

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



'16 JAN 28 P3:49

SENATE  
S. No. 3174

RECEIVED BY: *J.*

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Introduced by Senator Miriam Defensor Santiago

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AN ACT  
BROADENING THE SCOPE OF TAXING POWERS OF LOCAL GOVERNMENT  
UNITS (LGUs), AMENDING TITLE 1, BOOK 2 OF REPUBLIC ACT NO. 7160,  
OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

Since the passage of the Local Government Code in 1991, various reviews have uncovered complications in the implementation of the law which could be addressed by simplifying the process involved or by further defining the relationship of LGUs vis-à-vis other central government agencies (*i.e.*, Bureau of Internal Revenue). Moreover, there is also a need to address the leakages from local tax revenues resulting from local tax exemptions enjoyed by government corporations and business entities covered by investment promotion laws.

Proposed amendments include: a) Simplifying the business tax to a single rate of 2.5% of gross sales or receipts; b) Adjusting the minimum level of the community tax from P5 to P30 and raising the additional tax for every P1,000 of income from P1 to P2; and c) Removing the local tax exemptions of government corporations and businesses qualifying for investment incentives.

These proposed initiatives would augment the collections of the local government units which they could use to fund their various projects.<sup>1</sup>

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO  
*at*

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<sup>1</sup> This bill was originally filed during the Fourteenth Congress, Second Regular Session.

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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 143 of the Code is hereby deleted and replaced to read as  
2 follows:

3 SECTION 143. *TAX ON BUSINESS.* – THE MUNICIPALITY  
4 MAY IMPOSE TAXES ON ANY BUSINESS, INCLUDING THOSE  
5 SUBJECT TO FRANCHISE TAX UNDER SECTION 137, AT  
6 RATES NOT EXCEEDING TWO AND A HALF PERCENT (2.5%)  
7 OF GROSS SALES OR RECEIPTS OF THE PRECEDING  
8 CALENDAR YEAR.

9 IN THE CASE OF EXPORTERS, INDIRECT EXPORTERS  
10 AND EXPORT SUBCONTRACTORS, THE RATE SHALL BE ONE-  
11 HALF OF THE BUSINESS TAX RATE IMPOSED BY THE  
12 MUNICIPALITY IN ACCORDANCE WITH THE PRECEDING  
13 PARAGRAPH.

14 SECTION 2. Section 146 of the Code is hereby amended to read as follows:

15 SECTION 146. *Payment of Business Taxes.* – (a) The taxes imposed  
16 under Section 143 shall be payable for every separate or distinct

1 establishment or place where business subject to the tax is conducted and  
2 one line of business does not become exempt by being conducted with  
3 some other businesses for which such tax has been paid. The tax on a  
4 business must be paid by the person conducting the same.

5 (b) In cases where a person conducts or operates two (2) or more [of  
6 the] businesses [~~mentioned in Section 143 of this Code~~] which are subject  
7 to the same rate of tax, the tax shall be computed on the combined total  
8 gross sales or receipts of the said two (2) or more related businesses.

9 (c) In cases where a person conducts or operates two (2) or more  
10 businesses [~~mentioned in Section 143 of this Code~~] which are subject to  
11 different rates of tax, the gross sales or receipts of each business shall be  
12 separately reported for the purpose of computing the tax due from each  
13 business.

14 SECTION 3. Section 148 is hereby amended to read as follows:

15 SECTION 148. *Fees for Sealing and Licensing of Weights and*  
16 *Measures.* – (a) The municipality may levy fees for the sealing and  
17 licensing of weights and measures at such reasonable rates as shall be  
18 prescribed by the sangguniang bayan.

