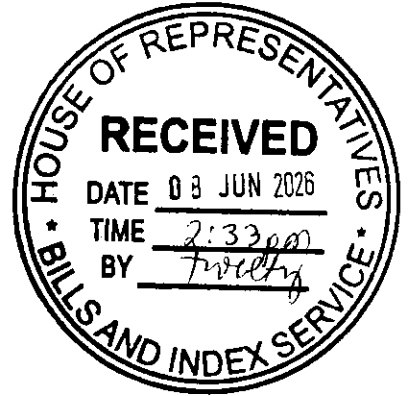




Republic of the Philippines
House of Representatives



20th CONGRESS
Second Regular Session

HOUSE BILL NO. **9832**

Introduced by Hon. Charisse Anne C. Hernandez

EXPLANATORY NOTE

The Value-Added Tax (VAT) is one of the government's primary sources of revenue. However, as a consumption tax imposed on the sale of goods and services, it directly affects the prices paid by consumers and businesses alike.

Recent increases in fuel prices and the corresponding rise in the cost of transportation, food, utilities, and other basic commodities have significantly burdened Filipino households. The impact has not only been felt by low-income families but also by middle-income earners who often do not qualify for government assistance programs.

At present, the Philippines imposes a twelve percent (12%) VAT rate, one of the highest in Southeast Asia. Reducing the VAT rate to ten percent (10%) will provide immediate relief to consumers by lowering the tax component embedded in the prices of goods and services, including petroleum products. This measure will increase the purchasing power of Filipino families, encourage consumer spending, and help stimulate economic activity.

The proposed measure likewise seeks to lessen the regressive impact of VAT, which disproportionately affects ordinary consumers regardless of income level. By reducing the tax burden on consumption, the State can help shield Filipino families from the continuing effects of inflation and external economic shocks.

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

CHARISSE ANNE C. HERNANDEZ
Lone District, Calamba City

Republic of the Philippines HOUSE
OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **9832**

Introduced by Honorable Charisse Anne C. Hernandez

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

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

SECTION 1. Short Title. This Act shall be known as the "VAT Reduction Act of 2026."

SEC. 2. Section 106(A) of Republic Act No. 8424, as amended, is hereby amended to read as follows:

"SEC. 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, exchange or lease of goods or properties, a value-added tax equivalent to **TEN PERCENT (10%)** of the gross selling price or gross value in money of the goods or properties sold, bartered, exchanged or leased, such tax to be paid by the seller or transferor."

SEC. 3. Section 107(A) of the same Code is hereby amended to read as follows:

"SEC. 107. Value-Added Tax on Importation of Goods.

(A) In General. — There shall be levied, assessed and collected on every importation of goods a value-added tax equivalent to **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."

SEC. 4. Section 108(A) of the same Code is hereby amended to read as follows:

"SEC. 108. Value-Added Tax on Sale of Services and Use or Lease of Properties.

(A) Rate and Base of Tax. — There shall be levied, assessed and collected a value-added tax equivalent to **TEN PERCENT (10%)** of gross receipts derived from the sale or exchange of services, including the use or lease of properties."

SEC. 5. Implementing Rules and Regulations. Within sixty (60) days from the effectivity of this

Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue and in coordination with the Commissioner of Customs, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 6. Separability Clause. If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall remain in full force and effect.

SEC. 7. Repealing Clause. All laws, decrees, executive orders, administrative orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 8. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,