

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3540



Introduced by: **HON. AUGUSTO H. BACULIO**

EXPLANATORY NOTE

The Philippines has now entered into a global race for social and economic competitiveness under enormous pressure of population increase and urban development.

As a result of this global competition for social service and economic sufficiency, the burgeoning movement of goods and people has to be facilitated at a faster pace in time and space. And the best mode of achieving the desired goal is through the establishment of a rail-based mass transport system, which invariably requires the acquisition of land and right-of-way, and the construction thereon of rail tracks, depot and maintenance yard, stations and terminals, and other similar structures.

It is generally acknowledged, however, that rail operations throughout the world could hardly be sustained without continued government support. Rail projects are considered non-lucrative because of the very high investment exposure it requires thereby necessitating a continued lending hand from the government as it does to all forms of roads and similar public infrastructures serving the Filipino people.

The bulk of the rail projects cost, by and large, pertains to the construction of the railroad, constituting more than 50% thereof, which should be considered an ordinary government infrastructure just like roads and bridges.

Considering the numerous economic benefits that the rail systems offer for the rapid development of the country, i.e. hastens the development of the country's resources, accelerates the modernization /commercialization of agriculture, enhances the development of industries, slows down rural-to-urban migration especially in crowded cities, and provides impetus to the raising of the people's living standards, it is but fitting and proper to exempt government railways from the payment of real property tax. Without the exemption, all rail systems in the country will have to stop operation and surrender their assets to the local government unit where the railroad tracks are laid, the depot, stations and similar structures are located.


HON. AUGUSTO H. BACULIO

Congressman
2nd District, Misamis Oriental

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AN ACT
PROVIDING FOR THE EXEMPTION OF GOVERNMENT RAILWAYS FROM THE
PAYMENT OF REAL PROPERTY TAX.

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

SECTION 1. Short Title. This Act shall be known and may be cited as the "Government Railways Real Property Tax Exemption Act."

SECTION 2. Definition of Terms. The following words and phrases when used in this Act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

- (a) **"Depot"** refers to the place that provides facilities for the routine servicing and maintenance of locomotives and rolling stocks. Specifically, it has all the necessary facilities for fueling, cleaning and servicing as well as workshop facilities for carrying out routine repairs and component exchange. It includes locomotive stabling and train crew facilities;
- (b) **"Railroad"** is a permanent road having a line of rails fixed to ties or sleepers and laid on a roadbed and providing a track for the passage of rolling stock drawn by locomotives or propelled by self-contained motors;
- (c) **"Right-of-Way"** is the strip of land acquired by easement, condemnation, or purchase, over which a railroad lays its tracks;
- (d) **"Rolling Stock"** refers to the wheeled transportation equipment of a railroad which includes diesel multiple units (DMUs), locomotives, rail cars, passenger coaches, freight wagons, bogies and the like;
- (e) **"Signaling and Communications System"** may be broadly defined as the method and means by which a traffic movements are controlled and covers not only the working of signals and points but also block telegraphs, instruments and other associated equipment;

- (f) **"Station"** is an established building or place serving as a starting point, stage, stopping place, or post for the accommodation of passengers or freight on a railroad.

SECTION 3. Government Railways Real Property Tax Exemption. Pursuant to Section 206 of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991", provinces, cities and municipalities shall grant exemption from payment of real property tax for all government railways operating and/or situated in their respective area of jurisdiction. This exemption shall only apply to government owned and/or controlled railways and shall not extend to privately owned rail projects.

SECTION 4. Amount of Exemption. The real property tax exemption granted under this Act in favor of government railways shall be 100%.

SECTION 5. Eligible Railway Properties. The real property tax exemption shall apply to railway systems owned and/or controlled by the government consisting of land, buildings, machinery and other improvements affixed or attached thereon. Specifically, the properties covered are the right-of-way, railroad, stations, depot, rolling stocks, signaling and communications system and other similar real and/or personal properties.

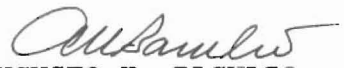
SECTION 6. Privatization of Government Railways. When government railways are transferred to private ownership, the real property tax shall apply to land, buildings and stations or any portion thereof being used for commercial purposes.

SECTION 7. Non-Privatized Assets. The ownership of the railroad and the right-of-way shall remain in the government.

SECTION 8. Term of Exemption. This exemption shall remain for as long as the railways are in the hands of the government. This exemption shall be deemed *ipso facto* revoked, in the event the railways are privatized.

SECTION 9. Applicability. This Act shall apply retroactively but only to real property taxes due but which remained unpaid and outstanding as of the date of the approval hereof.

SECTION 10. Effectivity. This Act shall take effect immediately.


HON. AUGUSTO H. BACULIO
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2nd District, Misamis Oriental