

FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

OFF

9 APR 28 P2 53

SENATE
S.B. No. 3196

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

Eighteen years ago, Republic Act 7160 otherwise known as the Local Government Code of 1991, was passed creating an environment of greater local autonomy by devolving and decentralizing powers, resources, and responsibilities from the central government to local government units. The Code provides power for each local government unit to create its own sources of revenue and to levy taxes, fees, and charges subject to the provisions in the Code, consistent with the basic policy of local autonomy. These taxes, fees, and charges shall accrue exclusively to the local government units.

Although the implementation of the Code was difficult and in a number of cases, incomplete to date, this landmark legislation made great strides in making it possible for LGUs to develop new businesses, create new jobs, and revitalize communities and work for economic growth in their respective communities.

One of the key objectives of the Code was to provide LGUs greater means to create their own sources of revenue in order to carry out their expanded responsibilities. In the course of reviewing the Code over the last seventeen years, it has been evident that the effectiveness of certain provisions in the Code have been overtaken by changes in the economy. These changes include annual increases in the national inflation rate which has reduced the value of tax collections and the rise of new business structures which have not existed when the law was first passed.

As a result, the various reviews of the Code have been integrated into the proposed amendments reflected in this bill:


- Increasing the ceiling on the tax on the transfer of real property ownership from 0.5% to 2% which could increase the annual collection from 1.3 billion pesos to 5.2 billion pesos.
- Increasing the ceiling on the professional tax from 300 pesos to 1,200 pesos which could increase the annual collection from 155 million pesos to 620 million pesos.
- Increasing the annual fixed tax for delivery truck or vans of manufacturers or producers from 500 pesos to 1,500 pesos which could increase the annual collections from 90 million pesos to 270 million pesos.

With these proposed amendments to Book II of the Local Government Code, local governments would be strengthened and further empowered towards the attainment of national development goals.


MIRIAM DEFENSOR SANTIAGO

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1 AN ACT
2 AMENDING TITLE I, BOOK II OF REPUBLIC ACT 7160, OTHERWISE KNOWN
3 AS THE LOCAL GOVERNMENT CODE OF 1991

4 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
5 *Congress assembled:*

6 SECTION 1. Section 130 (b) and (c) of Republic Act 7160, otherwise known as
7 the Local Government Code of 1991, hereinafter referred to as the Code, is hereby
8 amended to read as follows:

9 **SEC. 130 Fundamental Principles-** The following fundamental principles shall
10 govern the exercise of the taxing and other revenue-raising powers of local government
11 units:

12 (a) Taxation shall be uniform in each local government unit;

13 (b) Taxes, fees, charges and other impositions shall:

14 (1) be equitable and based as far as practicable on the taxpayer's ability to pay;

15 (2) be levied and collected only for public purposes AND SOLELY WITHIN THE
16 TERRITORIAL JURISDICTION OF THE LOCAL GOVERNMENT UNIT
17 IMPOSING THE TAX;

18 (3) not be unjust, excessive, oppressive, or confiscatory;

19 (4) not be contrary to law, public policy, national economic policy, or in restraint
20 of trade;

1 (c) LOCAL TAXES, FEES, CHARGES AND OTHER IMPOSITIONS MAY BE PAID
2 THRU ANY BANKING INSTITUTION AUTHORIZED BY THE TAXING
3 LOCAL GOVERNMENT UNIT PURSUANT TO GUIDELINES ADOPTED IN
4 CONSULTATION WITH THE DEPARTMENT OF FINANCE.

5 SECTION 2. Section 131 of the Code is hereby amended to read as follows:

6 **SEC. 131 Definition of Terms**

7 (a) XXX

8 (b) XXX

9 (c) "Amusement Places" ARE PLACES THAT PROVIDE AMUSEMENT OR
10 RECREATION or relaxation places SUCH AS theatres, cinemas, concert halls,
11 NIGHT CLUBS/BARS, CASINOS, MASSAGE PARLORS, SPA, KARAOKE
12 BARS, circuses, BOXING STADIA, COUNTRY AND SPORTS CLUBS,
13 BEACH AND OTHER RESORTS, RECREATIONAL PARKS, COCKPITS,
14 and other places of amusement where one seeks [admission to] entertainment
15 [oneself] by [seeing or viewing the show] WATCHING SHOWS or
16 performances, OR [entertain oneself] BY PARTICIPATING IN ACTIVITIES
17 OR USING THE FACILITIES THEREAT.

