

Tax Implications of Republic Act No. 11589*

I. FEATURES

RA 11589, otherwise known as the “Bureau of Fire Protection Modernization Act”, strengthens the powers and functions of the Bureau of Fire Protection (BFP), which was created under RA 6975¹, otherwise known as the “Department of the Interior and Local Government Act of 1990”, as amended.

Under the law, the BFP is tasked to establish and implement the modernization program that will enhance the capability of its personnel and acquire state of the art fire prevention, fire suppression, fire investigation, and emergency medical and rescue services facilities and equipment over a period of 10 years effective upon the date of approval of the Act. The following components make up the BFP Modernization Program: (a) fire protection service; (b) force restructuring and organizational development; (c) capability, material, and technology development; (d) specialized services development; and (e) human resource development.

Section 7 of RA 11589 transferred the existing trust fund created by Section 13 of RA 9514², known as the “Fire Code of the Philippines of 2008, to a new trust fund to be known as the BFP Modernization Trust Fund (BMTF), which the Chief of the BFP will administer in accordance with the existing budgeting accounting and auditing rules and regulations. The BMTF shall be used exclusively to implement the BFP Modernization Program, including all expenses for the procurement of facilities, machineries, equipment, and services, but excluding the salaries and allowances for the BFP personnel.

The funding for the BMTF will be sourced from the following:

- a. Appropriations for the BFP Modernization Program as provided in Section 12 of the Act;

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¹ Entitled, “An Act Establishing the Philippine National Police under a Reorganized Department of the Interior and Local Government, and for Other Purposes”, (December 13, 1990).

² Entitled, “An Act Establishing a Comprehensive Fire Code of the Philippines, Repealing Presidential Decree No. 1185 and for Other Purposes”, (December 19, 2008).

- b. 80% share of the BFP from all taxes, fees, and fines collected pursuant to RA 9514;
- c. Proceeds from the disposal of excess and uneconomically repairable equipment and other movable assets of the BFP;
- d. Funds from any budgetary surplus, as may be authorized by Congress;
- e. Loans, grants, bequests, or donations from local and foreign sources specifically earmarked to be used for the BFP Modernization Program; and
- f. All interest income that accrues to the trust fund.

Meanwhile, Section 8 of RA 11589 authorized the city and municipal governments to use their respective share from all taxes, fees, and fines collected pursuant to RA 9514 for the following purposes:

- a. Operation and maintenance of local fire stations;
- b. Construction, repair, rehabilitation, and improvement of local fire stations;
- c. Acquisition of lots and right-of-way for local fire stations;
- d. Acquisition or installation of firefighting equipment, including fire trucks and aerial ladders;
- e. Procurement of personal protective equipment, self-contained breathing apparatus and other firefighting tools; and
- f. Other relevant programs, projects and activities as may be identified by the BFP in accordance with Section 4, subsections (a), (c), and (d) of the Act.

II. BACKGROUND INFORMATION

As of December 31, 2021, there are 1,418 fire stations in the Philippines, of which 864 are BFP owned buildings located in 59 cities and 805 municipalities nationwide. The remaining 554 fire station buildings are owned by the local government units (LGUs), private, and other agencies located in 87 cities and 467 municipalities. In terms of fire trucks, the Philippines has 1,404 fire trucks with 1,366 units owned by the BFP in 146 cities and 1,220 municipalities. The remaining 38 units are owned by the LGUs and other entities and can be found in municipalities. (See Table 1.)

Table 1*Fire Station and Fire Truck – Ownership, as of December 31, 2021*

| Particulars | Cities | Municipalities | Total |
|--|------------|----------------|--------------|
| <i>Fire Stations</i> | | | |
| BFP Owned Building | 59 | 805 | 864 |
| LGUs, Private, and Other Agency Owned Building | 87 | 467 | 554 |
| Total | 146 | 1,272 | 1,418 |
| <i>Fire Trucks</i> | | | |
| BFP Owned | 146 | 1,220 | 1,366 |
| LGUs, Private, and Other Agency Owned Building | - | 38 | 38 |
| Total | 146 | 1,258 | 1,404 |

Source: BFP Logistical Report - 2021³

There are also 197 municipalities with no fire stations or fire trucks in the country located nationwide in 14 regions out of the 17 regions in the Philippines. The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) has 63 municipalities with no fire stations or fire trucks and station buildings, followed by Region 10 with 19 municipalities. (See Table 2.)

