

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)



13 JUL -1 A8:22

SENATE ENACTED BY: 

Senate Bill No. 5

INTRODUCED BY **SENATOR VICENTE C. SOTTO III**

EXPLANATORY NOTE

Before the enactment of Republic Act No. 7160, otherwise known as "The Local Government Code of 1991," a common complaint of local government officials concerned the practice of permitting businesses with principal offices in Metro Manila to pay their business taxes in the latter despite the fact that most of their earnings come from their operations in the provinces, cities or municipalities outside Metro Manila.

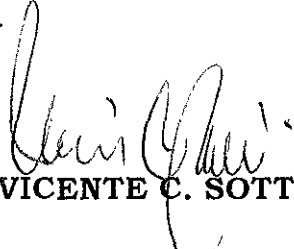
The Local Government Code of 1991 provided the solution of the foregoing grievances of the local government officials concerned. However, from the time of its effectivity on 01 January 1992, most local government units outside Metro Manila were left behind by those inside the metropolis with respect to providing basic services, development, and economic growth.

More than fifteen (15) years have passed, yet there are local government units which did not advance in their income, infrastructure developments and basic services facilities and equipment. This bill seeks to address this scenario by proposing an amendment to the Local Government Code of 1991, specifically the provision on the "Situs of the Tax" under Section 150 thereof.

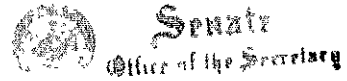
Under this legislative measure, the sales tax payment allocation applied to manufacturers, assemblers, contractors, producers, and exporters with factories, project offices, plants, and plantations in the pursuit of their business will be amended. It is proposed that the allocation of sales tax payments to the principal office be reduced and that of the municipality or city where the factory, project office, plant or plantation is located be increased.

The foregoing proposal will help out the cities and municipalities outside Metro Manila to cope with their financial and infrastructure needs and to provide additional source of funding for improving better basic services, thereby attracting investment and local migration. In this regard, the Philippines will have more local government units that could generate more businesses, job opportunities, tourism and other beneficial programs to their respective constituents.

In view thereof, earnest approval of this bill is requested.


VICENTE C. SOTTO III

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RECEIVED BY: *[Signature]*

INTRODUCED BY **SENATOR VICENTE C. SOTTO III**

AN ACT AMENDING SECTION 150 OF REPUBLIC ACT 7160, OTHERWISE KNOWN AS "THE LOCAL GOVERNMENT CODE OF 1991".

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

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

"Section 150, (a) For purposes of collection of the taxes under Section 143 of this Code, manufacturers, assemblers, re-packers, brewers, distillers, rectifiers and compounders of liquor, distilled spirits and wines, millers, producers, exporters, wholesalers, distributors, dealers, contractors, banks and other financial institutions, and other businesses, maintaining or operating branch or sales outlet elsewhere shall record the sale in the branch or sales outlet making the sale or transaction, and the tax thereon shall accrue and shall be paid to the municipality where such branch or sales outlet is located. In cases where there is no such branch or sales outlet in the city or municipality where the sale or transaction is made, the sale shall be duly recorded in the principal office and the taxes due shall accrue and shall be paid to such city or municipality,

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

(1) {TEN PERCENT (10%)} of all sales recorded in the principal office shall be taxable by the city or municipality where the principal office is located; and

(2) {NINETY PERCENT (90%)} of all sales recorded in the principal office shall be taxable by the city or

municipality where the factory, project office, plant, or plantation is located.

(c) In case of a plantation located at a place other than the place where the factory is located, **said {NINETY PERCENT (90%)}** mentioned in subparagraph (b) of subsection (2) above shall be divided as follows:

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

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

(d) In cases where a manufacturer, assembler, producer, exporter or contractor has two (2) or more factories, project offices, plants, or plantations located in different localities, the **{NINETY. PERCENT (90%)}** sales allocation mentioned in subparagraph (b) of subsection (2) above shall be prorated among the localities where the factories, project offices, plants, and plantations are located in proportion to their respective volumes of production during the period for which the tax is due.

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

SECTION 2. Repealing Clause. All laws, executive orders, rules and regulations or any part thereof inconsistent herewith are deemed repealed, modified or amended accordingly.

SECTION 3. Separability Clause. In case any provision of this Act is declared unconstitutional or invalid, the other provisions hereof which are not affected thereby shall continue in full force and effect.

SECTION 4. Effectivity - This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation.

Approved.