

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

**TWENTIETH CONGRESS
FIRST REGULAR SESSION**

House Bill No. 9410



INTRODUCED BY Rep. Francisco A. Barzaga

EXPLANATORY NOTE

Electricity is no longer a mere convenience or luxury in modern society. It is now an indispensable necessity essential to the daily survival, welfare, and productivity of every Filipino. Homes rely on electricity for lighting, food preservation, communication, education, healthcare, livelihood, and access to information. Likewise, schools, hospitals, businesses, industries, and government institutions depend heavily upon stable and affordable electricity to effectively deliver services and sustain economic activity.

Despite its indispensable nature, the Philippines continues to suffer from some of the highest electricity rates in Asia. A significant portion of every electricity bill consists not only of actual generation, transmission, and distribution costs, but also of Value-Added Tax (VAT) and other national taxes, franchise taxes, and government-imposed charges directly passed on to consumers. These impositions substantially increase the monthly financial burden of Filipino households, particularly low-income and middle-income families already struggling with inflation, rising fuel prices, and the increasing cost of basic commodities.

The imposition of VAT and other national taxes on electricity effectively penalizes ordinary Filipinos for using an essential service necessary for decent and dignified living. At a time when many families continue to face economic hardship, government intervention is necessary to provide immediate and meaningful relief from excessive utility expenses.

This proposed measure seeks to exempt residential electricity consumption from Value-Added Tax and other national taxes in order to significantly reduce electricity costs and make power services more affordable and accessible to every Filipino household. By removing these tax burdens, the State can directly assist

millions of consumers, strengthen the purchasing power of Filipino families, and allow households to allocate more of their limited income toward essential needs such as food, education, healthcare, housing, and transportation.

Moreover, lower electricity costs will stimulate economic activity, encourage investments, support small businesses, improve the competitiveness of local industries, and contribute to national development. Affordable electricity likewise promotes social justice and inclusive economic growth by ensuring that access to basic utility services remains within reach of ordinary citizens and by enhancing the overall quality of life of the Filipino people

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


REP. FRANCISCO A. BARZAGA
Lone District of the City of Dasmariñas

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**AN ACT REMOVING VALUE-ADDED TAX AND OTHER NATIONAL TAXES
IMPOSED ON ELECTRICITY CONSUMPTION, AMENDING FOR THE PURPOSE
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND
OTHER RELATED LAWS, TO PROVIDE FOR ZERO ELECTRICITY TAX ON
RESIDENTIAL CONSUMERS, AND FOR OTHER PURPOSES**

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

SECTION 1. Title – This Act shall be known as the “Zero Electricity Tax Act of 2026.”

SECTION 2. Declaration of Policy – It is hereby declared the policy of the State to protect the welfare of the people by ensuring affordable and accessible electricity services. The State recognizes that electricity is a basic necessity indispensable to daily living, education, health, communication, and economic productivity.

The State shall therefore adopt measures to reduce the burden of rising electricity costs on Filipino households by removing taxes imposed on electricity consumption, particularly on residential consumers, in order to promote social justice, economic stability, and inclusive development

SECTION 3. Coverage — This Act shall apply to all residential electricity consumers nationwide who are served by distribution utilities, electric cooperatives, and other power providers duly authorized by law. All electricity sales, charges, fees, and billings

imposed by generation companies, transmission utilities, distribution utilities, electric cooperatives, and other entities engaged in the supply and delivery of electricity to residential consumers shall be exempt from the imposition of Value-Added Tax (VAT) and other national taxes.

The exemption shall include, but shall not be limited to:

- (a) Generation Charges;
- (b) Transmission Charges;
- (c) Distribution Charges;
- (d) Systems Loss Charges;
- (e) Metering Charges;
- (f) Universal Charges; and
- (g) Other charges directly related to electricity consumption

SECTION 4. Zero Value-Added Tax on Electricity Consumption —

Notwithstanding any provision of Republic Act No. 8424, otherwise known as the “National Internal Revenue Code of 1997,” as amended, the sale, transmission, distribution, and consumption of electricity for residential purposes shall be exempt from the imposition of Value-Added Tax (VAT).

Accordingly, all electricity bills issued to residential consumers shall no longer include VAT charges or any equivalent indirect national tax imposed on electricity consumption. For this purpose, Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to include the sale, transmission, distribution, and consumption of electricity for residential use among the transactions exempt from Value-Added Tax.

SECTION 5. Removal of Other National Taxes and Charges on Residential Electricity Consumption — All national taxes, franchise taxes, percentage taxes, and similar impositions directly passed on to residential electricity consumers through electricity billing shall likewise be removed, exempted, or reduced to zero, subject to existing constitutional and statutory limitations. Electric distribution utilities, generation companies, electric cooperatives, and all other power industry participants are prohibited from imposing additional fees, surcharges, or similar charges intended to offset or recover the tax exemptions and reductions granted under this Act.

The Department of Finance (DOF), Bureau of Internal Revenue (BIR), Department of Energy (DOE), and the Energy Regulatory Commission (ERC) shall promulgate the necessary rules and regulations for the effective implementation of this provision. The ERC shall ensure strict compliance herewith and shall impose the appropriate administrative sanctions and penalties against violators in accordance with existing laws, rules, and regulations.

SECTION 6. *Non-Impairment of Local Taxing Powers* — Nothing in this Act shall be construed to impair the constitutionally and statutorily recognized power of local government units to create their own sources of revenue and to levy taxes, fees, and charges pursuant to Republic Act No. 7160, otherwise known as the Local Government Code of 1991. However, local government units are strongly encouraged to adopt ordinances or measures consistent with the policy of reducing electricity costs, and no local tax or charge shall be increased for the sole purpose of offsetting the national tax reductions provided under this Act.

SECTION 7. *Regulatory Implementation and Billing Transparency* — The Energy Regulatory Commission shall, within the period prescribed in the implementing rules and regulations, conduct or direct the necessary rate adjustment, refund, billing, and compliance proceedings to ensure that the benefits of this Act are reflected in electricity bills. Every distribution utility, electric cooperative, and retail electricity supplier shall disclose in the billing statement, in a clear and understandable manner, the tax reduction or zero-rated treatment applied pursuant to this Act, subject to such format as may be prescribed by the Energy Regulatory Commission.

SECTION 8. *Appropriations* — The amount necessary for the initial implementation of this Act shall be charged against the current appropriations of the implementing agencies. Thereafter, such sums as may be necessary shall be included in the annual General Appropriations Act.

SECTION 9. *Implementing Rules and Regulations (IRR)* — Within sixty (60) days from the effectivity of this Act, the Department of Finance, Bureau of Internal Revenue, Department of Energy, and Energy Regulatory Commission shall jointly promulgate the necessary rules and regulations for the effective implementation of this Act. The implementing rules and regulations shall include the mechanics for zero-rating,

invoicing, billing disclosure, rate adjustment, refund or credit, monitoring, audit, and consumer complaint procedures.

SECTION 10. Separability Clause. — If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 11. Repealing Clause. — All laws, decrees, executive orders, and rules, regulations, and policies inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 12. Effectivity. — This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,