

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

15TH CONGRESS
First Regular Session

HOUSE BILL NO. 2971

Introduced by **REP. SALVADOR H. ESCUDERO III**

EXPLANATORY NOTE

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

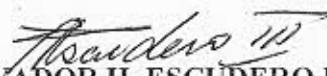
Albeit, the current law on local taxation as provided for in the Local Government Code already recognizes and imposes the *situs* rule on taxation, it is submitted that further modification be had. And this is in the area of tax sharing between and among local government units where the principal place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


SALVADOR H. ESCUDERO III
Representative
1st District, Sorsogon

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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:

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

"SECTION 150. Situs of the Tax. - (a) For purposes of collection of the taxes under Section 143 of this Code, manufacturers, assemblers, repackers, brewers, distillers, rectifiers and compounders of liquor, distilled spirits and wines, millers, producers, exporters, wholesalers, distributors, dealers, contractors, banks and other financial institutions, and other businesses, maintaining or operating branch or sales outlet, **FACTORY, PROJECT OFFICE, PLANT OR PLANTATION** elsewhere shall record the sale in the branch or sales outlet, **FACTORY, PROJECT OFFICE, PLANT OR PLANTATION** making the sale or transaction, and the tax thereon shall accrue and shall be paid to the municipality where such branch or sales outlet, **FACTORY, PROJECT OFFICE, PLANT OR PLANTATION** is located. In cases where there is no such branch or sales outlet, **FACTORY, PROJECT OFFICE, PLANT OR PLANTATION** in the city or municipality where the sale or transaction is made, the sale shall be duly recorded in the principal office and the taxes due shall accrue and shall be paid to such city or municipality.

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

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

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

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

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

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

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

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

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

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

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

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

Approved,