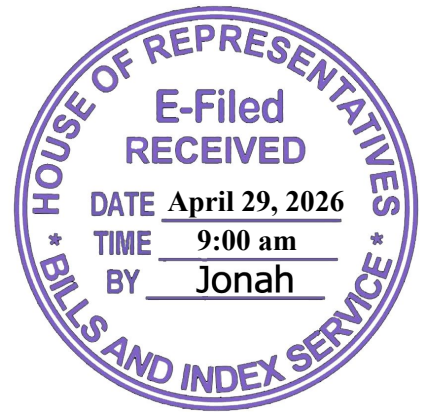




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 8999

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

EXPLANATORY NOTE

A progressive system of taxation requires that the burden of taxation be distributed in a manner that is fair, equitable, and responsive to the economic realities faced by the general public. The Value-Added Tax (VAT), while an efficient and reliable source of government revenue, is inherently regressive in nature, as it applies uniformly to consumption regardless of income level. As a result, lower-income households bear a disproportionately higher burden relative to their capacity to pay.

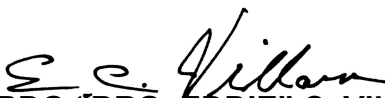
In the context of rising prices of basic goods and services, as well as ongoing economic pressures affecting Filipino families, there is a compelling need to recalibrate consumption-based taxation in order to provide immediate and tangible relief to consumers. A reduction in the VAT rate serves as a direct mechanism to ease the cost of living, stimulate household consumption, and support economic activity.

This proposed measure seeks to reduce the VAT rate from twelve percent (12%) to ten percent (10%) across the sale of goods, services, and importation of goods. At the same time, the bill incorporates a built-in fiscal safeguard by authorizing the President, upon the recommendation of the Secretary of Finance and based on objective fiscal indicators determined by the Development Budget Coordination Committee (DBCC), to temporarily revert the VAT rate to twelve percent (12%) when necessary to maintain fiscal stability.

By introducing a flexible and data-driven mechanism, the measure strikes a balance between providing immediate economic relief and preserving the government's capacity to respond to fiscal pressures. It ensures that tax policy remains adaptive to changing economic conditions while maintaining discipline in public finance management.

Ultimately, this bill advances the principle that taxation must not only be efficient but also equitable and responsive to the needs of the people. By reducing the VAT rate while safeguarding fiscal stability, the measure promotes inclusive economic growth and supports the welfare of Filipino consumers.

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


EDUARDO "BRO. EDDIE" C. VILLANUEVA



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HOUSE BILL NO. 8999

Introduced by CIBAC Party-List Representative
EDUARDO "BRO. EDDIE" C. VILLANUEVA

AN ACT
REDUCING THE VALUE-ADDED TAX (VAT) FROM 12% TO 10% AMENDING FOR
THE PURPOSE 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:

1 **SECTION. 1. Short Title.** - This Act shall be known as the "VAT Reduction Act."

2
3 **SEC. 2. Declaration of Policy.** - It is the declared policy of the State to evolve a
4 progressive system of taxation.

5
6 **SEC. 3.** Amendment to Section 106 (A). - Section 106 (A) of the National Internal
7 Revenue Code of 1997, as amended, is hereby further amended to read as follows:

8
9 "Section 106. Value-Added Tax on Sale of Goods or Properties. –

10
11 (A) Rate and Base of Tax. - There shall be levied, assessed and collected
12 on every sale, barter or exchange of goods or properties, a value-added tax
13 equivalent to TEN PERCENT (10%) of the gross sales of the goods or properties
14 sold, bartered or exchanged, such tax to be paid by the seller or transferor:
15 PROVIDED, THAT THE PRESIDENT, UPON THE RECOMMENDATION OF
16 THE SECRETARY OF FINANCE, MAY TEMPORARILY REVERT THE VALUE-
17 ADDED TAX TO TWELVE PERCENT (12%) FOR A GIVEN YEAR UPON THE
18 RECOMMENDATION OF THE SECRETARY OF FINANCE IF THE
19 PROJECTED DEFICIT TARGET AS A PERCENTAGE OF GROSS DOMESTIC
20 PRODUCT (GDP) EXCEEDS THE PROGRAMMED DEFICIT, AS
21 DETERMINED BY THE DEVELOPMENT BUDGET COORDINATION
22 COMMITTEE (DBCC) IN THE PRECEDING YEAR, BASED ON THE ANNUAL
23 REVIEW OF THE MEDIUM TERM FISCAL PROGRAM."

