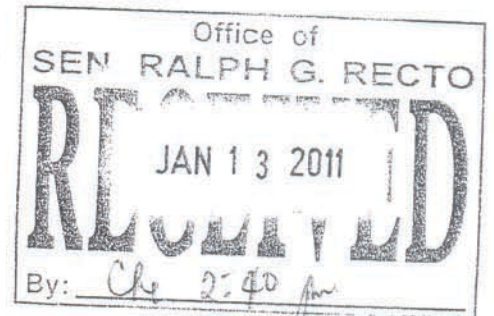




PHILIPPINE ASSOCIATION OF WATER DISTRICTS, INC.

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12 January 2011



The Honorable Senator
RALPH G. RECTO
Chairman, Committee on Ways & Means
Senate of the Philippines
Pasay City

RE: Update on RA 10026 and Request for Intervention asking the DOF
to issue the IRR

Dear Senator Recto:

We would like to apprise you of the passage of RA 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.* RA 10026 lapsed into law on March 11, 2010 without the signature of the President. Pursuant to Section 6 of R. A. No. 10026, the complete text of the law was published on March 29, 2010 in the Manila Standard Today and Malaya. The law took effect on April 14, 2010 in conformity with Section 6 of R. A. No. 10026.

In spite of the passage of the law, the Department of Finance and the Bureau of Internal Revenue have not yet issued the Implementing Rules and Regulations (IRR) pursuant to Sec. 3 thereof. To make matters worse, BIR officials are issuing garnishment to local water districts, in complete disregard of the law, RA 10026.

In the recent decision of the Court of Appeals (*Commissioner of Internal Revenue versus the Secretary of Justice and Camarines Norte Water District, CA-G.R. SP. No. 96004*), it affirmed the *decision and resolution* of the Secretary of Justice dated March 20, 2006 and June 19, 2006, respectively, that "*CNWD is exempt from the payment of income tax as an exclusion from gross income, liable for payment of franchise tax but exempt from VAT and all other increments thereto.*"

The CA even cited that pursuant to Section 2, paragraph 2 of R.A. 10026 "*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.*"

In behalf of the more than 500 local water districts, we are requesting the Honorable Chairman of the Senate Ways & Means Committee to intercede by asking the Department of Finance to issue the IRR on RA 10026 and/or look into the matter.

Thanking you for your usual support.

Very truly yours,


NESTOR P. VILLASIN
President