19 (b) The sangguniang bayan shall prescribe the necessary regulations  
20 for the use of such weights and measures, subject to such guidelines as shall  
21 be prescribed by the Department of Science and Technology. The  
22 sanggunian concerned shall, by appropriate ordinance, penalize fraudulent  
23 practices and unlawful possession or use of instruments of weights and  
24 measures and prescribe the criminal penalty therefor in accordance with the  
25 provisions of this Code. Provided, however, That the sanggunian concerned

1 may authorize the municipal treasurer to settle an offense not involving the  
2 commission of fraud before a case therefor is filed in court, upon payment  
3 of a compromise penalty **AS PRESCRIBED BY THE SANGGUNIAN**  
4 **BUT** of not less than [~~Two hundred pesos (P200.00)~~] **ONE THOUSAND**  
5 **PESOS (P1,000.00)**. **THE SANGGUNIAN MAY INCREASE THE**  
6 **CEILING ON THE PROFESSIONAL TAX ONCE EVERY THREE**  
7 **(3) YEARS BASED ON THE PAST THREE (3) YEAR AVERAGE OF**  
8 **THE CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED**  
9 **BY THE NATIONAL STATISTICS COORDINATING BOARD.**

10 SECTION 4. Section 149 (a) and (b) (3) of the Code is hereby amended to read as  
11 follows:

12 SECTION 149. *Fishery Rentals, Fees and Charges.* – (a)  
13 Municipalities shall have the exclusive authority to grant fishery privileges  
14 in the municipal waters and impose rentals, fees or charges therefor in  
15 accordance with the provisions of this section; **PROVIDED THAT,**  
16 **RENTALS, FEES OR CHARGES ARE BASED ON ESTIMATES OF**  
17 **RESOURCE RENT AS DETERMINED BY THE SANGGUNIAN**  
18 **CONCERNED IN CONSULTATION WITH THE FISHERIES AND**  
19 **AQUATIC RESOURCE MANAGEMENT COUNCILS (FARMC)**  
20 **ESTABLISHED UNDER REPUBLIC ACT NUMBER 8550,**  
21 **OTHERWISE KNOWN AS THE PHILIPPINE FISHERIES CODE**  
22 **OF 1998.**

23 (b) The sangguniang bayan may:

24 (1) . . . .

25 (2) . . . .

1           (3) Issue licenses for the operation of fishing vessels of three (3) tons  
2 or less for which purpose the sangguniang bayan shall promulgate rules and  
3 regulations regarding the issuances of such licenses to qualified applicants  
4 under existing laws. **PROVIDED THAT THE TOTAL NUMBER OF**  
5 **LICENSES ISSUED IS IN CONSONANCE WITH THE TOTAL**  
6 **ALLOWABLE CATCH AS DETERMINED BY THE SANGGUNIAN**  
7 **CONCERNED, IN CONSULTATION WITH THE FISHERIES AND**  
8 **AQUATIC RESOURCE MANAGEMENT COUNCILS (FARMC);**  
9 Provided, however, That the sanggunian concerned shall, by appropriate  
10 ordinance, penalize the use of explosives, noxious or poisonous substances,  
11 electricity, muro-ami, and other deleterious methods of fishing and  
12 prescribe a criminal penalty therefor in accordance with the provisions of  
13 this Code: Provided, finally, That the sanggunian concerned shall have the  
14 authority to prosecute any violation of the provisions of applicable fishery  
15 laws.

16 **SECTION 5.** Section 150 of the Code is hereby amended to read as follows:

17           **SECTION 150. *Situs of the Tax.*** – (a) For purposes of collection of  
18 the taxes under Section 143 of this Code, [~~manufacturers, assemblers,~~  
19 ~~repackers, brewers, distillers, rectifiers and compounders of liquor, distilled~~  
20 ~~spirits and wines, millers, producers, exporters, wholesalers, distributors,~~  
21 ~~dealers, contractors, banks and other financial institutions, and other]~~ **ALL**  
22 **businesses[;]** maintaining or operating branch or sales outlet elsewhere shall  
23 record the sale in the branch or sales outlet making the sale or transaction,  
24 and the tax thereon shall accrue and shall be paid to the **CITY OR**  
25 **municipality** where such branch or sales outlet is located. In cases where

1 there is no such branch or sales outlet in the city or municipality where the  
2 sale or transaction is made, the sale shall be duly recorded in the principal  
3 office and the taxes due shall accrue and shall be paid to such city or  
4 municipality.

