

AN ACT GRANTING TAX EXEMPTION PRIVILEGES TO LOCAL WATER DISTRICTS

REPUBLIC ACT NO. 7109, August 14, 1991

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

SECTION 1. Exemption from Taxes. - A water district created pursuant to Presidential Decree No. 198, as amended, shall be exempted from the payment of (1) income taxes, except taxes on interest income from deposits and on investments that have no direct relation with water service operations; (2) franchise taxes; and (3) duties and taxes on imported machinery, equipment and materials required for its operations: Provided, That such machinery, equipment and materials are not domestically manufactured at comparable and competitive prices and quality.

SEC. 2. Additional Exemption Under the Real Property Tax Code. - All lands, buildings, and other real property, including equipment attached thereto, that are used for water supply generation and distribution shall be exempted from real property taxes: Provided, That the land or building is not used for office or any other commercial purposes.

SEC. 3. Period and Conditions of Exemptions. - The tax exemption privileges provided for in Sections 1 and 2 to all water districts shall be enjoyed only for a period of five (5) years from the effectivity of this Act: Provided, That the water districts shall adopt internal control reforms that would bring about their economic and financial viability: Provided, further, That, for a water district to be entitled to the tax exemption, its appropriations for personal services, as well as for travel, transportation or representation expenses and purchase of motor vehicles, shall not be increased by more than twenty-five percent (25%) a year during the period of exemption.

SEC. 4. Statistical and Financial Statements. - All water districts, through the Local Water Utilities Administration, shall furnish the Bureau of Local Government Finance of the Department of Finance, hereinafter referred to as the Bureau, on an annual basis, with statistical data and financial statements regarding their operations and other information as may be required, for purposes of monitoring compliance with the provisions of this Act and reviewing the rationalization for tax and duty exemption privileges.

SEC. 5. Condonation of Taxes and Duties Due. - All unpaid taxes and duties or any portion thereof due from a local water district for the period starting October 15, 1984 until the effectivity date of this Act are hereby condoned by the Government subject to the following conditions:

- That the Bureau, after careful review of the statistical data and financial statements of a water district applying for coordination of taxes due, establishes its financial incapability, after providing for its maintenance and operating expenses, debt servicing and reserve fund, to meet such obligations for the period stated herein; and
- That the water district availing of such condonation submit to the Bureau a program of internal reforms, duly certified by the Local Water Utilities Administration, that would bring about its economic and financial viability.

SEC. 6. Rules and Regulations. - The Secretary of Finance shall promulgate the rules and regulations necessary for the effective implementation of this Act.

SEC. 7. Repealing Clause. - All other laws, decrees and orders or rules and regulations, or parts thereof, which are inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 8. Effectivity. - This Act shall take effect upon its approval.

Approved,

JOVITO R. SALONGA RAMON V. MITRA

President of the Senate Speaker of the House of Representatives

This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on June 5, 1991 and May 27, 1991, respectively.

EDWIN P. ACOBA CAMILO L. SABIO

Secretary of the Senate Secretary General
House of Representatives

Approved: August 14, 1991

CORAZON C. AQUINO President of the Philippines

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