

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8827



Introduced by Rep. Paolo Henry M. Marcoleta and Rep. Rolando L. Macasaet

EXPLANATORY NOTE

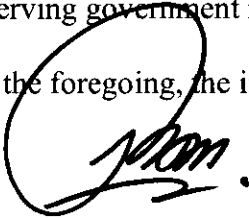
The President, through Executive Order No. 110, Series of 2026, declared a State of National Energy Emergency due to the severe fuel price shock arising from instability in the Middle East. This global supply disruption has significantly affected the most vulnerable sectors of society. The Department of Energy has reported substantial increases in domestic fuel prices, which are projected to disrupt public transportation and adversely impact key economic sectors in the coming weeks.

The current Value-Added Tax (VAT) system aggravates this situation. For local sales of petroleum products, VAT is imposed on the gross selling price, which includes the cost per liter and the applicable excise tax. In the case of importation, VAT is imposed on the total value used by the Bureau of Customs, including customs duties, excise taxes, and other charges. This results in a "tax-on-tax" structure that further drives up fuel prices. Simply put, during times of crisis, the State collects higher VAT revenues from price increases even when such increases are driven by external factors beyond the control of consumers.

This measure seeks to address this inequity through a targeted and temporary remedy. It does not abolish the VAT on fuel. Instead, it proposes to cap the amount of the gross selling price and the total value of covered petroleum products subject to VAT at a pre-emergency reference price. VAT shall continue to be imposed only up to this benchmark, while any price increase above the reference level during the declared emergency shall be excluded from the computation of VAT.

This approach is measured, fiscally responsible, and more sustainable than a full VAT suspension. It responds directly to the realities faced by commuters, workers, farmers, small businesses, and pensioners. At the same time, it prevents the imposition of additional VAT on crisis-driven increases while preserving government revenues from the pre-emergency price level.

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


PAOLO HENRY M. MARCOLETA
SAGIP Partylist


ROLANDO LEDESMA MACASAET
SSS-GSIS Pansyonado Partylist

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AN ACT IMPOSING A CAP ON THE VALUE-ADDED TAX COMPUTATION ON PETROLEUM PRODUCTS BY LIMITING THE GROSS SELLING PRICE AND TOTAL VALUE SUBJECT TO VAT DURING A DECLARED NATIONAL ENERGY EMERGENCY, AMENDING FOR THE PURPOSE SECTIONS 106 AND 107 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

1 **SECTION 1. Short Title** - This Act shall be known as the “*Fuel VAT Relief During Energy*
2 *Emergencies Act.*”

3
4 **SEC. 2. Declaration of Policy** - It is hereby declared the policy of the State to protect
5 consumers, preserve purchasing power, reduce inflationary pressure, and cushion the impact
6 of extraordinary global oil supply disruptions on households, transport, agriculture, fisheries,
7 industry, and other essential sectors. Toward this end, the State shall adopt a temporary and
8 targeted value-added tax relief mechanism for covered petroleum products during a declared
9 State of National Energy Emergency.

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11 **SEC. 3. Definition of Terms** - For purposes of this Act:

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13 (a) “*Covered petroleum products*” refer to gasoline, diesel, kerosene, liquefied petroleum gas
14 (LPG), fuel oil, bunker fuel, aviation turbo jet fuel, aviation gas, and such other petroleum
15 products as may be identified by the Department of Energy (DOE), the Bureau of Internal
16 Revenue (BIR), and the Bureau of Customs (BOC), provided they are ordinarily used for
17 transport, household consumption, agriculture, fisheries, power generation, or industrial use;

18
19 (b) “*Pre-Emergency Reference Price*” refers to the average gross selling price, gross value in
20 money, or importation tax base, as applicable, for each covered petroleum product during the
21 thirty (30) calendar days immediately preceding the effectivity of the presidential declaration
22 of a State of National Energy Emergency; and

23
24 (c) “*Incremental emergency increase*” refers to any increase in the price or tax base of a

covered petroleum product above the applicable Pre-Emergency Reference Price during the effectivity of the declaration.

SEC. 4. Cap on the Amount Subject to Value-Added Tax on Local Sale of Covered Petroleum Products - During the effectivity of a presidential declaration of a State of National Energy Emergency arising from extraordinary global oil supply disruption, the value-added tax imposed under Section 106 of the National Internal Revenue Code of 1997, as amended, on the sale, barter, or exchange of covered petroleum products shall be computed only on the gross selling price up to the applicable Pre-Emergency Reference Price. Any Incremental Emergency Increase shall be excluded from the gross selling price for purposes of computing the value-added tax and shall not be subject to VAT.

SEC. 5. Cap on the Amount Subject to Value-Added Tax on Importation of Covered Petroleum Products - During the same period, the value-added tax imposed under Section 107 of the National Internal Revenue Code of 1997, as amended, on the importation of covered petroleum products shall be computed only on the total value used by the Bureau of Customs in determining tariff and customs duties, including customs duties, excise taxes, and other charges, up to the applicable Pre-Emergency Reference Price or its equivalent. Any Incremental Emergency Increase above such reference amount shall be excluded from the computation of the value-added tax.

SEC. 6. Amendment to Section 106 of the National Internal Revenue Code - A new paragraph is hereby added after the first paragraph of Section 106(A) of the National Internal revenue Code of 1997, as amended, to read as follows:

“Provided, That in the case of covered petroleum products sold during the effectivity of a presidential declaration of a State of National Energy Emergency, the tax base shall not exceed the Pre-Emergency Reference Price as determined under special law, and any Incremental Emergency Increase above such reference price shall be excluded from the VAT base.”

SEC. 7. Amendment to Section 107 of the National Internal Revenue Code - A new paragraph is hereby added after the first paragraph of Section 107(A) of the National Internal revenue Code of 1997, as amended, to read as follows:

“Provided further, That in the case of the importation of covered petroleum products during the effectivity of a presidential declaration of a State of National Energy Emergency, the tax base shall not exceed the applicable Pre-Emergency Reference Price or equivalent reference importation tax base as determined under special law, and any Incremental Emergency Increase above such reference base shall be excluded from the VAT base.”

SEC. 8. Publication of Reference Prices - Within five (5) days from the effectivity of the declaration of a State of National Energy Emergency, and every week thereafter for the duration of such declaration, the DOE, in coordination with the BIR and the BOC, shall publish the applicable Pre-Emergency Reference Price or reference importation tax base for each covered petroleum product.

SEC. 9. Implementing Rules and Regulations - Within fifteen (15) days from the effectivity of this Act, the Department of Finance, through the BIR and BOC, jointly with the DOE, shall promulgate the rules and regulations necessary to implement this Act, including rules on benchmarking, publication, invoicing, audit trail, pass-through monitoring, and anti-avoidance safeguards.

SEC. 10. Congressional Oversight Report - The Department of Finance and the DOE shall submit to the House of Representatives and the Senate, every quarter during the effectivity of the declaration, a joint report indicating:

- (a) estimated foregone revenues;
- (b) observed pass-through to retail pump prices;
- (c) inflationary impact; and
- (d) recommendations on whether the relief should continue, be modified, or be lifted.

SEC. 11. Sunset Provision - The VAT relief under this Act shall automatically cease upon the lifting or expiration of the presidential declaration of a State of National Energy Emergency, unless extended by Congress through law.

SEC. 12. Separability Clause - If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 13. Repealing Clause - All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 14. Effectivity - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.