

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



Senate
Office of the Secretary

SENATE
S. B. No. 843

'19 JUL 31 P 4:07

Introduced by Senator SONNY ANGARA

RECEIVED

AN ACT
TO SIMPLIFY LOCAL TAXES TO ENHANCE TAX COMPLIANCE IN LOCAL GOVERNMENT UNITS BY AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991"

EXPLANATORY NOTE

Nearly three decades ago, Republic Act No. 7160 otherwise known as the Local Government Code of 1991 (Code) was enacted to create 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 local government units (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 proposed bill introduces one such reform by harmonizing the business tax imposed by LGUs to a single rate of 1.5% of gross sales or receipts. With the adoption of a uniform rate, the administration, enforcement and collection of taxes is expected to be simpler and faster and will thereby increase competitiveness of our LGUs.

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



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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
5 ~~[the following]~~ **ANY** business[es], **INCLUDING THOSE SUBJECT**
6 **TO FRANCHISE TAX UNDER SEC. 137, AT RATES NOT**
7 **EXCEEDING ONE AND A HALF PERCENT (1.5%) OF GROSS**
8 **SALES OR RECEIPTS OF THE PRECEDING CALENDAR YEAR.**

9 ~~[(a) On manufacturers, assemblers, repackers, processors, brewers,~~
10 ~~distillers, rectifiers, and compounders of liquors, distilled spirits, and~~
11 ~~wines or manufacturers of any article of commerce of whatever kind or~~
12 ~~nature, in 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
15	Less than P10,000.00 _____	P165.00
16	P10,000.00 or more but less than _____ P15,000.00 _____	220.00

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

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

24	With gross sales or receipts for the	Amount of Tax
25	preceding calendar year in the amount of:	Per Annum
26	Less than P1,000.00	P18.00
27	P1,000.00 or more but less than P2,000.00	33.00
28	2,000.00 or more but less than 3,000.00	50.00
29	3,000.00 or more but less than 4,000.00	72.00
30	4,000.00 or more but less than 5,000.00	100.00
31	5,000.00 or more but less than 6,000.00	121.00
32	6,000.00 or more but less than 7,000.00	143.00
33	7,000.00 or more but less than 8,000.00	165.00

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

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

~~(1) Rice and corn;~~

~~(2) Wheat or cassava flour, meat, dairy products, locally manufactured, processed or preserved food, sugar, salt and other agricultural, marine, and fresh water products, whether in their original state or not;~~

~~(3) Cooking oil and cooking gas;~~

~~(4) Laundry soap, detergents, and medicine;~~

~~(5) Agricultural implements, equipment and post-harvest facilities, fertilizers, pesticides, insecticides, herbicides and other farm inputs;~~

~~(6) Poultry feeds and other animal feeds;~~

~~(7) School supplies; and~~

1 ~~(8) Cement:~~

2 ~~(d) On Retailers;~~

3	With gross sales or receipts for the	Amount of Tax
4	preceding calendar year in the amount of:	Per Annum
5	P400,000.00 or less	2%
6	more than P400,000.00	1%

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

12 ~~(e) On contractors and other independent contractors, in accordance~~
13 ~~with the following schedule:~~

14	With gross sales or receipts for the	Amount of Tax
15	preceding calendar year in the amount of:	Per Annum
16	Less than P5,000.00	P27.50
17	P5,000.00 or more but less than P10,000.00	61.60
18	10,000.00 or more but less than 15,000.00	104.50
19	15,000.00 or more but less than 20,000.00	165.00
20	20,000.00 or more but less than 30,000.00	275.00
21	30,000.00 or more but less than 40,000.00	385.00
22	40,000.00 or more but less than 50,000.00	550.00
23	50,000.00 or more but less than 75,000.00	880.00
24	75,000.00 or more but less than 100,000.00	1,320.00
25	100,000.00 or more but less than 150,000.00	1,980.00
26	150,000.00 or more but less than 200,000.00	2,640.00
27	200,000.00 or more but less than 250,000.00	3,630.00
28	250,000.00 or more but less than 300,000.00	4,620.00
29	300,000.00 or more but less than 400,000.00	6,160.00
30	400,000.00 or more but less than 500,000.00	8,250.00
31	500,000.00 or more but less than 750,000.00	9,250.00

1 750,000.00 or more but less than 1,000,000.00 10,250.00
2 1,000,000.00 or more but less than 2,000,000.00 11,500.00
3 2,000,000.00 or more at a rate not exceeding
4 fifty percent (50%) of
5 one percent (1%)

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

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

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

23 Sec. 2. Section 146 of the Code is hereby amended to read as follows:

24 “Sec. 146. *Payment of Business Taxes.* – (a) The taxes imposed under
25 Section 143 shall be payable for every separate or distinct
26 establishment or place where business subject to the tax is conducted
27 and one line of business does not become exempt by being conducted
28 with some other businesses for which such tax has been paid. The tax
29 on business must be paid by the person conducting the same.

30 (b) In cases where a person conducts or operates two (2) or more [of
31 the] businesses [mentioned in Section 143 of this Code which are
32 subject to the same rate of tax], the tax shall be computed on the

1 combined total gross sales or receipts of the said two (2) or more
2 ~~[related]~~ businesses.

3 (c) ~~[In cases, where a person conducts or operates two (2) or more of~~
4 ~~the businesses mentioned in Section 143 of the Code which are~~
5 ~~subject to different rates of tax, the gross sales or receipts of each~~
6 ~~business shall be separately reported for the purpose of computing the~~
7 ~~tax due from each business.]~~ **THE PAYMENT OF THE LOCAL**
8 **BUSINESS TAX SHALL BE MADE NO LATER THAN MARCH 31**
9 **OF THE CURRENT YEAR.**

10 *Sec. 3. Implementing Rules and Regulations.* – The Department of Interior
11 and Local Government and the Department of Finance shall issue the necessary
12 rules and regulations to implement the provisions of this Act within sixty (60) days
13 from its effectivity.

14 *Sec. 4. Repealing Clause.* – All general and special laws, acts, city charters,
15 executive orders, presidential proclamations, issuances, rules and regulations, or
16 parts thereof which are contrary to or inconsistent with any of the provisions of this
17 Act are hereby repealed, amended, or modified accordingly.

18 *Sec. 5. Separability Clause.* – If any portion or provision of this Act is
19 subsequently declared invalid or unconstitutional, other provisions hereof which are
20 not affected thereby shall remain in full force and effect.

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

Approved,