

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL No. 9165

Introduced by
ACT Teachers Party-List Rep. ANTONIO L. TINIO,
Gabriela Women's Party Rep. SARAH JANE I. ELAGO,
and **KABATAAN Party-List Rep. RENEE LOUISE M. CO**

AN ACT
EXEMPTING THE SYSTEM LOSS CHARGE COMPONENT IN THE SALE
OF ELECTRICITY BY DISTRIBUTION COMPANIES AND ELECTRIC
COOPERATIVES FROM THE COVERAGE OF THE VALUE-ADDED TAX,
AMENDING FOR THE PURPOSE SECTION 109 OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

This Bill seeks to amend the National Internal Revenue Code of 1997, as amended by Republic Act Nos. 9377 and 10378, by exempting the system loss charge component in the electricity bills from the coverage of the value-added tax (VAT).

VAT is a form of sales tax—a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines, as well as on the importation of goods into the country. As an indirect tax, it is shifted or passed on to the buyer, transferee, or lessee of goods, properties, or services. Being a pass-on tax, the burden of paying the VAT thus ultimately falls upon the final consumers—the consuming public.

The system loss charge, on the other hand, is the component of an electric bill representing the cost of electricity lost during transmission, as well as losses due to pilferage and technical and administrative inefficiencies. Notably, consumers are made to shoulder the cost of even pilfered electricity and the power consumed by distribution companies such as Meralco and by electric cooperatives. As a result, consumers pay for

more electricity than they actually use. Compounding this inequity, the system loss charge is further subjected to VAT, which drives electricity bills even higher.

The table below illustrates the impact of the system loss charge and the corresponding VAT on non-lifeline residential customers of Meralco:

Consumption	Total Bill	System Loss Charge	VAT on System Loss	System Loss Charge plus VAT
50 kWh	735.56	38.76	4.279104	43.039104
100 kWh	1,446.98	77.52	8.558208	86.078208
200 kWh	2,869.92	155.04	17.116416	172.156416

In pesos

According to Meralco, the system loss charge comprises approximately five percent (5%) of the total electricity bill. As of April 2026, the system loss charge for residential consumers stands at ₱0.7752 per kilowatt-hour, subject to 11.04% VAT. By exempting the system loss charge from VAT, residential Meralco customers consuming between 50 to 200 kWh can save between ₱4.28 to ₱17.12 per month.

Being a tax on consumption, VAT should, by definition, be imposed only upon goods and services that people actually purchase and consume. The imposition of VAT on the system loss charge is therefore not only illogical but legally indefensible—consumers are being taxed for electricity they never actually received or consumed.

According to data from Global Petrol Prices,¹ as of September 2025, the average residential electricity price in the Philippines is ₱12.383 per kWh (\$0.203 USD), while the average rate for businesses stands at ₱9.618 per kWh (\$0.157 USD). In terms of residential costs, the Philippines ranks 48th out of 145 countries globally and holds the fourth-highest rate in Asia, following Cyprus, Singapore and Japan. Notably, Philippine electricity costs are double those of Thailand and Indonesia.

In another study conducted by the International Energy Consultants (IEC), a Perth-based consultancy firm commissioned by Meralco to conduct the study, the rates in Luzon are placed at ninth highest electricity tariffs of the 44 countries surveyed.

¹ “Electricity prices.” *Global Petrol Prices*, 2026. Retrieved from https://www.globalpetrolprices.com/electricity_prices/

Per the IEC study, the primary reason for such higher power rates as compared to other countries is the absence of government subsidies for electricity, unlike countries like Indonesia, Thailand, and Malaysia, where electricity rates are subsidized by the government. These subsidies comprise a large part of their public budget. In Indonesia, for example, energy subsidies account for 24.0 percent of their 2013 public expenditure plan.

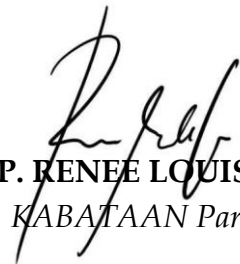
Against this backdrop—and amid the persistent rise in the prices of basic commodities, fuel, education, and healthcare, worsening inflation, and the continuing erosion of the purchasing power of the peso—it is imperative that Congress take concrete and immediate steps to ease the financial burden on ordinary Filipinos, particularly those from the lower-income brackets.

This Bill was first filed as House Bill 5543 in the 16th Congress by Bayan Muna Partylist Representatives Neri Colmenares and Carlos Isagani Zarate. It was refiled as HB 1616 in the 17th Congress and was passed by the House of Representatives on third reading. It was refiled again as HB 245 and HB 5994 during the 18th and 19th Congresses, respectively.

Passage of this Bill is thus earnestly sought.


REP. ANTONIO L. TINIO
ACT Teachers Party-list


REP. SARAH JANE I. ELAGO
Gabriela Women's Party


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

SECTION 1. Section 109 of the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337 and Republic Act No. 10378, is hereby further amended to read as follows:

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

“(A) x x x

“xxx

“(S) x x x

“(T) x x x

“(U) x x x

“(V) x x x

**“(W) SYSTEM LOSS COMPONENT IN THE SALE OF ELECTRICITY
BY DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**

”[(W)](X) x x x

SECTION 2. Repealing Clause. — All laws, executive and administrative orders or parts thereof, inconsistent with any provision of this Act are hereby repealed or modified accordingly.

SECTION 3. Separability Clause. — If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 4. Effectivity. — This Act shall take effect after fifteen (15) days following the completion of its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,