5 (b) The following sales allocation shall apply to [~~manufacturers,~~  
6 ~~assemblers, contractors, producers, and exporters~~] **ALL BUSINESSES**  
7 with factories, project offices, plants, and plantations in the pursuit of their  
8 business:

9 (1) Thirty percent (30%) of all sales recorded in the principal office  
10 shall be taxable by the city or municipality where the principal office is  
11 located; and

12 (2) Seventy percent (70%) of all sales recorded in the principal  
13 office shall be taxable by the city or municipality where the factory, project  
14 office, plant, or plantation is located.

15 (c) In case of a plantation located at a place other than the place  
16 where the factory is located, said seventy percent (70%) mentioned in  
17 subparagraph (b) of subsection (2) above shall be divided as follows:

18 (1) Sixty percent (60%) to the city or municipality where the factory  
19 is located; and

20 (2) Forty percent (40%) to the city or municipality where the  
21 plantation is located.

22 (d) In cases where a [~~manufacturer, assembler, producer, exporter or~~  
23 ~~contractor~~] **BUSINESS** has two (2) or more factories, project offices,  
24 plants, or plantations located in different localities, the seventy percent  
25 (70%) sales allocation mentioned in subparagraph (b) of subsection (2)  
26 above shall be prorated among the localities where the factories, project

1 offices, plants, and plantations are located in proportion to their respective  
2 volumes of production during the period for which the tax is due.

3 (e) The foregoing sales allocation shall be applied irrespective of  
4 whether or not sales are made in the locality where the factory, project  
5 office, plant, or plantation is located.

6 SECTION 6. Section 152 (a) of the Code is hereby amended to read as follows:

7 SECTION 152. *Scope of Taxing Powers.* – The barangays may levy  
8 taxes, fees, and charges, as provided in this Article, which shall exclusively  
9 accrue to them:

10 (a) Taxes – On stores or retailers with fixed business establishments  
11 with gross sales of receipts of the preceding calendar year of [Fifty] ONE  
12 HUNDRED thousand pesos (P50,000.00) (P100,000.00) or less, in the case  
13 of cities and [Thirty] SIXTY thousand pesos (P30,000.00) (P60,000.00) or  
14 less, in the case of municipalities, at a rate not exceeding one percent (1%)  
15 on such gross sales or receipts.

16 SECTION 7. Section 155 of the Code is hereby amended to read as follows:

17 SECTION 155. *Toll Fees or Charges.* – The sanggunian concerned  
18 may prescribe the terms and conditions and fix the rates for the imposition  
19 of toll fees or charges for the use of any public road, pier, or wharf,  
20 waterway, bridge, ferry or telecommunication system funded and  
21 constructed by the local government unit concerned[~~:-Provided, That no~~  
22 ~~such toll fees or charges shall be collected from officers and enlisted men of~~  
23 ~~the Armed Forces of the Philippines and members of the Philippine~~  
24 ~~National Police on mission, post office personnel delivering mail,~~

1 ~~physically-handicapped, and disabled citizens who are sixty-five (65) years~~  
2 ~~or older]~~ **EXCEPT GOVERNMENT VEHICLES.**

3 When public safety and welfare so requires, the sanggunian  
4 concerned may discontinue the collection of the tolls, and thereafter the  
5 said facility shall be free and open for public use.

