

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 1912



Introduced by Representatives
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO

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

EXPLANATORY NOTE

When Congress enacted the Electric Power Industry Reform Act (EPIRA) in 2001, it envisioned to restructure and deregulate the power sector industry and make it more competitive. Though laudable in its objectives, it has become apparent that some of the objectives of the EPIRA were not met, hence, the constant rise in the cost of electricity. To make matters worse, power producers and distributors were levied unreasonable taxes which only forced them to transfer the burden to the consumers.

It is significant to note that while gas and water utilities are subject to a fixed franchise tax of two percent (2%) on gross receipts, electric distributors are subjected to the twelve percent (12%) value-added tax. Unfortunately, this policy has placed consumers at a disadvantage since power industry players simply shift the tax to the end-users in the form of additional cost.

This Bill intends to correct this anomaly by imposing the standard two (2%) franchise tax on water and gas utilities to electric distributors. It is hoped that this amendment will help reduce the cost of electricity and ease somewhat the burden of all consumers.

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



DIOSDADO MACAPAGAL ARROYO
Second District, Camarines Sur



GLORIA MACAPAGAL ARROYO
Second District, Pampanga

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*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.* – Notwithstanding any law to the contrary, all public utilities engaged in the business of distributing electricity shall be charged a uniform franchise tax equivalent to three percent (3%) of the 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.

SECTION 3. *Gross Distribution Income.* – Gross Distribution Income refers to 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.

SECTION 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.

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,