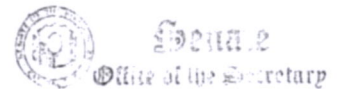


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



'18 APR -3 P2:01

SENATE

RECEIVED

S.B. No. 1775

Introduced by Senator **SONNY ANGARA**

AN ACT
TO SIMPLIFY LOCAL TAXES TO ENHANCE TAX COMPLIANCE IN 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

Nearly three decades ago, the Local Government Code of 1991 (Republic Act 7160) was enacted and created an environment of greater local autonomy, devolving and decentralizing powers, resources, and responsibilities from the central government to local government units. Although the implementation of the Code was difficult, this landmark legislation made it possible for many LGUs to develop new businesses, create new jobs, and revitalize and work for economic growth in their respective communities.

A key objective 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 over the last seventeen years, it has been evident that the effectiveness of certain provisions in the Code have been overtaken by changes in the economy. These changes necessitate key reforms in implementation of the law, particularly towards simplifying the taxing process.

The foregoing bill proposes one such reform for LGUs, particularly harmonizing the business tax to a single rate of 1.5% of gross sales or receipts. 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

'18 APR -3 P2:01

SENATE

RECEIVED BY 

S.B. No. 1775

Introduced by Senator SONNY ANGARA

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

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

1 **SECTION 1.** Section 143 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. 143. Tax on Business.** – The municipality may impose taxes on [the
5 following] **ANY** business[es], **INCLUDING THOSE SUBJECT TO**
6 **FRANCHISE TAX UNDER SEC. 137, AT RATES NOT EXCEEDING ONE**
7 **AND A HALF PERCENT (1.5%) OF GROSS SALES OR RECEIPTS OF THE**
8 **PRECEDING CALENDAR YEAR.**

9 ~~[(a) On manufacturers, assemblers, repackers, processors, brewers,~~
10 ~~distillers, rectifiers, and compounders of liquors, distilled spirits, and wines or~~
11 ~~manufacturers of any article of commerce of whatever kind or nature, in~~
12 ~~accordance with the following schedule:~~

13 With gross sales or receipts for the _____ Amount of Tax
14 preceding calendar year in the amount of: _____ Per Annum

1	Less than P10,000.00	P165.00
2	P10,000.00 or more but less than P15,000.00	220.00
3	15,000.00 or more but less than 20,000.00	302.00
4	20,000.00 or more but less than 30,000.00	440.00
5	30,000.00 or more but less than 40,000.00	660.00
6	40,000.00 or more but less than 50,000.00	825.00
7	50,000.00 or more but less than 75,000.00	1,320.00
8	75,000.00 or more but less than 100,000.00	1,650.00
9	100,000.00 or more but less than 150,000.00	2,200.00
10	150,000.00 or more but less than 200,000.00	2,750.00
11	200,000.00 or more but less than 300,000.00	3,850.00
12	300,000.00 or more but less than 500,000.00	5,500.00
13	500,000.00 or more but less than 750,000.00	8,000.00
14	750,000.00 or more but less than 1,000,000.00	10,000.00
15	1,000,000.00 or more but less than 2,000,000.00	13,750.00
16	2,000,000.00 or more but less than 3,000,000.00	16,500.00
17	3,000,000.00 or more but less than 4,000,000.00	19,800.00
18	4,000,000.00 or more but less than 5,000,000.00	23,100.00
19	5,000,000.00 or more but less than 6,500,000.00	24,375.00
20	6,500,000.00 or more	at a rate not exceeding
21		thirty-seven and a half
22		percent (37 ½%) of one
23		percent (1%)

24 (b) On wholesalers, distributors, or dealers in any article of commerce of
 25 whatever kind or nature in accordance with the following schedule:

26 With gross sales or receipts for the _____ Amount of Tax
 27 preceding calendar year in the amount of: _____ Per Annum

28 Less than P1,000.00 _____ P18.00

29 P1,000.00 or more but less than P2,000.00 _____ 33.00

30 2,000.00 or more but less than 3,000.00 _____ 50.00

1	3,000.00 or more but less than	4,000.00	72.00
2	4,000.00 or more but less than	5,000.00	100.00
3	5,000.00 or more but less than	6,000.00	121.00
4	6,000.00 or more but less than	7,000.00	143.00
5	7,000.00 or more but less than	8,000.00	165.00
6	8,000.00 or more but less than	10,000.00	187.00
7	10,000.00 or more but less than	15,000.00	220.00
8	15,000.00 or more but less than	20,000.00	275.00
9	20,000.00 or more but less than	30,000.00	330.00
10	30,000.00 or more but less than	40,000.00	440.00
11	40,000.00 or more but less than	50,000.00	660.00
12	50,000.00 or more but less than	75,000.00	990.00
13	75,000.00 or more but less than	100,000.00	1,320.00
14	100,000.00 or more but less than	150,000.00	1,870.00
15	150,000.00 or more but less than	200,000.00	2,420.00
16	200,000.00 or more but less than	300,000.00	3,300.00
17	300,000.00 or more but less than	500,000.00	4,400.00
18	500,000.00 or more but less than	750,000.00	6,600.00
19	750,000.00 or more but less than	1,000,000.00	8,800.00
20	1,000,000.00 or more but less than	2,000,000.00	10,000.00
21	2,000,000.00 or more		at a rate not exceeding
22			fifty percent (50%) of
23			one percent (1%)

