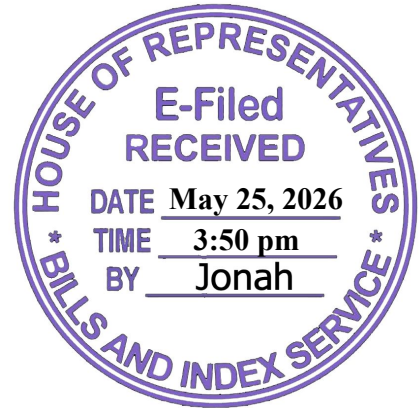




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 9406



Introduced by Representative LORDAN G. SUAN

EXPLANATORY NOTE

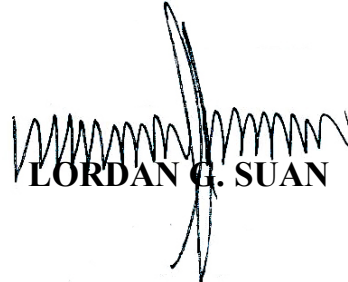
In times of crisis, there is no greater injustice than the enrichment of the few at the expense of the suffering public. Those who control the capital often take the situation as an opportunity to increase profit. Instead of sharing the burden, they pass it on to the consumers while raking in more gains.

A windfall profits tax is a temporary or time-bound levy imposed upon a petroleum company or an aggregate retailer during a declared national energy emergency. Unlike the Value-Added Tax, which is directly passed on to consumers as a consumption tax, this tax is imposed on the excess net profit of entities engaged in refining, importation, distribution, or sale of petroleum products. This may be akin to an excise tax, which the manufacturer, importer or seller must technically bear. However, in reality, an excise tax is embedded in product prices, thereby passing it on to the consumers. This measure establishes a price manipulation detection mechanism to frustrate such a scheme.

This measure imposes a 50% windfall profits tax on the excess net profits of petroleum companies and aggregate retailers engaged in refining, importation, distribution, or sale of petroleum products. Excess net profit, or windfall profit, shall be determined by taking the sum of the baseline profit and a 20% margin, and subtracting it from the current net profit. The average monthly net profit over the past 2 years shall determine the baseline net profit. The 20% margin is an internationally recognized policy-calibrated margin used to allow normal business fluctuations, avoid penalizing legitimate performance, and isolate excessive gains caused by crisis, price spikes, or supply disruptions.

The windfall profits tax revenue shall be earmarked for fuel subsidies and cash assistance to vulnerable sectors affected by the energy crisis.

Given the foregoing, we urge the immediate passage of this bill.



LORDAN G. SUAN



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AN ACT
IMPOSING WINDFALL PROFITS TAX ON PETROLEUM COMPANIES AND
AGGREGATE RETAILERS DURING NATIONAL ENERGY EMERGENCY
AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** - This Act shall be known as the Petroleum Industry
2 Windfall Profits Tax Act of 2026

3 **SECTION 2. Declaration of Policy.** – It is declared a policy of the State to develop a
4 national economy that ensures the equitable distribution of opportunities, income, and
5 wealth for the benefit of the people (Article XII, Section I, Philippine Constitution). It
6 posits that the use of property bears a social function and that all economic agents shall
7 contribute to the common good (Section 6). Toward these ends, the State shall:

- 8 a.) Protect consumers from exorbitant and exploitative price increases during
9 the national energy emergency;
10 b.) Prevent unjust enrichment of petroleum companies at the expense of the
11 public; and
12 c.) Ensure that windfall gains are equitably distributed.

13 **SECTION 3. Definition of Terms.** – As used in this Act, the term:

- 14 a.) Adjusted Baseline Profit – refers to the Baseline Profit increased by a
15 reasonable rate of return, as determined under this Act.

- b.) Aggregated Retailer – refers to the consolidation of retail entities commonly controlled, whose sales, revenues, and operations are treated as a single unit for regulatory and taxation purposes.
- c.) Baseline Profit – refers to the average annual net income of a petroleum company for the last three (3) years immediately preceding the declaration of the National Energy Emergency.
- d.) Current Period Net Income – refers to the net taxable income of a petroleum company for the taxable period under consideration, computed in accordance with applicable tax laws and regulations before the application of windfall profit tax imposed under this Act.
- e.) “National Energy Emergency” –herein referred to as the *Declaration*, is a period declared by the President upon the recommendation of the Department of Energy (DOE) characterized by abnormal increase in global oil prices, supply disruptions, inflationary pressures and system-wide energy instability.
- f.) Normal Profit Level – refers to a reasonable level of earnings of a petroleum company, partnership or entity under ordinary market conditions as determined by historical performance or industry standards.
- g.) Petroleum Company – refers to a corporation, partnership, or entity engaged in the refining, importation, distribution, or sale of petroleum products.
- h.) Petroleum Products – refer to finished and intermediate products derived from crude oil or petroleum processing, as listed in the National Internal Revenue Code of the Philippines, and as amended by the TRAIN Law.
- i.) Petroleum Industry – refers to a sector involved in the exploration, production, refining, importation, distribution, and or sale of petroleum and petroleum products.
- j.) Windfall Profits – refer to earnings or net income that exceeds a normal, reasonable or historical profit level primarily attributed to external market conditions or extraordinary events such as, but not limited to, an abnormal increase in global oil prices, supply disruptions, geopolitical events or regulatory changes, rather than the company’s business innovation, operational efficiency, or capital investment.
- k.) Windfall Profits Tax – refers to a tax imposed on the windfall profits of a petroleum company, including an aggregated retailer, as determined under this Act.

