

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)



'16 JAN 28 P3 42

SENATE
S. No. 3163

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

AN ACT
AMENDING TITLE 1, BOOK 2 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

Republic Act No. 7160, otherwise known as the Local Government Code of 1991, created 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, it has been evident that the effectiveness of certain provisions has 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.

The proposed amendments in this bill include:

- Increasing the ceiling on the tax on the transfer of real property ownership from 0.5% to 2%;
- Increasing the ceiling on the professional tax from P300 to P1,200; and
- Increasing the annual fixed tax for delivery truck or vans of manufacturers or producers from P500 to P1,500.

With these proposed amendments, local government units would be strengthened and further empowered towards the attainment of national development goals.¹


MIRIAM DEFENSOR SANTIAGO
at

¹ This bill was originally filed during the Fourteenth Congress, Second Regular Session.

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AN ACT
AMENDING TITLE I, BOOK II OF REPUBLIC ACT NO. 7160, OTHERWISE
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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. Section 130 of the Code is hereby amended to read as follows:

2 SECTION 130. *Fundamental Principles.* – The following
3 fundamental principles shall govern the exercise of the taxing and other
4 revenue-raising powers of local government units:

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

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

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

9 (2) be levied and collected only for public purposes

10 **AND SOLELY WITHIN THE TERRITORIAL**
11 **JURISDICTION OF THE LOCAL GOVERNMENT**
12 **UNIT IMPOSING THE TAX;**

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

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

1 (c) ~~[The collection of]~~ Local taxes, fees, charges and other
2 impositions ~~[shall in no case be let to any private person]~~ **MAY BE PAID**
3 **THROUGH ANY BANKING INSTITUTION AUTHORIZED BY**
4 **THE TAXING LOCAL GOVERNMENT UNIT PURSUANT TO**
5 **GUIDELINES ADOPTED IN CONSULTATION WITH THE**
6 **DEPARTMENT OF FINANCE;**

7 (d) The revenue collected pursuant to the provisions of this Code
8 shall inure solely to the benefit of, and be subject to the disposition by, the
9 local government unit levying the tax, fee, charge or other imposition
10 unless otherwise specifically provided herein; and

11 (e) Each local government unit shall, as far as practicable, evolve a
12 progressive system of taxation.

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

14 SECTION 131. *Definition of Terms.* – When used in this Title, the
15 term:

16 (a)

17 (b)

18 (c) “Amusement Places” ~~[include]~~ **ARE PLACES THAT**
19 **PROVIDE AMUSEMENT, RECREATION OR RELAXATION**
20 **SUCH AS theaters, cinemas, concert halls, NIGHT CLUBS/BARS,**
21 **CASINOS, MASSAGE PARLORS, SPA, KARAOKE BARS, circuses,**
22 **BOXING STADIUMS, COUNTRY AND SPORTS CLUBS, BEACH**
23 **AND OTHER RESORTS, RECREATIONAL PARKS, COCKPITS,**
24 and other places of amusement where one seeks [admission to entertain
25 oneself] **ENTERTAINMENT** by [seeing or viewing the show]

1 **WATCHING SHOWS or performances, OR BY PARTICIPATING IN**
2 **ACTIVITIES OR USING THE FACILITIES THEREAT;**

3 (d)

4 (e)

5 (f)

6 (g)

7 (h)

8 (i)

9 (j)

10 (k)

11 (l)

12 (m)

13 (n) "Gross Sales or Receipt" include the total amount of money or its
14 equivalent representing the contract price, compensation or service fee,
15 including the amount charged or materials supplied with the services and
16 deposits or advance payments actually or constructively received during the
17 taxable [quarter] YEAR for the services performed or to be performed for
18 another person excluding discounts if determinable at the time of sales,
19 sales return, excise tax, and value-added tax (VAT);

20 (o)

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

25 (q)

1 **(R) "MAXIMUM SUSTAINABLE YIELD" REFERS TO THE**
2 **LARGEST AVERAGE QUANTITY OF FISH THAT CAN BE**
3 **HARVESTED FROM FISH STOCKS OR RESOURCE WITHIN A**
4 **PERIOD OF TIME ON A SUSTAINABLE BASIS UNDER**
5 **EXISTING ENVIRONMENTAL CONDITIONS.**

