



Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

National Office Building
Quezon City



MAR 05 2026

REVENUE REGULATIONS NO. 002-2026

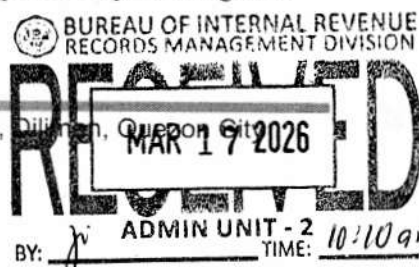
SUBJECT : Guidelines in the Availment of the Fiscal Incentives Under Section 38 of Republic Act No. 12120, Otherwise Known as the "Philippine Natural Gas Industry Development Act"

TO : All Internal Revenue Officials, Employees and Others Concerned

SECTION 1. SCOPE. – Pursuant to Sections 244 and 245 of the National Internal Revenue Code of 1997, as amended (Tax Code), and in accordance with the State's policy to promote natural gas as a safe, efficient, and cost-effective energy source, these Regulations are hereby issued to provide guidelines in the availment of the tax incentives provided under Section 38 of Republic Act (RA) No. 12120, otherwise known as the "Philippine Natural Gas Industry Development Act".

SECTION 2. DEFINITION OF TERMS. – For purposes of these Regulations, the following terms shall be defined as follows:

- (a) *Aggregation* refers to the procurement of indigenous natural gas, combining it with imported Liquefied Natural Gas, and selling the aggregated gas to gas buyers in the Philippines or abroad, by Participant/s known as aggregators;
- (b) *Ancillary services* are those services provided by a generation facility using indigenous natural gas and/or aggregated gas, which are necessary to support the transmission and distribution of electricity;
- (c) *Distribution Utility* refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with RA No. 9136 or the Electric Power Industry Reform Act of 2001;
- (d) *Generation Facility* refers to a facility for the production of electricity and/or thermal energy such as, but not limited to, steam, hot or cold water;
- (e) *Indigenous Natural Gas* refers to natural gas produced from fields within the territorial jurisdiction of the Republic of the Philippines;
- (f) *Liquefied Natural Gas* refers to natural gas that has been liquefied by cooling at a cryogenic temperature;



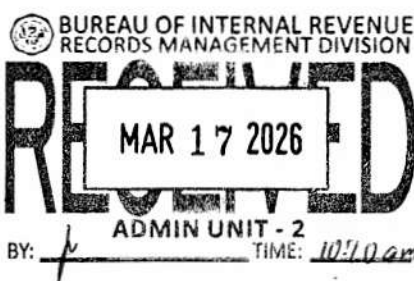
- (g) *Participant* refers to a natural or juridical person who engages in the trade of natural gas either as a supplier, aggregator, bunker trader, or reseller;
- (h) *Permit* refers to an authorization issued by the Department of Energy (DOE) for the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of Philippine Downstream Natural Gas Industry (PDNGI) Facilities for Own-Use or Third-Party Access (TPA). It shall likewise apply to the accreditation of Participants in the trade of natural gas, including but not limited to the purchase, supply, aggregation, bunkering, reselling, and export of natural gas, and any other activity related to the PDNGI;
- (i) *Permit Holder* refers to a natural or juridical person who owns the PDNGI Facility and is granted a permit by the DOE to engage in the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities for Own-use or TPA;
- (j) *Philippine Downstream Natural Gas Industry Facility or PDNGI Facility* refers to the Liquefied Natural Gas Storage and Regasification Terminal, PDNG Transmission System, and PDNG Distribution System, and other related facilities;
- (k) *Reselling* refers to the procuring of natural gas from a supplier or aggregator and reselling it to gas buyers by a Participant known as reseller; and
- (l) *Supply* refers to the procuring or producing and selling of indigenous or imported natural gas to gas buyers in the Philippines or abroad by a Participant known as a supplier.

