

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HB No. 356

Introduced by Rep. Roseller L. Barinaga

EXPLANATORY NOTE

The total electrification of the Philippines is the declared goal of the government and the rapid pursuit of this avowed national policy objective is the primary responsibility of the National Electrification Administration through the vehicle of rural electric cooperatives as envisioned by Presidential Decree No. 269, as amended.

It is NEA's pristine commitment to promote the healthy growth and development of autonomous and self-reliant rural electric cooperatives as instruments of countryside development and progress. NEA through the rural electric cooperatives is also responsible for implementing ambitious social programs that were intended to improve the quality of life for rural dwellers. These programs, including the missionary electrification of depressed and unviable areas, drained scarce financial resources of electric cooperatives. The Government did not provide the electric cooperatives with adequate funds and operating subsidies to support the cash flow requirements of these programs.

Moreover, the imposition of the real franchise, business and property tax on rural electric cooperatives by the Local Government Code of 1991 will further deplete the EC's scarce resources and eventually render it incapable of pursuing its missionary role of rural electrification which our poor rural inhabitants so richly deserve.

It is this light that the approval of this bill is earnestly enjoined.


ROSELLER L. BARINAGA
Representative, 2nd District
Zamboanga del Norte

HOUSE OF REPRESENTATIVES

HB No. 356

Introduced by Rep. Roseller L. Barinaga

AN ACT

**EXEMPTING RURAL ELECTRIC COOPERATIVES FROM THE PAYMENT OF THE
FRANCHISE, BUSINESS AND REAL PROPERTY TAXES IMPOSED BY THE LOCAL
GOVERNMENT CODE, AMENDING FOR THIS PURPOSE R.A. NO. 7160**

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

SECTION. 1. Section 137 of R.A. No. 7160 is hereby amended to read as follows:

SEC. 137. Franchise Tax. - Notwithstanding any exemption granted by any or other special law, the province may impose a tax on businesses enjoying a franchise, **EXCEPT RURAL ELECTRIC COOPERATIVES**, a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year based on the incoming receipt, or realized, within its territorial jurisdiction.

In the case of a newly started business, the tax shall not exceed one-twentieth (1/20) of one percent (1%) of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year, or any fraction thereof, as provide herein."

SEC. 2. Section 143 (h) of R.A. No. 7160 is hereby amended to read as follows:

"(h) On any business, not otherwise specified in the preceding paragraphs, **EXCEPT RURAL ELECTRIC COOPERATIVES**, Which the Sanggunian concerned may deem proper to tax: Provided, that on any business subject to the excise, value-added or percentage tax under the National Internal Revenue Code, as amended, the rate of tax shall not exceed two percent (2%) of gross sales or receipts of the preceding calendar year."

The sanggunian concerned may prescribe a schedule of graduated tax rates

but in no case exceed the rates prescribed herein.

SEC. 3. Section 193 of R.A. 7160 is hereby amended to read as follows:

“SEC. 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 or controlled corporations, exempt local water districts, cooperatives duly registered under R.A. No. 6938, RURAL ELECTRIC COOPERATIVES ORGANIZED AND REGISTERED UNDER PRESIDENTIAL DECREE NO. 269, AS AMENDED, non-stock and non-profit hospitals and educational institutions, are hereby withdrawn upon the effectivity of this Code”.

SEC. 4. Section 234, paragraph (f) of Republic Act No. 7160 is hereby amended by adding subparagraph (f) to read as follows:

“(f) ALL REAL PROPERTY OWNED BY RURAL ELECTRIC COOPERATIVES ORGANIZED AND REGISTERED PURSUANT TO THE PROVISION OF PRESIDENTIAL DECREE NO. 269, AS AMENDED.”

SEC. 5. This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspaper of general circulation.

Approved.