

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **6984**



Introduced by **REP. NATHANIEL “Atty. Nat” M. ODUCCADO**

EXPLANATORY NOTE

Electricity is a necessity and an essential economic input for households, small and medium enterprises, manufacturing industries, and other productive sectors. Persistently high electricity prices in the Philippines impose significant cost burdens on consumers and businesses; as a result, disposable income is reduced, competitiveness is constrained, and investments are discouraged. Moreover, academic research conducted by Ateneo de Manila University on *The Nature and Causes of High Philippine Electricity Price and Potential Remedies* confirms that Philippine electricity rates remain relatively high compared to regional peers. Although taxation, including the value-added tax (VAT), contributes to the final price paid by end users, structural and market factors such as inefficient permitting, high generation costs, and system losses also play major roles in pricing. Therefore, multifaceted policy responses are necessary to lower electricity costs.

In addition, key sectors of the business community have raised public calls for reforms to reduce the tax burden on electricity. For instance, according to a recent news report, business groups such as the Philippine Chamber of Commerce and Industry (PCCI) and the Philippine Exporters Confederation, Inc. have expressed support for legislative measures to reduce or exempt VAT on electricity sales. These stakeholders argue that cheaper electricity would provide immediate relief to consumers, lower operating costs for businesses, attract investments, and support job creation. Furthermore, they emphasize that electricity is a “basic and indispensable input” for households and industries, and that reducing VAT on electricity would bolster Philippine competitiveness and economic activity rather than merely reducing government revenue.

In addition, a Comprehensive Research Report shows assessed proposals to remove or reduce VAT on electricity, further supports this legislative intervention. The report highlights that complete VAT removal would cost the government an estimated ₱187 billion annually, whereas a 50% reduction to six percent (6%) VAT would cost ₱93.5 billion. Consequently, a 50% reduction still provides meaningful consumer relief while being politically more feasible. Specifically, under a 50% reduction, an average household consuming 200 kWh per month would save approximately ₱130 monthly, which constitutes significant relief. Moreover, the study emphasizes that targeted lifeline rate subsidies for poor households are already in place, and a VAT reduction would complement these programs while maintaining fiscal responsibility.

Furthermore, the report notes that the Philippines currently has the third-highest electricity rates in Asia, at ₱11.34 per kWh, behind Singapore and Japan, which underscores the urgency of implementing measures that improve affordability. While the Department of Finance (DOF) expresses concern over revenue loss and the effectiveness of pass-through to consumers, the proposed legislation incorporates safeguards to ensure that the benefits reach end users.

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

Therefore, this bill seeks to reduce the VAT on electricity sales from twelve percent (12%) to six percent (6%) by amending Sections 108 and 109 of the National Internal Revenue Code of 1997, as amended. To ensure that the intended benefits are realized, the bill includes provisions requiring mandatory pass-through of the VAT reduction to consumer electricity bills. In this regard, the Energy Regulatory Commission (ERC), in coordination with the Department of Energy (DOE) and Department of Finance (DOF), shall monitor compliance, issue necessary implementing rules, submit quarterly reports to Congress, and conduct a comprehensive assessment two (2) years after effectivity to determine the feasibility of further VAT reduction or full removal.

In conclusion, reducing the VAT on electricity to six percent represents a pragmatic and evidence-based approach that balances the need for consumer relief and economic competitiveness with fiscal responsibility. Informed by academic research, business advocacy, and comprehensive feasibility studies, this measure aims to provide targeted cost relief while allowing for future evidence-based evaluation of broader tax policy changes.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


REP. NATHANIEL “ATTY. NAT” M. ODUCADO
1Tahanan Party List

² BusinessWorld (2025) Biz chambers call for power to be VAT-exempt. Available at: <https://www.bworldonline.com/economy/2025/12/10/717889/biz-chambers-call-for-power-to-be-vat-exempt/> (last accessed December 18, 2025)

³ PHILRECA Available at: <https://web.philreca.org/> (last accessed December 18, 2025)

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Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCCADO**

AN ACT REDUCING VALUE-ADDED TAX ON ELECTRICITY SALES TO SIX PERCENT (6%), 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:

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

3 **"SEC. 108. VALUE-ADDED TAX ON THE SALE OF SERVICES, INCLUDING**
4 **DIGITAL SERVICES, AND THE USE OR LEASE OF PROPERTIES. –**

5 **(A) RATE AND BASE OF TAX. – THERE SHALL BE LEVIED, ASSESSED, AND**
6 **COLLECTED A VALUE-ADDED TAX EQUIVALENT TO TWELVE PERCENT (12%) SIX**
7 **PERCENT (6%) OF THE GROSS SALES DERIVED FROM THE SALE OR EXCHANGE**
8 **OF SERVICES INCLUDING DIGITAL SERVICES, AND THE USE OR LEASE OF**
9 **PROPERTIES.**

10 **THE PHRASE “SALE OR EXCHANGE OF SERVICES” MEANS THE**
11 **PERFORMANCE OF ALL KINDS OF SERVICES IN THE PHILIPPINES FOR OTHERS**
12 **FOR A FEE, REMUNERATION OR CONSIDERATION, INCLUDING SALES OF**
13 **ELECTRICITY BY GENERATION COMPANIES, TRANSMISSION BY ANY ENTITY, AND**
14 **DISTRIBUTION BY COMPANIES, INCLUDING ELECTRIC COOPERATIVES SALES OF**
15 **ELECTRICITY BY GENERATION COMPANIES, TRANSMISSION BY ANY ENTITY,**
16 **AND DISTRIBUTION BY COMPANIES, INCLUDING ELECTRIC COOPERATIVES,**
17 **SUBJECT TO A VAT RATE OF SIX PERCENT (6%); AND SIMILAR SERVICES.”**

18 **SEC. 2.** Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby
19 further amended to read as follows:

1 **"SEC. 109. EXEMPT TRANSACTIONS. —**
2 **(1) SUBJECT TO THE PROVISIONS OF SUBSECTION (2) HEREOF, THE**
3 **FOLLOWING TRANSACTIONS SHALL BE EXEMPT FROM THE VAT:**

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

6 **(EE) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND**
7 **DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, SUBJECT TO A**
8 **REDUCED VAT RATE OF SIX PERCENT (6%).**

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

10 **SEC. 3. *Pass-Through, Monitoring, and Evaluation.*** - All electricity generation,
11 transmission, and distribution companies shall ensure that the reduction in the value-added tax is
12 directly reflected in the bills of end-users. The Energy Regulatory Commission (ERC), in
13 coordination with the Department of Energy (DOE) and the Department of Finance (DOF), shall:

- 14 1. Monitor the actual reduction reflected in consumer bills;
- 15 2. Submit quarterly reports to Congress on the impact of this Act;
- 16 3. Conduct an assessment two (2) years after effectivity to evaluate the feasibility of
17 further VAT reduction or full removal; and
- 18 4. Conduct a comprehensive review on fiscal, energy sector, and consumer impact
19 conditions, and submit its report in the third year following the effectivity of this
20 Act to Congress, any recommendations on any adjustment or restoration of the
21 applicable VAT rate on electricity to be implemented in the fifth year, if warranted.

22 **SEC. 4. *Separability Clause.*** - If any provision or part of this Act is declared invalid or
23 unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

24 **SEC. 5. *Repealing Clause.*** - All laws, presidential decrees, executive orders, letters of
25 instruction, proclamations, or administrative regulations inconsistent with the provisions of this
26 Act are hereby repealed, amended, or modified accordingly.

27 **SEC. 6. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the
28 Official Gazette or in a newspaper of general circulation.

29 *Approved,*