18 (d) XXX

19 (e) XXX

20 (f) "**Barangay Micro Business Enterprise (BMBE)**" refers to any business entity
21 or enterprise registered under the provisions of Republic Act Ninety-One
22 Seventy Eight (R.A. 9178), otherwise known as "The Barangay Micro
23 Business Enterprises ("**BMBEs**") Act of 2002."

24 (g) XXX

25 (h) XXX

26 (i) XXX

27 (j) XXX

28 (k) XXX

1 (l) XXX

2 (m)XXX

3 (n) "Gross Sales or Receipt" include the total amount of money or its equivalent
4 representing the contract price, compensation or service fee, including the amount
5 charged or materials supplies with the services and deposits or advance payments
6 actually or constructively received during the taxable [quarter] **YEAR** for the
7 services performed or to be performed for another person excluding discounts if
8 determinable at the time of sales, sales return, excise tax, and value-added tax
9 (VAT);

10 (o) XXX

11 (p) "Marginal Farmer or [Fisherman] FISHERFOLK" refers to an individual
12 engaged in subsistence farming or fishing which shall be limited to the sale,
13 barter or exchange of agricultural or marine products produced by himself and his
14 immediate family;

15 (q) XXX

16 (r) **"MAXIMUM SUSTAINABLE YIELD" REFERS TO THE LARGEST**
17 **AVERAGE QUAN-TITY OF FISH THAT CAN BE HARVESTED FROM**
18 **FISH STOCKS OR RESOURCE WITH-IN A PERIOD OF TIME ON A**
19 **SUSTAINABLE BASIS UNDER EXISTING ENVIRONMENTAL**
20 **CONDITIONS.**

21 [(r)] (S) "Municipal Waters" includes not only streams, lakes, INLAND BODIES OF
22 WATER and tidal waters within the municipality WHICH ARE NOT INCLUDED
23 WITHIN THE PROTECTED AREAS AS DEFINED UNDER REPUBLIC ACT
24 NUMBER 7586, OTHERWISE KNOWN AS THE NIPAS LAW, [not being the subject
25 of private ownership and not comprised within the national parks,] public forest, timber
26 lands, forest reserves or fishery reserves, but also marine waters included between two
27 lines drawn perpendicularly to the general coastline from points where the boundary lines
28 of the municipality or city touch the sea at low tide and a third line parallel with the
29 general coastline INCLUDING OFFSHORE ISLANDS and fifteen (15) kilometers from

1 [it] SUCH COASTLINE. Where two (2) municipalities or cities are so situated on the
2 opposite shores that there is less than [fifteen (15)] THIRTY (30) kilometers of marine
3 waters between them, the third line shall be equally distant from opposite shores of the
4 respective municipalities or cities;

5 [(s)] (T) XXX

6 [(t)] (U) XXX

7 [(u)] (V) XXX

8 [(v)] (W) XXX

9 (x) **“RESOURCE RENT” REFERS TO THE DIFFERENCE BETWEEN THE**
10 **VALUE OF THE PRODUCT PRODUCED FROM HARVESTING THE**
11 **PUBLICLY- OWNED RESOURCE LESS THE COST OF PRODUCING IT,**
12 **WHERE COST INCLUDES THE NORMAL RETURN TO CAPITAL AND**
13 **LABOR;**

14 [(w)] (Y) XXX

15 (z) **“TAX” IS AN IMPOSITION, CHARGE OR BURDEN UPON PERSONS,**
16 **PROPERTY, OR PROPERTY RIGHTS FOR THE USE AND SUPPORT OF THE**
17 **LOCAL GOVERNMENT UNIT TO ENABLE IT TO DISCHARGE ITS**
18 **APPROPRIATE FUNCTIONS.**

19 (aa) **“TOTAL ALLOWABLE CATCH” REFERS TO THE MAXIMUM**
20 **HARVEST ALLOWED TO BE TAKEN DURING A GIVEN PERIOD OF TIME**
21 **FROM ANY FISHERY AREA, OR FROM ANY OR GROUP OF FISHERY**
22 **SPECIES, OR A COMBINATION OF AREA AND SPECIES THAT WOULD**
23 **NOT EXCEED THE MAXIMUM SUSTAINABLE YIELD;**

