

**Republic of the Philippines
HOUSE OF REPRESENTATIVES**

Quezon City

**SIXTEENTH CONGRESS
First Regular Session**

House Bill No. 2546



***Introduced by TUCP Party-List Representative
RAYMOND DEMOCRITO C. MENDOZA***

EXPLANATORY NOTE

In order to foster the formation of strong labor unions and labor organizations, Article 242 of the Labor Code of the Philippines granted to legitimate labor organizations tax exemptions from their income and properties. Under Article 242 of the Labor Code, the tax exemption was provided that the income, including grants, endowments, gifts, donations and contributions, and the property, which are actually, directly and exclusively used for the purposes for which the organization was created.

In the year 1991, the Local Government Code was enacted. The said law granted local governments the authority to collect real property taxes. Further, Section 193 of the said law revoked all real property tax exemptions, except those enumerated under Section 234 thereof. Unfortunately, the enumeration of real property tax exempt establishments or entities under said Section 234 did not include real property owned by legitimate labor organizations.

It should be noted that the Local Government Code is not a special law, and Sections 193 and 234 did not expressly repeal Article 242 of the Labor Code. However, local governments deemed that the tax exemptions of labor organizations has been repealed, arguing that the Local Government Code is the later law and invoking the rule that tax exemptions should be strictly construed against the applicant. Thus, labor organizations have been ordered to pay real property taxes on their land and other real properties.

The payment of these local taxes by legitimate labor organizations is not merely unreasonable it also defeats the Constitutional policy of protection to the rights of workers and promotion of their welfare.

This bill would seek to reinstate the tax exempt status of labor organizations, with respect to their real property, on which taxes are imposed by local governments.

Labor organizations are not created to generate income. Such an imposition would discourage its formation and perpetuation. In view of the foregoing, the immediate passage of the bill is earnestly sought.


HON. RAYMOND DEMOCRITO C. MENDOZA
TUCP Party-List Representative

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AN ACT

RESTORING THE TAX EXEMPTION ON REAL PROPERTY OWNED BY LABOR ORGANIZATIONS, AMENDING FOR THE PURPOSE ARTICLE 242 OF PRESIDENTIAL DECREE NO. 442, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES, AND SECTIONS 193 AND 234 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE, AS AMENDED, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.

SECTION 1. *Short Title.* – This Act shall be known as the "Real Property Tax Exemption for Labor Organizations Act of 2011".

SECTION 2. *Declaration of Policy.* – It shall be the policy of the State to protect the welfare and interest of the working men. The State shall promote free trade unionism and foster the formation of strong labor organizations.

SECTION 3. *Reinstatement of Tax Exemption for Real Property Owned by Labor Organizations under the Labor Code.* – Article 242 of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines, is hereby amended, to read as follows:

"ARTICLE 242. *Rights of Legitimate Labor Organizations.* –

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"Notwithstanding any provision of a general or special law to the contrary, the income, and the properties of legitimate labor organizations, including grants, endowments, gifts, donations and contributions they may receive from fraternal and similar organizations, local or foreign, which are actually, directly and exclusively used for their lawful purposes, shall be free from **ALL** taxes, duties and other assessments, **INCLUDING REAL PROPERTY TAXES IMPOSED BY LOCAL GOVERNMENTS.** The exemptions provided herein may be withdrawn only by a special law expressly repealing this provision."

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SECTION 4. *Reinstatement of Tax Exemption for Real Property Owned by Labor Organizations under Section 193 of the Local Government Code.* – Section 193 of Republic Act No. 7160, otherwise known as the Local Government Code, is hereby amended, to read as follows:

"SECTION 193. *Withdrawal of Tax Exemption Privileges.* – Unless otherwise provided in this Code, tax exemptions or incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned or -controlled corporations, except **LEGITIMATE LABOR ORGANIZATIONS UNDER ARTICLE 242 OF PRESIDENTIAL DECREE NO. 442, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES,** local water districts, cooperatives duly registered under R.A. No. 6938, non-stock and non-profit hospitals and educational institutions, are hereby withdrawn upon the effectivity of this Code.

SECTION 5. Reinstatement of Tax Exemption for Real Property Owned by Labor Organizations under Section 234 of the Local Government Code. – Section 234 of Republic Act No. 7160, otherwise known as the Local Government Code, is hereby further amended, to read as follows:

SECTION 234. Exemptions from Real Property Tax. – The following are exempted from payment of the real property tax:

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(d) All real property owned by **LEGITIMATE LABOR ORGANIZATIONS UNDER ARTICLE 242 OF PRESIDENTIAL DECREE NO. 442, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES, AND** duly registered cooperatives as provided for under R.A. No. 6938; and

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SECTION 6. Separability Clause. - If any provision of this Act, or any parts thereof, is declared unconstitutional, the same shall not affect the validity and effectivity of the other portions.

SECTION 7. Repealing Clause. - All laws, executive orders, presidential decrees, proclamations, rules, regulations, issuances and enactments of parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 8. Effectivity. - This Act shall take effect fifteen (15) days from its complete publication in the Official Gazette or in a newspaper of general circulation in the Philippines, whichever comes earlier.

APPROVED.