SECTION 3. FISCAL INCENTIVES. – The fiscal incentives provided under Section 38 of RA No. 12120 are as follows:

a. VALUE-ADDED TAX (VAT) EXEMPTION. – The purchase and sale of indigenous natural gas, aggregated gas and power generated by generation facilities using indigenous natural gas and aggregated gas shall be exempt from VAT. Provided, that the exemption from VAT for aggregated gas is only to the extent of the amount of indigenous natural gas attributed to be in the aggregated gas. This includes:

- i. purchase and sale of indigenous natural gas and aggregated gas by an aggregator, reseller, supplier, person authorized by the Energy Regulatory Commission (ERC) to operate facilities used in the generation of electricity, or an end-user; and
- ii. purchase and sale of electricity or ancillary services produced by a generation facility using indigenous natural gas and/or aggregated gas by a person authorized to:

- (1) operate facilities used in the generation of electricity or ancillary services;
- (2) sell, broker, market or aggregate electricity to end-users;



- (3) consolidate electric power demand of end-users for the purpose of purchasing and reselling electricity on a group basis;
- (4) engage in the distribution of electricity; or
- (5) procure or provide ancillary services.

These shall include all modes of purchase and sale, whether through a supply agreement: a duly authorized market such as, but not limited to, the wholesale electricity spot market or the ancillary reserves market, financial gas contracts, NGSPA; or through other modes.

- b. **INCENTIVES UNDER TITLE XIII OF THE TAX CODE.** – All PDNGI Facilities, as certified by the DOE, may avail of the tax incentives under Title XIII of the Tax Code, provided that they are included in the Strategic Investment Priority Plan (SIPP) and duly registered with the Board of Investments (BOI).

SECTION 4. REQUIREMENTS FOR THE AVAILMENT OF THE VAT EXEMPTION. – To qualify for VAT exemption, the following documents shall be attached to the Quarterly VAT Declaration (BIR Form No. 2550Q):

1. For Participants:

- i. Endorsement from the DOE's Oil Industry Management Bureau (OIMB) confirming that the Participant is engaged in the sale of Indigenous Natural Gas under Section 3(a)(i) hereof; and
- ii. DOE-OIMB Certification indicating the volume and percentage of Indigenous Natural Gas sold by a Participant for the taxable quarter.

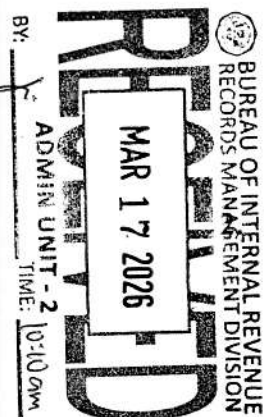
For Generation Facilities:

- i. Endorsement from DOE's Electric Power Industry Management Bureau (EPIMB) confirming that the Generation Facility is using Indigenous Natural Gas under Section 3(a)(ii) hereof; and
- ii. DOE-EPIMB Certification on the power produced from Indigenous Natural Gas for the corresponding taxable quarter.

In both cases, a **Certified True Copy of the DOE Permit** shall be attached to the DOE Endorsement.

In preparing the Quarterly VAT Declaration, taxpayers shall indicate the legal basis of the VAT exemption availed of (*i.e.*, *Section 38 of R.A. No. 12120*) on Field Item Number 14A of the Quarterly VAT Declaration.

SECTION 5. REQUIREMENTS FOR AVAILMENT OF INCENTIVES UNDER TITLE XIII OF THE TAX CODE. – The availment of incentives under Title XIII of the Tax Code shall be governed by the provisions of Title XIII of the Tax Code and its Implementing Rules and Regulations.



SECTION 6. PROHIBITION AGAINST DOUBLE AVAILMENT OF INCENTIVES. –

Unless otherwise provided by law, the availment of fiscal incentives under Title XIII of the Tax Code shall be a disqualification on the availment of similar tax incentives provided under the RA No. 12120 and other special laws.

SECTION 7. REPEALING CLAUSE. – All revenue rules and regulations and other revenue issuances or parts thereof, which are inconsistent with these Regulations, are hereby amended or modified accordingly.

SECTION 8. SEPARABILITY CLAUSE. – If any clause, sentence, provision or section of these Regulations shall be held invalid or unconstitutional, the remaining parts thereof shall not be affected thereby.

SECTION 9. EFFECTIVITY. – These Regulations shall take effect fifteen (15) days following its publication in the Official Gazette or in the BIR Official website, whichever comes first.

Recommending Approval:



CHARLITO MARTIN R. MENDOZA
Commissioner of Internal Revenue



FREDERICK D. GO
Secretary of Finance

MAR 10 2026

 **BUREAU OF INTERNAL REVENUE**
RECORDS MANAGEMENT DIVISION

RECEIVED
MAR 17 2026

BY:  **ADMIN UNIT - 2** TIME: 10:10am

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