24 [(x)] (BB) XXX

25 [(y)] (CC) XXX

26 [(z)] (DD) XXX

27 SECTION 3. Section 133 (d), (f), (h), (l), (m) and (o) of the Code is hereby
28 amended to read as follows:

1 **SEC. 133 Common Limitations on the Taxing Powers of Local Government**

2 **Units.**

3 (a) XXX

4 (b) XXX

5 (c) XXX

6 (d) Custom duties AND registration fees of vessel WITH TONNAGE FIVE (5)
7 TONS AND ABOVE [and] wharfage on wharves, tonnage dues, and all other
8 kinds of customs fees, charges and dues except wharfage on wharves constructed
9 [and] maintained OR OPERATED by the local government concerned OR BY A
10 PRIVATE PERSON OR ENTITY.

11 (e) XXX

12 (f) Taxes [, fees or charges] on agricultural and aquatic products when sold by
13 marginal farmers or [fishermen] FISHERFOLK;

14 (g) XXX

15 (h) Excise taxes on [articles enumerated under the National Internal Revenue Code,
16 as amended and taxes, fees and charges on] petroleum products

17 (i) XXX

18 (j) XXX

19 (k) XXX

20 (l) [Taxes] fees, [or charges] for the registration of motor vehicles [and for the
21 issuance of all kinds or licenses or permits for the driving thereof] except
22 [tricycles] MOTOR VEHICLES REGULATED BY THE LOCAL
23 GOVERNMENTS.

24 (m)XXX

25 (n) [Taxes, fees, or charges on Countryside and Barangay Business Enterprises and
26 cooperatives duly registered under R.A. 6810 and Republic Act Numbered Sixty-
27 nine hundred thirty-eight (R.A. 6938) otherwise known as the “Cooperatives
28 Code of the Philippines,” respectively, and]

1 (o) Taxes, [fees and charges] of any kind on the National Government, [its agencies
2 and instrumentalities, and local government units] EXCEPT QUASI-PUBLIC
3 CORPORATIONS, GOVERNMENT BANKS, FINANCING AND
4 INVESTMENT INSTITUTIONS, REVENUE- GENERATING AGENCIES
5 SUCH AS, BUT NOT LIMITED TO, PHILIPPINE PORTS AUTHORITY,
6 MANILA INTERNATIONAL AIRPORT AUTHORITY, GAMBLING AND
7 GAMING ENTERPRISES OPERATED BY THE National GOVERNMENT OR
8 ITS AGENTS OR INSTRUMENTALITIES, OR CONTRACTED OUT BY IT
9 TO FOREIGN AND DOMESTIC CORPORATIONS, INDIVIDUALS OR
10 ENTITIES, WHICH HAVE BEEN GIVEN PERMITS BY THE LOCAL
11 GOVERNMENT UNITS, AND OTHER SIMILAR ORGANIZATIONS AS
12 DETERMINED BY THE DEPARTMENT OF FINANCE.

13 SECTION 4. Section 135 (a) of the Code is hereby amended to read as follows:

14 **SEC. 135 Tax on Transfer of Real Property Ownership**

15 **SEC. 135(a)** The province may impose a tax on the sale, donation, barter, or on any
16 other mode of transferring ownership or title of real property at the rate of not more [fifty
17 percent (50%) of one percent (1%)] than TWO PERCENT (2%) of the total consideration
18 involved in the acquisition of the property or of the fair market value in case the
19 monetary consideration involved in the transfer is not substantial, whichever is higher.
20 The sale, transfer or other disposition of real property pursuant to R.A. No. 6657 shall be
21 exempt from this tax.

22 (b) XXX

23 SECTION 5. Section 137 of the Code is hereby amended to read as follows:

24 **SEC. 137. Franchise Tax.** - Notwithstanding any exemption granted by any law
25 or other special laws, the province may impose a tax on ANY business[es] enjoying a
26 franchise GRANTED BY CONGRESS, a National GOVERNMENT AGENCY OR A
27 LOCAL GOVERNMENT UNIT, INCLUDING POWER GENERATION,
28 TRANSMISSION AND DISTRIBUTION, TELECOMMUNICATIONS, ICE PLANTS

1 AND STORAGE FACILITIES, LEGAL GAMBLING OR GAMING ACTIVITIES,
2 AND OTHER SIMILAR BUSINESSES, BASED ON INCOME REALIZED WITHIN
3 ITS TERRITORIAL JURISDICTION at a rate not exceeding fifty percent (50%) of one
4 percent (1%) of the gross annual receipts for the preceding calendar year [based on the
5 income receipt, or realized within its territorial jurisdiction].

