

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

FIFTEENTH CONGRESS
FIRST REGULAR SESSION

HOUSE BILL NO. 4470

Introduced by Honorable Janette L. Garin, M.D.

EXPLANATORY NOTE

Ten years ago, the Electric Power Industry Reform Act (EPIRA) was passed into law with the aim of providing better and affordable electricity to the consuming public. This was envisioned to be possible through the reformation and deregulation of the power industry.

However, after several years of implementation of the EPIRA Law, it appears that its objective which is to provide cheaper and affordable electricity to the consumers cannot be attained because some provisions are unresponsive and impractical.

Today, instead of cheaper electricity for the consuming public, it becomes otherwise. The taxes which were paid by the industry players in the power sector is unreasonable, which encouraged unabated transfer of burden to the consumers.

Due to the amendments of the National Internal Revenue Code, specifically, by RA 9337, electric utilities are now subjected to value added tax. The nature of the tax being an indirect tax, the burden to pay the same is passed on to the consuming public.

In view therefore, the instant bill 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 but more importantly, franchise tax as a direct tax, will unburden the consumers from shouldering additional pass on charges.

In view of the foregoing, the immediate passage of the bill is earnestly sought.


JANETTE LORETO-GARIN, M.D.

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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.**

*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 electric consumers.

SEC. 2. Franchise Tax On Distribution Utility Grantee. - Distribution utilities shall pay a franchise tax equivalent to three percent (3%) of the 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 successors 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. 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. 5. 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. 6. Effectivity. - This Act shall take effect within fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,