



Republic of the Philippines
DEPARTMENT OF ENERGY (DOE)
DEPARTMENT OF FINANCE (DOF)

Joint Memorandum Circular (JMC) No.: ____ Date: ____ JMC 2024-12-001 ✓

To Local Chief Executives, Members of Local *Sanggunian*, Local Treasurers and Assessors, National Electrification Administration, and All Others Concerned

Subject GUIDELINES ON THE AVAILMENT OF PREFERENTIAL RIGHTS OF ELECTRIC COOPERATIVES UNDER REPUBLIC ACT (RA) NO. 7160 IN RELATION TO RA NO. 10531

1.0 **PURPOSE.** This Joint Memorandum Circular (JMC) is being issued to provide guidance to local government units (LGUs) on the availment of preferential rights of electric cooperatives in accordance with R.A. No. 7160, or the "Local Government Code (LGC) of 1991," in relation to R.A. No. 10531, or the "National Electrification Administration Reform Act of 2013," and other applicable laws, rules and regulations.

2.0 **LEGAL BASES.** This Circular is issued on the following legal bases:

2.1 **Sections 133(n) of R.A. No. 7160**, provides for the common limitation on the exercise of the taxing power of LGUs: provinces, cities, municipalities, and *barangays* which shall not extend to the levy on taxes, fees, or charges on countryside and *barangay* business enterprises and cooperatives duly registered under R.A. No. 6810, or the Magna Carta for Countryside and *Barangay* Business Enterprises (*Kalakalan* 20) and R.A. No. 6938, or the "Cooperative Code of the Philippines;"

2.2 **Section 234 of R.A. No. 7160**, provides that all real property owned by duly registered cooperatives as provided for under R.A. No. 6938, are exempt from real property tax;

2.3 **Section 12 of R.A. No. 10531**, states that all electric cooperatives may choose to remain as a non-stock, non-profit cooperative or convert into and register as: (a) a stock cooperative under the Cooperative Development Authority (CDA); or (b) a stock corporation under the Securities and Exchange Commission (SEC). Provided, however, that electric cooperatives registered with the SEC shall no longer enjoy the incentives provided for under R.A. No. 10531. Despite the registration of the electric cooperatives under the CDA or the SEC, the NEA shall retain its supervisory and disciplinary power over them in the conduct of its operations as electric distribution utilities; and

- 2.4 **Section 13 of R.A. No. 10531**, provides that to avail of the preferential rights granted to cooperatives under R.A. No. 7160, and other applicable laws, the electric cooperatives shall comply with the financial and operational standards set by the National Electrification Administration (NEA);
- 2.5 **Section 18 of the Implementing Rules and Regulations (IRR) of R.A. No. 10531**, provides that the DOE and the DOF-BLGF shall issue the guidelines on the availment of preferential rights granted to cooperatives under R.A. No. 7160 and R.A. No. 10531; and
- 3.0 **COVERAGE.** This JMC shall apply to all non-stock or non-profit electric cooperatives registered with the NEA, and stock electric cooperatives registered with the CDA.
- This JMC shall prescribe guidelines on the imposition of taxes, fees and charges on electric cooperatives by provinces, cities, municipalities.
- 4.0 **DEFINITION OF TERMS.**
- 4.1 **Certificate of Compliance** refers to the certification issued by the NEA for electric cooperatives which comply with the financial and operational standards set by NEA.
- 4.2 **Electric Cooperative** shall refer to: (1) an electric distribution utility organized and registered with NEA as non-stock or non-profit electric cooperatives, pursuant to Presidential Decree No. 269, as amended by RA No. 10531, and other related laws; or (2) registered as a stock cooperative under the CDA.
- 4.3 **Local Government Units** shall refer to provinces, cities, municipalities, and barangays.
- 4.4 **Local Taxes** shall refer to taxes or enforced contributions imposed by an LGU through an ordinance, such as real property taxes, business tax, franchise tax, tax on transfer of real property ownership, and does not include fees or charges.
- 4.5 **Fees** shall refer to charges fixed by way of an ordinance for the purpose or regulation or inspection of a business or activity.
- 4.6 **Charges** shall refer to pecuniary liability in the form of rents or fees for the use of LGU facilities or property imposed by way of an ordinance.
- 5.0 **CERTIFICATE OF COMPLIANCE.** Electric cooperatives shall annually secure a Certificate of Compliance issued by the NEA, as proof of its compliance with the financial and operational standards.
- 6.0 **PREFERENTIAL RIGHTS OF ELECTRIC COOPERATIVES.** Pursuant to Section 13 of R.A. No. 10531, electric cooperatives shall not be subject to local taxes, fees and charges in accordance with Section 133 (n) and Section 234 (d) of R.A. No. 7160; *Provided*, That electric cooperatives shall submit annually the Certificate of Compliance to the LGU concerned.
- 7.0 **ADMINISTRATIVE COSTS.** Electric cooperatives are subject to the regulation and imposition of reasonable administrative costs imposed by the LGU concerned in line with the DILG-DOF JMC No. 2019-01, to recover the cost of services that the LGU may render in the performance of its regulatory function and/or service provision, as may be

