

SEVENTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session



'16 JUL 20 A9:31

SENATE

S. No. **640**

REF BY: 

Introduced by Senator Antonio "Sonny" F. Trillanes IV

AN ACT
REMOVING THE CONDITIONS FOR THE CONDONATION OF ALL UNPAID
TAXES DUE FROM LOCAL WATER DISTRICTS, AMENDING FOR THE
PURPOSE SECTION 289-A OF THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED

EXPLANATORY NOTE

Water is considered as one of the basic necessity of man. Humans need clean and safe water in order to survive and to perform various duties. In line with the needs of people, Local Water Districts (LWDs) were created on May 25, 1973 under Presidential Decree No. 198 or "The Provincial Water Utilities Act of 1973." As of 2010, there are 831 functioning LWDs all over the country.

However, due to lack of resources, the said water units are not able to provide excellent service. The said agencies are finding it hard to raise funds to develop its facilities because a portion of their income is being paid to the government as taxes.

Despite the enactment of R.A. 10026 entitled as "An Act Granting Income Tax Exemption to Local Water Districts by Amending Section 27 (C) of the National Internal Revenue Code of 1997 As Amended, and Adding Section 289-A To The Code For the Purposes" or an Amendment to the Section 289-A of the National Internal Revenue Code on March 11, 2010, several LWDs still have due unpaid taxes which they have to settle. This is because the said amendment has conditions that are tedious and complex and in the end, only a portion of those who apply for the condonation are approved for tax exemption.

Thus, this bill seeks to relieve all LWDs from the conditions of the Bureau of Internal Revenue for the condonation of all unpaid taxes due from them. The condonation is deemed necessary since not all LWDs are financially capable of paying their due taxes. The proposed amendment aims to assist LWDs, with limited resources, to develop their facilities and

instead, channel their resources into expansion of supply and provision of safe, potable, and clean water.

In view of the foregoing, the immediate passage of this Act is earnestly sought.

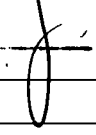

ANTONIO "SONNY" F. TRILLANES IV
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*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

SECTION 1. Section 289-A of the National Internal Revenue Code of 1997, as
amended, is hereby further amended to read as follows:

"Sec. 289-A. Support for Local Water Districts. – The amount that
would have been paid as income tax and saved by the local water district by
virtue of its exemption [to the] **FROM** income taxes shall be used by the local
water district concerned for capital equipment expenditure in order to expand
water services coverage and improve water quality in order to provide safe and
clean water in the provinces, cities, and municipalities: Provided, That the
water district shall adopt internal control reforms that would bring about their
economic and financial viability: *Provided, further,* That the water district
shall not increase by more than twenty percent (20%) a year its appropriation
for personal services, as well as for travel, transportation or representation
expenses and purchase of motor vehicles.

All unpaid **INCOME** taxes or any portion thereof due from a local
water district for the period starting August 13, 1996 until the effectivity date
of this Act are hereby condoned by the Government **THEREBY
RELIEVING ALL LOCAL WATER DISTRICTS FROM THE
PAYMENT THEREOF.** [subject to the following conditions: (1) that the
Bureau of Internal Revenue, after careful review of the financial statements of
a water district applying for condonation of taxes due, established its financial
incapacity, after providing for its maintenance and operating expenses, debt
servicing and reserved funds, to meet such obligations for the period stated
herein; and (2) that the water district availing of such condonation shall submit
to Congress of the Philippines a program of internal reforms, duly certified by
the local water utilities administration, that would bring about its economic
and financial viability.

1 All water districts, through the Local Water Utilities Administration,
2 shall furnish the Committee on Ways and Means of the Senate and House of
3 Representatives, respectively, on an annual basis, with statistical data and
4 financial statements regarding their operations and other information as may
5 be required, for purposes of monitoring compliance with the provisions of this
6 Act and reviewing the rationalization for tax exemption privileges".
7

8 **SEC. 2. *Implementing Rules and Regulations.*** – The Secretary of Finance, in issuing
9 the necessary rules and regulations for the effective implementation of this Act, shall take
10 into account the legislative intent of exonerating local water districts of their tax liabilities
11 including the fines, penalties and/or surcharges, if any, appurtenant thereto. The said rules
12 and regulations shall not provide for additional requirements that would negate the purpose of
13 this Act: *Provided*, That the failure of the Secretary of Finance to promulgate the said rules
14 and regulations shall not prevent the implementation of this Act upon its effectivity.
15

16 **SEC. 3. *Repealing Clause.*** – All laws, acts, decrees, executive orders, issuances, and
17 rules and regulations or parts thereof which are contrary to and inconsistent with this Act are
18 hereby repealed, amended or modifies accordingly.
19

20 **SEC. 4. *Separability Clause.*** – If for any reason any provision of this Act or any
21 portion thereof or the application of such provision thereof is declared invalid or
22 unconstitutional, the remainder of this Act shall not be affected by such decision.
23

24 **SEC 5. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication
25 in at least two (2) newspapers of general circulation.

Approved,