Table 2*Municipalities Without Fire Stations or Fire Trucks and Station Buildings, as of December 31, 2021*

| Region | Province | No. of municipalities |
|---------------------------|--------------|-----------------------|
| Region 1 - Ilocos Region | Ilocos Norte | 2 |
| | Ilocos Sur | 8 |
| | La Union | 2 |
| Region 2 - Cagayan Valley | Batanes | 2 |
| | Cagayan | 1 |
| | Isabela | 3 |
| Region 4A - CALBARZON | Batangas | 1 |
| | Cavite | 1 |
| | Laguna | 2 |
| | Quezon | 2 |

³ BFP. (2021, December). BFP Logistical Report. <https://docs.google.com/document/d/1de-3fyIL--5ABlrcWdMjT8P2GQDSAXKA/edit>

| Region | Province | No. of municipalities |
|----------------------------------|---------------------|-----------------------|
| Region 4B - MIMAROPA | Occidental Mindoro | 1 |
| | Palawan | 7 |
| | Romblon | 5 |
| Region 5 - Bicol Region | Albay | 1 |
| | Camarines Norte | 2 |
| | Camarines Sur | 2 |
| | Catanduanes | 1 |
| | Masbate | 3 |
| Region 6 - Western Visayas | Aklan | 1 |
| | Antique | 2 |
| | Capiz | 1 |
| | Iloilo | 1 |
| Region 7 - Central Visayas | Bohol | 4 |
| | Cebu | 6 |
| Region 8 - Eastern Visayas | Eastern Samar | 4 |
| | Northern Samar | 5 |
| | Western Samar | 6 |
| | Southern Leyte | 2 |
| | Biliran | 1 |
| Region 9 - Zamboanga Peninsula | Zamboanga Del Norte | 5 |
| | Zamboanga Del Sur | 11 |
| Region 10 - Northern Mindanao | Camiguin | 1 |
| | Lanao Del Norte | 12 |
| | Misamis Occidental | 4 |
| | Misamis Oriental | 2 |
| Region 11 - Davao Region | Davao Occidental | 1 |
| Cordillera Administrative Region | Abra | 13 |
| | Ifugao | 1 |
| | Kalinga | 1 |
| BARMM | Basilan | 6 |
| | Lanao Del Sur | 22 |
| | Maguindanao | 16 |
| | Sulu | 12 |
| | Tawi-Tawi | 7 |
| Region 13 - CARAGA | Surigao Del Norte | 4 |

Source: BFP Logistical Report – December 2021

For the period 2015 to 2021, there were 486 typical fire stations⁴ completed and 23 ongoing constructions in 2021. (See Table 3.) The funding for the construction of the fire stations came from the annual general appropriation of the BFP, Philippine International Trade Corporation (PITC), and the trust fund created for the modernization of the BFP under RA 9514.

Table 3

Construction of Typical Fire Station Funded, 2015 to 2021, as of December 31, 2021

