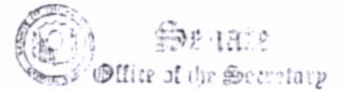


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



'18 APR -3 P1 :55

SENATE

RECEIVED BY: _____

S.B. No. 1771

Introduced by Senator SONNY ANGARA

AN ACT
TO ENHANCE THE TAXING POWERS OF LOCAL GOVERNMENT UNITS BY
AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT 7160,
OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

A key objective of the Local Government Code (R.A. 7160) was to provide LGUs greater means to create their own sources of revenue in order to carry out their expanded responsibilities. Through the years however, 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, the undue emphasis on the head office of corporations as a taxable unit, and leakages from local tax revenues resulting from local tax exemptions enjoyed by government corporations and business entities covered by investment promotion laws.

The foregoing legislation proposes several reforms to address these very issues, born out of several reviews of the Code. In particular, the proposed amendments thereto reflected in this bill are the following:

- Increasing the annual fixed tax for delivery truck or vans of manufacturers or producers from 500 pesos to 1,500 pesos while ensuring the future of continued increase in income from this source by indexing this to the inflation rate;

- Reducing the taxable base of the head office from thirty percent (30%) to ten percent (10%) of gross sales or revenues and increasing the share of factories, plantations, branches, sales outlets and the like from seventy percent (70%) to ninety percent (90%);
- Removing the authority of the national government to provide exemptions on local taxes, fees and charges; and
- Imposing a limitation on the extent local government units can provide local exemptions from taxes, fees, and charges.

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

In view of the foregoing, approval of this bill is earnestly requested.



SONNY ANGARA

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SENATE

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

1 **SECTION 1.** Section 141 of Republic Act No. 7160, otherwise known as the
2 Local Government Code of 1991, hereinafter referred to as the "Code", is hereby
3 amended to read as follows:

4 **"SEC. 141. Annual Fixed Tax for Every Delivery Truck or Van of**
5 **Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in,**
6 **Certain Products.** – (a) The province may levy an annual fixed tax for every
7 truck, van or any vehicle used by manufacturers, producers, wholesalers,
8 dealers or retailers in the delivery or distribution of distilled spirits, fermented
9 liquors, soft drinks, cigars and cigarettes, and other products as may be
10 determined by the Sangguniang Panlalawigan, to sales outlets, or consumers,
11 whether directly or indirectly, within the province in an amount not exceeding
12 [~~five hundred pesos (P500)] **ONE THOUSAND FIVE HUNDRED PESOS**~~
13 **(P1,500). THE SANGGUNIANG PANLALAWIGAN MAY INCREASE THE**
14 **ANNUAL FIXED TAX FOR EVERY TRUCK, VAN OR ANY VEHICLE USED**
15 **BY MANUFACTURERS, PRODUCERS, WHOLESALERS, DEALERS OR**
16 **RETAILERS IN THE DELIVERY OR DISTRIBUTION OF DISTILLED**

1 SPIRITS, FERMENTED LIQUORS, SOFT DRINKS, CIGARS AND
2 CIGARETTES, AND OTHER PRODUCTS TO SALES OUTLETS, OR
3 CONSUMERS, WHETHER DIRECTLY OR INDIRECTLY, ONCE EVERY
4 THREE (3) YEARS BASED ON GUIDELINES ISSUED BY THE BUREAU
5 OF LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF
6 FINANCE UTILIZING THE CONSUMER PRICE INDEX AS THE BASIS FOR
7 THE INCREASE IN THE CEILING OF THE AFOREMENTIONED ANNUAL
8 FIXED TAX."

9 **SEC. 2.** Section 150 of the Code is hereby amended to read as follows:

10 "SEC. 150. *Situs of the Tax.* – (a) For purposes of collection of the taxes
11 under SEC. 143 of this Code, [~~manufacturers, assemblers, repackers,~~
12 ~~brewers, distillers, rectifiers and compounders of liquor, distilled spirits and~~
13 ~~wines, millers, producers, exporters, wholesalers, distributors, dealers,~~
14 ~~contractors, banks and other financial institutions, and other]~~ **ALL**
15 businesses[.] maintaining or operating branch or sales outlet elsewhere shall
16 record the sale in the branch or sales outlet making the sale or transaction,
17 and the tax thereon shall accrue and shall be paid to the **CITY OR**
18 municipality where such branch or sales outlet is located. In cases where
19 there is no such branch or sales outlet in the city or municipality where the
20 sale or transaction is made, the sale shall be duly recorded in the principal
21 office and the taxes due shall accrue and shall be paid to such city or
22 municipality.

23 The following sales allocation shall apply to [~~manufacturers, assemblers,~~
24 ~~contractors, producers, and exporters]~~ **ALL BUSINESSES** with factories,
25 project offices, plants, and plantations in the pursuit of their business:

26 (1) [~~Thirty percent (30%)]~~ **TEN PERCENT (10%)** of all sales recorded in the
27 principal office shall be taxable by the city or municipality where the principal
28 office is located; and

1 (2) [~~Seventy percent (70%)~~] NINETY PERCENT (90%) of all sales recorded in
2 the principal office shall be taxable by the city or municipality where the
3 factory, project office, plant, or plantation is located.

4 (c) In case of a plantation located at a place other than the place where the
5 factory is located, said [~~seventy percent (70%)~~] NINETY PERCENT (90%)
6 mentioned in subparagraph (b) of subsection (2) above shall be divided as
7 follows:

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

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

12 (d) In cases where a [~~manufacturer, assembler, producer, exporter or~~
13 ~~contractor~~] **BUSINESS** has two (2) or more factories, project offices, plants, or
14 plantations located in different localities, the [~~seventy percent (70%)~~] **NINETY**
15 **PERCENT (90%)** sales allocation mentioned in subparagraph (b) of
16 subsection (2) above shall be prorated among the localities where the
17 factories, project offices, plants, and plantations are located in proportion to
18 their respective volumes of production during the period for which the tax is
19 due."

20 **SEC. 3.** Section 192 of the Code is hereby amended to read as follows:

21 "**SEC. 192. Authority to Grant Local Tax Exemption Privileges. – EXCEPT**
22 **AS PROVIDED HEREIN, NO LAW PROVIDING TAX EXEMPTION FROM**
23 **LOCAL GOVERNMENT TAXES, FEES AND CHARGES SHALL BE**
24 **ENACTED. UNLESS OTHERWISE PROVIDED IN THIS CODE, THE** local
25 government units [~~may~~], through [~~ordinances~~] duly approved **ORDINANCES,**
26 **MAY** grant tax exemptions, incentives or reliefs **FOR THE PURPOSE OF**
27 **PROMOTING OR ENCOURAGING INVESTMENTS IN THEIR**
28 **JURISDICTIONS,** under such terms and conditions as they may deem
29 necessary: **PROVIDED, THAT THE DURATION OF SUCH INCENTIVES**

1 **SHALL NOT EXCEED A TOTAL OF SIX (6) CONSECUTIVE YEARS FROM**
2 **THE EFFECTIVE DATE GRANTING THE INCENTIVE.”**

3 **SEC. 4. Repealing Clause.** – All general and special laws, acts, city charters,
4 decrees, executive orders, proclamations and administrative regulations, or part or
5 parts thereof which are inconsistent with any of the provisions of this Act are hereby
6 repealed or modified accordingly.

7 **SEC. 5. Separability Clause.** – If, for any reason or reasons, any part of
8 provision of this Act shall be held unconstitutional or invalid, other parts or provisions
9 hereof which not affected thereby shall continue to be in full force and effect.

10 **SEC. 6. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its
11 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,