



HOUSE OF REPRESENTATIVES

House Bill No. 979

Introduced By Congressman Ernesto C. Pablo

EXPLANATORY NOTE

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

Through the establishment of 119 electric cooperatives, some six million households have been energized. With electricity, hope and choice have been given to the rural poor, as electric power improved their quality of life, expanded options for investment and freed the masses from being mere "hewers of wood and gatherers of water".

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 Sections 193 and 234 of R.A. 7160 (Local Government Code) however, have withdrawn the tax exemption privileges of electric cooperatives registered under R.A. No. 6938 (Cooperative Code of the Philippines).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. 1430736 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.

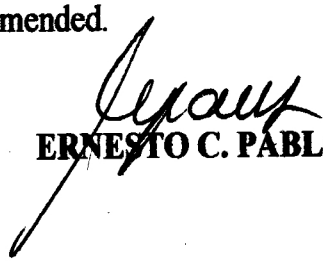
Electric cooperatives under P.D. 269 have complained that because of cumbersome legal and technical requirements, they cannot register or convert as stock cooperatives under R.A. No. 6938. These cooperatives are now facing severe difficulty to sustain their financial viability and strength because of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

Further, some 4,000 barangays still remain without electricity. The task of energizing these areas where the poorest-of-the-poor are found is daunting and becomes far more difficult for electric cooperatives, which, without the restoration of tax-exempt status will face challenges to their viability. It is these cooperatives which extended lines to the areas which private corporations rejected as being economically unviable.

The taxes to be imposed on cooperatives may become a pass-on charge to 6 million of our poorest households, thereby bringing up utility costs for our rural people.

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 the foregoing, passage of this bill is earnestly recommended.


ERNESTO C. PABLO

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

HOUSE OF REPRESENTATIVES

979

House Bill No. _____

Introduced By Congressman Ernesto C. Pablo

**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 SECTIONS 193 AND 234(d) OF R.A. NO. 7160
OTHERWISE KNOWN AS THE “LOCAL GOVERNMENT CODE OF 1991”**

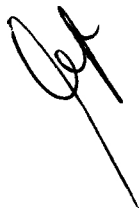
*Be it enacted by the Senate and the House of Representatives of the Philippines in
Congress Assembled:*

1 SECTION 1. Section 193 of Republic Act No. 7160 is hereby amended to read as
2 follows:
3

4 Section 193. *Withdrawal of Tax Exemption Privileges* – Unless otherwise in this
5 code, tax exemptions or incentives granted to, or presently enjoyed by all persons,
6 whether natural or juridical, including government-owned AND controlled
7 corporations, except local water districts, cooperatives duly registered under R.A.
8 No. 6938, ELECTRIC COOPERATIVES DULY REGISTERED UNDER P.D
9 269, non-stock and non profit hospitals and educational institutions, are hereby
10 withdrawn upon the effectivity of this code.
11

12 SECTION 2. Section 234 (d) of Republic Act No. 7160 is hereby amended to read as
13 follows:
14

15 All real property owned by duly registered cooperatives as provided for under
16 R.A No. 6938{;} and DULY REGISTERED ELECTRIC COOPERATIVES
UNDER P.D. 269; AND



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

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

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

11
12 Approved,

