

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



Senate
Office of the Secretary

'16 JUL 20 P3:19

SENATE
S.B. No. 670

RECEIVED BY: *[Signature]*

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

AN ACT

CLASSIFYING THE SALE OF ELECTRICITY BY GENERATION, TRANSMISSION AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, AND THE SERVICES OF FRANCHISE GRANTEEES 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

The cost of electricity rose once again in February this year, owing to higher power supply agreements as Filipinos braced themselves for the summer months when electric bills normally skyrocket. The Philippines has one of the most expensive electricity costs in Southeast Asia, having the third highest tariffs for residential electricity whereas our neighbors' electrical distribution is heavily subsidized by their governments.

High power rates are debilitating to the average household or business that already struggle to cover the costs of many other necessities such as water, gas, and of increasing necessity nowadays, internet.

This bill seeks to amend the National Internal Revenue Code of 1997, as amended, by removing Value Added Tax from the sale of electricity, at all stages: generation, transmission, and distribution, by all electric companies and cooperatives.

A tax relief on electricity will result in a significant gain in disposable income for Filipino families, as well as for businesses who benefit from lower operating costs and more profit left for expansion and investment. VAT-exempt electricity will surely light up many more Filipino's lives.

In view of the foregoing, the passing of this bill is earnestly sought.


Senator Paolo Benigno "Bam" A. Aquino IV


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



Senate
Office of the Secretary

'16 JUL 20 P3:19

SENATE
S.B. No. 670

RECEIVED BY: 

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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

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
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 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
9 "The phrase 'sale or exchange of services' means the performance
10 of all kinds of services in the Philippines for others for a fee,
11 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
17 or keepers of hotels, motels, rest-houses, pension houses, inns,

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

18 "X X X."

19
20 **SEC. 2. – Section 109 (1) of the National Internal Revenue Code, as amended**
21 **by Republic Act No. 9337, is further amended to read as follows:**

22
23 "SEC. 109. – Exempt Transactions. – (1) Subject to the provisions of
24 subsection (2) hereof, the following transactions shall be exempt from the value-
25 added tax:

26 " (A) X X X

27 " (B) X X X

28 " X X X

29 " (U) X X X

30 **"(V) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND**
31 **DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**

32 **"(W) SERVICES OF FRANCHISE GRANTEES OR ELECTRIC UTILITIES;**

33 **"(X) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT,**
34 **INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER**
35 **HIMSELF IN THE GENERATION, TRANSMISSION, AND DISTRIBUTION OF**
36 **ELECTRICITY."**

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

2 **SEC. 3. *Separability Clause.*** - Should any provision herein be declared
3 unconstitutional, the same shall not affect the validity of the other provisions of this
4 Act.

5 **SEC. 4. *Repealing Clause.*** – Sections 24 (A) and (B) of Republic Act No. 9337
6 are hereby repealed. All laws, decrees, orders, rules, and regulations or other
7 issuances or parts inconsistent with the provisions of this Act are hereby repealed or
8 modified accordingly.

9 **SEC. 5. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
10 publication in the *Official Gazette* or in two (2) newspapers of general circulation in
11 the Philippines.

12 *Approved,*