

THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

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S E N A T E

S. No. 443

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

Presidential Decree 198 launched the concept of local water districts operating strictly on loan borrowings, without subsidy nor appropriation from the national government. Under this concept, some 546 local water districts were organized as of June 1996. In order to support the growth of local water districts, Section 46 of PD 198 exempted water districts from the payment of all taxes, duties and fees.


The tax exemptions were withdrawn with the issuance of Executive Order No. 93 but temporarily restored through Republic Act 7109 until its expiration on August 15, 1996.

Today, some 387 water districts continue to be operational, serving some ten million people all over the country. Small to medium scale water districts which constitute 91% of total operational districts report negative net profits as they have to contend with high interest expenses and low operating revenues, given low profit margins.

This bill seeks to restore the tax exemptions under Section 46 of PD 198 as a support to the viability of local water districts. This bill also seeks to exempt local water districts from the requirement to remit 50% of annual net income to the National government, and to condone unpaid taxes, duties and required remittances since August 15, 1996.

Water service is a key public good that government should ensure to its citizens. Local water districts should have the support of the national government, and at the very least, should be spared from the burden of taxes.

In view of the foregoing, early passage of this bill is earnestly requested.


SERGIO OSMEÑA III
Senator

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AN ACT
RESTORING THE TAX EXEMPTION PRIVILEGE OF LOCAL WATER
DISTRICTS UNDER SEC. 46 OF P.D. 198 AS AMENDED, AND FOR OTHER
PURPOSES

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

1 **SECTION 1.** - Section 46 of P.D. 198, as amended, granting tax
2 exemption privileges to local water districts is hereby restored and shall be
3 effective for a period of ten (10) years from the approval of this Act.

4 **Sec. 2.** - Water districts shall likewise be exempted from the
5 provisions of R.A. 7656 requiring government-owned and controlled
6 corporations (GOCCs) to remit 50% of their annual net income to the National
7 Government, *Provided*, That the amount supposed to be remitted, is utilized
8 by the water district concerned, for the continuing expansions and improvement
9 of its system.

10 **Sec. 3.** - All unpaid taxes, duties and required remittances to the
11 government or any portion thereof due from local water districts for the period
12 starting August 15, 1996 until the effectivity of this Act, are hereby condoned.

13 **Sec. 4.** - All laws, decrees, orders, rules and regulations and other
14 issuances inconsistent with the provisions of this Act are deemed modified,
15 revoked or repealed accordingly.

1 **SEC. 5.** This Act shall take effect fifteen (15) days after its publication in
2 two (2) leading newspapers of national circulation.

Approved,