

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Manila

Sixteenth Congress
First Regular Session



HOUSE BILL NO. **3538**

Introduced by Honorable Raneo E. Abu
2nd District, Batangas

EXPLANATORY NOTE

This bill seeks to strengthen the autonomy, especially the local taxing power and tax administration, of local government units (LGUs), amending for the purpose Republic Act No. 7160, otherwise known as the "*Local Government Code of 1991*."

Under the Philippine Constitution, the State is mandated to ensure the autonomy of local governments. Pursuant to such mandate, Republic Act No. 7160 was enacted.

Since the passage of the Local Government Code, the political and socio-economic milieus of local government units have tremendously changed. Like many other important pieces of legislation, however, the Local Government Code has to be assessed and amended to address new needs and recommend solutions to the burgeoning problems of local governance. Some of these problems are centered in the area of the local taxing power and tax administration of the local government units, like:

- a) A narrow local taxing authority which hamper the ability of LGUs to raise revenues from local sources;
- b) The interference of national government in personnel and fiscal management of the LGUs;
- c) The need to further broaden the tax base of the LGUs;
- d) The need to address the leakages from local tax revenues resulting from local tax exemptions enjoyed by government-owned and -controlled corporations and investment entities covered by investment promotion laws; and
- e) The need to define the relationship of LGUs vis-à-vis national government agencies (*i.e. Bureau of Internal Revenue*).

Local government officials and advocates of local autonomy propose several amendments to the Local Government Code to strengthen the local autonomy especially the taxing power and administration of the LGUs. The proposed amendments include, among others:

- a) Simplifying the business tax to a single rate of 2.5% of gross sales or receipts which could increase annual collection for the LGUs;
- b) Adjusting the minimum level of the community tax from 5 pesos to 30 pesos and raising the additional tax for every 1,000 pesos of income from 1 peso to 3 pesos which would increase the annual collections from 954 million pesos to 1.9 billion pesos;
- c) Including the spas, karaoke bars, country and sports clubs in the list of businesses subject to local business tax;
- d) Specifically requiring the BIR to share tax information with LGUs; and
- e) Removing the local tax exemptions of government corporations and business qualification for investment incentives.

These proposed amendments would augment the collection of the local government units which they could use to fund their various projects and programs.

Hence, immediate approval of this measure is earnestly requested.



RANEO E. ABU

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AN ACT
STRENGTHENING THE LOCAL TAXATION AND FISCAL MATTERS
OF THE LOCAL GOVERNMENT UNITS, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE
“LOCAL GOVERNMENT CODE OF 1991”

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

SECTION 1. Section 129 of Republic Act No. 7160 is hereby amended to read as follows:

“SEC. 129. *Power to Create Sources of Revenue.* – Each local government unit shall exercise its powers to create its own sources of revenue and levy taxes, fees, and charges subject to the provisions herein, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local government units.

FOR PURPOSES OF THIS ACT, “TAX” REFERS TO AN IMPOSITION, CHARGE OR BURDEN UPON PERSONS, PROPERTY, OR PROPERTY RIGHTS FOR THE USE AND SUPPORT OF THE LOCAL GOVERNMENT UNIT TO ENABLE IT TO DISCHARGE ITS APPROPRIATE FUNCTIONS;”

SEC. 2. Section 130 of the same Act is hereby amended to read as follows:

“SEC. 130. *Fundamental Principles.* – The following fundamental principles shall govern the exercise of the taxing and other revenue-raising powers of local government units:

(a) x x x

(b) Taxes, fees, charges and other impositions shall:

(1) x x x

(2) Be levied and collected only for public purposes WITHIN THE TERRITORIAL JURISDICTION OF THE GOVERNMENT UNIT IMPOSING THE TAX;

(3) x x x

(4) x x x

(c) The collection of LOCAL taxes, fees, charges and other impositions shall in no case be let to any private person: *PROVIDED, HOWEVER, THAT TAXES, FEES, CHARGES AND OTHER IMPOSITIONS MAY BE ACCEPTED THROUGH ANY BANKING INSTITUTION AUTHORIZED BY THE TAXING LOCAL GOVERNMENT UNIT PURSUANT TO GUIDELINES ADOPTED IN CONSULTATION WITH THE DEPARTMENT OF FINANCE.*

x x x.”

