

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2952**



Introduced by Representative Nicasio M. Aliping, Jr.

EXPLANATORY NOTE

The lifeblood of a local government unit is its power to raise revenue. Book II of the Local Government Code of 1991 provides such power to the province, city, municipality, and barangay to create their own sources of revenue and to levy taxes, fees, and charges consistent with the basic policy of local autonomy and within the scope of their respective taxing powers.

In particular, the city may levy, under Section 151 of the Code, the taxes, fees, and charges which the province or municipality may impose at rates of taxes that may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes. Nonetheless, insofar as the city's imposition and collection of business taxes is concerned, a limiting provision is found in Section 150(a) of the Code which places the *situs* of taxation in the municipality where the principal office of the business establishment is located.

Situations abound where the principal office of a business establishment is located in one municipality but branches or sales outlets are maintained or operated elsewhere in other municipalities and in cities especially. For purposes of collection of the business taxes from sales or transactions made outside of the principal office of such business establishment, Section 150(a) of the Code envisioned only two instances.

First, the sale or transaction is made at a branch or sales outlet located elsewhere. The sale or transaction is recorded in, and the tax thereon accrues and is paid to, the municipality where the branch or sales outlet making the sale or transaction is located. There is no mention of the city. *Second*, the sale or transaction is made in a city or municipality where no branch

or sales outlet is located. The sale or transaction is recorded in the principal office and the tax thereon accrues and is paid to the city or municipality where the sale or transaction is made.

In both instances, the tax rates are those provided under Section 143 of the Code. The *situs* of the tax stays with the municipality where the principal office is located even if the sale or transaction is made at the branch or sales outlet that is located in the city to which the tax accrues and is paid.

This bill seeks to rectify that situation where the taxing power of the city is yielded in favor of the municipality. Approval of this bill is earnestly requested in the furtherance of local autonomy as it will provide the means by which the city can assert its power of taxation under Section 151 of the Code.



NICASIO M. ALIRANG, JR.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2952**

Introduced by Representative Nicasio M. Aliping, Jr.

AN ACT
AMENDING SECTION 150 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:

SECTION 1. Section 150, Book II, Title I, Chapter II, Article II of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991", is hereby 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 elsewhere shall record the sale in the branch or sales outlet making the sale or transaction, and the tax thereon shall accrue and shall be paid to the municipality where such branch or sales outlet is located. **In cases where the branch or sales outlet is located in a city, the sale or transaction shall be duly recorded in the branch or sales outlet where the sale or transaction is made and shall be taxable pursuant to Section 151 of this Code by the city where such branch or sales outlet is located.** In cases where there is no such branch or sales outlet 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:

- (1) 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
- (2) 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) In case of a plantation located at a place other than the place where the factory is located, said seventy percent (70%) 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) In cases 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%) sales allocation 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 volumes of production during the period for which the tax is due.

(e) 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. *Separability Clause.* – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

SEC. 3. *Repealing Clause.* – All laws, presidential decrees, letters of instruction, executive orders, rules and regulations, or any part thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 4. *Effectivity.* – This Act shall take effect after fifteen (15) days following its publication in two (2) newspapers of general circulation.

Approved,