

SENATE
S.B. No. 1824

'18 MAY 28 P5:47

Introduced by Senator Poe

RECEIVED

AN ACT
EXEMPTING THE SALE OF ELECTRICITY 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 a costly necessity. According to the 2012 Family Income and Expenditure of the Philippine Statistics Authority, electricity accounted for 4.5% of total family expenditure in 2012.¹ For a family of five in the lowest income decile, this is equivalent to spending Php 7,023 or Php 585 a month.²

Taxes and subsidies account for 11 to 20% of a family's electricity bill, of which at around 9% 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.³

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


GRACE POE

¹ Philippine Statistics Authority. 2012 Family Income and Expenditure Survey.

² *Ibid.*

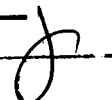
³ United States Agency for International Development. "Challenges in Pricing Electric Power Services in Selected ASEAN Countries" (April 2013). Retrieved from <http://www.catif.org/wp-content/uploads/2013/10/Challenges-in-Pricing-Electric-Power-Services.pdf>

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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 Lease of
4 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 of
8 lease of properties.

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

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

17 x x x"

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

20 "SEC. 109. Exempt Transactions-

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

23 (A) x x x

24 (B) x x x

25 x x x"

26 (AA) Sale of drugs and alcohol and medicines prescribed for diabetes, high
27 cholesterol, and hypertension beginning January 1, 2019; ~~and~~

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

29 **(CC) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION,**
30 **AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**

31 **AND**

1 **(DD) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC**
2 **UTILITIES.**

3 SEC. 3. *Repealing Clause.*- All laws, decrees, orders, rules and regulations or
4 other issuances or parts thereof inconsistent with the provisions of this Act are
5 hereby repealed and modified accordingly.

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

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

12 Approved,
13