SEC. 2. Section 131 of the same Act is hereby amended to read as follows:

“SEC. 131. *Definition of Terms.* – When used in this Title, the terms:

(a) x x x

(b) x x x

(c) “Amusement Places” include PLACES THAT PROVIDE RECREATION OR RELAXATION SUCH AS theatres, cinemas, concert halls, circuses, NIGHT CLUBS, BARS, CASINOS, MASSAGE PARLORS, SPA, KARAOKE, BOXING

STADIA, COUNTRY AND SPORTS CLUBS, BEACH AND OTHER RESORTS, RECREATIONAL PARKS, COCKPITS and other places of amusement where one seeks admission to entertain oneself by seeing or viewing the show or performances, OR BY PARTICIPATING IN THE ACTIVITIES OR USING THE FACILITIES THEREIN;

	X	X	X
(e)	X	X	X

(E-1) "BARANGAY MICRO BUSINESS ENTERPRISE (BMBE)" REFERS TO ANY BUSINESS ENTITY OR ENTERPRISE AS DEFINED AND REGISTERED UNDER REPUBLIC ACT NO. 9178, OTHERWISE KNOWN AS "*THE BARANGAY MICRO BUSINESS ENTERPRISES (BMBEs) ACT OF 2002*;"

	X	X	X
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(n) "Gross Sales or Receipt" include the total amount of money or its equivalent representing the contract price, compensation or service fee, including the amount charged or materials supplied with the services and deposits or advance payments actually or constructively received during the taxable [quarter] YEAR for the services performed or to be performed for another person excluding discounts if determinable at the time of sales, sales return, excise tax, and value-added tax (VAT);

(o)	X	X	X
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(p) "Marginal Farmer or [Fisherman] FISHERFOLK" refers to an individual engaged in subsistence farming or fishing which shall be limited to the sale, barter or exchange or agricultural or marine products produced by himself and his immediate family;"

(P-1) "MAXIMUM SUSTAINABLE YIELD" REFERS TO THE LARGEST AVERAGE QUANTITY OF FISH THAT CAN BE HARVESTED FROM FISH STOCKS OR RESOURCE WITHIN A PERIOD OF TIME ON A SUSTAINABLE BASIS UNDER EXISTING ENVIRONMENTAL CONDITIONS.

x x x

(r) "Municipal Waters" include not only streams, lakes, INLAND BODIES OF WATER and tidal waters within the municipality WHICH ARE NOT INCLUDED WITHIN THE PROTECTED AREAS AS DEFINED UNDER REPUBLIC ACT NO. 7586, OTHERWISE KNOWN AS THE "*NATIONAL INTEGRATED PROTECTED AREAS SYSTEM (NIPAS) ACT OF 1992*," [not being the subject of private ownership and not comprised within the national parks,] public forest, timber lands, forest reserves or fishery reserves, but also marine waters included between two lines drawn perpendicularly to the general coastline from points where the boundary lines of the municipality or city touch the sea at low tide and a third line parallel with the general coastline INCLUDING ANY OFFSHORE ISLAND and fifteen (15) kilometers from [it] SUCH COASTLINE. Where two (2) municipalities or cities are so situated on the opposite shores that there is less than [fifteen (15)] THIRTY (30) kilometers of marine waters between them, the third line shall be equally distant from opposite shores of the respective municipalities OR CITIES.

(v) x x x

(V-1) "RESOURCE RENT" REFERS TO THE DIFFERENCE BETWEEN THE VALUE OF THE PRODUCT PRODUCED FROM HARVESTING THE PUBLICLY-OWNED RESOURCE LESS THE COST OF PRODUCING IT, WHERE

COST INCLUDES THE NORMAL RETURN TO CAPITAL AND LABOR;

(w) x x x

(W-1)“TOTAL ALLOWABLE CATCH” REFERS TO THE MAXIMUM HARVEST ALLOWED TO BE TAKEN DURING A GIVEN PERIOD OF TIME FROM ANY FISHERY AREA, OR FROM ANY OR GROUP OF FISHERY SPECIES, OR A COMBINATION OF AREA AND SPECIES THAT WILL NOT EXCEED THE MAXIMUM SUSTAINABLE YIELD;

x x x.”

