

EIGHTEENTH CONGRESS OF THE }
REPUBLIC OF THE PHILIPPINES }
First Regular Session }

Office of the Secretary

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SENATE

S. B. No. 494

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"

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 units is the practice of permitting businesses with principal offices in Metro Manila to pay their 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 for the foregoing grievances. However, from the time of its effectivity on January 1, 1992, most local government units outside Metro Manila were left behind by those within the metropolis in terms of providing basic services, development, and economic growth.

This bill seeks to address the said complaints by proposing an amendment to the Local Government Code of 1991, specifically the provision on the "Situs of the Tax" under Section 150.

Under this 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 basic services and thereby attracting investment and local migration. In this regard, more LGUs can create more job opportunities, tourism and other beneficial programs for their constituents.

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


VICENTE C. SOTTO III

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

3
4 "SEC. 150. *Situs of the Tax.* - (a) For purposes of collection of the taxes
5 under Section 143 of this Code, manufacturers, assemblers, re-packers,
6 brewers, distillers, rectifiers and compounders of liquor, distilled spirits
7 and wines, millers, producers, exporters, wholesalers, distributors,
8 dealers, contractors, banks and other financial institutions, and other
9 businesses, maintaining or operating branch or sales outlet elsewhere
10 shall record the sale in the branch or sales outlet making the sale or
11 transaction, and the tax thereon shall accrue and shall be paid to the
12 municipality where such branch or sales outlet is located. In cases where
13 there is no such branch or sales outlet in the city or municipality where
14 the sale or transaction is made, the sale shall be duly recorded in the
15 principal office and the taxes due shall accrue and shall be paid to such
16 city or municipality,

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

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

4 (2) [Seventy percent (70%)] **NINETY PERCENT (90%)** of all sales
5 recorded in the principal office shall be taxable by the city or city
6 or municipality where the factory is located;

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

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

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

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

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

26
27 SECTION 2. **Repealing Clause.**- All laws, executive orders, rules and
28 regulations or any part thereof inconsistent herewith are deemed repealed,
29 modified or amended accordingly.

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

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

35
36 *Approved.*