

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

SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6282



Introduced by Representative Carlos Roman L. Uybarreta
1-CARE Party List

EXPLANATORY NOTE

The creation of electric cooperatives during the early 60's when the country side was in total darkness dramatically changed the lives of the rural folks. Presidential Decree 269 created the National Electrification Administration (NEA) and did that great magic of changing the lives of thousands living in darkness. But just like the pain of child-birth, it takes time to truly make each and every corner of the country side totally beaming with lights. There are still some hurdles to conquer to make the dreary un-trodden boondocks enjoy the gifts of electricity.

Electric cooperatives registered with the National Electrification Administration (NEA) are non-profit and non-stock. As an incentive to these electric cooperatives tasked in bringing electricity to rural areas, PD 269 provided total tax exemptions to them. Section 39 of PD 269 provides:

"Section 39. Assistance to Cooperatives; Exemption from Taxes, Imposts, Duties, Fees; Assistance from the National Power Corporation. Pursuant to the national policy declared in Section 2, the Congress hereby finds and declares that the following assistance to cooperative is necessary and appropriate:

(a) Provided that it operates in conformity with the purposes and provisions of this Decree, cooperative

(1) shall be permanently exempt from paying income taxes, and
xxx"

However, because of the enactment of Republic Act No. 7160 the said exemption was suddenly withdrawn from the electric cooperatives.

With the passing of Republic Act No. 9520 or the Philippine Cooperative Code of 2008, electric cooperatives registered with the Cooperative Development Administration (CDA) were given preferential rights granted to cooperatives under Republic Act No. 7160, otherwise known as the Local Government Code hence exempting them from the payment of income tax. Nonetheless, electric cooperatives registered with NEA were left behind as they are not covered with the exemption.

To remedy this, Section 13, Chapter III of R.A. 10531 inserted a new section to PD 269 which is now designated as Section 32-A, to wit:

"Section 13. A new section, to be designated as Section 32-A, of Presidential Decree No. 269, as amended, is hereby inserted to read as follows:

"SEC. 32-A. Incentives of Electric Cooperatives. - Consistent with the declared policy of this Act, electric cooperatives which comply with the financial and operational standards set by the NEA shall enjoy the following incentives:

xxx

(c) To avail of the preferential rights granted to cooperatives under Republic Act No. 7160, otherwise known as the 'Local Government Code of 1991', and other related laws.

xxx"

Then again, electric cooperatives registered with NEA are still, up to this date, paying for their income tax. This is brought about by the various and conflicting DOF, BIR and DOJ circulars.

This representation filed this bill to once and for all put an end to conflicting interpretations on the income tax liability of electric cooperatives and uphold the original spirit and intention of PD 269.

For the above reasons, the passage of this bill is earnestly sought.

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

AN ACT GRANTING INCOME TAX EXEMPTION TO ELECTRIC COOPERATIVES

Section 1. All non-stock and non-profit electric cooperatives shall be permanently exempt from paying income taxes, provided that it operates in conformity with the purposes and provisions of Presidential Decree No. 269, as amended.

Section 2. For the purposes of this Act, a non-stock and non-profit electric cooperative refers to a distribution utility created and operating pursuant to Presidential Decree No. 269, as amended.

Section 3. The National Electrification Administration shall submit to the Department of Finance list of electric cooperatives in the country which are eligible to the exemption.

Section 4. The Secretary of Finance shall promulgate the necessary rules and regulations for the proper enforcement and to carry out the intents and purposes of this Act.

Section 5. All existing laws or parts thereof, executive orders and administrative regulations contrary to the provisions of this Act are hereby repealed.

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

Approved.


Carlos Roman L. Uybarreta
Representative, 1-CARE Party List