provided under an ordinance. In particular, electric cooperatives are required to:

- a. Obtain or secure a Mayor's permit and pay the commensurate reasonable cost of regulation, inspection, and surveillance of the operation of its business but not exceeding One Thousand Pesos (Php 1,000.00) as provided for in the ordinance of the LGU concerned, consistent with BLGF Memorandum Circular No. 31-2009, and as may be updated by the Bureau of Local Government Finance (BLGF) every three (3) years, in accordance with DILG-DOF JMC No. 2019-01;
- b. Secure a Community Tax Certificate (CTC) as a juridical entity and pay the corresponding tax of Five Hundred Pesos (Php 500.00) as provided for in the ordinance of the LGU concerned; and
- c. Pay the service charges or cost incurred for public services rendered by the LGU, as may be provided under its duly enacted ordinance.

8.0 ROLES AND RESPONSIBILITIES.

8.1 DOF-BLGF

- i. Disseminate this JMC to all LGUs through the local treasurers for proper implementation; and
- ii. Enjoin and monitor the compliance of the LGUs, through the local treasurers, and provide the necessary technical assistance to local governments for the purpose, upon request.

8.2 DOE

- i. Assist in the dissemination of the JMC through the DOE Field Offices; and
- ii. Conduct a review of this JMC, in coordination with the DOF-BLGF, and recommend the necessary amendments, whenever necessary.

8.3 NEA

- i. Issue and disseminate the Guidelines on the financial and operational standards for the issuance of Certificate of Compliance for the availment of the preferential rights of electric cooperatives within fifteen (15) days from the effectivity of this JMC;
- ii. Assess and issue annually the Certificate of Compliance to electric cooperatives that comply with the NEA's financial and operational standards, based on the latest available data, before January of the following year;
- iii. Provide assistance to electric cooperatives for the continuous compliance with the NEA's financial and operational standards for the availment of preferential rights;
- iv. Furnish annually the BLGF with the list of electric cooperatives that comply with NEA's financial and operational standards;
- v. Protect the interest of the member-consumers and the public in general;

vi. Regularly review the financial and operational standards on the issuance of Certificate of Compliance; and

vii. Disseminate the JMC to the electric cooperatives for compliance.

9.0 EXISTING LOCAL TAX ORDINANCES. In case existing ordinances or revenue measures of the LGUs are inconsistent with RA No. 7160 and RA No. 10531 and the provisions of this Circular, the concerned *local treasurers* are enjoined to make the necessary and immediate representations with their respective Local Chief Executives and *Sanggunian* for the amendment thereof to ensure compliance with the applicable laws, rules, and regulations.

10.0 REPEALING CLAUSE. Local Finance Circular No. 1-07, dated June 28, 2007, is hereby repealed. All other rules, regulations, orders, and/or Circulars previously issued by the DOE and DOF-BLGF, that are contrary to or inconsistent with the provisions of this Circular are hereby repealed or modified accordingly.

11.0 EFFECTIVITY. This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation or the Official Gazette, and upon the filing of three (3) copies with the Office of the National Administrative Register of the University of the Philippines Law Center.


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Secretary, DOE



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