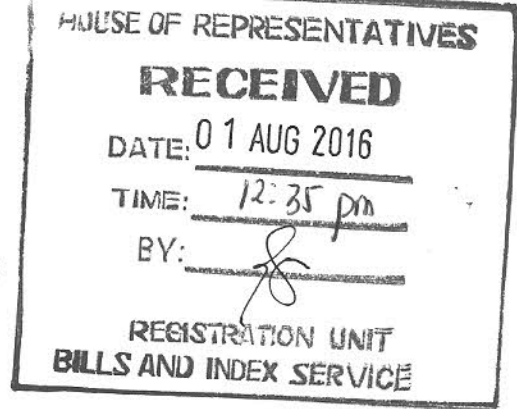


Republic of the Philippines
House of Representatives
Quezon City Metro Manila

SEVENTEENTH CONGRESS
First Regular Session

House Bill 2159



Introduced by **REP. ENRICO A. PINEDA** and **REP. MICHAEL ODYLON L. ROMERO**

EXPLANATORY NOTE

Electricity has become a crucial commodity in this day. In fact, electricity accounted for 4.5% of total family expenditure in 2012.¹ For a family of five in the lowest income decile, this is equivalent to spending Php 7,023 or Php 585 a month.²

Although fully subsidizing electricity rates is not feasible due to budgetary constraints, the State still has the mandate to keep electricity prices as affordable as possible.

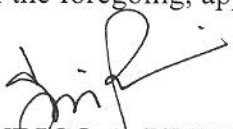
The removal of the Value Added Tax (VAT) on electricity generation, transmission and distribution offers some relief.


The removal of the VAT is projected to reduce electricity rates among residential consumers by 0.7918 Php/KwH- equivalent to savings of Php 19 a day or Php 6,936 a year.³

If the repeal of VAT on energy use will be instituted, it will trigger a ripple effect of lowering the cost of goods and services whose production rely on the use of power.

In short, it will benefit consumers, as it would free a large section of the budget for basic commodities like food. Liberating power from VAT will bring down the prices of a wide range of goods in one stroke.

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


ENRICO A. PINEDA
Representative, 1PACMAN Partylist


MICHAEL ODYLON L. ROMERO
Representative, 1PACMAN Partylist

¹Philippine Statistics Authority.2012 Family Income and Expenditure Survey.

²*Ibid.*

³United States Agency for International Development. "Challenges in Pricing Electric Power Services in Selected ASEAN Countries" (April 2013). Retrieved from <http://www.catif.org/wp-content/uploads/2013/10/Challenges-in-Pricing-Electric-Power-Services.pdf>

Republic of the Philippines
House of Representatives
Quezon City Metro Manila

SEVENTEENTH CONGRESS

First Regular Session

House Bill 2159

Introduced by **REP. ENRICO A. PINEDA** and **REP. MICHAEL ODYLON L. ROMERO**

AN ACT
EXEMPTING THE SALE OF ELECTRICITY BY GENERATION TRANSMISSION
AND DISTRIBUTION COMPANIES AND ELECTRICITY COOPERATIVES,
AMENDING FOR THE PURPOSE, SECTIONS 108 (A) AND 109 (1) OF THE
NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY REPUBLIC ACT
NO. 9337, AND FOR OTHER PURPOSES

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

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

3
4 “Sec. 108.- Value-Added Tax on Sale of Services and Use or Lease of Properties.-

5
6 “(A) Rate and Base of Tax.- x xx

7
8 (i) x xx

9
10 (ii) x xx

11
12 “The phrase ‘sale or exchange of services’ means the performance of all kinds
13 of services in the Philippines for others for a fee, remuneration or
14 consideration, including those performed or rendered by construction and
15 service contractors; stock, real estate, commercial, customs and immigration
16 brokers; lessors of property, whether personal or real; warehousing services;
17 lessors or distributors of cinematographic films; persons engaged in milling
18 processing, manufacturing or repacking goods for others; proprietors,
19 operators or keepers of hotels, motels, rest houses, pension houses, inns,
20 resorts; proprietors or operators of restaurants, refreshment parlors, cafes and
21 other eating places, including clubs and caterers; dealers in securities; lending
22 investors; transportation contractors on their transport of goods or cargoes,
23 including persons who transport goods or cargoes for hire another domestic
24 common carriers by land relative to their transport of goods or cargoes;
25 common carriers by air and sea relative to their transport of passengers, goods
26 or cargoes from one place in the Philippines to another place in the
27 Philippines; [sales of electricity by generation companies, transmission, and

1 distribution companies;] services of franchise grantees of [electric utilities,]
2 telephone and telegraph, radio and television broadcasting and all other
3 franchise grantees except those under section 119 of this Code, and non-life
4 insurance companies (except their crop insurances), including surety, fidelity,
5 indemnity, and bonding companies; and similar services regardless of whether
6 or not the performance thereof calls for the exercise or use of the physical or
7 mental faculties. The phrase 'sale or exchange of services' shall likewise
8 include:
9

10 "X XX.

11
12 **SECTION 2.-** Section 109 (1) of the National Internal Revenue Code, as amended by
13 Republic Act No. 9337, is further amended to read as follows:
14

15 "SEC. 109. Exempt Transactions-

16
17 (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall
18 be exempt from the value-added tax.
19

20 (A) x xx

21
22 (B) x xx

23
24 "X XX

25
26 (W) xxx
27

28 **(X) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION,**
29 **AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**
30

31 **(Y) SERVICES OF FRANCHISE GRANTEES OR ELECTRIC UTILITIES.**
32

33 **SECTION 3. Repealing Clause.-**All laws, decrees, orders, rules and regulations or
34 other issuances or parts thereof inconsistent with the provisions of this Act are hereby
35 repealed and modified accordingly.
36

37 **SECTION 4. Separability Clause.-**If any provision of this Act is subsequently
38 declared unconstitutional, the validity of the remaining provisions hereof shall remain in full
39 force and effect.
40

41 **SECTION 5. Effectivity Clause.-**This Act shall take effect immediately after its
42 complete publication either in the Official Gazette or in a newspaper of general circulation in
43 the Philippines.
44

45 Approved,
46