

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 25 P2:16

SENATE
S. No. 866

RECEIVED BY

Introduced by Senator Grace Poe

AN ACT
TO LOWER THE PRICE OF ELECTRICITY BY EXEMPTING ITS SALE BY GENERATION, TRANSMISSION AND DISTRIBUTION COMPANIES AND ELECTRICITY 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 FOR OTHER PURPOSES

EXPLANATORY NOTE

Electricity is an expensive necessity. According to the 2012 Family Income and Expenditure of the Philippine Statistics Authority, electricity and other utilities accounted for 7.9% of average family expenditure in 2015.¹

Taxes and subsidies account for 11 to 20% of a family's electricity bill, of which at least 8% is from the Value Added Tax on the sale of electricity. Thus, the removal of the Value Added Tax (VAT) on electricity generation, transmission and distribution is an immediate way to reduce electricity prices. The removal of the VAT can 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.²

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

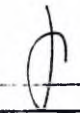
GRACE POE
91

¹ Philippine Statistics Authority. 2015 Family Income and Expenditure Survey.

² United 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>

'22 JUL 25 P2:16

SENATE
S. No. 866

RECEIVED BY: 

Introduced by Senator Poe

AN ACT
TO LOWER THE PRICE OF ELECTRICITY BY EXEMPTING ITS SALE BY
GENERATION, TRANSMISSION AND DISTRIBUTION COMPANIES AND
ELECTRICITY 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 FOR OTHER PURPOSES

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

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

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

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

9 "The phrase 'sale or exchange of services' means the
10 performance of all kinds of services in the Philippines for others
11 for a fee, remuneration or consideration, including those
12 performed or rendered by construction and service contractors;
13 stock, real estate, commercial, customs and immigration
14 brokers; lessors of property, whether personal or real;
15 warehousing services; lessors or distributors of cinematographic
16 films; persons engaged in milling processing, manufacturing or

1 repacking goods for others; proprietors, operators or keepers of
2 hotels, motels, rest houses, pension houses, inns, resorts;
3 proprietors or operators of restaurants, refreshment parlors,
4 cafes and other eating places, including clubs and caterers;
5 dealers in securities; lending investors; transportation
6 contractors on their transport of goods or cargoes, including
7 persons who transport goods or cargoes for hire and other
8 domestic common carriers by land relative to their transport of
9 goods or cargoes; common carriers by air and sea relative to
10 their transport of passengers, goods or cargoes from one place
11 in the Philippines to another place in the Philippines; [~~sales of~~
12 ~~electricity by generation companies, transmission, and~~
13 ~~distribution companies;~~] services of franchise grantees of
14 [~~electric utilities;~~] telephone and telegraph, radio and television
15 broadcasting and all other franchise grantees except those
16 under section 119 of this Code, and non-life insurance
17 companies (except their crop insurances), including surety,
18 fidelity, indemnity, and bonding companies; and similar services
19 regardless of whether or not the performance thereof calls for
20 the exercise or use of the physical or mental faculties. The
21 phrase 'sale or exchange of services' shall likewise include:

22 "x x x.

23 Sec. 2. Section 109 (1) of the National Internal Revenue Code, as amended,
24 is further amended to read as follows:

25 "SEC. 109. Exempt Transactions-

26 (1) Subject to the provisions of Subsection (2) hereof, the
27 following transactions shall be exempt from the value-added
28 tax.

29 (A) x x x

30 "x x x

1 “(AA) Sale of drugs and alcohol and medicines prescribed for
2 diabetes, high cholesterol, and hypertension beginning
3 January 1, 2019; [and]

4 (BB) Sale of lease of goods or properties;

5 **(CC) SALES OF ELECTRICITY BY GENERATION,
6 TRANSMISSION, AND DISTRIBUTION COMPANIES
7 AND ELECTRIC COOPERATIVES; AND**

8 **(DD) SERVICES OF FRANCHISE GRANTEES OR
9 ELECTRIC UTILITIES.**

10 Sec. 3. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or
11 other issuances or parts thereof inconsistent with the provisions of this Act are
12 hereby repealed and modified accordingly.

13 Sec. 4. *Separability Clause.* – If any provision of this Act is subsequently
14 declared unconstitutional, the validity of the remaining provisions hereof shall remain
15 in full force and effect.

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

 Approved,