

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



23 JUL 12 P3:08

**SENATE**

S. No. 2301

RECEIVED BY: \_\_\_\_\_

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Introduced by Senator Francis G. Escudero

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**AN ACT  
EXEMPTING ELECTRICITY SALES FROM VALUE-ADDED TAX, FURTHER  
AMENDING FOR THE PURPOSE SECTIONS 108 AND 109 OF THE NATIONAL  
INTERNAL REVENUE CODE, AS AMENDED**

EXPLANATORY NOTE

The cost of electricity consumption in the Philippines is high relative to other economies in the region. High operating costs fueled by high electricity prices stifle private sector investments in critical sectors such as manufacturing and escalate the prices of basic goods and commodities. It likewise curbs the efficient transformation of the economy and contributes to greater economic problems such as development progeria and premature deindustrialization.

This bill, in recognition of the wisdom behind House Bill No. 2151 filed by Representatives Dagooc and De Jesus and Senate Bill No. 866 filed by Senator Poe, seeks to address the high electricity cost by exempting electricity sale from value-added tax. By granting relief, the government can lower operating costs of industries and businesses, temper inflation, and increase disposable household income, while generating revenue windfall through increased economic activity and consumption.

In view of the foregoing, due consideration and evaluation of this bill for its approval is requested.

  
**FRANCIS G. ESCUDERO**

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AMENDING FOR THE PURPOSE SECTIONS 108 AND 109 OF THE NATIONAL  
INTERNAL REVENUE CODE, AS AMENDED**

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

1 Section 1. Section 108 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3 "Sec. 108. *Value-added Tax on Sale of Services and Use or Lease*  
4 *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%) of gross  
7 receipts derived from the sale or exchange of services, including the use  
8 or 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 for a  
11 fee, remuneration or consideration, including those performed or  
12 rendered by construction and service contractors; stock, real estate,  
13 commercial, customs and immigration brokers; lessors of property,  
14 whether personal or real; warehousing services; lessors or distributors  
15 of cinematographic films; persons engaged in milling processing,  
16 manufacturing or repacking goods for others; proprietors, operators or  
17 keepers of hotels, motels, rest houses, pension houses, inns, resorts;  
18 proprietors or operators of restaurants, refreshment parlors, cafes and

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

18 "X x x."

19 Section 2. Section 109 of the National Internal Revenue Code of 1997, as  
20 amended, is hereby further amended to read as follows:

21 "Sec. 109. *Exempt Transactions.* –

22 "(1) Subject to the provisions of Subsection (2) hereof, the  
23 following transactions shall be exempt from the value-added tax:

24 "(A) X x x.

25 "X x x.

26 "(BB) X x x.

27 "**(CC) SALE OF ELECTRICTY BY GENERATION,**  
28 **TRANSMISSION, AND DISTRIBUTION COMPANIES**  
29 **AND ELECTRIC COOPERATIVES;**

1                                   **"(DD) SERVICES OF FRANCHISE GRANTEES**  
2                                   **OF ELECTRIC UTILITIES; AND**

3                                   **"(EE) [~~EE~~] X x x."**

4                    Sec. 3. *Separability Clause.* – If any provision or part hereof is declared  
5                    unconstitutional, the remainder of this Act or any provision not affected thereby shall  
6                    remain in full force and effect.

7                    Sec. 4. *Repealing Clause.* – All laws, acts, decrees, executive orders, issuances,  
8                    and rules and regulations or parts thereof which are contrary to and inconsistent with  
9                    this Act are hereby repealed, amended or modified accordingly.

10                  Sec. 5. *Effectivity.* – This Act shall take effect immediately following its  
11                  publication in the *Official Gazette* or in at least two (2) newspapers of general  
12                  circulation.

                  Approved,