6 **SECTION 8.** Section 157 of the Code is hereby amended to read as follows:

7 **SECTION 157. *Individuals Liable to Community Tax.*** – Every  
8 inhabitant of the Philippines eighteen (18) years of age or over who has  
9 been regularly employed on a wage or salary basis for at least thirty (30)  
10 consecutive working days during any calendar year, or who is engaged in  
11 business or occupation, or who owns real property with an aggregate  
12 assessed value of One thousand pesos (P1,000.00) or more, or who is  
13 required by law to file an income tax return shall pay an annual community  
14 tax of [~~Five pesos (P5.00)~~] **NOT MORE THAN THIRTY PESOS**  
15 **(P30.00)** and an annual additional tax of [~~One peso (P1.00)~~] **NOT MORE**  
16 **THAN TWO PESOS (P2.00)** for every One thousand pesos (P1,000.00)  
17 of income [~~regardless of whether~~] from business, exercise of profession or  
18 from property [~~which in no case shall exceed Five thousand pesos~~  
19 ~~(P5,000.00)~~].

20 In the case of husband and wife, the additional tax herein imposed  
21 shall be based upon the total property owned by them and the total gross  
22 receipts or earnings derived by them. **PROVIDED, THAT DISABLED**  
23 **PERSONS AND SENIOR CITIZENS NOT GAINFULLY**  
24 **EMPLOYED, NOT ENGAGED IN BUSINESS, OR EARNING LESS**



1           **THAN SIXTY THOUSAND PESOS (P60,000.00) ANNUALLY**  
2           **SHALL PAY A FIX AMOUNT OF THIRTY PESOS (P30.00).**

3           SECTION 9. Section 158 of the Code is hereby amended to read as follows:

4                   **SECTION 158. *Juridical Persons Liable to Community Tax.* – Every**  
5           **corporation no matter how created or organized, whether domestic or**  
6           **resident foreign, engaged in or doing business in the Philippines shall pay**  
7           **an annual community tax of [~~Five hundred pesos (P500.00)~~] ONE**  
8           **THOUSAND PESOS (P1,000.00) and an annual additional tax[~~, which, in~~**  
9           **~~no case, shall exceed Ten thousand pesos (P10,000.00)~~] in accordance with**  
10          **the following schedule:**

11                   **(1) For every [~~Five thousand pesos (P5,000.00)~~] ONE THOUSAND**  
12          **PESOS (P1,000.00) worth of real property in the Philippines owned by it**  
13          **during the preceding year based on the valuation used for the payment of**  
14          **real property tax under existing laws, found in the assessment rolls of the**  
15          **city or municipality where the real property is situated – [~~Two pesos~~**  
16          **(~~P2.00~~)] THREE PESOS (P3.00); and**

17                   **(2) For every [~~Five thousand pesos (P5,000.00)~~] ONE THOUSAND**  
18          **PESOS (P1,000.00) of gross receipts or earnings derived by it from its**  
19          **business in the Philippines during the preceding year – [~~Two pesos (P2.00)]~~**  
20          **THREE PESOS (P3.00).**

21                   The dividends received by a corporation from another corporation  
22          however shall, for the purpose of the additional tax, be considered as part of  
23          the gross receipts or earnings of said corporation.

1 SECTION 10. Section 162 of the Code is hereby amended to read as follows:

2 SECTION 162. *Community Tax Certificate.* – A community tax  
3 certificate shall be issued to every person or corporation upon payment of  
4 the community tax. A community tax certificate may also be issued to any  
5 person or corporation not subject to the community tax upon payment of  
6 [~~One peso (P1.00)~~] **THIRTY PESOS (P30.00)**.

7 SECTION 11. Section 171 of the Code is hereby amended to read as follows:

8 SECTION 171. *Examination of Books of Accounts and Pertinent*  
9 *Records of Businessmen by Local Treasurer.* – The provincial, city,  
10 municipal or barangay treasurer may, by himself or through any of his  
11 deputies duly authorized in writing, examine the books, accounts, and other  
12 pertinent records of any person, partnership, corporation, or association  
13 subject to local taxes, fees and charges in order to ascertain, assess, and  
14 collect the correct amount of the tax, fee, or charge. Such examination shall  
15 be made during regular business hours, only once for every tax period, and  
16 shall be certified to by the examining official. Such certificate shall be  
17 made of record in the books of accounts of the taxpayer examined.