24
25 **SEC. 4.** Amendment to Section 107 (A). - Section 107 (A) of the National Internal
26 Revenue Code of 1997, as amended, is hereby further amended to read as follows:

1
2 "Section 107. Value-Added Tax on Importation of Goods. –
3

4 (A) In General. - There shall be levied, assessed and collected on every
5 importation of goods a value-added tax equivalent to TEN PERCENT (10%)
6 based on the total value used by the Bureau of Customs in determining tariff and
7 customs duties, excise taxes, if any, and other charges, such tax to be paid by
8 the importer prior to the release of such goods from customs custody: Provided,
9 That where the customs studies are determined on the basis of the quantity or
10 volume of the goods, the value-added tax shall be based on the landed cost plus
11 excise taxes, if any: PROVIDED, THAT THE PRESIDENT, UPON THE
12 RECOMMENDATION OF THE SECRETARY OF FINANCE, MAY
13 TEMPORARILY REVERT THE VALUE-ADDED TAX TO TWELVE PERCENT
14 (12%) FOR A GIVEN YEAR UPON THE RECOMMENDATION OF THE
15 SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A
16 PERCENTAGE OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS
17 DETERMINED BY THE DBCC IN THE PRECEDING YEAR, BASED ON THE
18 ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM."
19

20 **SEC. 5.** Amendment to Section 108 (A). - Section 108 (A) of the National Internal
21 Revenue Code of 1997, as amended, is hereby further amended to read as follows:
22

23 "Section 108. Value-added Tax on Sale of Services, Including Digital
24 Services, and the Use or Lease of Properties. –
25

26 (A) Rate and Base of Tax. - There shall be levied, assessed and collected,
27 a value-added tax equivalent to TEN PERCENT (10%) of the gross sales
28 derived from the sale or exchange of services, including digital services, and
29 the use or lease of properties: PROVIDED, THAT THE PRESIDENT, UPON
30 THE RECOMMENDATION OF THE SECRETARY OF FINANCE, MAY
31 TEMPORARILY REVERT THE VALUE-ADDED TAX TO TWELVE PERCENT
32 (12%) FOR A GIVEN YEAR UPON THE RECOMMENDATION OF THE
33 SECRETARY OF FINANCE IF THE PROJECTED DEFICIT TARGET AS A
34 PERCENTAGE OF GDP EXCEEDS THE PROGRAMMED DEFICIT, AS
35 DETERMINED BY THE DBCC IN THE PRECEDING YEAR, BASED ON THE
36 ANNUAL REVIEW OF THE MEDIUM TERM FISCAL PROGRAM."
37

38 **SEC. 6. Implementing Rules and Regulations.** - The Secretary of Finance,
39 upon the recommendation of the Commissioner of Internal Revenue, shall promulgate
40 the necessary rules and regulations within sixty (60) days from the effectivity of this
41 Act.
42

43 **SEC. 7. Separability Clause.** – If any portion or provision of this Act is declared
44 unconstitutional, the remainder hereof or any provisions not affected thereby shall
45 remain in force and effect.
46

47 **SEC. 8. Repealing Clause.** – Any law, presidential decree or issuance,
48 executive order, letter of instruction, rule, or regulation inconsistent with the provisions
49 of this Act is hereby repealed or modified accordingly.

1 **SEC. 9. Effectivity.** – This Act shall take effect fifteen (15) days after its complete
2 publication in the Official Gazette or in a newspaper of general circulation.
3

4 *Approved,*