



Republic of the Philippines  
House of Representatives  
Quezon City

**TWENTIETH CONGRESS**

*First Regular Session*

House Bill No. 1077



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**Introduced by Representative Albert S. Garcia**

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**EXPLANATORY NOTE**

1 This bill seeks to earmark the shares of host local government units in the excise  
2 taxes from petroleum products and the value-added tax (VAT) on the sale of electricity  
3 generated from coal located in their area of jurisdiction in addition to their national tax  
4 allotment or NTA similar to their share from national wealth, as provided for under the  
5 1991 local government code.

6  
7 Petroleum refining is the process of converting crude oil to petroleum products  
8 to be used as fuels for transportation, heating, paving roads, generating electricity and  
9 manufacturing of products for daily use. While petroleum refineries stimulate economic  
10 activity and provide local employment, they also pose significant health, safety and  
11 environmental risks, particularly within their territorial jurisdiction.

12  
13 Similarly, coal-fired power plants generate electricity but pose significant health,  
14 environmental, and safety risks, particularly to host LGUs and their communities.

15  
16 Several studies have found that residents living close to an oil refinery and coal-  
17 powered plants continue to experience adverse impacts with short and long-term health  
18 effects such as respiratory problems, skin diseases, malignancies, birth defects,  
19 neurological and cardiovascular damage, blood disorders and a general perception of  
20 poor health.

21  
22 Refineries and coal-powered plants also produce waste and by-products that  
23 can contaminate soil, water, and air, which may cause serious environmental problems  
24 and damage the ecosystem. Hazardous fumes, smoke, ashes, chemical spills, and  
25 explosions are among the safety and environmental risks brought about by oil refineries  
26 and coal-powered plants unto the communities that are proximate or are located within  
27 the host LGUs.

28  
29 At present, the national government imposes excise taxes on petroleum  
30 products which should be included in the computation of all national taxes collected.  
31 While all local government units benefit from the excise taxes collected on petroleum  
32 products through their just shares in their national tax allotments, the host provinces,

1 cities, municipalities, and barangays with existing oil refineries located in their  
2 respective areas of jurisdiction are left alone to deal with its direct adverse  
3 consequences, leaving these communities worse off.  
4

5 Similarly, the national government imposes Value Added Tax on sale of  
6 electricity, from which tax the national government and LGUs have respective shares  
7 via 60-40 proportion. Meanwhile, host LGUs are directly affected by the adverse effects  
8 of energy production from combusting coal.  
9

10 To alleviate the adverse consequences, direct financial assistance should be  
11 granted to the host LGUs of petroleum refineries and coal-powered plants through the  
12 earmarking their equitable share from the excise taxes and VAT collected therein to  
13 enable them to strengthen their healthcare systems and offset the safety and  
14 environmental impacts of hosting petroleum refineries in their respective localities.  
15

16 In view of the foregoing, the approval of this bill is earnestly sought.  
17



REP. ALBERT S. GARCIA  
Second District, Bataan



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1 **AN ACT**  
2 **EARMARKING THE EQUITABLE SHARES OF HOST LOCAL GOVERNMENT**  
3 **UNITS IN THE EXCISE TAXES COLLECTED FROM PETROLEUM PRODUCTS AND**  
4 **IN THE VALUE ADDED TAX COLLECTED FROM SALE OF ELECTRICITY FROM**  
5 **COAL POWERED PLANTS IN THEIR RESPECTIVE TERRITORIAL**  
6 **JURISDICTIONS**

7  
8 *Be it enacted by the Senate and the House of Representatives of the Philippines in*  
9 *Congress assembled:*  
10

11  
12 **SECTION 1. *Short Title.*** – This Act shall be known as the “*Petroleum Excise Tax Coal*  
13 *Value Added Tax Allocation Act.*”

