

FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.

House Bill No. **4436**

EXPLANATORY NOTE

One of the policies stated in Republic Act 9136 or the EPIRA Law is to ensure the quality, reliability, security and affordability of the supply of electric power.

However, until today, the Filipino people are still looking for this affordable electricity that the law promises. And one of the reasons for this high cost of electricity is the taxes that the government imposes.

Prior to the enactment of Republic Act 9337, which further amended the National Internal Revenue Code (NIRC), electric, gas and water utilities were subject to a franchise tax at the rate of two percent (2%) on gross receipts under Section 119 of the NIRC, as amended. RA 9337 removed electric utilities from the franchise tax regime and subjected the same to the twelve percent (12%) value added tax.

This imposition of the 12% VAT increased the cost of electricity which led the electric companies to pass on this additional cost to the consumers which means higher electricity bills.

This bill therefore seeks to revert to the previous system where franchise tax is being required of distribution utilities not only to allow the industry players to enjoy a more equitable tax regime. More importantly, the imposition of a franchise tax which is directly absorbed by the franchisee will free the consumers from shouldering additional pass on charges.

In view of the foregoing, immediate approval of this bill is earnestly requested.



RUFUS B. RODRIGUEZ



MAXIMO B. RODRIGUEZ, JR.

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AN ACT

IMPOSING A UNIFORM FRANCHISE TAX ON DISTRIBUTION UTILITIES ENJOYING LEGISLATIVE FRANCHISE IN LIEU OF ANY AND ALL TAXES COLLECTED BY THE GOVERNMENT WITH THE END IN VIEW OF REDUCING THE COST OF ELECTRICITY BORNE BY CONSUMERS

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

SECTION 1. *Declaration of Policy* – It is hereby declared the policy of the State to promote the public interest by ensuring the affordability and steady supply of electricity to the end-users.

SEC. 2 *Franchise Tax on Distribution Utility Grantee* – Distribution utilities shall pay a franchise tax equivalent to three percent (3%) of a distribution utility's Gross Distribution Income derived from the distribution business granted under the Distribution Utility's legislative franchise. Said tax shall be in lieu of all taxes, such as income tax, value added tax, business taxes, licenses, and any and all taxes, duties, fees, and charges of any kind, nature or description levied, established or collected by any government authority whatsoever, whether local or national, on its franchise, rights, privileges, receipts wheeling charges, revenues and profits and upon its machineries, equipment, supplies, meters, poles, wires, transformers, insulators, capacitors, transportation equipment, substations, facilities, and all other real and personal property actually used or intended for use by the Distribution Utility to provide electric power distribution services to the consumers: *Provided*, That the Distribution Utility Grantee, its successor or assigns, shall be liable to pay the same taxes on its real estate, buildings and other real property not actually used nor intended to provide distribution services under its franchise to distribute electric power, as other persons or corporations are now or hereafter may be required by law to pay.

SEC. 3 *Gross Distribution Income* – Gross Distribution Income shall mean gross income derived by a Distribution Utility from all its income less all transmission and generation charges on the distributed electricity which are passed on to the consumers and excluding all universal charges imposed under Republic Act No.

9136 as well as charges determined by Energy Regulatory Commission to be passed on to the consumers.

SEC. 4 *Implementing Rules and Regulations* – The Secretary of Finance, in consultation with the Secretary of Energy, shall promulgate and publish the necessary rules and regulations within thirty (30) days for the effective enforcement of the provisions of this Act.

SEC. 5 *Repealing Clause* – All laws, acts, decrees, executive orders, including the relevant provisions of the National Internal Revenue Code, as amended, the Local Government Code, as amended or parts thereof which are contrary to and inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 6 *Effectivity* – This Act shall take effect after its publication in at least two (2) newspapers of general circulation.

Approved,