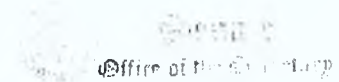


**NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES**
First Regular Session

]]]



'22 SEP 15 P12:51

SENATE

RECEIVED

S.B. No. 1320

Introduced by SEN. WIN GATCHALIAN

**AN ACT
STRENGTHENING LOCAL TAXATION AND THE FISCAL CAPACITY OF LOCAL
GOVERNMENT UNITS BY INCREASING THEIR TAX GENERATION
CAPACITY, AMENDING SECTION 150 OF REPUBLIC ACT NO. 7160,
OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991", AND
FOR OTHER PURPOSES**

EXPLANATORY NOTE

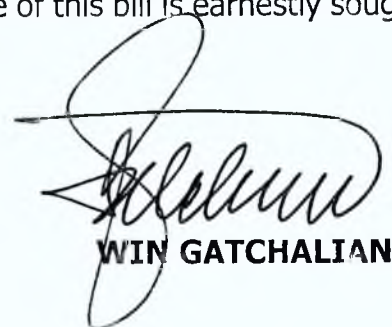
The power of local government units (LGUs) to create their own sources of revenues and impose taxes, fees and charges, especially on businesses, is provided for under the 1987 Constitution and under Book II Local Taxation and Fiscal Matters of Republic Act No. 7160 or the Local Government Code (LGC).

Section 150 of the LGC provides for the situs of local taxation as regards the income generated by businesses with principal offices, branches, factories, project offices, plants, and plantations located in different LGUs. The said section provides for sales allocation between the LGUs where these businesses are located for purposes of determining the applicable Local Business Taxes (LBT) due from these businesses. However, several LGUs are not able to collect LBT from businesses operating within their jurisdiction pursuant to the sales allocation provided for under Section 150 of the LGC. This is due to the improper monitoring of the list of factories, project offices, plants, and plantations operated by these businesses.

The Supreme Court has ruled that local business taxes are to be collected by the local government unit where the business is conducted. The rule on situs of taxation was created precisely to guarantee that each LGU will receive its fair share of taxes from businesses operating within their respective jurisdictions.

Thus, this measure seeks to strengthen the enforcement of Section 150 of the LGC, by requiring covered businesses/taxpayers to: first, submit certain reports and documentary requirements; and second, pay the appropriate LBT pursuant to the allocation provided for under Section 150 of the LGC, for the issuance of business permits and other applicable licenses or clearances that are necessary in their business operations. Such requirements will enable LGUs to properly determine the precise percentage of the tax due from each pertinent business or taxpayer based on their total sales or total revenues recorded. This measure also gives the Bureau of Local Government Finance (BLGF) with the supervisory authority in the implementation by the LGUs of the intra-revenue sharing mandated in Section 150 of the LGC. In addition, this measure proposes to amend the allocation of the right to tax between the city or municipality where the principal office, branch or sales outlet is located and the city or municipality where the factory, project office, plant from 30% and 70% to 20% and 80%, respectively. This provides a more equitable distribution of wealth among the different political subdivisions in the country since most principal offices are located in highly urbanized cities.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



WIN GATCHALIAN

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S. B. No. 1320

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AN ACT
STRENGTHENING LOCAL TAXATION AND THE FISCAL CAPACITY OF
LOCAL GOVERNMENT UNITS BY INCREASING THEIR TAX
GENERATION CAPACITY, AMENDING SECTION 150 OF REPUBLIC
ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT
CODE OF 1991", AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 150 of Republic Act No. 7160, otherwise known as
2 the Local Government Code of 1991, is hereby amended to read as follows:

3 Section 150. Situs of the Tax. –

4 (a) xxx xxx xxx

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

9 (1) ~~Thirty percent (30%)~~ **TWENTY PERCENT**
10 **(20%)** of all sales recorded in the principal office shall be
11 taxable by the city or municipality where the principal office
12 is located; and

1 (2) [~~Seventy percent (70%)~~] **EIGHTY**
2 **PERCENT (80%)** of all sales recorded in the principal
3 office shall be taxable by the city or municipality where the
4 factory, project office, plant, or plantation is located.

5
6 (c) In case of a plantation located at a place other than the place
7 where the factory is located, said [~~seventy percent (70%)~~]
8 **EIGHTY PERCENT (80%)** mentioned in subparagraph (b) of
9 subsection (2) above shall be divided as follows:

- 10 (1) Sixty percent (60%) to the city or municipality
11 where the factory is located; and
12 (2) Forty percent (40%) to the city or municipality
13 where the plantation is located.

