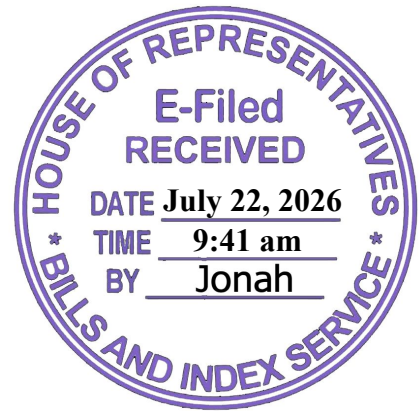


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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10160



Introduced by REP. JESUS "BONG" C. SUNTAY

EXPLANATORY NOTE

Electricity is no longer a luxury. It is a basic necessity that powers every Filipino home, every classroom, every hospital, every small business, every farm, and every workplace. Yet every month, Filipino consumers continue to pay a twelve percent (12%) Value-Added Tax (VAT) on their electricity consumption—a tax imposed on an essential service that no household or enterprise can reasonably do without.

At a time when families are struggling with rising prices of food, transportation, housing, education, and healthcare, the answer should not always be another subsidy funded by taxpayers. The more sustainable and equitable solution is to allow Filipinos to keep more of what they rightfully earn. Every peso that government chooses not to collect from essential consumption is a peso that remains in the pockets of hardworking families to spend on their children's education, better nutrition, healthcare, savings, or investment. Rather than taxing citizens on nearly every aspect of daily life and later redistributing assistance through various government programs, public policy should first recognize that the fruits of one's labor belong primarily to the worker and his or her family.

The removal of VAT on electricity is one of the most direct and meaningful forms of tax relief that Congress can provide. Unlike subsidies that benefit only selected sectors, a VAT exemption on electricity benefits every Filipino consumer. It immediately reduces monthly electric bills, lowers operating costs for businesses, eases the burden on farmers and manufacturers, and enhances the competitiveness of Philippine industries. Lower electricity costs likewise help moderate inflation by reducing production and distribution expenses across the economy.

This measure likewise promotes transparency and efficiency in governance. A twelve percent (12%) reduction in the VAT component of electricity bills is immediate, automatic, and requires no application, qualification, or government intervention. Consumers receive the benefit directly through lower monthly bills without additional bureaucracy or administrative expense.

1 This bill embodies a simple but important principle: government should tax only to
2 the extent necessary to provide essential public services and should avoid imposing
3 unnecessary burdens on basic necessities. Allowing Filipinos to retain more of the
4 value of their hard work strengthens families, stimulates economic activity,
5 encourages investment, and ultimately contributes to sustainable national growth.

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7 For these reasons, the immediate passage of this bill is earnestly sought.
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REP. JESUS "BONG" C. SUNTAY

1 Republic of the Philippines
2 **HOUSE OF REPRESENTATIVES**
3 Constitution Hills, Quezon City

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5 **TWENTIETH CONGRESS**
6 Second Regular Session

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8 **HOUSE BILL NO. 10160**
9

10 Introduced by REP. JESUS “BONG” SUNTAY
11

12
13 **AN ACT**

14
15 **EXEMPTING THE SALE OF ELECTRICITY FOR RESIDENTIAL,**
16 **AGRICULTURAL, COMMERCIAL, INDUSTRIAL, AND OTHER END-**
17 **USER CONSUMPTION FROM VALUE-ADDED TAX, AMENDING FOR**
18 **THE PURPOSE SECTIONS 108 AND 109 OF THE NATIONAL INTERNAL**
19 **REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**
20

21 *Be it enacted by the Senate and House of Representatives of the Philippines in*
22 *Congress assembled:*
23

24 **SECTION 1. Short Title.** This Act shall be known as the "**Electricity VAT Relief**
25 **Act.**"
26

27 **SECTION 2. Declaration of Policy.** It is hereby declared the policy of the State to
28 protect consumers from rising electricity costs, promote affordable and reliable
29 access to electric power, support economic productivity, and enhance the
30 competitiveness of Philippine industries.
31

32 Recognizing electricity as an essential public necessity indispensable to households,
33 education, healthcare, agriculture, commerce, and national development, the State
34 shall remove the burden of value-added tax on electricity consumption in order to
35 reduce the cost of living and improve the purchasing power of Filipino consumers.
36

37 **SECTION 3.** Section 108(A) of the National Internal Revenue Code of 1997, as
38 amended, is hereby further amended to read as follows:
39

40 “SEC. 108. Value-Added Tax on the Sale of Services, Including Digital Services,
41 and the Use or Lease of Properties. —
42

43 “(A) Rate and Base of Tax. — There shall be levied, assessed, and collected a
44 value-added tax equivalent to twelve percent (12%) of the gross sales derived
45 from the sale or exchange of services, including digital services, and the use or
46 lease of properties.

