

*Republic of the Philippines*  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**TWENTIETH CONGRESS**  
*First Regular Session*

**HOUSE BILL NO. 9303**



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Introduced by: Hon. Keith Micah "Atty. Mike" D.L. Tan

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**AN ACT**  
**EXEMPTING SYSTEM LOSS FROM VALUE-ADDED TAXES (VAT) IN THE SALE**  
**OF ELECTRICITY, AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS**  
**AMENDED**

**EXPLANATORY NOTE**

The fundamental principle of a Value-Added Tax is that it is a levy on the actual consumption of goods and services. However, in the current Philippine power billing framework, this principle is consistently undermined by the application of VAT on "System Loss" charges<sup>1</sup>. System loss represents electricity that is either lost during transmission due to technical inefficiencies or, more controversially, stolen through illegal connections and meter tampering. Imposing a consumption tax on electricity that was never consumed is a logical inconsistency that places an undue financial burden on law-abiding Filipino households.

Furthermore, the taxation of non-technical losses essentially forces the State to profit from the very inefficiencies and criminal acts that plague the energy sector. When a consumer pays for system loss, they are already acting as an involuntary insurer for the distribution utility's inability to secure its own infrastructure. To then add a twelve percent tax on top of this recovery fee is to penalize the victim of the theft.

This legislative measure seeks to provide immediate and meaningful economic relief by correcting a clear inequity in our tax system. Removing VAT from system loss charges is a step toward a more transparent and fair electricity bill, shielding consumers from the costs of a system that currently shifts every risk and loss onto their shoulders. Through this correction, we uphold the integrity of our tax laws while championing the welfare of the Filipino people.

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

**Keith Micah "Atty. Mike" D.L. Tan**  
4th District, Quezon

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<sup>1</sup> Manila Electric Company. (n.d.). *Breakdown of charges*. <https://www.meralco.com.ph/residential/billing-payment/understanding-your-bill/breakdown-charges>

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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, is hereby further amended to insert an additional subsection that shall read:

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

x x x

(EE) THE SYSTEM LOSSES, WHETHER TECHNICAL OR NON-TECHNICAL LOSSES, WHICH ARE COMPONENTS IN THE SALE OF ELECTRICITY BY DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, BEING PASSED ON TO AND CHARGED AS PART OF THE MONTHLY ELECTRICITY BILL TO THE CONSUMERS.

SEC. 2. *Implementing Rules and Regulations (IRR).* – Within thirty (30) days from the effectivity of this Act, the Secretary of Energy and the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation.

SEC. 3. *Repealing Clause.* – All laws, presidential decrees, executive orders, rules and regulations or part thereof, contrary to or inconsistent with the provision of this Act, are hereby repealed or modified accordingly.

SEC. 4. *Effectivity.* -This Act shall take effect fifteen (15) days after its publication in the Official Gazette and/or in at least two (2) newspapers of general publication in the Philippines.

*Approved,*