18 In case the examination herein authorized is made by a duly  
19 authorized deputy of the local treasurer, the written authority of the deputy  
20 concerned shall specifically state the name, address, and business of the  
21 taxpayer whose books, accounts, and pertinent records are to be examined,  
22 the date and place of such examination and the procedure to be followed in  
23 conducting the same.

24 For this purpose, the records of the revenue district office of the  
25 Bureau of Internal Revenue shall be made available to the local treasurer,

1 his deputy or duly authorized representative. THE REVENUE DISTRICT  
2 OFFICER SHALL, UPON REQUEST, FURNISH THE CITY OR  
3 MUNICIPAL TREASURER, SUCH OTHER PERTINENT  
4 INFORMATION REQUIRED IN SAID EXAMINATION. THE CITY  
5 AND MUNICIPAL TREASURERS SHALL AT ALL TIMES KEEP  
6 SAID INFORMATION RECEIVED BY HIM, HIS DEPUTY OR  
7 DULY AUTHORIZED REPRESENTATIVE AS STRICTLY  
8 CONFIDENTIAL AND SHALL BE USED ONLY TO ASCERTAIN,  
9 ASSESS, AND COLLECT THE CORRECT AMOUNT OF LOCAL  
10 TAX, FEE OR CHARGE. SUCH RECORDS SHALL NOT BE  
11 DIVULGED TO ANY THIRD PERSONS EXCEPT UPON ORDER  
12 OF COURT OF COMPETENT JURISDICTION. THE CITY OR  
13 MUNICIPAL TREASURER OR HIS DULY AUTHORIZED DEPUTY  
14 OR REPRESENTATIVE SHALL BE ADMINISTRATIVELY  
15 LIABLE FOR ITS DISCLOSURE TO ANY THIRD PARTY OR  
16 PERSON, WITHOUT PREJUDICE TO PROSECUTION UNDER  
17 EXISTING LAWS.

18 THE EXAMINATION SHALL BE MADE DURING  
19 REGULAR BUSINESS HOURS NOT OFTENER THAN ONCE A  
20 YEAR FOR EVERY TAX PERIOD, WHICH SHALL BE THE YEAR  
21 IMMEDIATELY PRECEDING THE EXAMINATION, AND SHALL  
22 BE CERTIFIED BY THE EXAMINING OFFICIAL. SUCH  
23 CERTIFICATION SHALL BE MADE OF RECORD IN THE BOOKS  
24 OF ACCOUNTS OF THE TAXPAYER EXAMINED. ALL  
25 BUSINESSES SHOULD KEEP PROPER BOOKS OF ACCOUNTS.  
26 IN THE CASE OF BUSINESSES WITH REVENUES ABOVE SIX

1 HUNDRED THOUSAND PESOS (P600,000.00), THE FINANCIAL  
2 STATEMENTS MUST BE AUDITED BY A CERTIFIED PUBLIC  
3 ACCOUNTANT. FOR BUSINESSES WITH REVENUES ABOVE  
4 ONE HUNDRED THOUSAND PESOS (P100,000.00) BUT BELOW  
5 SIX HUNDRED THOUSAND PESOS (P600,000.00), THE  
6 ACCOUNTS SHOULD BE PREPARED BY A BOOKKEEPER.

7 SECTION 12. Section 188 of the Code is hereby amended to read as follows:

8 SECTION 188. *Publication of Tax Ordinances and Revenue*  
9 *Measures.* – Within [~~ten-(10)~~] FIFTEEN (15) days after their approval,  
10 certified true copies of all provincial, city, and municipal tax ordinances or  
11 revenue measures shall be published in full for three (3) consecutive days in  
12 a DAILY newspaper [~~of local circulation~~] PUBLISHED AND  
13 CIRCULATED LOCALLY OR ONCE A WEEK FOR THREE (3)  
14 CONSECUTIVE WEEKS IN CASE OF A WEEKLY NEWSPAPER  
15 PUBLISHED AND CIRCULATED LOCALLY [~~Provided, however,~~  
16 ~~That, in~~] In provinces, cities and municipalities where there are no  
17 newspapers [~~of local circulation~~] THAT ARE PUBLISHED AND  
18 CIRCULATED LOCALLY, the same [may] SHALL INSTEAD be  
19 posted FOR AT LEAST ONE (1) MONTH in [~~at least two-(2)~~]  
20 PROVINCIAL CAPITOLS, CITY OR MUNICIPAL HALLS, ALL  
21 BARANGAY HALLS AND OTHER conspicuous and publicly accessible  
22 places.