6 SECTION 6. Section 138 of the Code is hereby amended to read as follows:

7 **SEC. 138 Tax on Sand, Gravel and other Quarry Resources.** - The province
8 may levy and collect not more than ten percent (10%) of fair market value in the locality
9 per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources, as
10 defined under the National Internal Revenue Code, as amended, extracted from public
11 lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters
12 within its territorial jurisdiction.

13 The permit to extract sand, gravel, and other quarry resources shall be issued
14 [exclusively] by the provincial governor [pursuant to the ordinance of the Sangguniang
15 Panlalawigan] UPON THE RECOMMENDATION OF THE MAYOR OF THE CITY
16 OR MUNICIPALITY CONCERNED.

17 The proceeds of the tax on sand, gravel and other quarry resources shall be
18 distributed as follows:

- 19 (1) Province - Thirty percent (30%);
20 (2) Component City or Municipality where the sand, gravel, and other quarry resources
21 are extracted - Thirty percent (30%); and
22 (3) Barangay where the sand, gravel, and other quarry resources are extracted - Forty
23 percent (40%).

24 SECTION 7. Section 139 of the Code is hereby amended to read as follows:

25 **SEC. 139 Professional Tax** - (a) The province may levy an annual professional
26 tax on each person engaged in the exercise or practice of his profession requiring
27 government examination at such amount and reasonable classification as the
28 Sangguniang Panlalawigan may determine but shall in no case exceed [Three hundred

1 pesos (P300)] ONE THOUSAND TWO HUNDRED PESOS (P 1,200). THE
2 SANGGUNIANG PANLALAWIGAN MAY INCREASE THE CEILING ON THE
3 PROFESSIONAL TAX ONCE EVERY THREE (3) YEARS BASED ON THE PAST
4 THREE (3) YEAR AVERAGE OF THE CONSUMER PRICE INDEX AS
5 OFFICIALLY PUBLISHED BY THE NATIONAL STATISTICS COORDINATING
6 BOARD”.

7 SECTION 8. Section 141 of the Code is hereby amended to read as follows:

8 **SEC. 141 Annual Fixed Tax For Every Delivery Truck or Van of**
9 **Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in, Certain**
10 **Products** - (a) The province may levy an annual fixed tax for every truck, van or any
11 vehicle used by manufacturers, producers, wholesalers, dealers or retailers in the delivery
12 or distribution of distilled spirits, fermented liquors, soft drinks, cigars and cigarettes, and
13 other products as may be determined by the Sangguniang Panlalawigan, to sales outlets,
14 or consumers, whether directly or indirectly, within the province in an amount not
15 exceeding [FIVE hundred pesos (P500)] ONE THOUSAND FIVE HUNDRED PESOS
16 (P1,500). THE SANGGUNIANG PANLALAWIGAN MAY INCREASE THE
17 CEILING ON THE PROFESSIONAL TAX ONCE EVERY THREE (3) YEARS
18 BASED ON THE PAST THREE (3) YEAR AVERAGE OF THE CONSUMER PRICE
19 INDEX AS OFFICIALLY PUBLISHED BY THE NATIONAL STATISTICS
20 COORDINATING BOARD”.

21 SECTION 9. *Separability Clause.* – If any provision or part thereof is held invalid
22 or unconstitutional, the remainder of the law or the provision not otherwise affected shall
23 remain valid and subsisting.

24 SECTION 10. *Repealing Clause.* – All laws, presidential decree or issuance,
25 executive orders, letter of instruction, administrative order, rule and regulation contrary
26 to, or inconsistent with the provisions of this Act are hereby repealed, modified, or
27 amended accordingly.

28 SECTION 11. *Effectivity Clause.* – This Act shall take effect fifteen (15) days
29 following its publication in at least two (2) newspapers of general circulation.

1

Approved,