| Region | Funded | | | | | | | | | | | | | |
|--------------|------------|----------|-----------|-----------|-----------|-----------|----------|-----------|----------|-----------|----------|-----------|-----------|------------|
| | 2015 | | 2016 | | 2017* | 2018 | | 2019 | | 2020 | | 2021 | | Total |
| | Completed | On-going | Completed | On-going | Completed | Completed | On-going | Completed | On-going | Completed | On-going | Completed | On-going | |
| NCR | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Region 1 | 11 | 0 | 8 | 3 | 12 | 3 | 0 | 1 | 0 | 2 | 1 | 1 | 3 | 45 |
| Region 2 | 11 | 0 | 11 | 0 | 2 | 1 | 0 | 4 | 0 | 3 | 0 | 2 | 2 | 36 |
| Region 3 | 13 | 0 | 8 | 0 | 8 | 3 | 0 | 3 | 0 | 4 | 0 | 7 | 0 | 46 |
| Region 4A | 18 | 0 | 1 | 0 | 5 | 1 | 0 | 2 | 0 | 1 | 0 | 2 | 0 | 30 |
| Region 4B | 16 | 0 | 3 | 0 | 4 | 2 | 0 | 3 | 0 | 0 | 1 | 2 | 0 | 31 |
| Region 5 | 10 | 0 | 16 | 0 | 5 | 5 | 0 | 1 | 0 | 3 | 1 | 2 | 5 | 48 |
| Region 6 | 11 | 0 | 6 | 1 | 11 | 0 | 0 | 5 | 0 | 4 | 0 | 7 | 0 | 45 |
| Region 7 | 11 | 0 | 4 | 0 | 7 | 3 | 0 | 4 | 0 | 3 | 0 | 0 | 7 | 39 |
| Region 8 | 19 | 0 | 4 | 0 | 9 | 3 | 0 | 1 | 1 | 3 | 0 | 3 | 0 | 43 |
| Region 9 | 9 | 0 | 8 | 0 | 7 | 0 | 0 | 2 | 0 | 1 | 2 | 0 | 1 | 30 |
| Region 10 | 9 | 0 | 7 | 0 | 7 | 0 | 0 | 1 | 1 | 3 | 0 | 0 | 3 | 31 |
| Region 11 | 12 | 0 | 0 | 0 | 9 | 0 | 0 | 2 | 0 | 2 | 1 | 0 | 0 | 26 |
| Region 12 | 3 | 0 | 3 | 0 | 5 | 0 | 0 | 3 | 0 | 3 | 0 | 2 | 0 | 19 |
| CAR | 8 | 2 | 5 | 4 | 3 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 26 |
| CARAGA | 12 | 4 | 2 | 2 | 3 | 2 | 0 | 3 | 0 | 4 | 0 | 2 | 0 | 34 |
| BARMM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 2 | 0 | 5 |
| Total | 173 | 6 | 86 | 10 | 98 | 25 | 0 | 36 | 2 | 36 | 8 | 32 | 23 | 535 |

Source: BFP Logistical Report – December 2021

* Funded by the PITC

As of December 31, 2021, the BFP recorded P65.8 billion on the recapitulation of the BFP Modernization, which established 554 municipal and 78 city typical fire stations amounting to P4.1 billion and P1.5 billion, respectively. The biggest chunk of the BFP Modernization was allocated for emergency and service vehicles, which amounted to P55.8 billion or 84.7% of the total modernization program. (See Table 4.)

⁴ Refers to a two-story building with a garage that could accommodate two fire trucks, the office of the Fire Marshal, quarters for male and female fire officers, comfort rooms, and a supply room.

Table 4

Recapitulation of the BFP Modernization, as of December 31, 2021 (Amounts in P million)

| Particulars | Quantity | Amount | Total |
|--------------------------------|----------|----------|------------------|
| Typical municipal fire station | 554 | 7.32 | 4,055.82 |
| Typical city fire station | 78 | 19.47 | 1,518.62 |
| Regional office | 7 | 50.00 | 350.00 |
| Provincial office | 34 | 9.00 | 306.00 |
| Training center | 3 | 1,000.00 | 3,000.00 |
| Arson laboratory | 16 | 15.00 | 240.00 |
| Emergency and service vehicles | | - | 55,752.44 |
| PPE, SCBA, nozzle, and hose | | - | 587.75 |
| Total | | - | 65,810.63 |

Source: BFP Logistical Report – December 2021

III. IMPLICATIONS

The BFP primarily handles the prevention and suppression of all destructive fires on buildings, houses and other structures, forest, land and other similar fire-related activities. It is also responsible for enforcing RA 9514 and enhancing the firefighting capability of the BFP to safeguard the public from destructive fires.

Pursuant to RA 9514, the BFP launched its modernization program in 2010. The total funds for the modernization program for CY 2010 to 2017 was P13.2 billion. However, despite the modernization program, the BFP encountered 96,447 fire incidents in the Philippines for the same period. The casualties from these destructive fires were 1,924 deaths, 5,750 injuries, and P31.1 billion in property damages.⁵

Based on the BFP database, there were 12,829 fire incidents recorded in 2021 with an estimated cost of damage of P4.5 billion, which was much lower than 10.9% or 1,591 fire incidents in the previous year. In relation to this, the top 3 causes of fire incidents in 2020 were arching, electrical connection, and bonfire to structural.⁶

The recent enactment of RA 11589 paved the traditional mandate of the BFP, which assumed its new role as one of the lead agencies in disaster and emergency medical responses. The amended mandate will authorize the BFP to respond to fire incidents in economic zones, free ports, information technology parks and centers, and other similar entities. The BFP is also now mandated to respond to man-made or natural disasters and other emergencies such as

⁵ COA. (2018). Performance Audit Report 2018-01. Bureau of Fire Protection Modernization Program. Retrieved from <https://www.coa.gov.ph/index.php/bureau-of-fire-protection-modernization-program>.

