

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 249



Introduced by
BAYAN MUNA Party-List Representatives FERDINAND R. GAITE,
CARLOS ISAGANI T. ZARATE and EUFEMIA C. CULLAMAT

AN ACT
CLASSIFYING THE SALE OF ELECTRICITY BY GENERATION, TRANSMISSION,
AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, AND THE
SERVICES OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES, AND SALE OR
IMPORTATION OF MACHINERY AND EQUIPMENT DIRECTLY USED IN
GENERATION, TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY AS
VALUE-ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE
SECTIONS 108 (A)(ii) and 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill seeks to amend the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337, by exempting electricity as a commodity from value-added tax (VAT). VAT is imposed on the sales of electricity by generation companies, transmission and distribution companies and the services of franchise grantees of electric utilities.

VAT on electricity is another burden on the already over-taxed shoulders of our people, especially those whose incomes are barely enough to cover their basic needs. In time of unabated price increases of fuel, food, and other commodities, it is the duty of Congress to provide economic relief to the Filipino people. The removal of VAT on electricity is one of the most viable options for Congress to immediately act on.

The Philippines has one of the highest cost of electricity in Southeast Asia. For instance, the 2011 addition of 5.8 centavos per kilowatt-hour (kWh) on generation charges plus the 12 % VAT imposed raised the price of electricity at P9.55 per kWh. For a household consuming 200kWh of electricity a month, the VAT is estimated at P191.00, an amount quite substantial to the average working Filipino. What is worse, VAT is not only imposed on the generation of consumed power but also on system loss charges, thus, clearly making the Filipino people suffer twice over.

While it may have helped the government's fiscal position, it is imperative that Congress still act on the removal of VAT on electricity as it is the fastest and most direct form of economic relief for all Filipino households and businesses. Whatever revenue losses to be suffered by government will definitely be offset by the increased purchasing power of all households as well as cheaper production costs, redounding to a more robust and equitable economy.

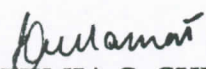
This measure was first filed by Bayan Muna party-list through its Representative Teddy Casino during the 15th Congress and was refiled in the succeeding Congresses.

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

Approved,


REP. FERDINAND R. GAITE
BAYAN MUNA Party-list


REP. CARLOS ISAGANI T. ZARATE
BAYAN MUNA Party-list


REP. EUFEMIA C. CULLAMAT
BAYAN MUNA Party-list

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

SECTION 1. Section 108 (A)(ii) of the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

“SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. —

“(A) Rate and Base of Tax. — xxx

“(i) xxx

“(ii) xxx

“The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those

performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, rest-houses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; [sales of electricity by generation companies, transmission, and distribution companies;] services of franchise grantees of [electric utilities,] telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

“xxx.

SECTION. 2. Section 109 (1) of the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

“SEC. 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) xxx

“xxx

“(U) xxx

“(V) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;

“(W) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES;

“(X) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT,

INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER HIMSELF IN THE GENERATION, TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY.

“(Y) Export sales by persons who are not VAT-registered.

SECTION. 3. *Repealing Clause.* – The following laws or provisions of laws are hereby repealed:

(A) Section 24 (A) and (B) of Republic Act No. 9337; and

(B) All other 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. 4. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 5. *Effectivity Clause.* – This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,