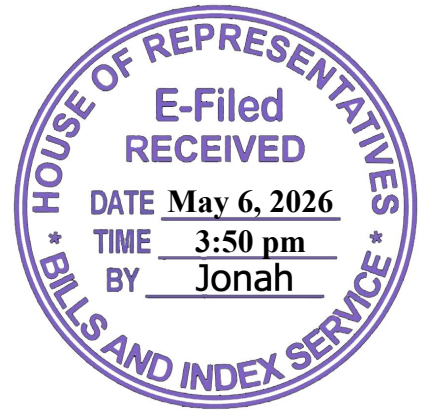


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9134



**Introduced by AKBAYAN Representatives PERCIVAL V. CENDAÑA,
JOSE MANUEL TADEO "CHEL" I. DIOKNO, and DADAH KIRAM ISMULA and
Dinagat Islands Representative KAKA BAG-AO**

**AN ACT EXCLUDING SYSTEMS LOSSES FROM VALUE-ADDED TAXES (VAT)
IN THE SALE OF ELECTRICITY TO RESIDENTIAL HOUSEHOLD CONSUMERS**

Electricity consumers in the Philippines continue to face persistently high power costs, with the country ranking among those with the highest electricity tariffs in Southeast Asia. Recent developments have further underscored the volatility of electricity prices due to global fuel supply disruptions, prompting government intervention to stabilize the market.

One contributing factor to high electricity bills is the "system loss" charge, which represents the difference between the electricity supplied to the distribution system and the electricity actually delivered to end-users. These losses arise from both technical inefficiencies and non-technical factors such as pilferage. Despite not being directly consumed by households, this system loss component is currently included in electricity billing and remains subject to the Value-Added Tax (VAT).

Recent policy discussions and legislative initiatives have highlighted growing public concern over electricity pricing structures. Lawmakers have noted instances of "bill shock," where consumers experienced significantly higher electricity bills even during periods of reduced consumption, reflecting deeper structural issues in pricing mechanisms.

As such, this proposed measure seeks to exempt the system loss component from VAT in the sale of electricity to residential household consumers. By removing VAT on system loss charge, we will be able to provide immediate and tangible relief to low- and middle-income Filipino households.

Furthermore, the bill mandates the Energy Regulatory Commission (ERC) to ensure that any reduction resulting from the VAT exemption is not offset through other charges, such as distribution wheeling charges or similar pass-through costs. This safeguard ensures that the intended benefits of the measure are fully realized by residential consumers.

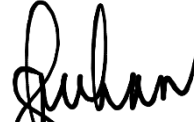
In light of the foregoing, the passage of this bill is earnestly sought to promote fairness, transparency, and affordability in electricity pricing, and to ease the financial burden on Filipino households amid continuing energy market uncertainties.



PERCIVAL V. CENDAÑA
Akbayan Representative



JOSE MANUEL TADEO
"CHEL" I. DIOKNO
Akbayan Representative



DADAN KIRAM ISMULA
Akbayan Representative



KAKA BAG-AO
Dinagat Islands Representative

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AN ACT
**EXCLUDING SYSTEMS LOSSES FROM VALUE-ADDED TAXES (VAT) IN THE
SALE OF ELECTRICITY TO RESIDENTIAL HOUSEHOLD CONSUMERS**

*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 Exemption on
2 Systems Loss Act for Residential Household Consumers"

3
4 Section 2. Section 109 of the National Internal Revenue Code of 1997, as
5 amended, is hereby further amended to insert an additional subsection that shall read:

6
7 "SEC. 109. Exempt Transactions. - (1) Subject to the provisions of subsection
8 (2) hereof, the following transactions shall be exempt from the value-added tax:

9
10 XXX

11
12 **(EE) SYSTEM LOSS COMPONENT IN THE SALE OF ELECTRICITY BY**
13 **DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES TO**
14 **RESIDENTIAL HOUSEHOLD CONSUMERS.**

15
16 **THE ENERGY REGULATORY COMMISSION (ERC) SHALL ENSURE THAT**
17 **THE REDUCTION ARISING OUT OF THIS EXEMPTION SHALL NOT BE**
18 **PASSED ON TO THE RESIDENTIAL HOUSEHOLD CONSUMERS THROUGH**
19 **DISTRIBUTION WHEELING CHARGES OR OTHER PASS-THROUGH**
20 **COMPONENTS.**

21
22 **FOR THE PURPOSES OF THIS PROVISION, SYSTEM LOSSES SHALL**
23 **REFER TO THE DIFFERENCE BETWEEN THE ELECTRIC ENERGY DELIVERED**
24 **TO THE DISTRIBUTION SYSTEM (ENERGY INPUT) AND THE ENERGY**

1 **DELIVERED TO THE RESIDENTIAL HOUSEHOLD CONSUMERS (ENERGY**
2 **OUTPUT);**

3
4 XXX
5

6 Section 4. *Implementing Rules and Regulations.* - Within ninety (90) calendar
7 days from the effectivity of this Act, the Secretary of Finance shall, after due
8 consultation with the relevant agencies, promulgate the necessary rules and
9 regulations to faithfully implement the intent and provisions of this Act.

10
11 Section 5. *Separability Clause.* - If any provision of this Act is declared
12 unconstitutional, the remaining parts or provisions not affected thereby shall remain
13 in full force and effect.

14
15 Section 6. *Repealing Clause.* - All laws, decrees, executive orders, implementing
16 rules and regulations, issuances, or any part thereof inconsistent with the provisions
17 of this Act are deemed repealed, amended, or modified accordingly.

18
19 Section 7. *Effectivity.* - This Act shall take effect after fifteen (15) days following its
20 publication in the Official Gazette or in a national newspaper of general circulation.

Approved,