1 “The phrase ‘sale or exchange of services’ means the performance of all kinds
2 of services in the Philippines for others for a fee, remuneration, or
3 consideration, including those performed or rendered by construction and
4 service contractors; stock, real estate, commercial, customs, and immigration
5 brokers; lessors of property, whether personal or real; warehousing services;
6 lessors or distributors of cinematographic films; persons engaged in milling,
7 processing, manufacturing, or repacking goods for others; proprietors,
8 operators, or keepers of hotels, motels, rest houses, pension houses, inns, and
9 resorts; proprietors or operators of restaurants, refreshment parlors, cafés,
10 and other eating places, including clubs and caterers; dealers in securities;
11 lending investors; transportation contractors on their transport of goods or
12 cargoes, including persons who transport goods or cargoes for hire and other
13 domestic common carriers by land relative to their transport of goods or
14 cargoes; common carriers by air and sea relative to their transport of
15 passengers, goods, or cargoes from one place in the Philippines to another
16 place in the Philippines; [SALES OF ELECTRICITY BY GENERATION
17 COMPANIES, TRANSMISSION BY ANY ENTITY, AND DISTRIBUTION
18 COMPANIES, INCLUDING ELECTRIC UTILITIES,] **SERVICES OF**
19 **FRANCHISE GRANTEES OF** telephone and telegraph, radio and television
20 broadcasting, and all other franchise grantees except those under Section 119
21 of this Code; non-life insurance companies, except their crop insurance,
22 including surety, fidelity, indemnity, and bonding companies; digital service
23 providers; and similar services, regardless of whether or not the performance
24 thereof calls for the exercise or use of the physical or mental faculties.”
25

26 **“SALES OF ELECTRICITY BY GENERATION COMPANIES;**
27 **TRANSMISSION OF ELECTRICITY BY ANY ENTITY; AND THE**
28 **SALE, DISTRIBUTION, SUPPLY, OR DELIVERY OF ELECTRICITY**
29 **BY DISTRIBUTION UTILITIES, ELECTRIC COOPERATIVES,**
30 **RETAIL ELECTRICITY SUPPLIERS, LOCAL RETAIL ELECTRICITY**
31 **SUPPLIERS, MICROGRID SYSTEM PROVIDERS, AND OTHER**
32 **ENTITIES AUTHORIZED TO SELL OR SUPPLY ELECTRICITY TO**
33 **END-USERS SHALL NOT BE SUBJECT TO THE VALUE-ADDED**
34 **TAX IMPOSED UNDER THIS SECTION.”**
35

36 “The phrase ‘sale or exchange of services’ shall likewise include:
37

38 “x x x.”
39
40

41 **SECTION 4.** Section 109 of the National Internal Revenue Code of 1997, as
42 amended, is hereby further amended by inserting a new paragraph to read as follows:
43

44 **"(EE) THE SALE, DISTRIBUTION, TRANSMISSION, SUPPLY, OR**
45 **DELIVERY OF ELECTRICITY TO END-USERS, INCLUDING**
46 **ELECTRICITY SUPPLIED BY GENERATION COMPANIES,**
47 **DISTRIBUTION UTILITIES, ELECTRIC COOPERATIVES, RETAIL**

1 **ELECTRICITY SUPPLIERS, MICROGRID SYSTEM PROVIDERS,**
2 **AND OTHER ENTITIES AUTHORIZED UNDER REPUBLIC ACT**
3 **NO. 9136, OTHERWISE KNOWN AS THE 'ELECTRIC POWER**
4 **INDUSTRY REFORM ACT OF 2001,' SHALL BE EXEMPT FROM**
5 **THE VALUE-ADDED TAX."**
6

7 **SECTION 5. VAT Treatment of Purchases.** VAT paid on purchases directly
8 attributable to VAT-exempt sales of electricity under this Act shall be treated in
9 accordance with the provisions of the National Internal Revenue Code governing
10 VAT-exempt transactions.
11

12 Nothing herein shall be construed to exempt power generation companies,
13 transmission providers, distribution utilities, electric cooperatives, retail electricity
14 suppliers, or other entities from taxes other than the value-added tax on the sale of
15 electricity.
16

17 **SECTION 6. Pass-Through Requirement.** All generation companies, the
18 National Grid Corporation of the Philippines, distribution utilities, electric
19 cooperatives, retail electricity suppliers, and other electricity service providers shall
20 fully pass on the benefit of the VAT exemption granted under this Act to end-users.
21

22 The Energy Regulatory Commission shall ensure full compliance with this
23 requirement and shall issue the necessary regulations to ensure that the exemption is
24 fully reflected in electricity bills.
25

26 **SECTION 7. Transparency in Billing.** Electricity bills issued after the effectivity
27 of this Act shall separately indicate:

- 28 (a) the amount of VAT savings granted under this Act;
29 (b) the total reduction in the customer's electricity bill resulting from the exemption;
30 and
31 (c) such other information as may be prescribed by the Energy Regulatory
32 Commission.
33

34 **SECTION 8. Implementing Rules and Regulations.** Within sixty (60) days
35 from the effectivity of this Act, the Department of Finance, upon the recommendation
36 of the Bureau of Internal Revenue and in coordination with the Department of
37 Energy, the Energy Regulatory Commission, and the National Electrification
38 Administration, shall promulgate the necessary implementing rules and regulations.
39

40 **SECTION 9. Repealing Clause.** All laws, decrees, executive orders, rules and
41 regulations, or parts thereof inconsistent with this Act are hereby repealed, amended,
42 or modified accordingly.
43

44 **SECTION 10. Separability Clause.** If any provision of this Act is declared
45 unconstitutional or invalid, the remaining provisions not affected thereby shall
46 continue to be in full force and effect.
47

1 **SECTION 11. Effectivity.** This Act shall take effect fifteen (15) days after its
2 publication in the *Official Gazette* or in a newspaper of general circulation.

3
4 Approved,