

**NINETEENTH CONGRESS OF THE }
REPUBLIC OF THE PHILIPPINES }
Third Regular Session }**

25 JAN 30 P 6:10

REC

SENATE

S.B. No. 2970

Introduced by Senator Francis "Tol" N. Tolentino

**AN ACT
EXEMPTING ELECTRICITY SALES AND INTERNET SERVICES 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 notably high compared to other economies in the region. This increase in operating costs, driven by soaring electricity prices, significantly hampers private sector investments in crucial areas like manufacturing and leads to higher prices for basic goods and commodities. This situation not only stifles economic growth but also contributes to serious challenges such as development stagnation and premature deindustrialization. To address these issues, the bill aims to exempt electricity sales from value-added tax (VAT). By doing so, the government can help lower operating expenses for businesses, control inflation, and boost the disposable income of households. This relief is expected to stimulate economic activity and consumption, benefiting the overall economy.


Equally important is the need to emphasize that internet sales and services should be considered in the enumeration of exempt transactions from the VAT imposition. However, the high VAT imposed on these services limits access and affordability, creating significant barriers for consumers and small businesses. Exempting internet services from VAT is essential for promoting greater digital inclusion and ensuring that all Filipinos can participate in the digital economy.

The vital role of electricity and internet in our daily life particularly in education and remote work cannot be overstated. As more educational institutions transition to

online platforms and businesses adopt flexible work arrangements, affordable internet access becomes vital for success. By eliminating VAT on electricity and internet sales and services, the government would alleviate financial pressures on consumers and businesses alike, fostering a more inclusive and robust digital landscape.

Moreover, this bill aims to alleviate the rising costs of essential commodities and improve the overall quality of life for Filipinos.

The immediate passage of this bill is earnestly sought.



FRANCIS "TOL" N. TOLENTINO

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AN ACT
EXEMPTING ELECTRICITY SALES AND INTERNET SERVICES FROM VALUE-ADDED TAX, FURTHER 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:

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

"Sec. 108. Value-added Tax on Sale of Services and Use or Lease of Properties.-

"(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to twelve percent (12%) of gross receipts derived from the sale or exchange of services, including the use or lease of properties.

"The phrase "sale or exchange of services" means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and Immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, rest houses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors;

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

"X X X."

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

19 "Sec. 109. *Exempt Transactions.* -

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

22 "(A) X X X.

23 "X X X.

24 "(BB) X X X.

25 **"(CC) SALE OF ELECTRICITY BY GENERATION, TRANSMISSION, AND**
26 **DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES;**

27 **(DD) SERVICES OF FRANCHISE GRANTEES OF ELECTRIC UTILITIES;**

28 **(EE) SALES AND SERVICES OF INTERNET SERVICE PROVIDERS (ISPs)**

29 **xxx"**

30 Sec. 3. *Separability Clause.* - If any provision or part hereof is declared
31 unconstitutional, the remainder of this Act or any provision not affected thereby shall
32 remain in full force and effect.

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

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

Approved,