

**[ REPUBLIC ACT NO. 10026, March 11, 2010 ]**

**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**

*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."

SEC 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