

# Rody signs EO reducing real property taxes of IPPs

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President Duterte has issued Executive Order (EO) 60 allowing the reduction and condonation of real property taxes and penalties assessed on power generation facilities of independent power producers (IPPs) under Build-Operate-Transfer (BOT) contracts.

Signed last July 25 and released to the media yesterday, the order cited a Local Government Code provision that says the President may, when public interest requires, condone or reduce the real property tax and interest for any year in any province, city or municipality within the Metropolitan Manila area.

The reduction and condonation covers all liabilities for real property tax, including any special levies accruing to the Special Education Fund for calendar year (CY) 2017, on property, machinery and equipment actually used by IPPs for the production of electricity under a BOT scheme and similar contracts.

It also includes contracts under Power Purchase Agreements, Energy Conversion Agreements or other contractual agreements with government owned and controlled corporations (GOCCs) which were assessed by local government units (LGUs), and other entities authorized to impose real property tax for all years up to 2017.

“They are hereby reduced to an amount equivalent to the due computed tax based on an assessment level of 15 percent of the fair market value of the said property, machinery and equipment depreciated at the rate of two percent per annum, less any amounts already paid by the IPPs. All interests on such deficiency real property tax liabilities are also hereby condoned and concerned IPPs are relieved from payment,” the order read in part.

All real property tax payments made by the IPPs over and above the reduced amount shall be applied to their real property tax liabilities for the succeeding years.

The concerned government entities, including relevant GOCCs and LGUs, are ordered to comply with the EO.

“If any provision of this Order is declared invalid or unconstitutional, the other provisions unaffected thereby shall remain valid and subsisting,” read the two-page order, which will take effect upon publication in a newspaper of general circulation.

The EO is issued in a bid for the consolidation of government fiscal efforts, ensure the stability of energy prices and avoid triggering crossdefault and significant losses across sectors.