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SENATE

COMMITTEE REPORT NO. 551 RECEIVED BY

Submitted by the Committee on Ways and Means on AUG 17 2009

Re: S.B. No. 3392

Recommending its approval in substitution of H.B. No. 5210 and S. No. 3152 taking into consideration S. Jt. Res. No. 24.

Sponsors: Senators Lacson and Escudero

MR. PRESIDENT:

The Committee on Ways and Means to which were referred House Bill No. 5210, introduced by Representative Antonino-Custodio, Angara, Castro, et al, entitled:

**AN ACT
AMENDING SECTIONS 27, 30, 34, 108 AND 109 OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED**

Senate Bill No. 3152, introduced by Senator Lacson, entitled:

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

and Senate Joint Resolution No. 24, introduced by Senator Escudero, entitled:


**A JOINT RESOLUTION
INCLUDING LOCAL WATER DISTRICTS WITHIN THE APPLICATION,
COVERAGE AND SCOPE OF SECTION 32(b)(7)(b) OF REPUBLIC ACT
NO. 8424 BEING THE LEGISLATIVE INTENT MEANT AND APPROVED
BY CONGRESS IN PASSING THE SAID LAW**

has considered the same and has the honor to report the bills back to the Senate with the recommendation that the attached S.B. No. 3392 prepared by the Committee, entitled:

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

be approved in substitution of House Bill No. 5210 and S. B. No. 3152 taking into consideration S. Jt. Res. No. 24 with Senators Lacson and Escudero as authors thereof.

Respectfully submitted:



PANFILO M. LACSON
Chairman
Committee on Ways and Means


Members:


MAR ROXAS


LOREN B. LEGARDA

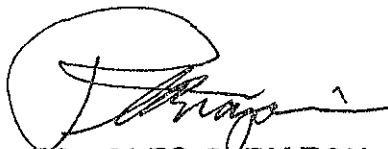

M.A. MADRIGAL


RICHARD J. GORDON


FRANCIS "CHIZ" G. ESCUDERO


BENIGNO S. AQUINO III


GREGORIO B. HONASAN II


RODOLFO G. BIAZON


MANUEL M. LAPID


EDGARDO J. ANGARA

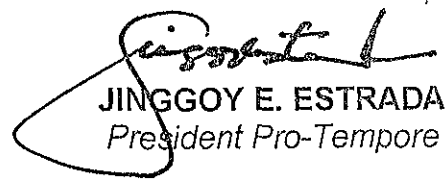

FRANCIS N. PANGILINAN


ALLAN COMPAÑERO S. CAYETANO

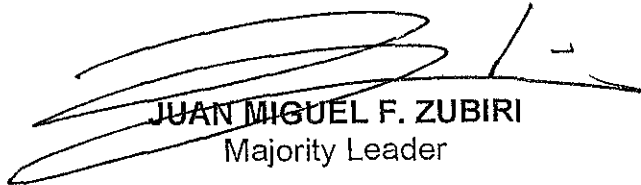

JOKER P. ARROYO


MANNY VILLAR

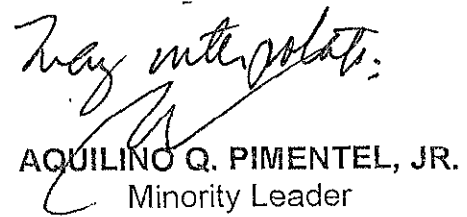
Ex-Officio Members:



JINGGOY E. ESTRADA
President Pro-Tempore



JUAN MIGUEL F. ZUBIRI
Majority Leader



AQUILINO Q. PIMENTEL, JR.
Minority Leader

HON. JUAN PONCE ENRILE
Senate President
Pasay City

SENATE
S. No. **3392**

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(In substitution of H. No. 5210 and S.B. No. 3152 taking into consideration of S. Mt. Res. No. 24)

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[Signature]

Prepared by the Committee with Senators Lacson and Escudero as authors thereof

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

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

1 **SECTION 1.** Section 27(C) of the National Internal Revenue Code of 1997, as
2 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
6 the contrary notwithstanding, all corporations, agencies, or
7 instrumentalities owned or controlled by the Government, except the
8 Government Service and Insurance System (GSIS), the Social Security
9 System (SSS), the Philippine Health Insurance Corporation (PHIC), **THE**
10 **LOCAL WATER DISTRICTS (LWD)** and the Philippine Charity
11 Sweepstakes Office (PCSO), shall pay such rate of tax upon their taxable
12 income as are imposed by this Section upon corporations or associations
13 engaged in a similar business, industry, or activity.

14 "x x x"

15 **SEC. 2. Tax savings.** – The amount that would have been paid as income tax
16 and saved by the local water district by virtue of its exemption to the income taxes shall
17 be used by the local water district concerned for capital equipment expenditure in order
18 to expand water services coverage and improve water quality in order to provide safe

1 and clean water in the provinces, cities, and municipalities: *Provided*, That, the water
2 district shall adopt internal control reforms that would bring about their economic and
3 financial viability: *Provided, further*, That the water district shall not increase by more
4 than twenty percent (20%) a year its appropriation for personal services, as well as for
5 travel, transportation or representation expenses and purchase of motor vehicles.

6 **SEC. 3. Condonation of Taxes Due.** – All unpaid taxes or any portion thereof due
7 from a local water district for the period starting August 13, 1996 until the effectivity date
8 of this Act are hereby condoned by the Government subject to the following conditions:

9 (1) That the Bureau of Internal Revenue, after careful review of the financial
10 statements of a water district applying for condonation of taxes due,
11 establishes its financial incapacity, after providing for its maintenance and
12 operating expenses, debt servicing and reserve fund, to meet such
13 obligations for the period stated herein; and

14 (2) That the water district availing of such condonation shall submit to Congress
15 of the Philippines a program of internal reforms, duly certified by the Local
16 Water Utilities Administration, that would bring about its economic and
17 financial viability.

18 **SEC. 4. Statistical and Financial Statements.** – All water districts, through the
19 Local Water Utilities Administration, shall furnish the Committee of Ways and Means of
20 the Senate and House of Representatives, on an annual basis, with statistical data and
21 financial statements regarding their operations and other information as may be
22 required, for purposes of monitoring compliance with the provisions of this Act and
23 reviewing the rationalization for tax exemption privileges.

24 **SEC. 5. Implementing Rules and Regulations.** – The Secretary of Finance shall
25 promulgate and publish the necessary rules and regulations for the effective
26 enforcement of the provisions of this Act.

27 **SEC. 6. Separability Clause.** – If any provision of this Act is held unconstitutional
28 or invalid, all other provisions not affected thereby shall remain valid.

1 **SEC. 7. *Repealing Clause.*** – All laws, decrees, executive orders, issuances,
2 rules and regulations or parts thereof, which are inconsistent with this Act, are hereby
3 repealed, amended or modified accordingly.

4 **SEC. 8. *Effectivity.*** – This Act shall take effect upon its approval.

Approved,