



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 88

**REDUCTION AND CONDONATION OF REAL PROPERTY TAXES
AND INTEREST/PENALTIES ASSESSED ON THE POWER
GENERATION FACILITIES OF INDEPENDENT POWER
PRODUCERS UNDER BUILD-OPERATE-TRANSFER CONTRACTS
WITH GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS**

WHEREAS, under Section 234 of Republic Act (RA) No. 7160 or the "Local Government Code of 1991," government-owned or -controlled corporations (GOCCs) engaged in the generation and transmission of electricity enjoy a number of exemptions/privileges with respect to real property taxes, including an assessment level of 10% on all its lands, buildings, machineries and other improvements, as well as an exemption for all machinery and equipment that are actually, directly and exclusively used in the generation and transmission of electric power and machinery and equipment used for pollution control and environmental protection;

WHEREAS, various local government units (LGUs) have taken the position that Independent Power Producers (IPPs) operating within their territories, which are not GOCCs, are not entitled to the exemptions/privileges of GOCCs with respect to real property taxes on their property, machinery and equipment used in the generation and distribution of electric power, and have threatened enforcement action against IPPs, including the levy and sale at public auction of the affected properties;

WHEREAS, since a substantial portion of real property taxes being charged have been contractually assumed by the National Power Corporation/Power Sector Assets and Liabilities Management Corporation and carry the full faith and credit of the National Government, the collection of the subject real property taxes by the LGUs concerned will trigger massive direct liabilities on the part of such GOCCs, thereby threatening their financial stability, the government's fiscal consolidation efforts, the stability of energy prices, and may even trigger further cross-defaults and significant economic losses across all sectors;

WHEREAS, under Section 277 of RA No. 7160, the President may, when public interest so requires, condone or reduce the real property tax and interest for any year in any province or city or a municipality within the Metropolitan Manila Area; and

WHEREAS, Section 17, Article VII of the 1987 Constitution provides that the President shall have control over all executive departments, bureaus and offices;

THE PRESIDENT OF THE PHILIPPINES

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

Section 1. Reduction and Condonation. All liabilities for real property tax, including any special levies accruing to the Special Education Fund, for calendar year (CY) 2018, on property, machinery and equipment actually and directly used by IPPs for the production of electricity under a Build-Operate-Transfer scheme and similar contracts (whether denominated Power Purchase Agreements, Energy Conversion Agreements or other contractual agreements) with GOCCs, assessed by LGUs and other entities authorized to impose real property tax for all years up to CY 2018, are hereby reduced to an amount equivalent to the tax due if computed based on an assessment level of fifteen percent (15%) of the fair market value of said property, machinery and equipment depreciated at the rate of two percent (2%) per annum, less any amounts already paid by the IPPs. All interests on such deficiency real property tax liabilities are also hereby condoned and the concerned IPPs are relieved from payment thereof.

Section 2. Application to future real property tax liabilities. All real property tax payments made by the IPPs over and above the reduced amount under Section 1 of this Order shall be applied to their real property tax liabilities for the succeeding years.

Section 3. Compliance by all Government Entities. All concerned departments, agencies and instrumentalities of the government, including relevant GOCCs and LGUs, are hereby ordered to strictly comply with this Order.

Section 4. Repeal. All rules and regulations, or parts thereof which are inconsistent with the provisions of this Order are hereby revoked, amended or modified accordingly.

Section 5. Separability. If any provision of this Order is declared invalid or unconstitutional, the other provisions unaffected thereby shall remain valid and subsisting.

Section 6. Effectivity. This Order shall take effect immediately upon its publication in a newspaper of general circulation.

DONE, in the City of Manila, this 13th day of August the year of Our Lord, Two Thousand and Nineteen.



By the President:



SALVADOR C. MEDIALDEA
Executive Secretary

