

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Batasan Hills, Quezon City

TWENTIETH CONGRESS  
First Regular Session

HOUSE BILL NO. 7844



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Introduced by Honorable Representatives  
SARAH JANE I. ELAGO (Gabriela Women's Party)  
RENEE LOUISE M. CO (Kabataan Partylist)  
ANTONIO L. TINIO (ACT Teachers Partylist)

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**AN ACT REPEALING REPUBLIC ACT NO. 12023, OTHERWISE KNOWN AS AN  
ACT AMENDING SECTIONS 105, 108, 109, 110, 113, 114, 115, 128, 236, AND 288  
AND ADDING NEW SECTIONS 108-A AND 108-B OF THE NATIONAL  
INTERNAL REVENUE CODE OF 1997, AS AMENDED**

#### EXPLANATORY NOTE

Republic Act No. 12023, which imposes a 12% Value-Added Tax (VAT) on digital services, was enacted to broaden the tax base and ensure that digital transactions are taxed in the same manner as traditional goods and services. The implementation of the VAT on digital services has produced significant consequences that disproportionately burden Filipino consumers and workers, especially freelancers, online sellers, content creators, and students.

Digital services are no longer optional conveniences for Filipinos, especially after the pandemic. Freelancers rely on online platforms to communicate and conduct business transactions with clients abroad. Micro, small, and medium enterprises (MSMEs) use digital marketplaces and advertising platforms to reach customers. Students depend on cloud-based tools and subscription services for learning. The VAT on digital services effectively adds another layer of taxation on the very tools they need to earn a living, such as cloud storage, online marketplaces, advertising platforms, and software subscriptions. This results in higher operating costs and reduced take-home pay for individuals who are already burdened with existing tax laws.

Government revenue collection should not be addressed by imposing regressive tax measures on ordinary Filipinos, especially the working class. In 2025, the collective wealth of the

Philippines' 50 richest climbed to \$86 billion or around Php 4.9 trillion.<sup>1</sup> The Bureau of Internal Revenue (BIR) announced that it projects more than PhP 20 billion in revenue from the VAT on digital services providers in 2026.<sup>2</sup> This projected revenue could very well be collected from different and new tax measures, such as an increase in the tax on wealthy individuals and top corporations.

It also bears emphasizing that a staggering amount of Php 545.6 billion was allocated for 9,855 flood control projects from July 2022 to May 2025.<sup>3</sup> These funds were sourced from the toiling masses who are themselves victims of government's failure to provide the necessary flood mitigation projects because funding was pocketed by government officials and contractors.

The imposition of another regressive tax measure on the ordinary Filipino workers, through VAT on digital services, on top of income tax and high inflation rate of the prices of goods and services, only aggravates the worsening living conditions of the masses. Let it be underscored that it is the workers, small business owners, and ordinary households who bear the heaviest burden of additional taxes, while the wealthy contribute disproportionately less, and billions of pesos appropriated for public services are lost through corruption.

For the foregoing reasons, the passage of this bill is sought.



**REP. SARAH JANE I. ELAGO**  
*Gabriela Women's Party*



**REP. RENEE LOUISE M. CO**  
*Kabataan Partylist*



**REP. ANTONIO L. TINIO**  
*ACT Teachers Partylist*

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<sup>1</sup> <https://www.forbes.com/sites/janeho/2025/08/06/philippines-50-richest-2025-collective-wealth-climbs-6-to-86-billion-siblings-remain-at-top/>

<sup>2</sup> <https://mb.com.ph/2026/02/13/bir-eyes-20-billion-digital-tax-windfall-to-fuel-2026-collection-goals>

<sup>3</sup> <https://newsinfo.inquirer.net/2101987/billions-flow-to-flood-control-but-not-to-save-us-from-rising-waters>

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INTERNAL REVENUE CODE OF 1997, AS AMENDED**

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

**SECTION 1.** Republic Act No. 12023, otherwise known as “An Act Amending Sections 105, 108, 109, 110, 113, 114, 115, 128, 236, and 288 and Adding New Sections 108-A and 108-B of the National Internal Revenue Code of 1997, As Amended,” is hereby repealed.

**SECTION 2. Repealing Clause** – All laws, decrees, executive issuances, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

**SECTION 3. Effectivity Clause** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*