

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

TWENTIETH CONGRESS
First Regular Session



House Bill No. 215

Introduced by
KABATAAN Party-list Rep. RENEE LOUISE M. CO
and ACT Teachers Party-list Rep. ANTONIO L. TINIO

AN ACT
LOWERING THE PRICE OF OIL AND PETROLEUM PRODUCTS,
ELECTRICITY, WATER, TOLL FEES, AND FOOD AND OTHER BASIC
NECESSITIES, AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 10963 OR
THE TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN) LAW AND
REPUBLIC ACT NO. 8424 OR THE TAX REFORM ACT AS AMENDED BY
REPUBLIC ACT NO. 9337

EXPLANATORY NOTE

The House of Representatives has been given the exclusive mandate of originating tariff bills. Both the 1973 (Article VIII, Section 17) and the 1987 (Article VI, Section 28) Philippine constitution directed Congress to "evolve a progressive system of taxation".

A progressive system of taxation assumes the imposition of a heavier tax burden for those who have larger incomes. Progressive taxes attempt to reduce the tax incidence of people with a lower ability to pay, as they shift the incidence increasingly to those with a higher ability to pay.

However, bowing under pressures from the International Monetary Fund, successive post-Martial Law administrations instituted a regressive system of taxation where the relative tax rate or burden increases as an individual's ability to pay decreases, thereby imposing enormous tax burdens on the poorest of the poor.

The Value-Added Tax (VAT), which is an indirect tax, is widely criticized as a regressive form of taxation. VAT was first imposed under the Philippine taxation system by President Corazon Aquino in July 1987 when she signed Executive Order 273. The VAT was further institutionalized when former president Fidel Ramos signed into law RA 8424 or the Tax Reform Act of 1997.

R.A. 8424 expanded the coverage of VAT to include basic necessities such as rice, corn, fresh, dried and canned fish, fresh pork, beef and poultry meat, fresh eggs, fresh vegetables, root crops, coffee, sugar, cooking oil, salt, laundry soap, detergents, firewood, charcoal, candles, and drugs classified as essential by the Department of Health.

This was further exacerbated when the value-added tax was perpetuated and its coverage expanded by Republic Act 9337, which was signed into law by former President Gloria Macapagal-Arroyo on 24 May 2005. Worse, under RA 9337, VAT was imposed on such socially volatile products as gasoline and other petroleum products.

Filipinos are left without any reprieve from the barrage of oil price hikes since the start of 2022 even as the COVID-19 pandemic already pushed 26.14 million people into poverty. The successive rounds of oil price hikes have pushed transportation and production costs higher, leading to a chain of commodity price hikes that severely affect low-income earners.

The non-stop oil price hikes are made worse by the imposition of excise taxes on petroleum under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, and the 12 percent Value Added Tax (VAT) on petroleum products. These taxes aggravate the suffering of public utility (PUV) drivers, who can barely feed their families with a very meager take-home pay. Commuters meanwhile are made to shoulder the oil price hikes with fake hikes. Farmers and fisherfolk are also experiencing heavy losses due to skyrocketing diesel, gasoline, and kerosene prices.

This proposed measure seeks to:

1. Immediately lower the price of oil and other petroleum products by scrapping the excise tax; and
2. Include in the list of exemptions under the E-VAT Law the following:
 - a. petroleum products;
 - b. electricity;
 - c. water;
 - d. toll fees;
 - e. basic necessities consumed on a regular basis by poor families, which include bread; canned pork, beef, fish and other marine products; instant noodles; biscuits; sugar (raw and refined); cooking oil; iodized salt; laundry soap; detergents; firewood; charcoal; candles; and drugs classified as essential by the Department of Health.

Suspending the oil excise taxes as increased under the TRAIN will provide immediate relief to Filipinos. This will remove Php3 from the price per kilo of liquefied petroleum gas (LPG), lowering the price of an 11-kilo tank by Php33 not including VAT. The price per liter of diesel can be immediately slashed by P6, and the price of unleaded gasoline by P5.35 per liter.

Summary of Proposal To Scrap Excise Taxes on Oil and Petroleum Products

	Current Excise Tax under TRAIN Law (per kilo/liter)
Lubricating oils and greases	P10.00
Processed gas	P10.00
Waxes and petrolatum	P10.00
Denatured alcohol	P10.00
Naphtha, regular gasoline	P10.00
Leaded premium gasoline	N/A
Unleaded premium gasoline	P10.00
Aviation fuel and gas	P4.00

Kerosene	P5.00
Diesel fuel oil	P6.00
Liquefied petroleum gas	P3.00
Asphalts	P10.00
Bunker fuel oil	P6.00
Petroleum coke	P6.00

According to think tank IBON Foundation, oil revenue losses can be offset by also suspending corporate income tax (CIT) cuts under the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE. The group noted that the government projects revenue losses of Php115.8 billion in 2021 and Php101.8 billion in 2022 from CREATE's CIT cuts. Reducing indirect consumption taxes such as on oil and increasing direct taxes on income makes the tax system more progressive.

VAT, an indirect and "passable" tax, corners poor end-users who are not in a position to further pass on the tax. It is an "end of the line" tax. Everyone else in front or in between this line has the capacity to be immune. Worse, given the inefficiency of our country's tax collection and administration, those who can pass on this tax may even stand to profit from its imposition via the input and output VAT scheme, among others.

