

# Tax Implications of Republic Act Nos. 11572<sup>1\*</sup>

## I. FEATURES

Republic Act (RA) No. 11572, otherwise known as the “Philippine Energy Research and Policy Institute Act”, which was enacted into law on July 30, 2021, is a government measure aimed at bridging the research and policy gap in the energy sector to ensure energy security, equity, and sustainability for the benefit of the Filipino people.

One of the key features of the law is the establishment of the Philippine Energy Research and Policy Institute (PERPI), an independent agency attached to the University of the Philippines, tasked to enhance the country’s capability for energy research and policy development through the formulation and conduct of research and development on energy, energy technology, public policy issues on energy markets, and other pressing issues and problems including the environment, health, and consumer impacts of energy policies and programs, all backed by rigorous empirical evidences.

Section 18 of the law provides for the entitlement of the PERPI to tax exemptions enumerated under Section 25 of RA 9500<sup>2</sup>, otherwise known as the “University of the Philippines Charter of 2008”, as amended by RA 10963<sup>3</sup>, otherwise known as “Tax Reform for Acceleration and Inclusion” law. Furthermore, the Institute may avail of the Tax Expenditure Fund (TEF) pursuant to Executive Order No. 292<sup>4</sup>, otherwise known as the Administrative

---

\* Prepared by Manuel Jay M. Perez IV, Economist III, reviewed by Eva Marie N. Pelayo, Supervising Tax Specialist. Reviewed and approved by Roselyn C. Domo, Chief Tax Specialist, Fiscal Incentives Branch, NTRC.

<sup>1</sup> Entitled, “An Act Establishing the Philippine Energy Research and Policy Institute, Defining Its Objectives, Powers, and Functions, and Providing Funds Therefor”, (July 30, 2021).

<sup>2</sup> Entitled, “An Act to Strengthen the University of the Philippines as the National University”. Approved on April 29, 2008.

<sup>3</sup> Entitled, “An Act Amending Sections 5, 6, 24 25 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, And 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes”. Approved on December 19, 2017.

<sup>4</sup> Entitled, “Instituting the Administrative Code of 1987”, (July 25, 1987).

Code of 1987, Presidential Decree (PD) No. 93 series of 1986<sup>5</sup>, PD 1177 series of 1977<sup>6</sup>, and other applicable laws, rules, and regulations.

## II. IMPLICATIONS

The institutionalization of the PERPI will enhance the country's capacity for energy research and policy development through the acquisition of knowledge and scientific breakthroughs in the field of energy; identification of key policy areas, issues, and challenges in the country's energy sector; and formulation of transdisciplinary research-based policies and strategies for the cost-effective use of energy resources towards environmentally-sound energy development.

The provision of the law which provides for the entitlement of the PERPI to all the tax exemptions enumerated under Section 25 of RA 9500, as amended by RA 10963, and to avail of the TEF to cover its tax obligations will relieve the Institute from certain taxes and duties. This will enable the Institute to have enough financial flexibility, and thus, devote its resources to activities and operations that will aid in achieving its mandate of providing significant contribution to energy research, policy development, and economic growth.

With the enactment of the law, the PERPI is effectively exempted from the payment of the following taxes per Section 25 of RA 9500, as amended:

- a. Taxes and duties on all revenues and assets used for its mandate or in support thereof;
- b. Donor's tax arising from the gifts and donations of real and personal properties of all kinds and the same shall be considered as allowable deductions from the gross income of the donor, in accordance with the provisions of the National Internal Revenue Code of 1997, as amended: Provided, That the allowable deductions shall be equivalent to 150 percent of the value of such donation. Valuation of assistance other than money shall be based on the acquisition cost of the property. Such valuation shall take into consideration the depreciated value of property in the case said property has been used.
- c. Customs duties arising from the importation of economic, technical, vocational, scientific, philosophical, historical, and cultural books, supplies and materials duly certified by the Board of Regents of the University of the Philippines, including scientific and educational computer and software equipment; and
- d. Taxes arising from all academic awards.

---

<sup>5</sup> Entitled, "Withdrawing All Tax and Duty Incentives, Subject to Certain Exceptions, Expanding the Powers of the Fiscal Incentives Review Board and for Other Purposes", (December 17, 1986).

<sup>6</sup> Entitled, "Revising the Budget Process in Order to Institutionalize the Budgetary Innovations of the New Society", (July 30, 1977).

On the other hand, the availment of the TEF by the PERPI, which is consistent with the policy direction of the government to support the tax expenditures of various government agencies and government-owned and/or -controlled corporations (GOCCs), is not automatically granted. Government entities and GOCCs need to apply for tax subsidy entitlement with the Fiscal Incentives Review Board, that is an inter-agency body created under PD 776 s. 1975<sup>7</sup> and such application will undergo a thorough evaluation by the FIRB to avoid unwarranted leakages or abuses and/or fiscal inefficiency. The grant of tax subsidy adheres to fiscal transparency in the use of government resources.

---

<sup>7</sup> Entitled, “Modifying All Laws, Acts, Decrees, Orders and Ordinances Granting Subsidies, Exemptions from Taxes, Duties, Fees, Imposts and Other Charges under Certain Exceptions and Creating a Fiscal Incentives Board”, (August 24, 1975).