

# FOURTEENTH CONGRESS OF THE)REPUBLIC OF THE PHILIPPINES)Second Regular Session)

9 APR 20 P5:48

## SENATE

# JT. RES. NO. <u>24</u>

#### Introduced by Senator FRANCIS G. ESCUDERO

#### 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.

WHEREAS, Republic Act No, 8424, the Comprehensive Tax Reform Program of the government, took effect on 01 January 1998.

WHEREAS, Sec. 32 (B)(7)(b) of RA 8424 provides:

"Sec. 32, Gross Income,-

"(B) Exclusion from Gross Income.- The following items shall <u>not</u> be included in gross income and shall be exempt from taxation under this Title:

Xxx xxx xxx

(7) Miscellaneous Items.-

(a) ...

(b) Income Derived by the Government or its Political Subdivisions.- Income derived from any public utility or from the exercise of any essential governmental function accruing to the Government of the Philippines or to any political subdivision thereof.

Xxx xxx xxx". (underscoring supplied).

WHEREAS, local water districts derive income from their operations as public utilities and exercise a very essential governmental function, which is to provide the most fundamental of all human needs, water.

WHEREAS, the income of local water districts definitely accrues to the Government of the Philippines since they are government-owned and controlled corporations (GOCC).<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> The term "Government of the Republic of the Philippines" or "Philippine Government" was defined by the Supreme Court as to include government-owned and controlled corporations. (Central Bank of the Philippines vs. Court of Appeals, Ablaza Construction & Finance Corp., G.R. No. L-33022, 22 April 1975)

WHEREAS, the Bureau of Internal Revenue (BIR), in its Rulings, Nos. 018-00 and 088-01, dated 20 January 2000 and 16 May 2001, respectively, regards the National Power Corporation and the Metropolitan Waterworks and Sewerage System, both GOCCs similar to local water districts, as within the ambit and coverage of Sec. 32 (B)(7)(b) of RA No. 8424, exempting them from payment of corporate income tax.

WHEREAS, despite such clear and unequivocal wordings of the law and the BIR rulings cited above, local water districts are still made subject to income tax.

WHEREAS, if only to help and support local water districts of the needed and additional funds in the maintenance and expansion of their operations, for them to be able to provide more safe and clean water in the provinces and other rural areas, and more importantly as a declaration of the true legislative intent of RA No. 8424, Congress is but mandated to adopt this Resolution.

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that local water districts be included, as they are included, 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.

Adopted,

FRANCIS G. ESCUDERO