

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

March 22, 2010

**REVENUE MEMORANDUM CIRCULAR NO. 28-2010**

**Subject :** Circularizing the full text of Republic Act No. 10026 entitled **“AN ACT GRANTING INCOME TAX EXEMPTION TO LOCAL WATER DISTRICTS BY AMENDING SECTION 27 (C) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED, AND ADDING SECTION 289-A TO THE CODE, FOR THE PURPOSE”**.

**To :** All Internal Revenue Officials, Employees and Others Concerned

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For the information and guidance of all internal revenue officers, employees and other concerned, attached is the full text of Republic Act No. 10026 issued by the President of the Republic of the Philippines on March 11, 2010.

**“REPUBLIC ACT NO. 10026**

*AN ACT GRANTING INCOME TAX EXEMPTION TO LOCAL WATER DISTRICTS BY AMENDING SECTION 27 (C) OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED, AND ADDING SECTION 299-A TO THE CODEM, FOR THE PURPOSE”*.

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

**Section 1.** Section 27 (C) of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337, is hereby further amended to read as follows:

‘Sec. 27 Rates of Income Tax on Domestic Corporations. –

‘x x x

‘(C) Government –owned or –Controlled Corporations, Agencies or Instrumentalities. – The provisions of existing special or general laws to the

contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the Government Service and Insurance System (GSIS), the Social Security System (SSS), the Philippine Health Insurance Corporation (PHIC), the local water districts (LWD) and the Philippine Charity Sweepstakes Office (PCSO), shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in a similar business, industry, or activity.

‘x x x’

**Section 2.** A new section, designated as Section 289-A under Chapter II, Title XI, of the same Code is inserted to read as follows:

**‘Sec. 289-A. *Support for Local Water Districts*, -** The amount that would have been paid as income tax and saved by the local water district by virtue of its exemption to the income taxes shall be used by the local water district concerned for capital equipment expenditure in order to expand water services coverage and improve water quality in order to provide safe and clean water in the provinces, cities, and municipalities: Provided, That, the water district shall adopt internal control reforms that would bring about their economic and financial viability: Provided, further, That the water district shall not increase by more than twenty percent (20%) a year its appropriation for personal services, as well as for travel, transportation or representation expenses and purchase of motor vehicles.

‘All unpaid taxes or any portion thereof due from a local water district for the period starting August 13, 1996 until the effectivity date of this Act are hereby condoned by the Government subject to the following conditions: (1) that the Bureau of Internal Revenue, after careful review of the financial statements of a water district applying for condonation of taxes due, establishes its financial incapacity, after providing for its maintenance and operating expenses, debt servicing and reserved fund, to meet such obligations for the period stated herein; and (2) that the water district availing of such condonation shall submit to Congress of the Philippines a program of internal reforms, duly certified by the local water utilities administration, that would bring about its economic and financial viability.

‘All water districts, through the Local Water Utilities Administration, shall furnish the Committee on Ways and Means of the Senate and House of Representatives, respectively, 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 exemption privileges.’

**Section 3. *Implementing Rules and Regulations.*** – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, and upon consultation with the appropriate government agencies, promulgate the necessary rules and regulations for the effective implementarion of this Act.

**Section 4. *Separability Clause.*** – If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

**Section 5. *Repealing Clause.*** – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act is hereby repealed or modified accordingly.

**Section 6. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation, whichever date comes earlier.

Approved,

(sgd.) JUAN PONCE ENRILE  
President of the Senate

(sgd.) PROSPERO C. NOGRALES  
Speaker of the House  
Of Representatives

This Act which is a consolidation of House Bill No. 5210 and Senate Bill No. 3392 was finally passed by the House of Representatives and the Senate on December 15, 2009 and December 8, 2009, respectively.

(sgd.) EMMA LIRIO-REYES  
Secretary of the Senate

(sgd.) MARILYN B. BARUA-YAP  
Secretary General  
House of Representative

Approved:

GLORIA MACAPAGAL-ARROYO  
President of the Philippines”

All revenue officials and employees are enjoined to give this Circular as wide a publicity as possible.

(Original Signed)

**JOEL L. TAN-TORRES**

Commissioner of Internal Revenue

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