

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



**SENATE**  
**S. B. No. 839**

'19 JUL 31 P4:03

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Introduced by Senator SONNY ANGARA

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RECEIVED

**AN ACT**  
**TO ENHANCE THE TAXING POWERS OF 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

A key objective of the R.A. No. 7160, otherwise known as the Local Government Code of 1991 (Code) 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 that the rate remains current by indexing this to the inflation rate;
- Simplifying determination of situs of taxation for businesses maintaining or operating branch or sales outlets.

- 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, local governments would be strengthened and further 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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**AN ACT**  
**TO ENHANCE THE TAXING POWERS OF LOCAL GOVERNMENT UNITS BY**  
**AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT NO.**  
**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 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  
7 every truck, van or any vehicle used by manufacturers, producers,  
8 wholesalers, dealers or retailers in the delivery or distribution of  
9 distilled spirits, fermented liquors, soft drinks, cigars and cigarettes,  
10 and other products as may be determined by the Sangguniang  
11 Panlalawigan, to sales outlets, or consumers, whether directly or  
12 indirectly, within the province in an amount not exceeding [~~five~~  
13 ~~hundred pesos (P500)] **ONE THOUSAND FIVE HUNDRED PESOS**  
14 **(P1,500).** **THE SANGGUNIANG PANLALAWIGAN MAY**  
15 **INCREASE THE ANNUAL FIXED TAX FOR EVERY TRUCK, VAN**  
16 **OR ANY VEHICLE USED BY MANUFACTURERS, PRODUCERS,**  
17 **WHOLESALEERS, DEALERS OR RETAILERS IN THE DELIVERY**~~

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

10          Sec. 2. Section 150 of the Code is hereby amended to read as follows:

11           "Sec. 150. *Situs of the Tax.* –

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

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

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

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

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

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

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

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

21 Sec. 3. Section 192 of the Code is hereby amended to read as follows:

22 "Sec. 192. *Authority to Grant Local Tax Exemption Privileges.* –  
23 **EXCEPT AS PROVIDED HEREIN, NO LAW PROVIDING TAX**  
24 **EXEMPTION FROM LOCAL GOVERNMENT TAXES, FEES AND**  
25 **CHARGES SHALL BE ENACTED. UNLESS OTHERWISE**  
26 **PROVIDED IN THIS CODE,** local government units [~~may~~], through  
27 [~~ordinances~~] duly approved **ORDINANCES, MAY** grant tax  
28 exemptions, incentives or reliefs **FOR THE PURPOSE OF**  
29 **PROMOTING OR ENCOURAGING INVESTMENTS IN THEIR**  
30 **JURISDICTIONS,** under such terms and conditions as they may  
31 deem necessary: **PROVIDED, THAT THE DURATION OF SUCH**  
32 **INCENTIVES SHALL NOT EXCEED A TOTAL OF SIX (6)**

1                   **CONSECUTIVE YEARS FROM THE EFFECTIVE DATE GRANTING**  
2                   **THE INCENTIVE."**

3                   *Sec. 4. Implementing Rules and Regulations.* – The Department of Interior  
4 and Local Government and the Department of Finance shall issue the necessary  
5 rules and regulations to implement the provisions of this Act within sixty (60) days  
6 from its effectivity.

7                   *Sec. 5. Repealing Clause.* – All general and special laws, acts, city charters,  
8 executive orders, presidential proclamations, issuances, rules and regulations, or  
9 parts thereof which are contrary to or inconsistent with any of the provisions of this  
10 Act are hereby repealed, amended, or modified accordingly.

11                   *Sec. 6. Separability Clause.* – If any portion or provision of this Act is  
12 subsequently declared invalid or unconstitutional, other provisions hereof which are  
13 not affected thereby shall remain in full force and effect.

14                   *Sec. 7. Effectivity Clause.* – This Act shall take effect fifteen (15) days after its  
15 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,