

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5089



INTRODUCED BY: REPRESENTATIVE TOBIAS "TOBY" M. TIANGCO

EXPLANATORY NOTE

Section 11 of Article XII of the 1987 Philippine Constitution recognizes the power of Congress to grant, amend, alter or even repeal franchises in all public utilities where the common good is involved. Through the years, the legislature had granted many franchises to different sectors and industries engaged in the establishment and operations of public utilities.

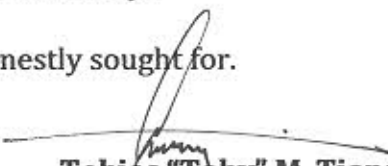
Tax exemptions and incentives were granted to support the initial stages of some of these businesses. Some of these businesses have become the country's most profitable corporations and yet the tax incentives provided were never recalled, withdrawn or revoked.

The government is presently proposing measures to generate additional revenue. Some of these measures include imposing excise taxes on diesel, which will affect the price of all basic commodities and will definitely result in a higher cost of living for the poor.

These franchises have also avoided paying local taxes and have deprived local government units of their locally generated revenue.

This bill seeks to raise the much-needed revenue of the government by withdrawing all the tax exemptions and incentives given to Telecommunication Companies granted with legislative franchises. Consequently, the government can shift the revenues collected to fund the infrastructures and programs urgently needed by the country.

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


Tobias "Toby" M. Tiangco

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**AN ACT WITHDRAWING ALL TAX EXEMPTIONS AND INCENTIVES GRANTED
TO ALL TELECOMMUNICATIONS SERVICES COMPANY WITH LEGISLATIVE
FRANCHISE**

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

1 Section 1. ***Withdrawal of All Tax Exemptions and Incentives.*** - All tax
2 exemptions or incentives of whatever nature, whether local or national, granted
3 to, or presently enjoyed by all persons, natural or juridical, rendering
4 telecommunications services and enjoying legislative franchises are hereby
5 withdrawn and revoked upon the effectivity of this Act.

6
7 Section 2. ***Tax provisions.*** - The grantee, its successors or assigns, of a
8 telecommunications services franchise shall be liable to pay the same taxes on
9 their real estate, buildings, and personal property as other persons or
10 telecommunications entities are now or hereafter may be required by law to pay.
11 In addition thereto, the grantee, its successors or assigns shall pay a franchise tax
12 equivalent to three percent (3%) of all gross receipts of the business transacted
13 under the franchise by the grantee, its successors or assigns. The grantee, its
14 successors and assigns shall continue to be liable for income taxes payable under
15 Title II of the National Internal Revenue Code unless the latter enactment is
16 amended or repealed, in which case the amendment or repeal shall be applicable
17 thereto.

18
19 The grantee, its successors, assigns shall file the return with and pay the
20 taxes due thereon to the Commissioner of Internal Revenue or his duly
21 authorized representatives in accordance with the National Revenue Code and
22 the return shall be subject to audit by the Bureau of Internal Revenue.

23
24 Section 3. ***Prohibition on equality clause.*** - No franchise for
25 telecommunications services, or any amendment or revision to any such
26 franchise, shall provide for tax exemptions, tax incentives, privilege or immunity
27 from payment of taxes and duties, nor shall it provide for terms more favorable

1 and beneficial than any other franchise for the same or similar
2 telecommunications services.

3
4 Section 4. **Rules and Regulations.** – Within thirty (30) days upon the
5 effectivity of this Act, the Secretary of Finance shall, upon recommendation of the
6 Commissioner of Internal Revenue, and in consultation with the Congress
7 Committee on Ways and Means, promulgate the necessary rules and regulations
8 for its effective implementation.

9
10 Section 5. **Repealing Clause.** – All laws, rules and regulations which are
11 inconsistent with this Act are hereby repealed, amended or modified accordingly.

12
13 Section 6. **Effectivity Clause.** – This Act shall take effect fifteen (15) days
14 after its publication in any newspaper of general circulation.

15
16 Approved,