SECTION 4. Scope. – This Act shall cover petroleum companies and aggregate retailers engaged in the refining, importation, distribution, or sale of petroleum products as contemplated under Republic Act 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, as amended.

SECTION 5. Windfall Profits Tax. – A windfall profits tax of fifty percent (50%) is hereby imposed on the net earnings of a petroleum company and aggregate retailer that exceed the normal or historical profit level, during the declaration of the National Energy Emergency.

The windfall profits shall be determined as:

Current Period Net Income – Adjustable Baseline Profit = Windfall Profit Where:

Baseline Profit + 20% of Baseline Profit = Adjustable Baseline Profit And:

Baseline profit = Average monthly net profit for the past 2 years

1 **SECTION 6. *Duration.*** – The windfall profits tax shall be levied during the
2 declaration of a National Energy Emergency and automatically expires upon the lifting
3 of the Declaration, unless extended by an act of Congress.

4 **SECTION 7. *Earmarking of Revenues.*** – The revenue collected from the
5 imposition of the windfall profits tax shall be used to provide subsidies and assistance
6 to the vulnerable sectors most affected by the energy crisis. A small portion shall be
7 added to the renewable energy fund under the Department of Energy (DOE). The
8 revenue shall be allocated as follows:

- 9 a.) 50% - Fuel subsidies to the public transport and agricultural sectors
- 10 b.) 40% - Cash assistance to low-and middle-income households
- 11 c.) 10% - Allocation to the Renewable Energy Trust Fund (RETF)

12 **SECTION 8. *Anti-Pass Through Prohibition.*** – A petroleum company or aggregate
13 retailer is prohibited from passing on the windfall profits tax to the consumers through
14 price manipulation.

15 The DOE, Energy Regulatory Commission (ERC) and the Bureau of Internal
16 Revenue (BIR) shall establish a mechanism to monitor pricing behavior and detect price
17 manipulation intended to evade windfall profits tax liability.

18 **SECTION 9. *Penalties.*** – Any person who evades payment of the windfall profits
19 tax, or who files false returns or statements to defeat the payment thereof, shall be
20 punished by a fine of Five Hundred Thousand Pesos (Php500,000) but not more than
21 Five Million Pesos (Php5,000,000) or imprisonment of not less than six (6) years but
22 not more than ten (10) years, or both.

23 If the offender is a juridical person, the penalty shall be imposed upon the
24 responsible officers, directors, or agents who participated in the commission of the
25 offence.

26 **SECTION 10. *Suppletory Provision.*** – The provisions of the National Internal
27 Revenue Code (NIRC), as amended, on assessment, collection, and enforcement shall be
28 applied.

29 **SECTION 11. *Appropriations.*** – The amount necessary for the implementation of
30 this Act shall be sourced from the existing appropriations of the BIR. Thereafter, the
31 amount needed shall be included in the BIR budget under the General Appropriations
32 Act.

33 **SECTION 12. *Implementing Rules and Regulations.*** - Within thirty (60) days from
34 the effectivity of this Act, the Department of Finance (DOF), BIR, DOE, ERC,
35 representatives from the petroleum industry, and other stakeholders shall formulate
36 the necessary rules and regulations for the effective implementation of this Act.

37 **SECTION 13. *Separability Clause.*** - If any provision of this Act is declared invalid
38 or unconstitutional, the provisions not hereby affected shall remain in full force and
39 effect.

1 **SECTION 14. *Repealing Clause.*** - All laws, decrees, orders, rules and regulations
2 or parts thereof, inconsistent with or contrary to the provisions of this Act are repealed,
3 amended or modified accordingly.

4 **SECTION 15. *Effectivity.*** - This Act shall take effect fifteen (15) days from the
5 date of its publication in the Official Gazette, or a website provided for by law.

Approved,