 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. Short Title. –This Act shall be known as the “Tax Relief and Affordable Electricity Act of 2025.”

SECTION 2. Declaration of Policy. –It is hereby declared the policy of the State to promote equitable taxation and ensure that the burden of taxation does not fall disproportionately upon low and middle-income Filipinos. The State also recognizes access to affordable electricity as a basic right and an essential component of a decent standard of living.

It is hereby declared the policy of the State to promote equitable taxation and ensure that the burden of taxation does not fall disproportionately upon low and middle-income Filipinos. The State also recognizes access to affordable electricity as a basic right and an essential component of a decent standard of living.

To this end, the State shall not impose any value-added tax (VAT) on the sale of electricity to consumers; and shall ensure that appropriate measures are undertaken to periodically review and raise the minimum non-taxable annual income in accordance with inflation, cost of living, and prevailing economic conditions.

SECTION 3. Amendment to Section 24(A)(2)(a) of the NIRC of 1997, as Amended. –

Section 24(A)(2)(a) of the same Code is hereby amended to read as follows:

“(A) Rates of Income Tax on Individual Citizens and Resident Aliens. –

Xxx

(2) Rates of Tax on Taxable Income of Individuals. - The tax shall be computed in accordance with and at the rates established in the following schedule:

Xxx

Tax Schedule Effective January 1, 2026 and onwards:

Not over P480,000.....	0%
Over P480,000 but not over P650,000.....	15% of the excess over P480,000
Over P650,000 but not over P1,300,000.....	P37,500 + 20% of the excess over P650,000
Over P1,300,000 but not over P3,200,000.....	P167,500 + 25% of the excess over P1,300,000
Over P3,200,000 but not over P12,800,000.....	P642,500 + 30% of the excess over P3,200,000
Over P12,800,000.....	P3,522,500 + 35% of the excess over P12,800,000

Xxx”

Section 4. Amendment to Section 108 of the National Internal Revenue Code (NIRC) of 1997, as Amended. –Section 108 of the NIRC is hereby amended to include the following paragraph:

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.”

Section 4. Amendment to Section 109(1) of the National Internal Revenue Code (NIRC) of 1997, as Amended. –Section 109(1) of the NIRC is hereby amended to include the following paragraph:

“(EE) Sale of Electricity to Consumers. –The sale, generation, transmission, and distribution of electricity to consumers, as classified under the rules of the Energy Regulatory Commission (ERC).”

SECTION 6. Separability Clause. –If any provision of this Act is declared unconstitutional or invalid, the remaining portions not affected thereby shall remain in full force and effect.

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

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

APPROVED.