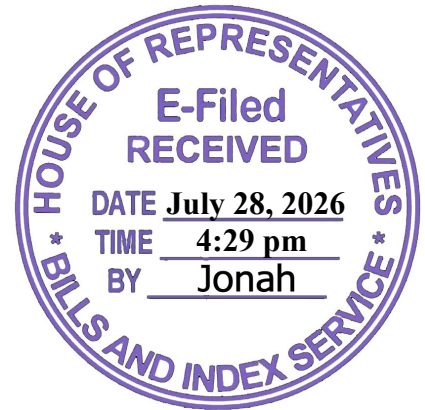


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **10328**



Introduced by **Representative ERIC G. YAP**

EXPLANATORY NOTE

This bill seeks to exempt the System Loss Charge billed by distribution utilities and electric cooperatives to residential end-user consumers from the coverage of the Value-Added Tax (VAT). It aims to reduce electricity costs and provide financial relief to Filipino households.

Electricity is an essential service that powers homes, supports livelihoods, and drives economic activity. For many families, every peso spent on electricity is a peso taken away from other basic necessities like food, education, and healthcare. However, Filipino consumers continue to pay among the highest electricity rates in Southeast Asia¹. Apart from the cost of electricity consumed, consumers also shoulder the System Loss Charge which represents electricity losses incurred during transmission and distribution. This charge is also subjected to the twelve percent (12%) VAT which further increases the financial burden on consumers.

Removing the VAT on the Systems Loss Charge provides meaningful relief to residential consumers and helps make electricity more affordable. It likewise affirms the State's commitment to protect consumer welfare and ensure access to reliable and reasonably priced electricity.

In view of the foregoing, the immediate approval of this measure is earnestly sought.


HON. ERIC G. YAP

¹ TALAVERA, Sheldeen Joy (2026). *DoE says Philippine electricity rates highest in Southeast Asia in June*. Business World. Accessed from: <https://bworldonline.com/top-stories/2026/07/21/764693/doe-says-philippine-electricity-rates-highest-in-southeast-asia-in-june/>

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TWENTIETH CONGRESS
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House Bill No. **10328**

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AN ACT

**EXEMPTING THE SYSTEM LOSS CHARGE BILLED TO RESIDENTIAL
END-USER CONSUMERS BY DISTRIBUTION UTILITIES OR ELECTRIC
COOPERATIVES FROM THE COVERAGE OF THE VALUE-ADDED TAX,
AMENDING FOR THE PURPOSE SECTION 109 OF REPUBLIC ACT NO. 8424,
OTHERWISE KNOWN AS 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. Section 109 of Republic Act No. 8424, otherwise known as the
National Internal Revenue Code of 1997, as amended, is hereby further amended to
read as follows:

*"SEC. 109. Exempt Transactions. - The following shall be exempt
from the value-added tax:*

"(a) x x x;

"x x x;

**"(EE) SYSTEM LOSS CHARGE BILLED BY
DISTRIBUTION UTILITIES OR ELECTRIC
COOPERATIVES TO RESIDENTIAL END-USER
CONSUMERS.**

**"FOR PURPOSES OF THIS PARAGRAPH, "SYSTEM
LOSS CHARGE" REFERS TO THE COMPONENT OF THE
ELECTRIC BILL, AS APPROVED BY THE ENERGY
REGULATORY COMMISSION (ERC), THAT COVERS THE
COST OF ELECTRICITY LOST DURING THE
TRANSMISSION AND DISTRIBUTION OF POWER,
WHICH DISTRIBUTION UTILITIES OR ELECTRIC
COOPERATIVES MAY RECOVER FROM CONSUMERS**

**UNDER RAPUBLIC ACT NO. 9136, OTHERWISE KNOWN
AS THE “ELECTRIC POWER INDUSTRY REFORM ACT OF
2001”, AS AMENDED.”**

SEC. 2. *ERC Oversight.* – The Energy Regulatory Commission shall ensure that the VAT exemption provided under this Act is properly reflected in the monthly billing statements of covered consumers and shall monitor the compliance of distribution utilities and electric cooperatives therewith.

SEC. 3. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Department of Finance, in consultation with the Bureau of Internal Revenue, the Department of Energy, and the Energy Regulatory Commission, shall promulgate the necessary rules and regulations for its effective implementation.

SEC. 4. *Separability Clause.* – If any portion or provision of this Act is declared invalid or unconstitutional, other provisions hereof shall remain in full force and effect.

SEC. 5. *Repealing Clause.* – All laws, presidential decrees, executive orders, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 6. *Effectivity.* – This Act shall take effect fifteen days (15) after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,