

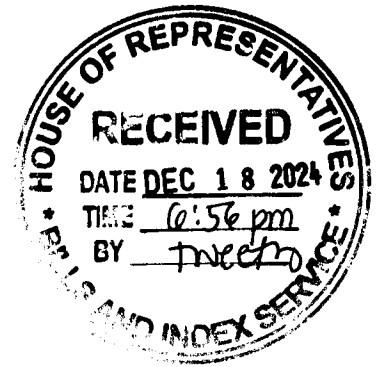


Republic of the Philippines
House of Representatives
Quezon City

NINETEENTH CONGRESS

Third Regular Session

House Bill No. **11240**



Introduced by Representative Albert S. Garcia

EXPLANATORY NOTE

This bill seeks to earmark the shares of host local government units in the excise taxes on petroleum products from oil refineries and depots and in the value-added tax (VAT) on the sale of electricity generated by coal-powered plants located in their area of jurisdiction in addition to their national tax allotment or NTA similar to their share from national wealth, as provided for under the 1991 local government code.

Petroleum refining is the process of converting crude oil to petroleum products to be used as fuels for transportation, heating, paving roads, generating electricity and manufacturing of products for daily use. Petroleum and oil depots are facilities that store and transport oil, petroleum, and petrochemical products. While petroleum refineries and oil depots stimulate economic activity and provide local employment, they also pose significant health, safety and environmental risks, particularly within their territorial jurisdiction.

Similarly, coal-fired power plants generate electricity but pose significant health, environmental, and safety risks, particularly to host LGUs and their communities.

Several studies have found that residents living close to an oil refinery, depots and coal-powered plants continue to experience adverse impacts with short and long-term health effects such as respiratory problems, skin diseases, malignancies, birth defects, neurological and cardiovascular damage, blood disorders and a general perception of poor health.

Oil refineries, depots and coal-powered plants also produce waste and by-products that can contaminate soil, water, and air, which may cause serious environmental problems and damage the ecosystem. Hazardous fumes, smoke, ashes, chemical spills, and explosions are among the safety and environmental risks brought about by oil refineries, depots and coal-powered plants unto the communities that are proximate or are located within the host LGUs.

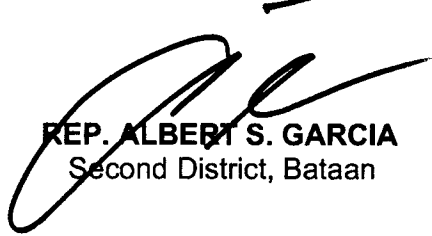
At present, the national government imposes excise taxes on petroleum products, which should be included in the computation of all national taxes collected.

1 While all local government units benefit from the excise taxes collected on petroleum
2 products through their just shares in their national tax allotments, the host provinces,
3 cities, municipalities, and barangays with existing oil refineries located in their
4 respective areas of jurisdiction are left alone to deal with its direct adverse
5 consequences, leaving these communities worse off.
6

7 Similarly, the national government imposes Value Added Tax on sale of
8 electricity, from which tax the national government and LGUs have respective shares
9 as provided for under the 1991 Local Government Code. Meanwhile, host LGUs are
10 directly affected by the adverse effects of energy production from combusting coal.
11

12 To alleviate the adverse consequences, direct financial assistance should be
13 granted to the host LGUs of petroleum refineries, depots and coal-powered plants
14 through the earmarking of their equitable share from the excise taxes and VAT collected
15 therein to enable them to strengthen their healthcare systems and offset the safety and
16 environmental impacts of hosting petroleum refineries in their respective localities.
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18 In view of the foregoing, the approval of this bill is earnestly sought.
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REP. ALBERT S. GARCIA
Second District, Bataan



Republic of the Philippines
House of Representatives
Quezon City

NINETEENTH CONGRESS

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AN ACT

**EARMARKING THE EQUITABLE SHARES OF HOST LOCAL GOVERNMENT
UNITS IN THE EXCISE TAXES ON PETROLEUM PRODUCTS COLLECTED FROM
OIL REFINERIES AND DEPOTS AND IN THE VALUE ADDED TAX COLLECTED
FROM SALE OF ELECTRICITY FROM COAL POWERED PLANTS IN THEIR
RESPECTIVE TERRITORIAL JURISDICTIONS**

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

SECTION 1. *Short Title.* – This Act shall be known as the “*Petroleum Excise Tax Coal
Value Added Tax Allocation Act.*”

SEC. 2. *Declaration of Policy.* – It is the policy of the State to promote the
Constitutional right of the people to a balanced and healthful ecology in accord with the
rhythm and harmony of nature. Local governments shall be entitled to an equitable
share in the proceeds of the utilization and development of national wealth within their
respective areas, including sharing the same with the inhabitants by way of direct
benefits. Towards this end, the State shall support the local communities that are host
to oil refineries, depots, and coal-powered plants by providing them with adequate
financial support from equitable the share of host local government units in excise taxes

1 from petroleum products and VAT from coal-powered plants, to offset and mitigate the
2 adverse health, safety and environmental impacts brought about by oil refineries,
3 depots and coal-powered plants. For purposes of this Act, depots shall mean facilities
4 that store and transport oil, petroleum, and petrochemical products.

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6 **SEC. 3. *Amount of Share of host Local Government Units in Excise Taxes.*** – The
7 host local government units, in addition to their share from the national tax allotment
8 (NTA), shall have a share of forty percent (40%) of the gross collection derived by the
9 national government from the preceding fiscal year from excise taxes from petroleum
10 products from oil refineries and depots.

11
12 **SEC. 4. *Amount of Share of host Local Government Units in value added tax.*** –
13 The host local government units, in addition to their share from the national tax allotment
14 (NTA), shall also have a share of fifteen percent (15%) from the share of the national
15 government in VAT on the sale of electricity generated by coal-powered plants located
16 within their respective territorial jurisdiction based on the preceding fiscal year.

17
18 **SEC. 5. *Allocation of Shares.*** – The shares of host local governments in the excise
19 taxes from petroleum products of oil refineries and depots, as well as in VAT from coal-
20 powered plants in the preceding sections shall be distributed in the following manner:

21 (a) Where the natural resources are located in the province:

22 (1) Province - Twenty percent (20%);

23 (2) Component City/Municipality - Forty-five percent (45%); and

24 (3) Barangay - Thirty-five percent (35%)

1 Provided, however, that where the oil refineries are located in two (2) or more provinces,
2 or in two (2) or more component cities or municipalities or in two (2) or more barangays,
3 their respective shares shall be computed on the basis of:

4 (1) Population - Seventy percent (70%); and

5 (2) Land area - Thirty percent (30%)

6 (b) Where the natural resources are located in a highly urbanized or independent
7 component city:

8 (1) City - Sixty-five percent (65%); and

9 (2) Barangay - Thirty-five percent (35%)

10 Provided, however, that where the natural resources are located in such two (2) or
11 more cities, the allocation of shares shall be based on the formula on population and
12 land area as specified in paragraph (a) of this Section.

13
14 **SEC. 6. *Utilization of Shares.*** – The shares of host local governments in the excise
15 taxes and VAT shall be allocated and used for the following purposes:

16 (a) Construction and improvement of healthcare facilities;

17 (b) Increase of medical and non-medical personnel in healthcare
18 facilities;

19 (c) Enhancement of the delivery of healthcare services;

20 (d) Information and education campaigns to improve help-seeking
21 behaviors of citizens;

22 (e) Infrastructure and development projects that may mitigate the
23 adverse safety concerns and environmental impacts of petroleum
24 refineries; and

25 (f) Welfare programs and projects.

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