

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



Senate
Office of the Secretary

'15 MAR 18 P2:17

SENATE
S.B. NO. 2714

RECEIVED BY: 

Introduced by: SENATOR SERGIO OSMEÑA III

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 exempting from value-added tax (VAT) the sale of electricity by distribution, generation and transmission companies and electric cooperatives.

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. Thus, in light of the unabated price increases in fuel, food, and other commodities, Congress is duty bound to find ways of providing economic relief for the Filipino people. The removal of VAT on electricity is one of the reliefs that Congress should immediately act upon.

Nowadays, the Philippines has one of the highest costs of electricity in Southeast Asia. For instance, the February 2015 addition of 5.24 centavos generation charge per kilowatt-hour (kWh) plus the 12% VAT increased electricity charges by ₱ 0.52 per kWh. For a household consuming 200 kWh of electricity a month, the estimated VAT is ₱188.55. An amount substantial already to the average working Filipino as the price per kWh can hover from ₱ 5.49 to as high as ₱ 12.10. What is worse, VAT is not only imposed on the generation of consumed power, it is also felt in transmission and system loss charges, among others. Thus, when it comes to electricity cost, Filipinos suffer most than those in Southeast Asia.

As the bill promises to benefit the country's fiscal management, it is still imperative that Congress act with dispatch to approve it as the removal of VAT on electricity constitutes as an *invaluable economic relief for all Filipino households and businesses.*

With regard to the foregone revenue that may be suffered by the government, they can be offset by the increased purchasing power of all households and businesses. The resulting cheaper production costs will then parlay to a more robust and equitable economy for the country.

The immediate approval of this bill is therefore earnestly sought.


SERGIO OSMEÑA III
Senator



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

1 **SECTION 1.** - Section 108(A)(ii) of the National Internal Revenue Code, as amended by
2 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 Lease of*
4 *Properties.*-

5 “(A) *Rate and Base of Tax.*- x x x

6 (i) x x x

7 (ii) x x x

8 “The phrase ‘sale or exchange of services’ means the performance of all
9 kinds of services in the Philippines for others for a fee, remuneration or
10 consideration, including those performed or rendered by construction and
11 service contractors; stock, real estate, commercial, customs and
12 immigration brokers; lessors of property, whether personal or real;

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

21 "x x x.

22 **SEC. 2.** - Section 109 (1) of the National Internal Revenue Code, as amended by
23 Republic Act No. 9337, is further amended to read as follows:

24
25 "SEC. 109- Exempt Transactions.- (1) Subject to the provisions of subsection (2)
26 hereof, the following transactions shall be exempt from the value-added tax:

27
28 "(A) xxx

29
30 "(B) xxx

31 "xxx

1 “(U) xxx
2 “(V) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND
3 DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;

4 “(W) SERVICES OF FRANCHISE GRANTEEES OR ELECTRIC UTILITIES;

5 “(X) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING
6 SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER HIMSELF IN
7 THE GENERATION, TRANSMISSION, AND DISTRIBUTION OF ELECTRICITY.”

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

9 **SEC. 3. - *Repealing Clause.***- The following laws or provisions of laws are hereby
10 repealed:

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

12 (B) All other laws, acts, decrees, executive orders, issuances, and rules and regulations
13 or parts thereof which are contrary to and inconsistent with any provisions of this
14 Act are hereby repealed, amended or modified accordingly.

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

18 **SEC. 5. - *Effectivity Clause*** - This Act shall take effect immediately after its
19 complete publication either in the Official Gazette or in a newspaper of general circulation in
20 the Philippines.

21 Approved,