

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 343

Introduced by BAYAN MUNA
Representatives NERI JAVIER COLMENARES and CARLOS ISAGANI T. ZARATE

AN ACT
CLASSIFYING THE SERVICES OF FRANCHISE GRANTEES OF WATER
UTILITIES, AND SALE OR IMPORTATION OF MACHINERY AND EQUIPMENT
DIRECTLY USED IN OPERATING, MAINTAINING, IMPROVING AND
EXPANDING DISTRIBUTION OF POTABLE WATER BY WATER UTILITIES AS
VALUE-ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE
PURPOSE SECTION 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS
AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES.

EXPLANATORY NOTE

This bill seeks to exempt water services from value-added tax (VAT), amending the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337.

Since the commencement of the Concession Agreement between the Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water and Maynilad in 1997 and up until 2011, water rates have dramatically increased by 833.2% in the East concession areas and by 520% in West concession areas. At the onset of the agreement, the Maynilad water rate was only P7.21 per cubic meter, while Manila Water was only P4.02 per cubic meter. At present, the basic water cost for Maynilad is P47.83/cubic meter, while the Manila Water is P36.42/cubic meter. Meanwhile, according to the Local Water Utilities Administration, the average basic rate of water districts is P18/cubic meter from P6.75/cubic meter in 1996.

As consumers are weighed down by the rising cost of water services, amid access to water being an international human right, government doubly burdens the public by imposing value-added tax on water services and other basic utilities. From the introduction of the 10% VAT to its hike to 12% through the Expanded VAT (E-VAT) law, basic services and utilities have been unjustly taxed, raising the cost of water services.

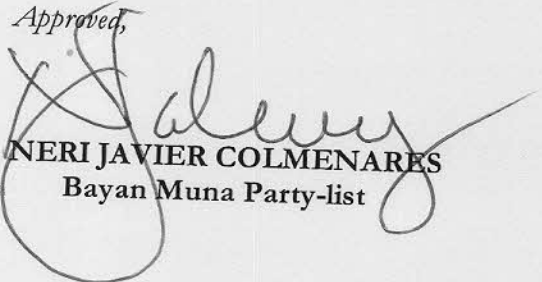
The exemption of water services from VAT will provide relief to the domestic economy and the Filipino people. It is one of the most viable options for Congress to immediately act on. Small revenue losses may easily be offset by the increased purchasing power of households and cheaper

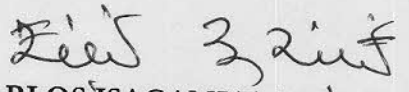
production costs, as well as increased efforts in the collection of other taxes.

This measure will give economic relief to the Filipino people and allow them to invest in food, education and health which will ensure a healthy population and labor force, as well as a progressive nation.

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

Approved,


NERI JAVIER COLMENARES
Bayan Muna Party-list


CARLOS ISAGANI T. ZARATE
Bayan Muna Party-list

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PURPOSE SECTION 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 109 (1) of the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

“SEC. 109. Exempt Transactions. - (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

“(A) xxx

“(B) xxx

“xxx

“(U) xxx

“(V) SALES OF WATER UTILITIES;

“(W) SERVICES OF FRANCHISE GRANTEES OF WATER UTILITIES;

“(X) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER HIMSELF IN THE OPERATING, MAINTAINING, IMPROVING AND EXPANDING DISTRIBUTION OF POTABLE WATER BY WATER UTILITIES.

SECTION 2. *Repealing Clause.* – All laws, presidential decrees, executive orders, presidential proclamations, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 3. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 4. *Effectivity Clause.* – This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,