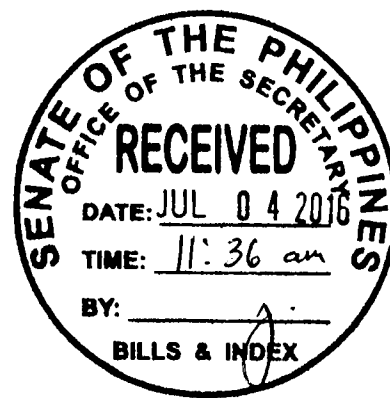


SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



SENATE

Senate Bill No. 303

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**Introduced by Senator Juan Miguel F. Zubiri**

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**AN ACT**  
**CLASSIFYING THE SALE OF ELECTRICITY BY ELECTRIC COOPERATIVES,**  
**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**

**EXPLANATORY NOTE**

The Philippines has been ranked as one of the countries with the highest electricity rates in South East Asia in recent years. In addition, the country is also plagued with shortages in power supply. The high cost of electricity and unreliable power supply has become major stumbling blocks in improving the competitiveness of the Philippines in attracting foreign investments and businesses that require competitive power rates. Apart from constraints in economic development and industrialization, the high cost of power gives undue burden to the average earning Filipino who can barely make ends meet given the increasing prices of food, fuel, education, medical costs and other basic necessities.

It has been established in various studies that while electric rates in countries such as Indonesia, Malaysia, and Thailand are heavily subsidized by their governments, rates in the Philippines are heavily taxed. Across the entire power supply chain in the Philippines, from royalty taxes on indigenous fuel for power generation (e.g., Malampaya natural gas, geothermal steam), to the value-added tax, the local franchise tax, the Universal Charges, and other government fees and charges, power prices incorporate numerous state impositions that push up the final cost of electric service to end-users.

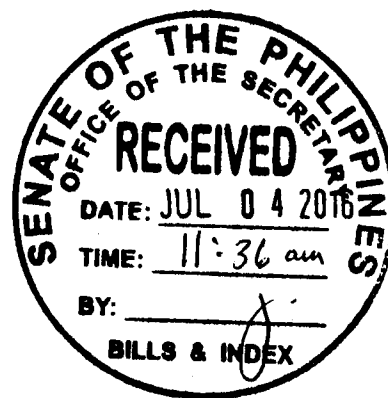
Taking all these in consideration, this measure proposes to exempt from value-added tax (VAT) the sale of electricity by electric cooperatives by amending National Internal Revenue Code of 1997, as amended by Republic Act No. 9377.

The measure will provide much needed respite for Filipino households in the rural areas where electric cooperatives are situated from high electricity rates. The bill will likewise afford competitive power rates to attract more investments and boost the competitiveness of small and medium industries.

The immediate approval of this bill is therefore earnestly sought.

  
**JUAN MIGUEL F. ZUBIRI**

SEVENTEENTH CONGRESS OF THE )  
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SENATE

Senate Bill No. 303

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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) **SALES OF ELECTRICITY 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,