

SENATE OF THE PHILIPPINES )  
SIXTEENTH CONGRESS )  
First Regular Session )



'14 MAY 28 AM 52

SENATE

RECEIVED BY: *JV*

Senate Bill No. 2256

---

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

---

**AN ACT CLASSIFYING THE SERVICES OF FRANCHISE GRANTEEES OF WATER UTILITIES, AND SALE OR IMPORTATION OF MACHINERY AND EQUIPMENT DIRECTLY USED IN OPERATING, MAINTAINING, IMPROVING AND EXPANDING DISTRIBUTION OF POTABLE WATER BY WATER UTILITIES AS VALUE-ADDED TAX EXEMPT TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 109 (1) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

This measure aims to exempt water services from value-added-tax (VAT), amending for the purpose National Internal Revenue Code of 1997, as amended by Republic Act No. 9337.

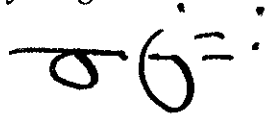
Since the commencement of the Concession Agreement between the Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water and Maynilad in 1997, and up until 2011, water rates dramatically increased by 833.2% in the East concession areas and by 520% in West concession areas. At the onset of the agreement, Maynilad water rate was only P 7.21 per cubic meter, while Manila Water was only P 4.02 per cubic meter. According to the Local Water Utilities Administration, the average basic rate of water districts is P18/cubic meter from P6.75/cubic meter in 1996.

As consumers are weighed down by the rising cost of water services, amid access to water being an international human right, the government doubly burdens the public by imposing value-added tax on water services and other basic utilities. From the introduction of the 10% VAT to its hike to 12% through the expanded VAT (E-VAT\_ law, basic services and utilities have been unjustly taxed, raising the cost of water services.

The exemption of water services from VAT will provide relief to the domestic economy and the people. It is one of the most viable options for Congress to immediately act on. Small revenue losses may easily be offset by the increased purchasing power of households and as cheaper production costs, as well as increased efforts in the collection of other taxes.

This measure will give economic relief to the Filipino people, which will allow them to invest in food, education and health in order to ensure a healthy population and labor force as well as a progressive nation.

The passage of this measure is earnestly sought.

A handwritten signature in black ink, appearing to read 'J. Ejercito', with a horizontal line extending to the left.

**JOSEPH VICTOR G. EJERCITO**



SENATE OF THE PHILIPPINES )  
SIXTEENTH CONGRESS )  
First Regular Session )

'14 MAY 28 AM 52

SENATE

RECEIVED BY *J*

Senate Bill No. 2256

---

Introduced by **SENATOR JOSEPH VICTOR G. EJERCITO**

---

**AN ACT CLASSIFYING THE SERVICES OF FRANCHISE GRANTEEES  
OF WATER UTILITIES, AND SALE OR IMPORTATION OF MACHINERY  
AND EQUIPMENT DIRECTLY USED IN OPERATING, MAINTAINING,  
IMPROVING AND EXPANDING DISTRIBUTION OF POTABLE WATER  
BY WATER UTILITIES AS VALUE-ADDED TAX EXEMPT  
TRANSACTIONS, AMENDING FOR THE PURPOSE SECTION 109 (1)  
OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED BY  
REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES**

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

**SECTION 1.** Section 109 (1) of the National Internal Revenue Code, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

"SECTION 109. Exempt Transactions. - (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

"(A) x x x x

"(B) x x x x

"(C) x x x x

"x x x x x x

"(U) x x x x

“(V) SALES OF WATER UTILITIES;

“(W) SERVICES OF FRANCHISE GRANTEEES OF WATER UTILITIES;

“(X) SALE OR IMPORTATION OF MACHINERIES AND EQUIPMENT, INCLUDING SPARE PARTS, TO BE DIRECTLY USED BY THE BUYER OR IMPORTER HIMSELF IN THE OPERATING, MAINTAINING, IMPROVING AND EXPANDING DISTRIBUTION OF POTABLE WATER BY WATER UTILITIES..

**SECTION 2. *Repealing Clause.*** – All laws, presidential decrees, executive orders, presidential proclamations, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

**SECTION 3. *Separability Clause.*** – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

**SECTION 4. *Effectivity Clause.*** – This Act shall take effect immediately after its complete publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,