24 ~~(c) On exporters, and on manufacturers, millers, producers, wholesalers,~~
25 ~~distributors, dealers or retailers of essential commodities enumerated~~
26 ~~hereunder at a rate not exceeding one-half (1/2) of the rates prescribed under~~
27 ~~subsections (a), (b) and (d) of this Section:~~

- 28 ~~(1) Rice and corn;~~
- 29 ~~(2) Wheat or cassava flour, meat, dairy products, locally manufactured,~~
30 ~~processed or preserved food, sugar, salt and other agricultural, marine,~~
31 ~~and fresh water products, whether in their original state or not;~~
- 32 ~~(3) Cooking oil and cooking gas;~~
- 33 ~~(4) Laundry soap, detergents, and medicine;~~

- 1 ~~(5) Agricultural implements, equipment and post-harvest facilities,~~
- 2 ~~fertilizers, pesticides, insecticides, herbicides and other farm inputs;~~
- 3 ~~(6) Poultry feeds and other animal feeds;~~
- 4 ~~(7) School supplies; and~~
- 5 ~~(8) Cement.~~
- 6 ~~(d) On Retailers,~~

7	With gross sales or receipts for the _____	Amount of Tax
8	preceding calendar year in the amount of: _____	Per Annum
9	P400,000.00 or less _____	2%
10	more than P400,000.00 _____	1%

11 ~~Provided, however, That barangays shall have the exclusive power to levy~~
 12 ~~taxes, as provided under Section 152 hereof, on gross sales or receipts of the~~
 13 ~~preceding calendar year of Fifty thousand pesos (P50,000.00) or less, in the~~
 14 ~~case of cities, and Thirty thousand pesos (P30,000.00) or less, in the case of~~
 15 ~~municipalities.~~

16 (e) On contractors and other independent contractors, in accordance with the
 17 following schedule:

18	With gross sales or receipts for the _____	Amount of Tax
19	preceding calendar year in the amount of: _____	Per Annum
20	Less than P5,000.00 _____	P27.50
21	P5,000.00 or more but less than _____ P10,000.00 _____	61.60
22	10,000.00 or more but less than _____ 15,000.00 _____	104.50
23	15,000.00 or more but less than _____ 20,000.00 _____	165.00
24	20,000.00 or more but less than _____ 30,000.00 _____	275.00
25	30,000.00 or more but less than _____ 40,000.00 _____	385.00
26	40,000.00 or more but less than _____ 50,000.00 _____	550.00
27	50,000.00 or more but less than _____ 75,000.00 _____	880.00
28	75,000.00 or more but less than _____ 100,000.00 _____	1,320.00

1	100,000.00 or more but less than	150,000.00	1,980.00
2	150,000.00 or more but less than	200,000.00	2,640.00
3	200,000.00 or more but less than	250,000.00	3,630.00
4	250,000.00 or more but less than	300,000.00	4,620.00
5	300,000.00 or more but less than	400,000.00	6,160.00
6	400,000.00 or more but less than	500,000.00	8,250.00
7	500,000.00 or more but less than	750,000.00	9,250.00
8	750,000.00 or more but less than	1,000,000.00	10,250.00
9	1,000,000.00 or more but less than	2,000,000.00	11,500.00
10	2,000,000.00 or more		at a rate not exceeding
11			fifty percent (50%) of
12			one percent (1%)

13 ~~(f) On banks and other financial institutions, at a rate not exceeding fifty~~
14 ~~percent (50%) of one percent (1%) on the gross receipts of the preceding~~
15 ~~calendar year derived from interest, commissions and discounts from lending~~
16 ~~activities, income from financial leasing, dividends, rentals on property and~~
17 ~~profit from exchange or sale of property, insurance premium.~~

18 ~~(g) On peddlers engaged in the sale of any merchandise or article of~~
19 ~~commerce, at a rate not exceeding Fifty pesos (P50.00) per peddler annually.~~

20 ~~(h) On any business, not otherwise specified in the preceding paragraphs,~~
21 ~~which the sanggunian concerned may deem proper to tax: Provided, That on~~
22 ~~any business subject to the excise, value-added or percentage tax under the~~
23 ~~National Internal Revenue Code, as amended, the rate of tax shall not exceed~~
24 ~~two percent (2%) of gross sales or receipts of the preceding calendar year.~~
25 ~~The sanggunian concerned may prescribe a schedule of graduated tax rates~~
26 ~~but in no case to exceed the rates prescribed herein.] ”~~

27 **SEC. 2.** Section 146 of the Code is hereby amended to read as follows:

28 **“SEC. 146. Payment of Business Taxes.** – (a) The taxes imposed under
29 Section 143 shall be payable for every separate or distinct establishment or
30 place where business subject to the tax is conducted and one line of business
31 does not become exempt by being conducted with some other businesses for

1 which such tax has been paid. The tax on business must be paid by the
2 person conducting the same.

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

7 (c) [~~In cases, where a person conducts or operates two (2) or more of the~~
8 ~~businesses mentioned in Section 143 of the Code which are subject to~~
9 ~~different rates of tax, the gross sales or receipts of each business shall be~~
10 ~~separately reported for the purpose of computing the tax due from each~~
11 ~~business.]~~ **THE PAYMENT OF THE LOCAL BUSINESS TAX SHALL BE**

12 **MADE NO LATER THAN MARCH 31 OF THE CURRENT YEAR.**

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

17 **SEC. 4. *Separability Clause.*** – If, for any reason or reasons, any part of
18 provision of this Act shall be held unconstitutional or invalid, other parts or provisions
19 hereof which not affected thereby shall continue to be in full force and effect.

20 **SEC. 5. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its
21 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,