

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session

HOUSE BILL NO. **3834**



Introduced by Representative Manuel F. Zubiri

EXPLANATORY NOTE

The Philippines holds the dubious distinction of having one of the highest electricity rates in South East Asia in recent years. Notwithstanding the high cost of electric power in the country, some parts of the country – mostly in the Southern Philippines - are plagued with regular daily power outages lasting for hours due to a crippling shortage in power supply. These power outages has resulted in billions of pesos in lost opportunity costs for the country.

The prohibitive cost of electric power and its unreliable supply have become major stumbling blocks in the country's pursuit for sustainable economic progress and recovery. Apart from the uncertainty in clean and stable power supply, economic disincentives such as the high cost of power has adversely affected the country's regional and global competitiveness in attracting direct foreign investments. The high cost of electric power has likewise greatly affected the disposable income of the average Filipino family who now have less money for savings because of the resultant increase in the cost of basic commodities, transportation, fuel, education, medical and other services, and other core necessities.

In contrast to the high tax regime for electric power in the Philippines, electric power rates in countries such as Indonesia, Malaysia, and Thailand are heavily subsidized by their respective governments. Across the entire power supply chain, Philippine taxes ranging from royalty taxes on indigenous fuel for power generation (e.g., Malampaya natural gas, geothermal steam), the value-added tax, the local franchise tax, the Universal Charges, and other government fees and charges, etc. have all contributed to the high cost of electrical power to end-users.

In view of the foregoing and in order to help alleviate the crippling burden of high power costs, this proposed measure seeks to exempt the sale of electric power by electric cooperatives from value-added tax (VAT) through the amendment of the National Internal Revenue Code of 1997, as amended by Republic Act No. 9377. Also, this measure seeks to grant some relief from high electricity rates to households served by electric cooperatives. By lowering the cost of electrical power, this bill hopes to spur additional investments and boost the competitiveness of small and medium enterprises through lower operating costs.

The immediate approval of this bill is therefore earnestly sought.

MANUEL ANTONIO F. ZUBIRI
Representative
3rd District, Bukidnon

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AN ACT
CLASSIFYING THE SALE OF ELECTRICITY BY ELECTRIC COOPERATIVES AS
VALUE-ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE
109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY
REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

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

SECTION 1. 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) **SALE OF ELECTRIC POWER BY ELECTRIC COOPERATIVES;**

“(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,