

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10548



Introduced by: **REP. TOBIAS “TOBY” M. TIANGCO**

EXPLANATORY NOTE

This bill seeks to provide relief to Filipino households by exempting from value-added tax (VAT) the electricity billings of residential consumers whose total monthly consumption does not exceed four hundred kilowatt-hours (400 kWh). Electricity is a basic household need. Reducing the taxes charged on electricity can help qualified families lower their monthly bills and keep more of their income for food, education, healthcare, transportation, and other essential expenses.

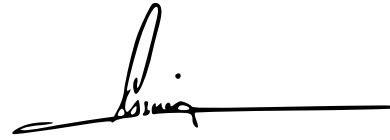
The need for relief has become more pronounced amid elevated electricity costs. The Philippine Statistics Authority (PSA) likewise reported that housing, water, electricity, gas and other fuels accounted for 11.9% of total household final consumption expenditure in the first quarter of 2026. Moreover, a December 2025 study of the Philippine Institute for Development Studies (PIDS) recognized electricity subsidies as instruments for improving affordability and protecting consumers, while stressing the need for assistance to be designed efficiently and equitably.

Section 108 of the National Internal Revenue Code (NIRC), as amended, generally imposes 12% VAT on services, including electricity supplied by generation, transmission, and distribution entities, including electric cooperatives. The proposed measure seeks to provide targeted VAT relief to qualified residential households based on their monthly electricity consumption, helping reduce household power costs.

According to a 2011 study by the Philippine Institute for Development Studies (PIDS), a family of five in the National Capital Region earning the minimum wage consumed around 100 to 150 kilowatt-hours (kWh) of electricity per month, with electricity expenses accounting for a significant share of household income. Since this estimate is based on 2011 conditions, actual household electricity needs today may be higher due to greater dependence on electricity, wider use of household appliances and electronic devices, and increased cooling needs during hotter weather. More recent data show that electricity use has become more widespread among Filipino households, while PIDS research has also found that weather variability affects household energy consumption.

While the existing Lifeline Rate Subsidy provides discounts to marginalized low-income households, many middle-income families facing rising electricity costs receive no comparable relief. Expanding the VAT exemption on electricity bills to cover these households would make the policy more inclusive and help ease the financial burden on a broader segment of Filipino consumers.

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

A handwritten signature in black ink, appearing to read 'Toby Tiangco', is positioned above a solid horizontal line.

TOBIAS “TOBY” M. TIANGCO

Representative

Lone District, Navotas City

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HOUSE OF REPRESENTATIVES
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HOUSE BILL NO. 10548

Introduced by: **REP. TOBIAS “TOBY” M. TIANGCO**

AN ACT
AUTHORIZING EXEMPTION FROM THE IMPOSITION OF VALUE-ADDED TAXES
(VAT) ON THE ELECTRICAL BILLINGS OF RESIDENTIAL HOUSEHOLDS WITH
400KWH OR LESS TOTAL MONTHLY CONSUMPTION

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

SECTION 1. This Act shall be known as the **“VAT-Free Electricity for Qualified Households Act of 2026”**.

SEC. 2. Declaration of State Policy – It is the policy of the State to provide reliable and equitable electricity to the consuming public. Towards this end, the State shall promote an inclusive and equitable electricity system by ensuring access to a secure and affordable supply of electricity for all consumers, particularly poor, marginalized, and middle-income households.

SEC. 3. Value-Added Tax (VAT) Exemption for Covered Residential Households – Residential household consumers with 400kWh or less electricity consumption in a month, shall be exempt from the imposition of VAT on the sale of electricity by generation companies, transmission by any entity, including the National Grid Corporation of the Philippines, and distribution by companies, and electric cooperatives.

The exemption shall be automatically applied by the private distribution utilities and electric cooperatives in their statements of accounts without the need for application from the consumer.

SEC. 4. Implementing Rules and Regulations (IRR) – Within sixty (60) days from the effectivity of this Act, the Department of Energy (DOE), as the lead agency, together with the Energy Regulatory Commission (ERC), and in consultation with other public and private stakeholders representing consumers and sectors affected by this Act, including the Bureau of Revenue (BIR), shall promulgate the necessary implementing rules and regulations of this Act.

The Department of Finance (DOF), through the BIR, shall come up with the appropriate Revenue Regulations for the VAT exemption within thirty (30) days from the effectivity of the IRR.

SEC. 5. Threshold Adjustment by the Commissioner of Internal Revenue (CIR) – Every three (3) years, or as often as necessary, the CIR, in accordance with his/her powers under the National Internal Revenue Code, as amended, and other pertinent laws, and upon recommendation by the ERC, shall adjust the monthly consumption threshold to ensure that the said threshold is reflective of the prevailing circumstances.

SEC. 6. Penalty – Non-compliance with any of the provisions of this Act and its IRR shall be met with an administrative penalty ranging from Ten Million Pesos (P10,000,000.00) to Fifty Million Pesos (P50,000,000.00), after due notice and hearing by the ERC, and without prejudice to any administrative sanction that the BIR may take for violation of its pertinent revenue issuances.

SEC. 7. Separability Clause – If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 8. Repealing Clause – All laws, decrees, issuances, orders, letters of instructions, administrative orders, rules and regulations or parts thereof contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 9. Effectivity – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,