

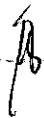
FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

OFFICE OF THE SECRETARY

10 JUL -5 P1:19

SENATE

S.B. No. 105

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Introduced by Senator FRANCIS G. ESCUDERO

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### EXPLANATORY NOTE

This bill seeks to achieve fairness in local taxation, especially in treating the *situs* of the tax.

Albeit, the current law on local taxation as provided for in the Local Government Code already recognizes and imposes the *situs* rule on taxation, it is submitted that further modification be had. And this is in the area of tax sharing between and among local government units where the principal place of business, branch or sales outlet, factory, project office, plant or plantation is located.

A hundred percent share of all sales or transactions to Local Government Units (LGUs) is proposed so long as such sales or transactions occur in the LGU concerned. This practically expunges the present thirty percent share of the LGU where the principal place of business is located.

This proposal is anchored on a more equalized distribution of revenues, especially since most principal places of business are located in highly urbanized cities in the country like those in Metro Manila.

Moreover, this bill is in consonance with the constitutional mandate of making LGUs autonomous and self-sustaining government bodies.

Thus, the early passage of this measure is sought.



FRANCIS G. ESCUDERO

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AN ACT

RATIONALIZING LOCAL TAXATION AMENDING FOR THAT PURPOSE  
SECTION 150, CHAPTER 1, TITLE ONE, BOOK II OF REPUBLIC ACT NO. 7160, AS  
AMENDED, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE

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

1           **Section 1.**   Section 150, Chapter 1, Title One, Book II of Republic Act No. 7160,  
2 as amended, is hereby further amended to read as follows:

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

23  
24           [(b) The following sales allocation shall apply to manufacturers,  
25 assemblers, contractors, producers, and exporters with factories,  
26 project offices, plants, and plantations in the pursuit of their  
27 business:

28           (4) Thirty percent (30%) of all sales recorded in the principal office  
29 shall be taxable by the city or municipality where the principal  
30 office is located; and

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

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

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

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

14 [(d)] (C) In case where a manufacturer, assembler, producer, exporter  
15 or contractor has two (2) or more factories, project offices,  
16 plants, or plantations located in different localities, the [seventy  
17 percent (70%)] **SALE OR TRANSACTION** mentioned [in  
18 subparagraph (b) of subsection (2)] above shall be prorated  
19 among the localities where the factories, project offices, plants,  
20 and plantations are located in proportion to their respective  
21 volume or production during the period for which the tax is  
22 due.  
23

24 [(e)] (D) The foregoing [sales allocation] shall be applied irrespective of  
25 whether or not sales are made in the locality where the factory,  
26 project office, plant or plantation is located.”

27 **Sec. 2.** The Secretaries of the Department of Finance, the Department of  
28 Budget and Management and the Department of the Interior and Local Government,  
29 and the Presidents of the different *Ligas* shall promulgate the required rules and  
30 regulations for the speedy and effective implementation of this Act.

31 **Sec. 3.** If any provision or part hereof is held invalid or unconstitutional,  
32 the remainder of the law or the provision not otherwise affected shall remain valid and  
33 subsisting.

34 **Sec. 4.** All laws, presidential decrees, executive orders, proclamations  
35 and/or administrative regulations which are inconsistent with the provisions of this Act  
36 are hereby amended, modified, superseded or repealed accordingly.

37 **Sec. 5.** This Act shall take effect fifteen (15) days from its publication in the  
38 Official Gazette or at least two newspapers of national circulation.

39 *Approved,*