⁶ BFP. (2022). Fire Data. <https://drive.google.com/drive/folders/1OJLxAbkL39dYPZx0IUwz07G04wEnKWE->

rescue operations, medical emergencies, and containment of hazardous materials (HAZMAT), chemical, biological, radiological, nuclear and explosive materials, and similar emergencies.

In this regard, the BFP modernization program would boost the responsiveness, efficiency, and professionalism of the whole BFP in carrying out its mandate. The installation of the BMTF was to cover all necessary expenses of the modernization program. The law modified RA 9514 and continued the appropriation and sources of income for the BFP.

Table 5 presents the earmarked revenues under RA 9514 regarding the 80% share of the BFP from fees, fines and penalties collected under the new Fire Code of the Philippines for the period 2014 to 2020.

Table 5

*Earmarked Revenues of the BFP Collected Under RA 9514, 2014 – 2020
(Amounts in Billion Pesos)*

| Year | Beginning balance | Revenues | Expenditures |
|--------------|-------------------|--------------|--------------|
| 2020 | 8.10 | 2.51 | 0.19 |
| 2019 | 5.86 | 1.81 | 1.00 |
| 2018 | 5.05 | 1.94 | 1.78 |
| 2017 | 4.88 | 1.61 | 2.46 |
| 2016 | 5.73 | 1.42 | 0.00 |
| 2015 | 4.41 | 1.25 | 1.61 |
| 2014 | 0.12 | 1.13 | - |
| Total | 34.15 | 11.68 | 7.05 |

Source: Department of Budget and Management– Budget of Expenditures and Sources of Financing, 2014 to 2022

It is noted that the 80% share of the BFP from all taxes, fees, and fines pursuant to Section 12(b) of RA 9514, which would fund the BMTF, consist of the collections from the following taxes and fees:

- a. Fees to be charged for the issuance of certificates, permits, and licenses as provided for in Section 7 of RA 9514;
- b. One tenth percent (0.10%) of the verified estimated value of buildings or structures to be erected, from the owner thereof, but not to exceed P50,000.00, at least 50% to be paid prior to the issuance of the building permit, and the balance, after final inspection and prior to the issuance of Certificate of Occupancy;
- c. One hundredth percent (0.01%) of the assessed value of buildings or structures annually payable upon payment of the real estate tax, except on structures used as single-family dwellings;

- d. Two percent of all premiums, excluding re-insurance premiums for the sale of fire, earthquake, and explosion hazard insurance collected by companies, persons, or agents licensed to sell such insurances in the Philippines;
- e. Two percent of gross sales of companies, persons or agents selling firefighting equipment, appliances, or devices, including hazard detection and warning systems; and
- f. Two percent of the service fees received from fire, earthquake, and explosion hazard reinsurance surveys and post-loss service of insurance adjustment companies doing business in the Philippines directly through agents.

The 80% share of the BFP is used for the procurement of fire protection and fire investigation supplies and equipment, rescue, paramedics, supplies and materials, and related technical services necessary for the modernization of the BFP. Meanwhile, the remaining 20% are set aside and retained for use by the LGU concerned, which shall appropriate the same exclusively for the use of the operation and maintenance of its local fire station, including the construction and repair of fire stations.

In terms of the 2% premiums collected under Section 12(b)(4) of RA 9514, available data from the Insurance Commission (IC) shows that premiums earned from fire and allied perils insurance amounted to P8.5 billion in 2019, which is higher by P1.5 billion as compared to the 2018 premiums collection of P7.0 billion. Majority of the collection came from fire insurance at 70.8% or P38.9 billion of the total premiums earned from the period 2010 to 2019. (See Table 6.) It is noted that for the period 2013 to 2019, the IC recorded P0.3 billion for micro insurance from fire.

