

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 6740



Introduced by TUCP Party-list Representative
HON. RAYMOND DEMOCRITO C. MENDOZA

EXPLANATORY NOTE

The price of electricity in the Philippines remains among the most expensive in the Association of Southeast Asian Nations (ASEAN) region. In 2021, the residential rates of electricity in the Philippines (at constant 2015 prices) were USc 13.81/kWh which is much higher than the USc 10/kWh in Thailand, USc 8.12/kWh in Indonesia, and USc 4.58/kWh in Malaysia.¹ It has consistently burdened the Filipino worker and their households with high generation charges, transmission and distribution costs, and multiple layers of taxation. This is further exacerbated by the imposition of the twelve percent (12%) Value-Added Tax (VAT) that has kept electricity prices high, thus reducing the real disposable income of Filipino families and raising the cost of living and doing business across the country. The imposition of VAT across all stages of the power supply chain- generation, transmission, and distribution- places an unfair financial strain on consumers who have no control over these charges and does not align with the government's duty that essential basic necessities remain accessible and affordable for all sectors of society. In a time when electricity is a basic necessity for survival, productivity, education, and social participation, this persistent cost burden demands urgent legislative attention and action

The latest 2023 Family Income and Expenditure Survey (FIES) of the Philippine Statistics Authority (PSA) underscores this reality. FIES reveals that the average annual income of Filipino households in 2023 is estimated to be ₱352,200, 20% of which or ₱5,867 is spent every month on utilities, such as rent, electricity, and water consumption.² Filipino households now spend a significant and steadily rising share of their monthly budget on electricity, making it one of the largest components of non-food expenditures. Low and middle-income families bear the heaviest burden of high electricity prices due to their limited income. It diminishes their capacity to afford more nutritious food, seek medical services, spend on education, and save for investments that lead to a higher quality of life. The increasing share of electricity expenditure

¹ Ravago, M. (2023). The Nature and Causes of High Philippine Electricity Price and Potential Remedies. *Ateneo Center for Economic Research and Development*.
https://www.ateneo.edu/sites/default/files/2023-01/AdMU%20WP%202023-01_0.pdf.

² Figure from the Facts in Figures published by the Congressional Policy and Budget Research Department. Accessed from: <https://cpbrd.congress.gov.ph/wp-content/uploads/2025/03/FF2025-20-UPDATES-ON-FAMILY-INCOME-AND-EXPENDITURE-IN-THE-PHILIPPINES.pdf>

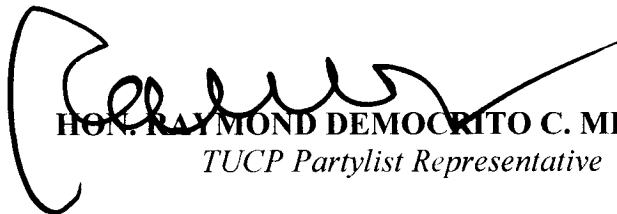
continues to grow as household budgets erode due to inflation in prices of goods and services, as well as the shift to work-from-home arrangements, online learning, and increasing digital activity.

Based on the 2024 Annual Power Statistics of the Department of Energy (DOE), the electricity sales in 2024 amounted to 103,908 gigawatt-hour (GWh) or 103,908,000,000 kilowatt-hour (kWh).³ DOE Undersecretary Rowena Guevara explained, during the 16th Media Seminar of the U.S. Embassy in the Philippines' Public Affairs Section on 08 July 2024, that "the price of electricity varies widely across the country, with rates from as low as P5.93 per kilowatt-hour to as high as P19.01 per kilowatt-hour."⁴ Based on the median rate of ₱12.47 per kWh, the estimated total electricity sales in 2024 amounts to ₱1.296 trillion. The 12% VAT on electricity sales will amount to ₱155.52 billion.

While exempting electricity sales from VAT will entail a corresponding reduction in government revenue, the cost implication is both manageable and justified. The economic and social benefits resulting from lower power bills will improve household quality of life through increased household consumption. Lower energy costs due to VAT exemptions will also make businesses more competitive by reducing operational costs and enhancing national productivity. These far outweigh the foregone tax revenue from electricity sales. A simple policy shift can significantly improve household welfare. Every peso saved by Filipino workers from electricity costs translates into greater spending capacity for food, health, education, transportation, and small investments, all of which stimulate economic activity, rechanneled government revenue, and contribute to more inclusive development.

The VAT exemption further strengthens consumer protection and recognizes electricity as an indispensable public good. Lower electricity costs will alleviate pressure on inflation, reduce production expenses for micro, small, and medium enterprises (MSMEs), and support the government's broader agenda of ensuring affordable and reliable energy for all. A more comfortable, secure, and financially stable Filipino household ultimately leads to a more resilient and robust national economy.

In view of these urgent considerations, the immediate passage of this measure is earnestly sought.



HON. RAYMOND DEMOCRITO C. MENDOZA
TUCP Partylist Representative

³ 2024 Annual Power Statistics of the Department of Energy (DOE). Accessed from: https://legacy.doe.gov.ph/sites/default/files/pdf/energy_statistics/02_Summary.pdf

⁴ Piquero, J. (2024, July 13). Electricity rates in PH: Why are they high?. *Cebu Daily News*. <https://cebudailynews.inquirer.net/583377/electricity-in-ph-why-is-it-high>.

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**AN ACT EXEMPTING ELECTRICITY SALES FROM VALUE-ADDED
TAX, FURTHER AMENDING FOR THE PURPOSE SECTIONS 108 AND 109
OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED**

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

SECTION 1. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

*"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;
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 of 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 2. Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby 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:

xxx

(EE) SALE OF ELECTRICITY BY GENERATION, TRANSMISSION, AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES.

(FF) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES."

SECTION 3. *Separability Clause.* - If any provision or part of this Act is declared invalid or unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SECTION 4. *Repealing Clause.* - All laws, presidential decrees, executive orders, letters of instructions, proclamations, or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 5. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,