23 SECTION 13. Section 192 of the Code is hereby amended to read as follows:

24 SECTION 192. *Authority to Grant Tax Exemption Privileges.* –  
25 UNLESS OTHERWISE PROVIDED IN THIS CODE, THE [L]local

1 government units [may], through [ordinances] duly approved  
2 **ORDINANCES, MAY** grant tax exemptions, incentives or reliefs **FOR**  
3 **THE PURPOSE OF PROMOTING OR ENCOURAGING**  
4 **INVESTMENTS IN THEIR JURISDICTIONS,** under such terms and  
5 conditions as they may deem necessary; **PROVIDED THAT THE**  
6 **DURATION OF SUCH INCENTIVES SHALL NOT EXCEED FIVE**  
7 **(5) CONSECUTIVE YEARS FROM THE EFFECTIVE DATE**  
8 **GRANTING THE INCENTIVE: PROVIDED, FURTHER THAT**  
9 **SUCH INCENTIVE SHALL BE AVAILED ONLY ONCE.**

10 SECTION 14. Section 193 of the Code is hereby amended to read as follows:

11 SECTION 193. *Withdrawal of Tax Exemption Privileges.* – Unless  
12 otherwise provided in this Code, tax exemptions or incentives granted to, or  
13 presently enjoyed by all persons, whether natural or juridical, including  
14 government-owned or -controlled corporations **AND OTHER SIMILAR**  
15 **GOVERNMENT AGENCIES OR ENTITIES GENERATING**  
16 **REVENUES AS DETERMINED BY THE DEPARTMENT OF**  
17 **FINANCE SUCH AS, BUT NOT LIMITED TO PHILIPPINE PORTS**  
18 **AUTHORITY, MANILA INTERNATIONAL AIRPORT**  
19 **AUTHORITY, PHILIPPINE RECLAMATION AUTHORITY,**  
20 **PHILIPPINE RETIREMENT AUTHORITY [~~except local water~~**  
21 **districts, cooperatives duly registered under R.A. No. 6938, non-stock and**  
22 **non-profit hospitals and educational institutions;]** are hereby withdrawn  
23 [~~upon the effectivity of this Code~~] **EXCEPT AS PROVIDED HEREIN,**  
24 **NO LAW PROVIDING TAX EXEMPTION FROM LOCAL**  
25 **GOVERNMENT TAXES, FEES AND CHARGES SHALL BE**

1 ENACTED WITHOUT PRIOR CONSULTATION WITH THE  
2 LEAGUE OF CITIES, LEAGUE OF PROVINCES, LEAGUE OF  
3 MUNICIPALITIES, AND LIGA NG MGA BARANGAY AND PRIOR  
4 RECOMMENDATION OF THE DEPARTMENT OF FINANCE.

5 SECTION 15. *Separability Clause.* – If any provision of this Act is held invalid or  
6 unconstitutional, the same shall not affect the validity and effectivity of the other  
7 provisions hereof.

8 SECTION 16. *Repealing Clause.* – All laws, decrees, orders, and issuances, or  
9 portions thereof, which are inconsistent with the provisions of this Act, are hereby  
10 repealed, amended or modified accordingly.

11 SECTION 17. *Effectivity Clause.* – This Act shall take effect fifteen (15) days  
12 after its publication in the *Official Gazette* or in two (2) newspapers of general  
13 circulation.

Approved,

/Im19Dec2015