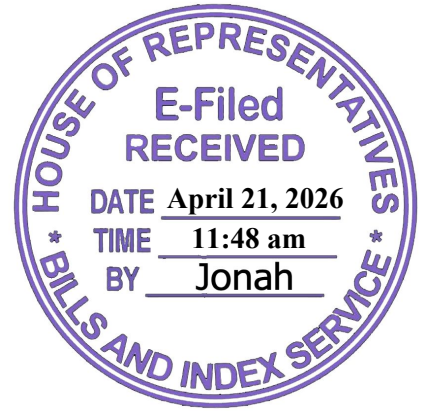


Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 8914



INTRODUCED BY REP. PATRICK MICHAEL “PM” D. VARGAS

AN ACT
PROVIDING FOR THE TEMPORARY SUSPENSION OF VALUE-ADDED TAX
(VAT) ON SELECT ESSENTIAL FOOD ITEMS DURING PERIODS OF
ECONOMIC CRISIS, AND FOR OTHER PURPOSES

Filipino households continue to face significant economic strain amid persistently high prices of basic goods, particularly food. While headline inflation has shown signs of easing, many families have incomes that have not kept pace with the rising cost of living.

Food, which accounts for the largest share of household expenditures among low-income families, has been especially volatile. Philippine Statistics Authority (PSA) data show that staples such as rice, fish, meat, vegetables, and other essential commodities have driven overall inflation, disproportionately affecting the poorest sectors. As of 2023, approximately 15.5% of Filipinos—around 17.54 million individuals—live below the poverty line, rendering even modest price increases critical to their food security.

The Value-Added Tax (VAT) of 12% continues to apply to many commonly consumed food items, imposing a heavier burden on low-income households and exacerbating the affordability crisis.

This proposed measure seeks to provide immediate and tangible relief by temporarily suspending VAT on essential and nutrient-sensitive food items during periods of economic crisis. By lowering the cost of basic goods such as rice, canned fish, eggs, bread, milk, vegetables, and cooking oil, it aims to ease

daily financial burdens and ensure continued access to affordable and nutritious food.

The intervention is targeted and time-bound, activated only in response to the declaration of an economic crisis, including the current national energy emergency as declared by the President. Mechanisms are included to ensure benefits reach consumers while maintaining fiscal responsibility through defined limits, oversight, and periodic review.

Beyond immediate price relief, the measure adopts a nutrition-sensitive approach, supporting access to foods that are not only affordable but also nutritionally important, thereby helping prevent malnutrition, particularly among children and vulnerable populations.

In light of the ongoing economic pressures faced by Filipino households, compounded by the national energy emergency, there is a clear and compelling need for decisive government action. This measure provides a balanced and responsive approach, offering immediate relief while safeguarding fiscal sustainability.



REP. PATRICK MICHAEL “PM” D. VARGAS

Fifth District, Quezon City

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

SECTION 1. *Short Title.* – This Act shall be known as the “*Essential Food VAT Relief Act.*”

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to protect the welfare of consumers, especially low-income and vulnerable households, during periods of economic distress. The State shall ensure the accessibility and affordability of essential and nutritious food items, promote food security, and adopt responsive measures to mitigate the impact of inflation and supply disruptions on basic household consumption.

SECTION 3. *Definition of Terms.* – As used in this Act:

a. *Essential Food Items* shall refer to low-cost and mass-consumed food products necessary for daily sustenance, including but not limited to:

Shelf-Stable Staples (Tier 1)

- Canned fish (e.g., sardines, tuna, mackerel)
- Canned meat products (e.g., corned beef, meat loaf)
- Instant noodles

Nutrient-Sensitive Essential Goods (Tier 2)

- Fresh eggs
- Fresh milk and processed milk, including powdered milk
- Bread and basic bakery products (e.g., loaf bread)

Other Essential Household Food Items (Tier 3)

- Cooking oil
- Iodized salt

Provided that the Department of Finance (DOF), upon recommendation of the Department of Agriculture (DA), Department of Trade and Industry (DTI), Department of Economy, Planning, and Development (DEPDev), and Department of Health (DOH), shall periodically refine, expand, or limit the list to ensure proper targeting, nutritional value, and fiscal sustainability.

b. *Economic Crisis* refers to a period declared by the President of the Philippines, characterized by extraordinary increases in food or energy prices, supply chain disruptions, or other conditions significantly impairing the purchasing power of consumers.

SECTION 4. *Temporary Suspension of Value-Added Tax (VAT).* Upon the declaration of an Economic Crisis, the imposition of value-added tax (VAT) under the National Internal Revenue Code (NIRC), as amended, shall be **temporarily suspended** on the sale, importation, and distribution of Essential Food Items as defined under this Act.