14 **SEC. 2. *Declaration of Policy.*** – It is the policy of the State to promote the  
15 Constitutional right of the people to a balanced and healthful ecology in accord with the  
16 rhythm and harmony of nature. Local governments shall be entitled to an equitable  
17 share in the proceeds of the utilization and development of national wealth within their  
18 respective areas. Towards this end, the State shall support the local communities that  
19 are host to petroleum refineries and coal-powered plants by providing them with  
20 adequate financial support from equitable the share of local government units in excise  
21 taxes from petroleum products and VAT from coal-powered plants, to offset and

1 mitigate the adverse health, safety and environmental impacts brought about by  
2 petroleum refineries and coal-powered plants.

3  
4 **SEC. 3. *Amount of Share of host Local Government Units in Excise Taxes.*** – The  
5 host local government units shall, in addition to their national tax allotment (NTA), shall  
6 have a share of forty percent (40%) of the gross collection derived by the national  
7 government from the preceding fiscal year from excise taxes from petroleum products  
8 manufactured by refineries and from VAT from sale of electricity from coal-powered  
9 plants located within its respective territorial jurisdiction.

10  
11 **SEC. 4. *Share of the Host Local Governments from any Government Agency or***  
12 ***Owned or Controlled Corporation.*** - Host Local government units shall have the  
13 same equitable share as stated in the preceding Section from the proceeds derived by  
14 any government agency or government-owned or controlled corporation engaged in the  
15 manufacture of petroleum products or in energy generation from coal-powered plants,  
16 based on the following formula whichever will produce a higher share for the host LGU.

17 (a) One percent (1%) of the gross sales or receipts of the preceding calendar year;  
18 or

19 (b) Forty percent (40%) of the excise taxes and VAT the government agency or  
20 government owned or controlled corporation would have paid if it were not otherwise  
21 exempt.

22 **SEC. 5. *Allocation of Shares.*** – The shares of host local governments in the excise  
23 taxes from petroleum products of oil refineries and in the VAT from coal-powered plants  
24 in the preceding sections shall be distributed in the following manner:

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

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

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

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

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

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

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

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

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

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

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

15  
16 **SEC. 5. *Utilization of Shares.*** – The shares of host local governments in the excise  
17 taxes and VAT shall be allocated and used for the following purposes:

18 (a) Construction and improvement of healthcare facilities;

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

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

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

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

25 (f) Welfare programs and projects.

1 SEC. 6. **Registry.** – The Department of Finance shall maintain a registry of all excise  
2 taxes on petroleum products and VAT on electricity produced by coal-powered plants  
3 collected, with breakdown on the amount collected per petroleum product and kilowatt  
4 per hour produced. Likewise, the Department of Finance shall, in coordination with the  
5 Department of Energy, include in the registry the kind and volume of petroleum products  
6 that every refinery produces or manufactures and the amount of electricity generated  
7 and sold by coal-powered plants.

8  
9 SEC. 7. **Implementing Rules and Regulations.** – Within one hundred twenty (120)  
10 days from the effectivity of this Act, the Commissioner of the Bureau of Internal  
11 Revenue, in consultation with the Department of the Interior and Local Government as  
12 well as with the Presidents of the Leagues of Provinces (LPP), Cities (LCP),  
13 Municipalities (LMP) and Barangays (LnB), shall promulgate the necessary revenue  
14 issuances, rules and regulations for the effective implementation of this Act.

15  
16 SEC. 8. **Separability Clause.** – If any provision of this Act is declared unconstitutional,  
17 the remainder of this Act or any provisions not affected thereby shall remain in full force  
18 and effect.

19  
20 SEC. 9. **Repealing Clause.** – All laws, rules and regulations inconsistent with this Act  
21 are hereby repealed, amended or modified accordingly.

22  
23 SEC. 10. **Effectivity.** – This Act shall take effect fifteen (15) days after its publication  
24 in the *Official Gazette* or in a newspaper of general circulation.

25 Approved,  
26