



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**

*First Regular Session*

**3248**

House Bill No. \_\_\_\_\_

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**Introduced by Representatives Sergio C. Dagooc, Presley C. De Jesus,  
Adriano A. Ebcas, and Godofredo N. Guya**

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**EXPLANATORY NOTE**

This bill proposes to exempt the sale of electricity from the payment of value-added tax (VAT). Prior to the enactment of Republic act No. 9337, also known as the Expanded Value Added Tax Law, the cost of electricity in the Philippines was already one of the highest in Asia and the imposition of VAT on not only the power generation, but also on the transmission and distribution services further increased the cost.

The Philippine Statistics Authority, based on the results of 2011 Household Energy Consumption Survey (HECS), has said that electricity remains as the most common source of energy used by household in the Philippines. About 87 percent of 21.0 million households used electricity from March to August 2011. This accounts for 4.800195% or more than 1/25 of all household expenditures in the Philippines goes towards electricity.

The challenge is for the state to ensure affordable, reliable, and accessible electricity at the heart of balancing price fluctuations, in view of the increasing inflation rates especially as electricity, gas, and fuels contributed greatly to inflation.

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 from Value Added Tax. By lowering the cost of electricity, this bill hopes to spur additional investments, boost the competitiveness of small and medium enterprises through lower operating costs, and increase the purchasing power of a household. The amount of VAT foregone

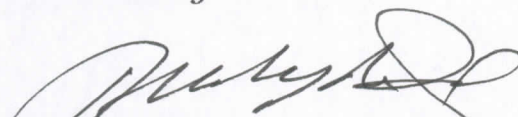


through this exemption will eventually be recovered by the State through the consumption of goods and services from this increased purchasing power.

The passage of this bill is earnestly and sincerely sought.




**REP. SERGIO C. DAGOOC**  
*APEC Partylist*



**REP. PRESLEY C. DE JESUS**  
*PHILRECA Partylist*



**REP. ADRIANO A. EBCAS**  
*Ako Padayon Pilipino Partylist*



**REP. GODOFREDO N. GUYA**  
*RECOBODA Partylist*





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**“AN ACT  
EXEMPTING THE SALE OF ELECTRICITY BY POWER GENERATION,  
TRANSMISSION AND DISTRIBUTION COMPANIES, PARTICULARLY  
NON-STOCK NON-PROFIT ELECTRIC COOPERATIVES, FROM THE  
IMPOSITION OF VALUE ADDED TAX, AMENDING FOR THE PURPOSE,  
SECTIONS 108 (A) AND 109 (1) OF THE NATIONAL INTERNAL  
REVENUE CODE, AS AMENDED BY REPUBLIC ACT NO. 9337 AND  
10863, AND FOR OTHER PURPOSES”**

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

1 **SECTION 1.** Section 108 of Republic Act No. 8424, as amended by Republic Act No  
2 9337 and 10963, otherwise known as the National Internal Revenue Code of 1997, is  
3 hereby further amended to read as follows:

4 “Sec. 108. *Value-added Tax on Sale of Services and Use or Lease*  
5 *of Properties.* –

6 (A) *Rate and Base of Tax.* – There shall be levied, assessed and  
7 collected, a value-added tax equivalent to twelve percent (12%) of  
8 gross receipts derived from the sale or exchange or services,  
9 including the use or lease of properties.

10 “The phrase ‘sale or exchange of services’ means the performance  
11 of all kinds of services in the Philippines for others for a fee,  
12 remuneration or consideration, including those performed or  
13 rendered by construction and service contractors; stock, real  
14 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, resthouses, 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 by any entity, and distribution companies, including electric cooperatives;]~~ 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:"

**SECTION 2.** Section 109 (1) of Republic Act No. 8424, as amended by Republic Act No 9337, otherwise known as the National Internal Revenue Code of 1997, 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:

x x x

(BB) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of Three million pesos (P3,000,000)

**(CC) Sale of electricity by generations, transmission, and distribution companies and electric cooperatives; and**

**(DD) Services of Franchise Grantees of Electric Utilities."**

**SECTION 3. *Repealing Clause*** - All laws, presidential decrees, executive orders, letters of instruction, administrative rules and regulations or parts thereof which are contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.



59 **SECTION 4. *Separability Clause*** – Should any part or provision of this Act be  
60 held unconstitutional or invalid, all other provisions hereof which are not  
61 affected thereby shall continue to be in full force and effect.

62 **SECTION 5. *Effectivity*.** – This Act shall take effect after fifteen (15) days  
63 following its complete publication in the Official Gazette or in two (2)  
64 newspapers of general circulation whichever is earlier.

65 **Approved.**