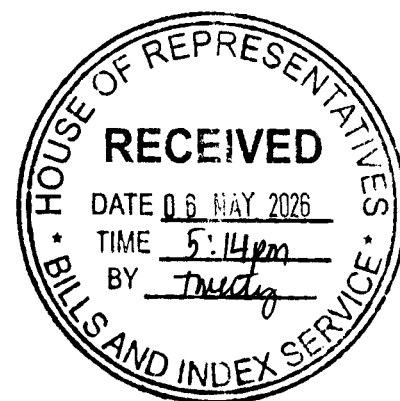


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9144



Introduced by: Kababaihan Kabalikatan para sa Kapakanan at Kaunlaran ng Bayan (4K) Party-list
Representative Iris Marie D. Montes

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

EXPLANATORY NOTE

The Philippine economy continues to face persistent inflationary pressures, driven by global supply chain disruptions, volatile energy markets, and elevated costs of essential commodities. These conditions have significantly affected Filipino households, particularly low- and middle-income families, whose purchasing power has been steadily eroded by rising prices of food, transport, utilities, and other basic necessities.

At the center of the country's consumption tax system is the twelve percent (12%) Value-Added Tax (VAT), which applies broadly to goods and services consumed by the public. While VAT remains a major and stable source of government revenue, its uniform application has a pronounced impact on household expenditures, as it is ultimately passed on to consumers at the point of sale.

Hence, this measure seeks to reduce the VAT rate from twelve percent (12%) to ten percent (10%) as a calibrated fiscal intervention designed to provide immediate relief to consumers while maintaining macroeconomic and fiscal stability. By lowering the indirect tax burden, the measure is expected to enhance household purchasing power, support consumption-driven growth, and ease cost pressures across key sectors of the economy.

This proposal is informed by the findings of the Congressional Policy and Budget Research Department (CPBRD) study entitled "Easing the Tax Burden: The Feasibility of a Reduction in the VAT Rate."¹ The study recognizes that while VAT is an efficient revenue instrument, there is policy space for a modest rate adjustment that can generate meaningful welfare gains for consumers, particularly under conditions of elevated inflation. It further highlights that

¹ Easing the Tax Burden: The Feasibility of a Reduction in the VAT Rate, Congressional Policy and Budget Research Department, House of Representatives, David Joseph Emmanuel BaruaYap Jr., PhD, EdreiY. Udaundo, Jubels C. Santos, Issue No. 2 - January 2026 (<https://cpbrd.congress.gov.ph/wp-content/uploads/2026/01/DP2026-02-EASING-THE-TAX-BURDEN-THE-FEASIBILITY-OF-A-REDUCTION-IN-THE-VAT-RATE.pdf>) Accessed on 26 April 2026

carefully calibrated VAT reductions may stimulate aggregate demand and partially offset revenue losses through increased economic activity, improved compliance incentives, and broader consumption expansion.

Consistent with these insights, the proposed VAT reduction seeks to strike a prudent balance between fiscal prudence and social equity. It recognizes that tax policy must not only sustain government operations but also respond to prevailing economic realities affecting ordinary citizens. In this regard, easing the VAT burden is positioned as a targeted measure to support household welfare without undermining the government's capacity to finance essential public services.

Moreover, this proposal is consistent with the fundamental principles of the 1987 Philippine Constitution, particularly Article II, Section 9, which provides that "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."

By easing the indirect tax burden on consumers, this measure advances the constitutional mandate to promote social justice and an improved quality of life. It recognizes that taxation policy is not solely a revenue-generating mechanism but also a tool for achieving equitable development and economic fairness.

Ultimately, this bill reflects a people-centered approach to taxation—one that acknowledges the real and immediate pressures faced by Filipino families and responds with a measured reform grounded in empirical analysis, including the CPBRD's own assessment of VAT policy feasibility.

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


IRIS MARIE D. MONTES
Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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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

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

SECTION 1. Section 106 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) Rate and Base of Tax. - There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, a value-added tax equivalent to [twelve percent (12%)] **TEN PERCENT (10%)** of the gross sales of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

x x x"

SEC. 2. Section 107 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Section 107. Value-Added Tax on Importation of Goods. -

(A) In General. - There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to [twelve percent (12%)] **TEN PERCENT (10%)** based on the total value used by the Bureau of Customs in determining tariff and customs duties, excise taxes, if any, and other charges, such tax to be paid by the importer prior to the release of such goods from customs custody: Provided, That where the customs studies are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any.

x x x"

SEC. 3. Section 108 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

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

(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to [twelve percent (12%)] **TEN PERCENT (10%)** of the gross sales derived from the sale or exchange of services, including digital services, and the use or lease of properties.

x x x"

SEC. 4. The Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations within sixty (60) days from the effectivity of this Act.

SEC. 5. If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 6. All laws, decrees, executive orders, letters of instructions, proclamations, or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 7. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,