6 **[(#)] (S) "Municipal Waters" includes not only streams, lakes,**
7 **INLAND BODIES OF WATER and tidal waters within the municipality**
8 **WHICH ARE NOT INCLUDED WITHIN THE PROTECTED**
9 **AREAS AS DEFINED UNDER REPUBLIC ACT NO. 7586,**
10 **OTHERWISE KNOWN AS THE NIPAS LAW, [~~not being the subject~~**
11 **~~of private ownership and not comprised within the national parks,~~] public**
12 **forest, timber lands, forest reserves or fishery reserves, but also marine**
13 **waters included between two lines drawn perpendicularly to the general**
14 **coastline from points where the boundary lines of the municipality or city**
15 **touch the sea at low tide and a third line parallel with the general coastline**
16 **INCLUDING OFFSHORE ISLANDS and fifteen (15) kilometers from**
17 **[it] SUCH COASTLINE. Where two (2) municipalities are so situated on**
18 **the opposite shores that there is less than [~~fifteen (15)] THIRTY (30)~~**
19 **kilometers of marine waters between them, the third line shall be equally**
20 **distant from opposite shores of their respective municipalities;**

21 **[(#)] (T)**

22 **[(#)] (U)**

23 **[(#)] (V)**

24 **[(#)] (W)**

25 **(X) "RESOURCE RENT" REFERS TO THE DIFFERENCE**
26 **BETWEEN THE VALUE OF THE PRODUCT PRODUCED FROM**

1 HARVESTING THE PUBLICLY-OWNED RESOURCE LESS THE
2 COST OF PRODUCING IT, WHERE COST INCLUDES THE
3 NORMAL RETURN TO CAPITAL AND LABOR;

4 [(w)] (Y)

5 (Z) "TAX" IS AN IMPOSITION, CHARGE OR BURDEN
6 UPON PERSONS, PROPERTY OR PROPERTY RIGHTS FOR THE
7 USE AND SUPPORT OF THE LOCAL GOVERNMENT UNIT TO
8 ENABLE IT TO DISCHARGE ITS APPROPRIATE FUNCTIONS;

9 (AA) "TOTAL ALLOWABLE CATCH" REFERS TO THE
10 MAXIMUM HARVEST ALLOWED TO BE TAKEN DURING A
11 GIVEN PERIOD OF TIME FROM ANY FISHERY AREA, OR
12 FROM ANY OR GROUP OF FISHERY SPECIES, OR A
13 COMBINATION OF AREA AND SPECIES THAT WOULD NOT
14 EXCEED THE MAXIMUM SUSTAINABLE YIELD;

15 [(x)] (BB)

16 [(y)] (CC)

17 [(z)] (DD)

18 SECTION 3. Section 133 of the Code is hereby amended to read as follows:

19 SECTION 133. *Common Limitations on the Taxing Powers of Local*
20 *Government Units.* – Unless otherwise provided herein, the exercise of the
21 taxing powers of provinces, cities, municipalities, and barangays shall not
22 extend to the levy of the following:

23 (a)

24 (b)

25 (c)

1 (d) Customs duties[;] AND registration fees of vessel WITH
2 TONNAGE FIVE (5) TONS AND ABOVE [and] wharfage on wharves,
3 tonnage dues, and all other kinds of customs fees, charges and dues except
4 wharfage on wharves constructed, [and] maintained OR OPERATED by
5 the local government unit concerned OR BY A PRIVATE PERSON OR
6 ENTITY;

7 (e)

8 (f) Taxes [~~,-fees-or-charges~~] on agricultural and aquatic products
9 when sold by marginal farmers or [fishermen] FISHERFOLK;

10 (g)

11 (h) Excise taxes on [~~articles enumerated under the National Internal~~
12 ~~Revenue Code, as amended, and taxes, fees or charges on~~] petroleum
13 products;

14 (i)

15 (j)

16 (k)

17 (l) [~~Taxes,~~] fees [~~or-charges~~] for the registration of motor vehicles
18 [~~and for the issuance of all kinds of licenses or permits for the driving~~
19 ~~thereof,]~~ except [tricycles] MOTOR VEHICLES REGULATED BY
20 THE LOCAL GOVERNMENT UNITS;

21 (m)

22 [~~(n) Taxes, fees, or charges, on Countryside and Barangay Business~~
23 ~~Enterprises and cooperatives duly registered under R.A. No. 6810 and~~
24 ~~Republic Act Numbered Sixty-nine hundred thirty-eight (R.A. No. 6938)~~
25 ~~otherwise known as the "Cooperative Code of the Philippines"~~
26 ~~respectively; and]~~

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

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

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

25 (b)

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

2 SECTION 137. *Franchise Tax.* – Notwithstanding any exemption
3 granted by any law or other special law, the province may impose a tax on
4 ANY business[es] enjoying a franchise GRANTED BY CONGRESS, A
5 NATIONAL GOVERNMENT AGENCY OR A LOCAL
6 GOVERNMENT UNIT, INCLUDING POWER GENERATION,
7 TRANSMISSION AND DISTRIBUTION, TELECOM-
8 MUNICATIONS, ICE PLANTS AND STORAGE FACILITIES,
9 LEGAL GAMBLING OR GAMING ACTIVITIES, AND OTHER
10 SIMILAR BUSINESSES, BASED ON INCOME REALIZED WITHIN
11 ITS TERRITORIAL JURISDICTION, at a rate not exceeding fifty
12 percent (50%) of one percent (1%) of the gross annual receipts for the
13 preceding calendar year [~~based on the incoming receipt, or realized, within~~
14 ~~its territorial jurisdiction~~].