VAT is a tax on the poor and the government certainly has many other options. The end-users, especially those steeped in poverty, should not be made to pay for the government's inefficient tax collection. No amount of government explanation can justify the creation or imposition of taxes that will mostly impact on the poorest of the poor, especially amid the economic fallout of the COVID-19 pandemic and worsening economic crisis. Even in the face of a fiscal crisis which admittedly calls for revenue generation, the government has the burden of proving that all other options are absolutely unavailable before it can even sell the idea of further taxing the poor.

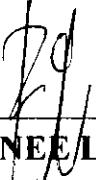
Taking the foregoing into consideration, VAT cannot be said to be a fair, just, equitable and progressive form of taxation. Thus, poor end-users have all the reasons to strongly oppose the imposition of VAT.

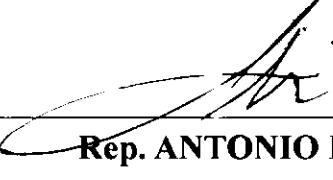
Removing the VAT on electricity, water, toll fees, certain food, and other basic necessities would provide relief to a large number of consumers and stimulate economic activity especially as more Filipinos have slid down to the ranks of the poor and unemployed. These savings mean more money for consumers to spend directly on their needs and less production cost for fuel-intensive businesses.

If needed, there are available alternatives to VAT—alternatives that do not promote a regressive form of taxation but rather a progressive system of taxation that our Constitution mandates this august body to evolve. There are available revenue measures that do not further burden the poorest of our constituents.

Opponents of VAT point out that instead of burdening the poor with increases in taxes, the government could have reviewed the tax exemptions being provided mostly to the benefit of large corporations under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law amounting to P251 billion for 2020 and 2021. These alone are enough measures to counterbalance the unjust imposition of VAT on oil and petroleum products as well as basic necessities that poor families consume on a daily basis.

For the foregoing reasons, the passage of this bill is sought.


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KABATAAN Party-List


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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 “Presyo Ibaba Act of 2025”.

SECTION 2. Section 43 of Republic Act 10963 is hereby amended to read as follows:

“Section 43. Petroleum Products. - The excise tax on petroleum products under this Act is hereby repealed. Accordingly, no excise tax shall be imposed on the following products:

- (A) Lubricating oils and greases; processed gas; waxes and petroleum; denatured alcohol to be used for motive power;**
- (B) Naphtha, regular gasoline, and other similar products of distillation;**
- (C) Leaded and unleaded premium gasoline;**
- (D) Aviation turbo jet fuel;**
- (E) Kerosene;**
- (F) Diesel fuel oil;**
- (G) Liquefied petroleum gas;**

- (H) Asphalts;**
- (I) Bunker fuel oil and on similar products;**
- (J) Petroleum coke; and**
- (K) Any other products classified as petroleum products”**

SECTION 3. Section 109 (1), Chapter 1, Title IV of the National Internal Revenue Code as amended is hereby amended by inserting paragraphs B and C and re-letter the succeeding paragraphs, to read as follows:

Section 109. Exempt Transactions. – (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

- “(A) xxx**
- “(B) THE SALE OF OIL, GASOLINE, LPG, KEROSENE AND OTHER PETROLEUM PRODUCTS;**
- “(C) THE SALE OF ELECTRICITY BY GENERATION, TRANSMISSION AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES,**
- “(D) SERVICES OF FRANCHISE GRANTEES OF ELECTRICITY UTILITIES;**
- “(E) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER THEMSELF IN THE GENERATION, TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY;**
- “(F) SALE OF WATER UTILITIES;**
- “(G) SERVICES OF FRANCHISE GRANTEES OF WATER UTILITIES;**
- “(H) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER THEMSELF IN THE OPERATING, MAINTAINING, IMPROVING, AND EXPANDING DISTRIBUTION OF POTABLE WATER BY WATER UTILITIES;**
- “(I) SERVICES RENDERED BY TOLLWAY OPERATORS;**
- “(J) SALE OR IMPORTATION OF BASIC NECESSITIES CONSUMED ON A REGULAR BASIS BY POOR FAMILIES, WHICH INCLUDE BREAD; CANNED PORK, BEEF, FISH AND OTHER MARINE PRODUCTS; INSTANT NOODLES; BISCUITS; SUGAR (RAW AND REFINED); COOKING OIL; IODIZED SALT; LAUNDRY SOAP; DETERGENTS; FIREWOOD; CHARCOAL; CANDLES; AND DRUGS CLASSIFIED AS ESSENTIAL BY THE DEPARTMENT OF HEALTH;**

SECTION 4. *Implementing Rules and Regulations.* The Secretary of Finance and Secretary of Trade and Industry shall, upon the recommendations of the Commissioner of Internal Revenue, promulgate not later than 15 days upon the effectivity of this Act, the necessary Rules and Regulations. All former rules and regulations pertaining to value-added tax on basic commodities commonly consumed by poor Filipinos shall be deemed revoked.

SECTION 5. *Separability Clause.* Any provision or portion of this act that may be declared unconstitutional shall not have the effect of nullifying other parts thereof.

SECTION 6. *Repealing Clause.* All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to, and inconsistent with any provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 7. *Effectivity Clause.* This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in newspaper of general circulation.

Approved,