

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

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10409



Introduced by **Representative JEFFREY SORIANO**

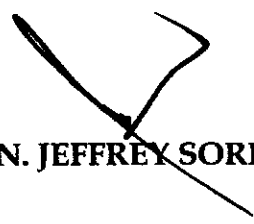
EXPLANATORY NOTE

This bill seeks to exempt the system loss charge imposed on residential end-user consumers from the coverage of the value-added tax (VAT), thereby reducing electricity costs and providing direct financial relief to Filipino households.

While system loss charges are authorized under existing laws to allow distribution utilities to recover the cost of technical and non-technical losses incurred during the transmission and distribution of electricity, these charges do not represent the actual electricity consumed by end-users. Nevertheless, residential consumers continue to pay VAT on such charges, effectively increasing their monthly electricity bills despite receiving no corresponding direct benefit. This additional tax burden disproportionately affects ordinary households, particularly low- and middle-income families already struggling with rising living expenses.

This bill amends Section 109 of the National Internal Revenue Code to exempt residential system loss charges from VAT and directs the Energy Regulatory Commission to ensure that the exemption is accurately reflected in consumers' monthly electricity bills. This measure is created with the Filipino consumers in mind—to lower electricity costs, enhance consumer protection, and ensure a fairer and more transparent system of electricity billing.

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


HON. JEFFREY SORIANO

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

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10403

Introduced by Representative JEFFREY SORIANO

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 REPUBLIC 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,