15 In the case of a newly started business, the tax shall not exceed one-
16 twentieth (1/20) of one percent (1%) of the capital investment. In the
17 succeeding calendar year, regardless of when the business started to
18 operate, the tax shall be based on the gross receipts for the preceding
19 calendar year, or any fraction thereon, as provided herein.

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

21 SECTION 138. *Tax on Sand, Gravel and Other Quarry Resources.*
22 – The province may levy and collect not more than ten percent (10%) of
23 fair market value in the locality per cubic meter of ordinary stones, sand,
24 gravel, earth, and other quarry resources, as defined under the National
25 Internal Revenue Code, as amended, extracted from public lands or from

1 the beds of seas, lakes, rivers, streams, creeks, and other public waters
2 within its territorial jurisdiction.

3 The permit to extract sand, gravel and other quarry resources shall
4 be issued [exclusively] by the provincial governor, [~~pursuant to the~~
5 ~~ordinance of the Sangguniang Panlalawigan~~] **UPON THE**
6 **RECOMMENDATION OF THE MAYOR OF THE CITY OR**
7 **MUNICIPALITY CONCERNED.**

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

10 (1) Province – Thirty percent (30%);

11 (2) Component City or Municipality where the sand, gravel, and
12 other quarry resources are extracted – Thirty percent (30%); and

13 (3) Barangay where the sand, gravel, and other quarry resources are
14 extracted – Forty percent (40%).

15 **SECTION 7. Section 139 (a) of the Code is hereby amended to read as follows:**

16 **SECTION 139. Professional Tax. – (a) The province may levy an**
17 **annual professional tax on each person engaged in the exercise or practice**
18 **of his profession requiring government examination at such amount and**
19 **reasonable classification as the sangguniang panlalawigan may determine**
20 **but shall in no case exceed [~~Three hundred pesos (P300.00)] ONE~~**
21 **THOUSAND TWO HUNDRED PESOS (P1,200.00). THE**
22 **SANGGUNIANG PANLALAWIGAN MAY INCREASE THE**
23 **CEILING ON THE PROFESSIONAL TAX ONCE EVERY THREE**
24 **YEARS BASED ON THE PAST THREE YEAR AVERAGE OF THE**

1 **CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED BY**
2 **THE NATIONAL STATISTICS COORDINATING BOARD.**

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

4 **SECTION 141. *Annual Fixed Tax For Every Delivery Truck or Van***
5 ***of Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in,***
6 ***Certain Products.*** – (a) The province may levy an annual fixed tax for
7 every truck, van or any vehicle used by manufacturers, producers,
8 wholesalers, dealers or retailers in the delivery or distribution of distilled
9 spirits, fermented liquors, soft drinks, cigars and cigarettes, and other
10 products as may be determined by the Sangguniang Panlalawigan, to sales
11 outlets, or consumers, whether directly or indirectly, within the province in
12 an amount not exceeding [~~Five—hundred—pesos—(P500.00)~~] **ONE**
13 **THOUSAND FIVE HUNDRED PESOS (P1,500.00).** **THE**
14 **SANGGUNIANG PANLALAWIGAN MAY INCREASE THE**
15 **CEILING ON THE PROFESSIONAL TAX ONCE EVERY THREE**
16 **YEARS BASED ON THE PAST THREE YEAR AVERAGE OF THE**
17 **CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED BY**
18 **THE NATIONAL STATISTICS COORDINATING BOARD.**

19 (b)

20 **SECTION 9. *Separability Clause.*** – If any provision of this Act is held invalid or
21 unconstitutional, the same shall not affect the validity and effectivity of the other
22 provisions hereof.

1 SECTION 10. *Repealing Clause.* – All laws, decrees, orders, and issuances, or
2 portions thereof, which are inconsistent with the provisions of this Act, are hereby
3 repealed, amended or modified accordingly.

4 SECTION 11. *Effectivity Clause.* – This Act shall take effect fifteen (15) days
5 after its publication in the *Official Gazette* or in two (2) newspapers of general
6 circulation.

Approved,

/m19Nov2015