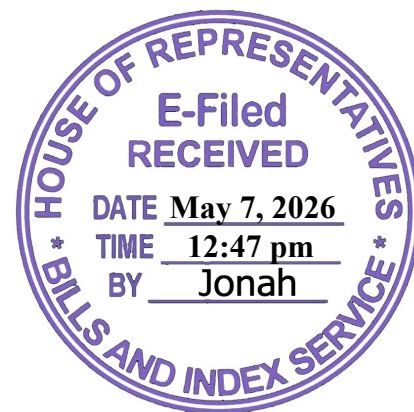


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City
Twentieth Congress
First Regular Session



House Bill No. 9156

Introduced by Honorable Representatives
JOSE MANUEL TADEO “CHEL” I. DIOKNO (Akbayan Partylist)
PERCIVAL V. CENDAÑA (Akbayan Partylist)
DADAH KIRAM ISMULA (Akbayan Partylist)
KAKA BAG-AO (Dinagat Islands)

AN ACT
REDUCING THE VALUE-ADDED TAX (VAT) FROM 12% TO 10%,
AMENDING FOR THE PURPOSE SECTIONS 106 (A), 107 (A), AND
108 (A) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED

EXPLANATORY NOTE

The Philippines continues to face mounting economic pressures brought about by rising prices of fuel, transportation, electricity, food, and other essential goods and services. These increases have been aggravated by ongoing global economic uncertainties, geopolitical tensions, disruptions in international supply chains, and volatility in global oil markets, all of which have directly affected the cost of living for ordinary Filipino families. Recent reports likewise indicate that inflationary pressures have intensified anew due to rising global fuel prices linked to instability in the Middle East.¹

As an oil import-dependent country, the Philippines remains particularly vulnerable to fluctuations in global energy prices and external economic shocks. The Philippine Statistics Authority reported that headline

¹ *The Philippine Star*, “Inflation seen to breach 4% as oil prices surge,” March 22, 2026,
<https://www.philstar.com/headlines/2026/03/22/2516087/inflation-seen-breach-4-oil-prices-surge>

inflation accelerated to 7.2% in April 2026 from 4.2% in March 2026 and 1.4% in April 2025, driven largely by increases in fuel and transportation costs. This is the highest inflation rate within a three-year period.² The Bangko Sentral ng Pilipinas has also warned that higher global oil prices may create “spillover effects” that could further increase the prices of goods and services across the economy.³ Notably, because the value-added tax (VAT) is imposed *ad valorem* on the retail prices of goods and services, including the excise tax component, government VAT collections rise mechanically as prices rise. The current crisis has therefore produced a fiscal windfall: The national government is collecting additional VAT revenue as a direct consequence of the price increases that are burdening Filipino households.

At a time when Filipino households are struggling with the rising cost of basic necessities, the government must adopt responsive and people-centered measures that can immediately ease the burden on consumers. A reduction in the VAT rate, which is the single broadest consumption tax in the country, would directly address this burden by lowering the tax component embedded in the price of almost every good and service.

The VAT system, by its nature, is a consumption tax that disproportionately affects low- and middle-income households, as a larger portion of their income is spent on daily necessities. While existing VAT exemptions on raw food and other basic necessities provide partial relief, the bulk of household consumption such as fuel, electricity, transport, processed food, and household goods all remain subject to VAT. Reducing the VAT rate from twelve percent (12%) to ten percent (10%) will provide

² Philstar.com, Inflation Jumps to 7.2%, Highest Since March 2023, Philstar.com (May 5, 2026), <https://www.philstar.com/headlines/2026/05/05/2525813/inflation-jumps-72-highest-march-2023>

³ Mikhail Flores & Nestor Corrales, Philippine Central Bank Warns of Oil Spike “Spillover Effects” as Inflation Breaches Target, Reuters (Apr. 7, 2026, 9:18 AM UTC), <https://www.reuters.com/world/asia-pacific/fuel-price-surge-pushes-philippine-inflation-above-central-bank-target-2026-04-07/>

immediate and broad-based relief by lowering the tax component of prices across the entire consumption basket. This measure is expected to help temper inflationary pressures, increase household purchasing power, stimulate consumer spending, and support economic activity during a period of global uncertainty.

Moreover, a lower VAT rate can provide relief not only to consumers but also to small businesses and enterprises that continue to recover from economic disruptions and weakened consumer demand. By easing the overall tax burden on transactions, the proposed measure seeks to promote a more equitable and sustainable economic recovery. Unlike a suspension of fuel excise taxes, a VAT reduction reaches every household through every taxable transaction, is verifiable by consumers on every receipt, and can be offset through progressive revenue measures to mitigate or neutralize the fiscal loss.

This bill therefore seeks to amend Sections 106 (A), 107 (A), and 108 (A) of the National Internal Revenue Code of 1997, as amended, by reducing the VAT rate from twelve percent (12%) to ten percent (10%) on the sale of goods and properties, importation of goods, and services, including digital services and the use or lease of properties.



JOSE MANUEL TADEO
“CHEL” I. DIOKNO
Akbayan Representative



PERCIVAL V. CENDAÑA
Akbayan Representative



DADAH KIRAM ISMULA
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*Be it enacted by the Senate and the House of Representatives of the
Philippines in Congress assembled:*

CHAPTER I

GENERAL PROVISIONS

Section 1. *Short Title.* – This Act will be known as the "VAT Reduction Act."

Sec. 2. Section 106 (A) 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.”

Sec. 3. Section 107 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“Section 107. Value-Added Tax on Imported 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 plus 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 duties 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.

Sec. 4. Section 108 (A) of the National Internal Revenue Code of 1997, as amended, are hereby further amended to read as follows:

“Section 108. Value-Added Tax on the 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. 5. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Department of Finance, in upon the recommendation of the Bureau of Internal Revenue, must promulgate the necessary rules and regulations for the effective implementation of this Act.

Sec. 6. *Separability Clause.* – If any provision of this Act or the application thereof to any person or circumstance is declared invalid or unconstitutional, other provisions of this Act that are not affected will continue to be in full force and effect.

Sec. 7. *Repealing Clause.* – All laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules, or regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, modified, or amended accordingly.

Sec. 8. *Effectivity.* – This Act takes effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,