SEC. 3. Paragraphs (d), (f), (h), (n) and (o) of Section 133 of the same Act are hereby amended to read as follows:

“SEC. 133. *Common Limitations on the Taxing Powers of Local Government Units.* – Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities and barangays shall not extend to the levy of the following:

(a) x x x
x x x

(d) Custom duties[,] AND registration fees of vessel WITH TONNAGE FIVE (5) TONS AND ABOVE, [and] wharfage on wharves, tonnage dues, and all other kinds of customs fees, charges and dues except wharfage on wharves constructed, [and] maintained OR OPERATED by the local government unit concerned OR BY A PRIVATE PERSON OR ENTITY;

(e) x x x

(f) Taxes[, fees or charges] on agricultural and aquatic products when sold by marginal farmers or [fishermen] FISHERFOLK;

(g) x x x

(h) Excise taxes on [articles enumerated under the National Internal Revenue Code as amended and taxes, fees and charges on] petroleum products;

x x x

(l) [Taxes,] [f]Fees [or charges] for the registration of motor vehicles [and for the issuance of all kinds of licenses or permits for the driving thereof,] except [tricycles] MOTOR VEHICLES REGULATED BY THE LOCAL GOVERNMENT UNITS;

(m) x x x; AND

[(n) Taxes, fees, or charges on Countryside and Barangay Business Enterprises and cooperatives duly registered under R.A. 6810 and Republic Act Numbered Sixty-nine hundred thirty-eight (R.A. 6938) otherwise known as the "Cooperatives Code of the Philippines," respectively; and]

[(o)] (N) Taxes[, fees or charges] of any kind on the National Government, [its agencies and instrumentalities, and local government units] EXCEPT QUASI-PUBLIC CORPORATIONS, GOVERNMENT BANKS, FINANCING AND INVESTMENT INSTITUTIONS, REVENUE-GENERATING AGENCIES SUCH AS BUT NOT LIMITED TO, PHILIPPINE PORTS AUTHORITY, MANILA INTERNATIONAL AIRPORT AUTHORITY, GAMBLING AND GAMING ENTERPRISES OPERATED BY THE NATIONAL GOVERNMENT OR ITS AGENTS OR INSTRUMENTALITIES, OR CONTRACTED OUT BY IT TO FOREIGN AND DOMESTIC CORPORATIONS, INDIVIDUALS OR ENTITIES, WHICH HAVE BEEN GIVEN PERMITS BY THE LOCAL GOVERNMENT UNITS, AND OTHER SIMILAR

ORGANIZATIONS AS DETERMINED BY THE
DEPARTMENT OF FINANCE.”

SEC. 4. Paragraph (a) of Section 135 of the same Act is hereby amended to
read as follows:

“SEC. 135. *Tax on Transfer of Real Property Ownership.* –
(a) The province may impose a tax on the sale, donation, barter, or
on any other mode of transferring ownership or title of real
property at the rate of not more [fifty percent (50%) of one percent
(1%)] than TWO PERCENT (2%) of the total consideration
involved in the acquisition of the property or of the fair market
value in case the monetary consideration involved in the transfer is
not substantial, whichever is higher. The sale, transfer or other
disposition of real property pursuant to R.A. 6657 shall be exempt
from this tax.”

SEC. 5. Section 137 of the same Act is hereby amended to read as follows:

“SEC. 137. *Franchise Tax.* – Notwithstanding any
exemption granted by any law or other special laws, the province
may impose a tax on business[es] enjoying a franchise[,]
GRANTED BY CONGRESS, A NATIONAL GOVERNMENT
AGENCY OR A LOCAL GOVERNMENT UNIT. THESE
BUSINESSES SHALL INCLUDE POWER GENERATION,
TRANSMISSION AND DISTRIBUTION,
TELECOMMUNICATIONS, ICE PLANTS AND STORAGE
FACILITIES, LEGAL GAMBLING OR GAMING ACTIVITIES,
AND OTHER SIMILAR BUSINESSES, BASED ON INCOME
REALIZED WITHIN ITS TERRITORIAL JURISDICTION at a
rate not exceeding fifty percent (50%) of one percent (1%) of the
gross annual receipts for the preceding calendar year [based on the
income receipt, or realized within its territorial jurisdiction].

x x x.”

SEC. 6. Section 138 of the same Act is hereby amended to read as follows:

“SEC. 138. *Tax on Sand, Gravel and Other Quarry Resources.* – The province may levy and collect not more than ten percent (10%) of fair market value in the locality per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources, as defined under the National Internal Revenue Code, as amended, extracted from public lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters within its territorial jurisdiction.

The permit to extract sand, gravel, and other quarry resources shall be issued [exclusively] by the provincial governor [pursuant to the ordinance of the sangguniang panlalawigan] UPON THE RECOMMENDATION OF THE MAYOR OF THE CITY OR MUNICIPALITY.

