

Republic Of The Philippines
House of Representatives
Quezon City

FIFTEENTH CONGRESS

House Bill No. 4514

**Introduced by 1 CARE Party List Representatives
Hon. Michael Angelo C. Rivera and Hon. Salvador P. Cabaluna III**

EXPLANATORY NOTE

Congress enacted the Electric Power Industry Reform Act (EPIRA) in 2001 with the objective of establishing a more competitive and responsive electricity deemed to provide better services to the public at affordable and competitive prices. To achieve this goal, the law provided for the restructuring and deregulation of the power industry.

However, ten (10) years after the passage of the EPIRA Law, it became evident that some provisions of the law could not be properly enforced which, contrary to its objective, led to a continuing increase in the cost of electricity that has become more burdensome on the part of the consumers.

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. The amendments embodied in RA 9337 freed the electric utilities from the franchise tax regime and subjected the same to the twelve percent (12%) value added tax.

Under the present system, however, where the power industry players are required to pay ordinary income tax as well as the 12% VAT, consumers are placed at a disadvantage as the energy companies simply passed on them the cost of paying said taxes.

This bill therefore seeks to modify and simplify the taxing system for the distribution utilities to franchise tax not only to allow the industry players to enjoy a more equitable tax regime but also to spare the end consumers from shouldering additional pass on charges in the form of different taxes.

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



HON. MICHAEL ANGELO C. RIVERA
Representative, 1CARE Party List



HON. SALVADOR P. CABALUNA III
Representative, 1CARE Party List

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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.

SECTION 2. Franchise Tax On Distribution Utility Grantee. – A distribution utility shall pay a franchise tax equivalent to three percent (3%) of its Gross Distribution Revenue 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 tax, 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 properties actually used or intended for use by the Distribution Utility to provide electric 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 electric distribution services under its franchise, as other persons or corporations are now or hereafter required by law to pay.

SECTION 3. Gross Distribution Revenue. – Gross Distribution Revenue shall mean gross receipts derived by a Distribution Utility from all its revenues excluding all transmission and generation charges on the distributed electricity which are passed on to the consumers and all universal charges imposed under Republic Act No. 9136 as well as all other charges to be passed on to the consumers as determined and approved by the Energy Regulatory Commission (ERC).

SECTION 4. Share of the Local Government Units (LGUs). A percentage share from the three (3%) franchise tax levied to the distribution utilities shall be allocated by the National Government to the Local Government Units (LGUs) in accordance with the Implementing Rules and Regulations approved by the President of the Philippines.

The implementing rules and regulations shall be promulgated by the Department of Finance (DOF) in consultation with the Local Government Units within one (1) year from the effectivity of this act.

SECTION 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.

SECTION 6. 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 7. Effectivity – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.



MICHAEL ANGELO C. RIVERA
Principal Author



SALVADOR P. CABALUNA III
Principal Author