14
15 (d) In cases where a manufacturer, assembler, producer, exporter
16 or contractor has two (2) or more factories, project offices, plants,
17 or plantations located in different localities, the [~~seventy~~
18 ~~percent (70%)~~] **EIGHTY PERCENT (80%)** sales allocation
19 mentioned in subparagraph (b) of subsection (2) above shall be
20 prorated among the localities where the factories, project offices,
21 plants, and plantations are located in proportion to their respective
22 volumes of production during the period for which the tax is due.

23
24 (e) xxx xxx xxx

25
26 **(F) FOR THE PROPER ENFORCEMENT OF THIS PROVISION,**
27 **THE TAXPAYERS MENTIONED HEREIN SHALL BE REQUIRED**
28 **TO SUBMIT AUDITED FINANCIAL STATEMENTS FROM THE**
29 **PRECEEDING TWO CALENDAR YEARS OR IN LIEU THEREOF,**
30 **A SWORN DECLARATION OF GROSS SALES OR GROSS**
31 **RECEIPTS, AND ANNUAL INCOME TAX RETURN FROM THE**
32 **PRECEDING TWO CALENDAR YEARS TO THE LOCAL**

1 **GOVERNMENT UNIT WHERE THEIR PRINCIPAL OFFICE,**
2 **BRANCH OR SALES OUTLET, FACTORY, WAREHOUSE, OR**
3 **PLANTATION IS LOCATED, AS THE CASE MAY BE. FURTHER,**
4 **THE TAXPAYERS SHALL SUBMIT A LIST OF ALL ITS**
5 **BRANCHES OR SALES OUTLETS, FACTORIES, PROJECT**
6 **OFFICES, PLANTS, AND PLANTATIONS LOCATED IN**
7 **DIFFERENT LOCAL GOVERNMENT UNITS AND THEIR**
8 **SPECIFIC ADDRESSES FOR THE PROPER DETERMINATION**
9 **OF THE SALES ALLOCATION OF A PARTICULAR LOCAL**
10 **GOVERNMENT UNIT, IN ACCORDANCE WITH THIS SECTION.**

11
12 **NON-SUBMISSION OF THE REQUIREMENTS UNDER THIS**
13 **SECTION OR THE NON-PAYMENT OF TAXES DUE TO A**
14 **PARTICULAR LOCAL GOVERNMENT UNIT PURSUANT TO THE**
15 **SALES ALLOCATION PROVIDED FOR UNDER THIS SECTION**
16 **SHALL CAUSE THE NON-RENEWAL OF THE TAXPAYERS'**
17 **BUSINESS PERMITS.**

18
19 *SEC. 2. Supervisory Role of the Bureau of Local Government Finance*
20 (BLGF). – In the exercise of its administrative and technical supervision over
21 the treasury operations of local government units, the BLGF shall be responsible
22 for the correct and efficient implementation of the provisions of this Act,
23 particularly on the proper interpretation of Section 150 of the Local Government
24 Code (LGC), as amended.

25
26 *SEC. 3. Capacity Building and Skills Training.* – The BLGF shall, in
27 coordination with the Philippine Tax Academy, develop and conduct the
28 necessary trainings of all local treasurers, local officials, and their staff on the
29 implementation of Section 150 of the LGC, with a focus on the assessment of
30 local business taxes, and other similar taxes or fees that fall within their duties
31 in accordance with existing standards and regulations.

1 SEC. 4. *Implementing Rules and Regulations.* — Within thirty (30)
2 calendar days from the effectivity of this Act, the Secretary of Finance, upon
3 the recommendation of the Executive Director of the BLGF, shall promulgate
4 the necessary rules and regulations for its effective implementation.

5
6 SEC. 5 *Separability Clause.* - If any provision of this Act is declared invalid
7 or unconstitutional, the provisions not affected thereby shall remain in full force
8 and effect.

9
10 SEC. 6. *Repealing Clause.* - All laws, presidential decrees, executive
11 orders, presidential proclamations, rules and regulations or parts thereof
12 contrary to or inconsistent with this Act are hereby repealed or modified
13 accordingly.

14
15 SEC. 7. *Effectivity Clause.* – This Act shall take effect fifteen (15) days
16 after its publication in the *Official Gazette* or in a newspaper of general
17 circulation.

18
19 *Approved,*