SECTION 5. *Duration.* The VAT suspension shall be effective for a period not exceeding twelve (12) months, unless sooner lifted by the President. Any extension beyond twelve (12) months shall require an Act of Congress and a fiscal sustainability assessment from the DOF.

SECTION 6. *Price Monitoring and Pass-Through Requirement.* To ensure that the benefits of the VAT suspension accrue to consumers:

- a. The DTI, in coordination with the DA, shall monitor the retail prices of covered goods;
- b. All manufacturers, distributors, and retailers shall be required to fully pass on the VAT exemption to consumers through corresponding price reductions;
- c. Failure to comply shall subject violators to administrative sanctions, including fines, suspension or revocation of business permits, and other penalties as may be provided under applicable laws.

SECTION 7. *Targeting and Product Classification.*

a. The VAT suspension provided under this Act shall apply strictly to basic necessities and prime commodities in their basic or economy variants, consistent with the policy framework under the National Internal Revenue Code of 1997, as amended, and existing laws on price control and consumer protection;

b. The DTI shall establish, in coordination with the BIR, the DA, DEPDev, and other relevant agencies, within sixty (60) days from the effectivity of this Act, promulgate rules and regulations to operationalize a targeted VAT suspension system, which shall include:

1. The establishment of a price ceiling or threshold, taking into account prevailing market prices, regional variations, and existing Suggested Retail Prices (SRPs), to determine eligibility for VAT suspension;
2. The adoption of a standardized product classification system at the stock-keeping unit (SKU) level, consistent with invoicing and accounting requirements under the National Internal Revenue Code, to ensure traceability, auditability, and proper tax administration;
3. The implementation of a “VAT-Exempt Essential Good” labelling and certification mechanism, which shall be required for all qualified products at the manufacturer, distributor, and retail levels, for purposes of consumer guidance, price monitoring, and enforcement;
4. The integration of such a classification and labeling system into existing electronic invoicing, sales reporting, and monitoring systems of the BIR, where applicable; and
5. The adoption of safeguards against misclassification, abuse, hoarding, profiteering, and other acts that may undermine the intent of this Act.

c. The following goods shall be excluded from coverage of the VAT suspension:

1. Premium, upscale, or luxury variants of otherwise covered goods, as maybe defined based on price thresholds, and product attributes;
2. Imported high-end, specialty, or non-essential versions of covered goods that exceed the prescribed thresholds or are not aligned with the intent of targeting basic consumption;
3. Processed or manufactured food products that do not conform to basic nutritional standards or that are classified as non-essential under guidelines to be issued by the appropriate agencies, including the DA and the Food and Drug Administration (FDA); and

4. Such other goods as may be determined by the DTI, upon recommendation of concerned agencies, to fall outside the scope of essential consumption.
- d. In case of ambiguity, classification shall be construed strictly against VAT exemption, in accordance with prevailing tax principles under the National Internal Revenue Code, as amended.

SECTION 8. *Nutrition Safeguard.*

- a. Priority in coverage shall be given to protein-rich and micronutrient-rich food items;
- b. The DOH shall guide the nutritional value of covered goods and may recommend inclusion or exclusion based on public health priorities;
- c. The list of covered goods shall be reviewed periodically to align with national nutrition and food security objectives.

SECTION 9. *Fiscal Responsibility and Sustainability Measures.* To mitigate revenue losses and ensure fiscal responsibility:

- a. The total estimated foregone revenue from the VAT suspension shall not exceed One Hundred Billion Pesos (₱100,000,000,000.00) annually, or such amount as may be adjusted by Congress;
- b. In the event that projected or actual revenue losses exceed the fiscal cap, the DOF shall automatically recommend the suspension of Tier 2 or Tier 3;
- c. The VAT suspension shall be implemented in phases, beginning with Tier 1 goods;

SECTION 10. *Coordination with Social Protection Programs.* The implementation of this Act shall complement existing targeted assistance programs, including conditional cash transfers, food subsidy programs, and other social protection initiatives, to ensure efficient and equitable delivery of relief.

SECTION 11. *Implementing Rules and Regulations (IRR).* Within thirty (30) days from the effectivity of this Act, the DOF, in coordination with the Bureau of Internal Revenue (BIR), DTI, DA, DOH, and DBM, shall promulgate the necessary rules and regulations for its implementation.

SECTION 12. *Separability Clause.* – If any provision of this Act shall be declared unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 13. *Repealing Clause.* – All laws, orders, rules, and regulations, other issuances, or any part thereof, inconsistent with any provision of this Act, are hereby repealed or modified accordingly.

SECTION 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,