

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

13th Congress
First Regular Session

HOUSE BILL NO. 4871



**Introduced by the Hon. Michael John "Jack" R. Duavit,
Hon. Isidro S. Rodriguez, Jr.
Hon. Ronaldo V. Puno
and Hon. Victor R. Sumulong**

EXPLANATORY NOTE

According to a United Nations report, Asia and the Pacific enter the next millennium facing some of the gravest environmental problems of any of the world's regions. The water supply, fertility of the land and quality of the air are steadily worsening under the stress of population growth and demand for energy. "Already, at least one in three Asians has no access to safe drinking water, and fresh water will be the major limiting factor to producing more food in the future."

Presidential Decree No. 198 declared a national policy favoring local operation and control of water systems. The formulation and operation of independent, locally-controlled water districts was found and declared to be the most feasible institutional structure. Thus, water districts were created to operate, maintain and expand reliable and economically viable and sound water supply for population centers of the country.

Water districts are self-reliant and do not receive subsidy from the national government. They operate on internally-generated funds and secure loans from the Local Water & Utilities Administration (LWUA) and other financial institutions. These loans serve as their initial capital for the improvement, expansion, operation and maintenance of their respective water supply systems.

To enable the water districts to set affordable water rates and maintain financial viability, Section 46 under PD 198 exempted water districts from the payment of all taxes, duties and fees. These exemptions, however, were withdrawn with the issuance of Executive Order No. 93 in 1984. In 1991, Republic Act No. 7109 afforded a temporary relief when the duty and tax privileges were extended for five years.

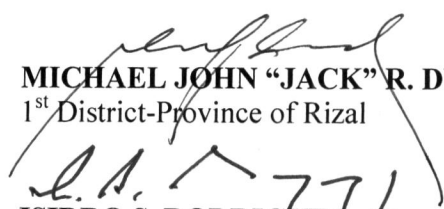
There are 561 water districts formed and created nationwide, 420 of which are operating and serving 2 million households or 13 million individual consumers. Around 5 million urban consumers still lack access to potable water. This problem will only be addressed once the 141 non-operational water districts that no existing

systems or with systems under construction start operating. However, the high cost of investment hampers the growth and expansion in unserved population centers.

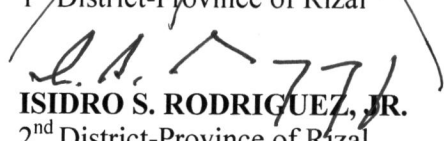
The 1997 industry average for Operation & Maintenance (O&M) is 73%, leaving a measly sum for expansion programs and allowance for mandatory reserve of 10% of gross revenue. Even without the taxes and duties, water districts are constrained to meet the needed resources for their operational needs and debt servicing. The increase in cash requirements resulting from the re-imposition of taxes will tremendously affect the water rates being charged the consumers.

This bill therefore aims to: 1) restore tax exemption privileges enjoyed by water districts under PD 193 for a period of ten years; 2) exempt water district from RA 7656, requiring GOCCs to remit 50% of their annual net income to government; and 3) condone all unpaid taxes, duties and required remittances to the government.

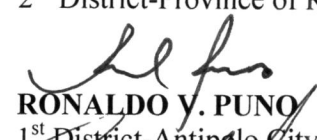
In view of the foregoing considerations, approval of this bill is earnestly urged.



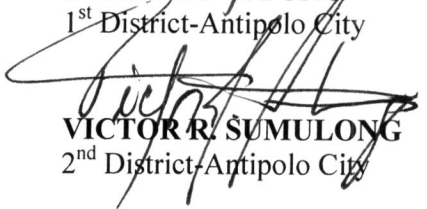
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AN ACT
RESTORING THE TAX EXEMPTION PRIVILEGES OF LOCAL WATER DISTRICTS
UNDER SECTION 46 OF PRESIDENTIAL DECREE NO. 198, AS AMENDED AND FOR
OTHER PURPOSES

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

SECTION 1. Section 46 of P.D. 198, as amended, granting tax exemption privileges to local water districts is hereby restored and shall be effective for a period of ten (10) years from approval of this Act.

SEC. 2. Water districts shall likewise be exempted from the provision of R.A. 7656 requiring Government Owned and Controlled Corporations (GOCCs) to remit 50% of their annual net income to the National Government, Provided, that the amount supposed to be remitted, is utilized by the water district concerned, for the continuing expansion and improvement of its system.

SEC. 3. All unpaid taxes, duties and required remittances to the government or any portion thereof due from local water districts for the period starting August 15, 1996 until effectivity of this Act, are hereby condoned.

SEC. 4. All decrees, acts, rules and regulations, inconsistent herewith are repealed or modified accordingly.

SEC 5. This Act shall take effect upon its approval

Approved,