

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **9915**



Introduced by Representative Leandro Legarda Leviste

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

EXPLANATORY NOTE

Since the Expanded Value-Added Tax (VAT) Law increased the VAT from 10% to 12%, VAT collections of the Bureau of Internal Revenue and Bureau of Customs have risen from ₱156.67 billion in 2005 to ₱1.20 trillion in 2024. This measure seeks to reduce the VAT from 12% to 10% and could reduce VAT collections by over ₱250 billion or ₱9,000 per household per year.

Reducing the VAT is more efficient than collecting taxes and redistributing the proceeds, as this avoids leakages and administrative costs. The foregone revenues of reducing the VAT can be offset by cutting wasteful government spending or imposing a new tax on only the wealthiest Filipinos. The VAT is a regressive tax, and reducing the VAT lives up to the Constitution's mandate for Congress to "evolve a progressive system of taxation".

The VAT in the Philippines is also among the highest in Southeast Asia at 12%, compared to approximately 11% in Indonesia, 10% in Cambodia, 10% in Vietnam, 9% in Singapore (GST), 8% in Malaysia (sales and service tax), 7% in Thailand, 7% in Laos, 5% in Myanmar (commercial tax), and 2.5% in Timor-Leste (sales tax). Reducing the VAT would make our economy more regionally competitive.

In January 2026, the Congressional Policy and Budget Research Department (CPBRD) argued that lowering the VAT from 12% to 10% is advisable and likely to yield positive economic effects, and noted the net revenue impact could even be reduced due to increased household consumption, formal-sector participation, and private investment.

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

A handwritten signature in black ink, appearing to be "L. Legarda", written over a horizontal line.

Leandro Legarda Leviste

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No **9915**

Introduced by Representative Leandro Legarda Leviste

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

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

Section 1. Short Title. – This Act shall be known as the “VAT Reduction Act”.

Section 2. Amendment to Section 106 (A). – Section 106 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“Section 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 or exchange of goods or properties, a value-added tax equivalent to [~~twelve percent (12%)~~] **ten percent (10%)** of the gross sales of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

Section 3. Amendment to Section 107 (A). – Section 107 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“Section 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 [~~twelve percent (12%)~~] **ten percent (10%)** based on the total value used by the Bureau of Customs in determining tariff and 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: Provided, That where the customs studies are determined on the basis of the quantity or volume of the goods, the value-added tax shall be based on the landed cost plus excise taxes, if any.”

Section 4. Amendment to Section 108 (A). – Section 108 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“Section 108. Value-added Tax on Sale of Services, Including Digital Services, and the Use or Lease of Properties. –

(A) *Rate and Base of Tax.* – There shall be levied, assessed and collected, a value-added tax equivalent to [~~twelve percent (12%)~~] **ten percent (10%)** of the gross sales derived from the sale or exchange of services, including digital services, and the use or lease of properties.”

Section 5. Implementing Rules and Regulations. – Within sixty (60) calendar days from the effectivity of this Act, the Department of Finance, in consultation with the Bureau of Internal Revenue, shall issue rules and regulations for the effective implementation of this Act.

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

Section 7. Repealing Clause. – All laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are deemed repealed, or modified accordingly.

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

Approved,