



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS

First Regular Session

House Bill No. **2156**



Introduced by
PHILRECA Party-List Representative Presley C. De Jesus,
APEC Party-List Representative Sergio C. Dagooc

EXPLANATORY NOTE

In the case of *Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) v. Secretary of the Department of Interior and Local Government (DILG)*, the Supreme Court ruled against the petitioner's tax exemption claim pursuant to Presidential Decree No. 269. In its decision, the Court focused on the distinctions between electric cooperatives and cooperatives which fall under R.A. 6938. The main points made by the Court are:

1. The amount of contribution made per capital required;
2. Government supervision over electric cooperatives; and
3. Withdrawal of tax exemption for cooperatives not registered under R.A. 6938.

However, electric cooperatives registered under R.A. 6938 are still afforded tax exemption despite the divergence in the above-mentioned factors. There is undoubtedly minimal to no actual variance between the two cooperatives, aside from the fact of its registration under R.A. 6938. It is noteworthy to mention that electric cooperatives are naturally and inherently non-stock, non-profit entities, whose main purpose is to provide electricity to its members. There is clearly no reasonable distinction between cooperatives registered under the R.A. 6938 and electric cooperatives, hence violative of Sec. 1, Article III of the 1987 Constitution¹.

Sec. 13 of R.A. 10531 recognizes the right of electric cooperatives to preferential rights granted under R.A. 7160, otherwise known as the Local Government Code (LGC). This specifically pertains to Sec. 193, the provision that provides for the withdrawal of tax exemption on all entities except

¹ Sec. 1, Art.III, 1987 Constitution. No person shall be deprived of life, liberty, or property without due process of law, nor shall any person be denied the equal protection of the laws.

cooperatives registered under the Cooperative Development Authority. R.A. 10531 was enacted in 2012, whereas the R.A. 7160 was enacted in 1991. The provision has clearly repealed the withdrawal of tax exemption under the LGC and is reinforced by Section 18 of R.A. 10531, which states, *to wit*:

SEC. 18. Repealing Clause. – Article 132(3) of Republic Act No. 9520 and Section 30 of Republic Act No. 9136 (EPIRA) on NEA’s authorized capital stock are hereby repealed. **Any other provision of law, presidential decree, executive order, or rules and regulations inconsistent with the provisions of this Act or with the rules and regulations issued pursuant thereto are hereby repealed or modified accordingly.**

Real Property Tax (“RPT”) imposes a financial burden to electric consumer as part of the electric bill’s passed on charges. The business of an electric cooperative is imbued with public interest which gives life to national economic activity and promotes modernization and technological advancement in rural areas. Hence, if the assets used by the electric cooperatives are burdened with these RPTs, the end result would be an increase in electricity bills paid by the electric end-users.

This House Bill aims to protect the interests of *member consumer owners* (MCOs) and all electric consumers. This bill will also clarify the issue on tax exemption granted to the electric cooperatives under prevailing laws. With the current COVID-19 pandemic, there has been an increase in unemployment and cessation of business operations throughout the country. This fact has proven to be a burden to pay for utility costs and basic sustenance. The least we could do is to relieve our *kababayans* from further financial distress. The Filipino people deserve better; they deserve affordable electricity.

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



PRESLEY C. DE JESUS
PHILRECA Party-List Representative



SERGIO C. DAGOOC
APEC Party-List Representative



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AN ACT
PROVIDING FOR THE GRANT OF TAX EXEMPTION ON REAL
PROPERTY TAXES IMPOSED ON LAND OWNED AND USED BY
ELECTRIC COOPERATIVES

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

1 SECTION 1. **Short Title.** – This Act shall be known as the “Electric
2 Cooperative Real Property Tax Exemption Act” or “EC-RPT Exemption Act”.

3 SECTION 2. **Declaration of Policy.** – It is hereby declared the policy of
4 the State to:

- 5 (a) ensure the quality, reliability, security and affordability of the supply of
6 electric power to achieve the lowest cost for end users of electricity;
7 (b) to provide the general public reasonable prices for use of electricity;
8 (c) to ensure the continuity of rural electrification and
9 (d) to promote the total electrification of the country.

10 SECTION 3. **Scope.** – This Act shall apply to all non-stock and non-profit
11 electric cooperatives organized and registered under Presidential Decree No.
12 269, as amended.

13 SECTION 4. **Tax exemption from Real Property Tax.** – All properties
14 owned and controlled by electric cooperatives which are used for the
15 distribution of electricity and its operations shall be exempt from real property

1 tax; *Provided that*, such properties are not encumbered by any lien or
2 mortgage agreement; *Provided further*, that the electric cooperative shall be
3 organized and registered under the National Electrification Administration
4 (NEA).

5 SECTION 5. ***Role of the National Electrification Administration.*** – The
6 NEA shall require all duly registered non-stock and non-profit electric
7 cooperatives to submit proof of ownership or control over the properties
8 referred to in the preceding provision. After the compliance of the electric
9 cooperative, the NEA shall communicate with the corresponding local
10 government unit the eligibility of the electric cooperative for the tax
11 exemption.

12 SECTION 6. ***Repealing Clause.*** - All laws, decrees, orders, rules and
13 regulations, or parts thereof, inconsistent with the provisions of this Act are
14 hereby amended or repealed accordingly.

15 SECTION 7. ***Separability Clause.*** - The provisions of this Act are hereby
16 declared separable. In the event that any provision hereof is rendered
17 unconstitutional, those that are not affected shall remain valid and effective.

18 SECTION 8. ***Effectivity.*** - This Act shall take effect fifteen (15) days
19 following its publication in the Official Gazette or a newspaper of general
20 circulation

21 Approved,