

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
First Regular Session

HOUSE BILL No. **2392**

HOUSE OF REPRESENTATIVES

**RECEIVED**

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Introduced by BAYAN MUNA  
Rep. CARLOS ISAGANI T. ZARATE

**AN ACT**  
**CLASSIFYING THE SERVICES OF FRANCHISE GRANTEES 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. 933, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

This bill seeks to exempt water services from value-added tax (VAT), amending the 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 have dramatically increased by 833.2% in the East concession areas and by 520% in West concession areas. At the onset of the agreement, the Maynilad water rate was only P7.21 per cubic meter, while Manila Water was only P4.02 per cubic meter. At present, the basic water cost for Maynilad is P47.83/cubic meter, while the Manila Water is P36.42/cubic meter. Meanwhile, 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.

Not contented with these exorbitant water rates, the Government is now even acceding to pay for the corporate income taxes of these water firms in the form of sovereign guarantees. For example, the MWSS, a government regulatory body, disallowed Manila Water and Maynilad from recovering their corporate income taxes by hiking their water rates. Both concessionaires ran to the International Chamber of Commerce and sought arbitration on whether the two (2) firms are public utilities and whether corporate income taxes are recoverable expenses.

The privatization of our water resources, supposedly touted by the Government as cost-efficient, ironically proved more costly to the public, and the Government is apparently doing nothing against it.

As consumers are weighed down by the rising cost of water services, amid access to water being an international human right, 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 not only relief, but could be one of the measures the Filipino people could rightfully demand to stem the effects of damages brought upon by the failure of the privatization of water distribution. 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 cheaper production costs, as well as increased efforts in the collection of other taxes.

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

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

*Approved,*

  
CARLOS ISAGANI T. ZARDA  
Bayan Muna Party-list

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Rep. CARLOS ISAGANI T. ZARATE

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AN ACT  
CLASSIFYING THE SERVICES OF FRANCHISE GRANTEES 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. 933, AND FOR OTHER PURPOSES

*Be it enacted by the Senate and 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:

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

“(A) xxx

“(B) xxx

“xxx

“(U) xxx

“(V) SALES OF WATER UTILITIES;

“(W) SERVICES OF FRANCHISE GRANTEES 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,*