

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session

HOUSE OF REPRESENTATIVES

H.B. No. 4502

**Introduced by 1st- CONSUMERS ALLIANCE ON RURAL ENERGY PARTY
LIST REPRESENTATIVE (1-CARE)**

Congressman Michael Angelo C. Rivera

EXPLANATORY NOTE

Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” was enacted by Congress with the end in view of establishing a more competitive and economically viable electricity industry which will provide better services to the consumers at an affordable price. The aforesaid law states that the industry has to be restructured and regulated so that the whole intention to which it was approved will be realized soonest.

Five years after the passage of the EPIRA law, consumers are still continuously burdened by the rising cost of electricity. It is evident that some of the provisions of the law cannot be enforced and has to take its toll on the consumers.

The taxes paid by industry players in the power sector has been unreasonable and encouraged the continuous transfer of the burden of the normal course of doing business to the consumers. Prior to the enactment of Republic Act. No. 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. The amendments in Republic Act 9337 removed electric utilities from franchise tax regime and subjected the same to the twelve percent (12%) value added tax.

This bill seeks to provide consumers from some tax relief by just providing a five-centavo tax per kwh consumption of electricity consumed to cover the franchise tax, business permit and tax exemption of poles, wires and cables used by electricity power distributors. It further seeks to exempt electric distribution utilities from real property tax provided that property is not in excess of one thousand five hundred square meters (1,500 sq.mts.).

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



MICHAEL ANGELO C. RIVERA

Party List Representative

1st Consumers Alliance on Rural Energy (1CARE)

FIFTEENTH CONGRESS OF THE)
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HOUSE OF REPRESENTATIVES

HB. No. 4502

**Introduced by 1st CONSUMERS ALLIANCE ON RURAL ENERGY PARTY LIST
REPRESENTATIVE (1-CARE)
Congressman Michael Angelo C. Rivera**

AN ACT

IMPOSING ON DISTRIBUTION UTILITIES AN AGGREGATE AND UNIFORM FIVE CENTAVOS TAX PER KILOWATT HOUR OF ELECTRICITY SOLD , IN LIEU OF THE FRANCHISE TAX PER SECTION 137, BUSINESS TAX PER SECTION 142 AND PROPERTY TAX ON CERTAIN ELECTRICAL MATERIALS AND EQUIPMENT UNDER SECTION 1999(a) OF RA 7160 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 common good for the greatest number by ensuring the affordability and steady supply of electricity to the end-users.

SECTION 2. Franchise Tax and Business Tax on Distribution Utility Grantee.- Distribution utilities shall pay franchise tax and business (tax) permit equivalent to FIVE CENTAVOS (.05) PER KILOWATT HOUR SOLD. Also, said tax shall be in lieu of franchise tax, business tax, duties and fees, charges of any kind, nature of description levied and established or collected by any government authority or whatsoever, local or national, on its franchise, rights and privileges and taxes on its machineries, poles, cables, wires, transformers, capacitors, insulators, transportation equipment actually used or intended to be used by the Distribution Utility to provide electric power distribution services to the consumers.

SECTION 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

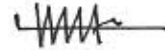
well as charges determined by the Energy Regulatory Commission to be passed on to Consumers.

SECTION 4. Repealing Clause. All laws, set, decrees, executive orders, including the relevant provisions of the National Internal Revenue Code, as amended or parts thereof, as amended, the Local Government Code or parts thereof which are contrary to and inconsistent with this Act are hereby repealed, amended or modified accordingly.

SECTION 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.

SECTION 6. Effectivity. This Act shall take effect within fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,



MICHAEL ANGELO C. RIVERA
Party List Representative
1st Consumers Alliance on Rural Energy