Table 6

Premiums Earned from Fire and Allied Perils Insurance, 2010 – 2019 (Amounts in Billion Pesos)

| Year | Fire | Earthquake/ Fire/Shock | Typhoon | Flood | Extended coverage | Average | Total |
|--------------|--------------|---------------------------|-------------|-------------|----------------------|--------------|--------------|
| 2010 | 3.19 | 0.49 | 0.16 | 0.11 | 0.08 | 0.81 | 4.03 |
| 2011 | 3.19 | 0.52 | 0.17 | 0.11 | 0.14 | 0.83 | 4.13 |
| 2012 | 3.16 | 0.71 | 0.25 | 0.18 | 0.14 | 0.89 | 4.45 |
| 2013 | 2.99 | 0.76 | -0.01 | 0.18 | 0.15 | 0.81 | 4.06 |
| 2014 | 3.27 | 0.84 | 0.18 | 0.19 | 0.16 | 0.93 | 4.64 |
| 2015 | 3.44 | 0.94 | 0.32 | 0.21 | 0.19 | 1.02 | 5.10 |
| 2016 | 4.29 | 1.19 | 0.06 | 0.33 | 0.30 | 1.23 | 6.16 |
| 2017 | 4.57 | 1.31 | 0.48 | 0.35 | 0.24 | 1.39 | 6.96 |
| 2018 | 4.69 | 1.39 | 0.46 | 0.27 | 0.20 | 1.40 | 7.01 |
| 2019 | 6.14 | 1.28 | 0.50 | 0.34 | 0.23 | 1.70 | 8.48 |
| Total | 38.93 | 9.42 | 2.57 | 2.27 | 1.83 | 11.00 | 55.02 |

Source: Official Communication with Insurance Commission, 2022

Using the data on premiums earned from fire and allied perils insurance, the estimated 2% premium tax for the period 2015 to 2019 would amount to P0.7 billion. (See Table 7.)

Table 7

Estimated 2% Premium Tax Based on Premiums Earned from Fire and Allied Perils Insurance, 2015 – 2019 (In Million Pesos)

| Type of Insurance | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fire | 68.70 | 85.74 | 91.43 | 93.85 | 122.77 | 462.49 |
| Earthquake/fire/shock | 18.75 | 23.85 | 26.22 | 27.81 | 25.56 | 122.19 |
| Typhoon | 6.40 | 1.17 | 9.68 | 9.22 | 9.94 | 36.41 |
| Flood | 4.23 | 6.55 | 7.04 | 5.30 | 6.84 | 29.96 |
| Extended coverage | 3.85 | 5.92 | 4.72 | 4.07 | 4.54 | 23.10 |
| Total | 101.94 | 123.22 | 139.10 | 140.24 | 169.64 | 674.14 |

Source: Official Communication with Insurance Commission, 2022

Incidentally, under Section 15(b)(iii) of RA 11639⁷, also known as the “2022 General Appropriation Act”, the importation of fire-fighting equipment, rescue equipment, and personal protective gears of the BFP is considered as a non-cash tax transaction. The amount pertaining to said transaction’s taxes and duties shall be considered both revenue and expenditure of the government, and are deemed automatically appropriated.

Although the sources of financing for the BMTF remains the same, its use and allocation was expanded to establish and implement the BFP Modernization Program, which shall include the following:

- a. Establishment of the Fire Protection Service to include the establishment of rescue hotlines all LGUs with priority given to municipalities with no existing fire protection services;
- b. Innovation of the organizational structure and staffing pattern of the BFP. As of September 16, 2020, there were a total of 405 civilian personnel and 27,968 uniformed personnel in the BFP. The proportion of firetrucks to fire officers is 1:10, compared to the ideal ratio of 1:14. Clearly, there is a need to increase the number of BFP personnel to effectively respond to fire incidents.⁸

⁷ Entitled, “An Act Appropriating Funds for the Operation of the Government of the Republic of the Philippines from January One to December Thirty-One, Two Thousand and Twenty-Two”, approved on December 30, 2021.

⁸ Senate. (2020). Senate Journal – Session No. 12. Eighteenth Congress- Second Regular Session.<http://legacy.senate.gov.ph/lisdata/3362730483!.pdf>

- c. Upgrade of the existing fire protection equipment and services of the BFP through the acquisition of new and modern equipment, vehicles, and personal protective equipment.
- d. Establishment and development of specialized fire protection services, Search and Rescue Force, HAZMAT units, Fire and Arson Investigation Unit, and Security and Protection Unit in every region and city, as well as an Emergency Medical Service in every municipality and city.
- e. Development of a comprehensive training program for BFP personnel and BFP volunteers, including mandatory training for new entrants and newly-appointed BFP personnel and BFP volunteers, and establishment of training facilities.