

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

04 SEP 15 P4:29

SENATE

S.B. No. 1783

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Introduced by Senator **JINGGOY EJERCITO ESTRADA**

EXPLANATORY NOTE

It has long been the policy of the State to promote the electrification of the entire nation.

Under P.D. 269 (National Electrification Administration Decree), it was the policy of the state to provide "the total electrification of the Philippines on an area coverage basis" the same "being vital to the people and the sound development of the nation", and "to promote, encourage and assist all public service entities engaged in supplying electric service, particularly electric cooperatives" by "giving every tenable support and assistance".


Under P.D. 269, electric cooperatives created under the law were granted several tax incentives, including permanent exemption from paying income taxes. Sections 193 and 234 of R.A. No. 7160 (Local Government Code), however, have withdrawn the tax exemption privileges of electric cooperatives registered under P.D. 269. Tax exemption privileges are now only available to cooperatives registered under R.A. No. 6938 (Cooperative Code of the Philippines).

The loss of the tax-exempt status of electric cooperatives under P.D. 269 has been affirmed by the Supreme Court on 10 June 2003 in G.R. No. 143-736 entitled "Philippine Rural Electric Cooperatives Association Inc. vs. The Secretary, Department of Interior and Local Government." The Supreme Court, in its decision, stated that the remedy of electric cooperatives under P.D. 269, to regain their tax-exempt status, is not judicial.

Electric cooperatives under P.D. 269 have complained that because of cumbersome legal and technical requirements, they cannot register or convert as stock cooperatives under R.A. No. 6938. These cooperatives are now facing severe difficulty to sustain their financial viability and strength because of the loss of their tax-exempt status.

To remedy the plight of electric cooperatives created under P.D. 269, there is now a need to amend Sections 193 and 234 (d) of the Local Government Code. This amendment will restore the tax-exemption privileges that electric cooperatives have enjoyed in the past.

In view of these, passage of this bill is earnestly recommended.


JINGGOY EJERCITO ESTRADA
Senator

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

04 SEP 15 14:29

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SENATE

S.B. No. 1783

Introduced by Senator **JINGGOY EJERCITO ESTRADA**

AN ACT
TO RESTORE THE TAX EXEMPTION PRIVILEGES OF ELECTRIC
COOPERATIVES CREATED UNDER P.D. 269, OTHERWISE KNOWN AS THE
"NATIONAL ELECTRIFICATION ADMINISTRATION DECREE",
AMENDING FOR THIS PURPOSE SECTION 193 AND 234 (d) OF R.A. NO. 7160
OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991"

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

SECTION 1. Section 193 of Republic Act No. 7160 is hereby amended to read as
follows:

"Section 193. *Withdrawal of Tax Exemption Privileges.* – Unless
otherwise provided in this Code, tax exemptions or incentives granted to,
or presently enjoyed by all persons, whether natural or judicial, including
government-owned AND controlled corporations, except local water
districts, cooperatives duly registered under R.A. No. 6938, ELECTRIC
COOPERATIVES DULY REGISTERED UNDER P.D. 269, non-stock
and non-profit hospitals and educational institutions, are hereby
withdrawn upon the effectivity of this Code."

SECTION 2. Section 234 (d) of Republic Act No. 7160 is hereby amended to read
as follows:

"Section 234. Exemption from Real Property Tax. x x x
(d) All real property owned by duly registered cooperatives as provided for under
R.A. No. 6938 (,) and DULY REGISTERED ELECTRIC COOPERATIVES
UNDER P.D. 269; x x x "

SECTION 3. *Repealing Clause* – All laws, decrees, executive order, and rules
and regulations, or parts thereof, inconsistent with the provisions of this Act, are hereby
repealed or modified accordingly.

SECTION 4. *Separability Clause* – If, for any reason, any section or provision of
this Act is held unconstitutional or invalid, the other sections or provisions hereof shall
not be affected and thereby remain in full force and effect.

SECTION 5. *Effectivity Clause* – This Act shall take effect fifteen (15) days after
its complete publication in at least two (2) national newspapers of general circulation.

Approved,