

SENATE
S. No. 3152

9 APR 13 13:30

Introduced by Senator Lacson

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EXPLANATORY NOTE

Presidential Decree (P.D.) No. 198 institutionalized the concept of Local Water Districts (LWDs). As early as 1973, the government recognized the need for reliable and economically viable and sound water supply and wastewater disposal system for population centers of the Philippines.

In order to support the growth of LWDs, P.D. No. 198 exempted them from paying income taxes, as well as from the payment of all National Government, local government and municipal taxes and fees, and all duties or imposts on imported machinery, equipment and materials required for its operations.

Over a period of more than three (3) decades, several laws were enacted either granting or withdrawing the tax exemption privileges of LWDs. Also, the juridical personality and tax status of LWDs, as gleaned from the provisions of Sections 27 and 32 of the Tax Code, have been subjected to various interpretations by government agencies and judicial bodies. Even more disconcerting is the fact that other public utilities of similar nature such as the Metropolitan Waterworks and Sewerage System (MWSS) and National Power Corporation (NPC) were granted tax exemptions by the Bureau of Internal Revenue (BIR) hinging upon the same Tax Code provisions.

Such inconsistencies have, in a way, hampered the viable growth and efficient provision of safe, adequate and potable water to more than fifteen (15) million people outside Metro Manila, contrary to the intentions of its original charter under P.D. No. 198.

In order to address the inconsistencies, this proposed bill is recommended as a counterpart measure of HB No. 5210 approved by the House of Representatives.

Premises considered, approval of this bill is earnestly sought.


PANFILO M. LACSON
Senator

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9 APR 14 A3:30

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AN ACT
EXEMPTING LOCAL WATER DISTRICTS FROM INCOME TAX, AMENDING FOR
THE PURPOSE SECTION 27 (C) OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED

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

1 **SECTION 1.** Section 27 paragraph (C) of the National Internal Revenue Code of 1997,
2 as amended by Republic Act No. 9337, is hereby further amended to read as follows:

3 "SEC. 27. Rates of Income Tax on Domestic Corporations. - xxx

4 "(C) Government-owned or -Controlled Corporations, Agencies or
5 Instrumentalities. - The provisions of existing special or general laws to the
6 contrary notwithstanding, all corporations, agencies, or instrumentalities
7 owned or controlled by the Government, except the Government Service
8 and Insurance System (GSIS), the Social Security System (SSS), the
9 Philippine Health Insurance Corporation (PHIC), **THE LOCAL WATER**
10 **DISTRICTS (LWD)** and the Philippine Charity Sweepstakes Office
11 (PCSO), shall pay such rate of tax upon their taxable income as are
12 imposed by this Section upon corporations or associations engaged in a
13 similar business, industry, or activity.

14 "xxx"

15 **SEC. 2. Repealing Clause.** All laws, acts, decrees, executive orders, issuances,
16 and rules and regulations or parts thereof which are contrary to and inconsistent with
17 Act are hereby repealed, amended or modified accordingly.

18 **SEC. 3. Implementing Rules and Regulations.** - The Secretary of Finance shall
19 promulgate and publish the necessary rules and regulations for the effective
20 enforcement of the provisions of this Act.

21 **SEC. 4. Effectivity.** – This Act shall take effect fifteen (15) days after its
22 publication in at least two (2) newspapers of general circulation.

23 *Approved,*