The proceeds of the tax on sand, gravel and other quarry resources shall be distributed as follows:

- (1) Province – Thirty percent (30%)
- (2) Component City or Municipality where the sand, gravel, and other quarry resources are extracted – Thirty percent (30%); and
- (3) Barangay where the sand, gravel, and other quarry resources are extracted – Forty percent (40%).”

SEC. 7. Paragraph (a) of Section 139 of the same Act is hereby amended to read as follows:

“SEC. 139. *Professional Tax.* – (a) The province may levy an annual professional tax on each person engaged in the exercise or practice of his profession requiring government examination at such amount and reasonable classification as the sangguniang panlalawigan may determine but shall in no case exceed [Three hundred pesos (P300)] ONE THOUSAND TWO HUNDRED

PESOS (P1,200.00). THE SANGGUNIANG PANLALAWIGAN MAY INCREASE THE CEILING ON THE PROFESSIONAL TAX ONCE EVERY THREE (3) YEARS BASED ON THE PAST THREE-YEAR AVERAGE OF THE CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED BY THE NATIONAL STATISTICS COORDINATION BOARD.

x x x.”

SEC. 8. Paragraph (a) of Section 141 of the same Act is hereby amended to read as follows:

“SEC. 141. *Annual Fixed Tax for Every Delivery Truck, or Van of Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in Certain Products.* – a) The province may levy an annual fixed tax for every truck, van or any vehicle used by manufacturers, producers, wholesalers, dealers or retailers in the delivery or distribution of distilled spirits, fermented liquors, soft drinks, cigars and cigarettes, and other products as may be determined by the sangguniang panlalawigan, to sales outlets, or consumers, whether directly or indirectly, within the province in an amount not exceeding [FIVE hundred pesos (P500.00)] ONE THOUSAND FIVE HUNDRED PESOS (P1,500.00). THE SANGGUNIANG PANLALAWIGAN MAY INCREASE THE CEILING ON THE ANNUAL FIXED TAX ONCE EVERY THREE (3) YEARS BASED ON THE PAST THREE-YEAR AVERAGE OF THE CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED BY THE NATIONAL STATISTICS COORDINATION BOARD.

(b) x x x.”

SEC. 9. Section 143 of the same Act is hereby amended to read as follows:

“SEC. 143. *Tax on Business.* – The municipality may impose taxes on ANY [the following] business[es:] INCLUDING

THOSE SUBJECT TO FRANCHISE TAX UNDER SECTION 137 OF THIS CODE, AT RATES NOT EXCEEDING TWO AND A HALF PERCENT (2.5%) OF GROSS SALES OR RECEIPTS OF THE PRECEDING CALENDAR YEAR.

IN THE CASE OF EXPORTERS, INDIRECT EXPORTERS AND EXPORT SUB-CONTRACTORS, THE RATE SHALL BE ONE-HALF OF THE GROSS SALES OR RECEIPTS OF THE PRECEDING CALENDAR YEAR.

[(a) On manufacturers, assemblers, repackers, processors, brewers, distillers, rectifiers, and compounders of liquors, distilled spirits, and wines or manufacturers or any article of commerce of whatever kind or nature, in accordance with the following schedule:

With gross sales or receipts for the Amount of Tax preceding calendar year in the amount of:

	Amount of Tax Per Annum
Less than 10,000.00	165.00
P10,000.00 or more but less than 15,000.00	220.00
15,000.00 or more but less than 20,000.00	302.00
20,000.00 or more but less than 30,000.00	440.00
30,000.00 or more but less than 40,000.00	660.00
40,000.00 or more but less than 50,000.00	825.00
50,000.00 or more but less than 75,000.00	1,320.00
75,000.00 or more but less than 100,000.00	1,650.00
100,000.00 or more but less than 150,000.00	2,200.00
150,000.00 or more but less than 200,000.00	2,750.00

200,000.00 or more but less than 300,000.00	3,850.00
300,000.00 or more but less than 500,000.00	5,500.00
500,000.00 or more but less than 750,000.00	8,000.00
750,000.00 or more but less than 1,000,000.00	10,000.00
1,000,000.00 or more but less than 2,000,000.00	13,750.00
2,000,000.00 or more but less than 3,000,000.00	16,500.00
3,000,000.00 or more but less than 4,000,000.00	19,800.00
4,000,000.00 or more but less than 5,000,000.00	23,100.00
5,000,000.00 or more but less than 6,500,00.00	24,375.00
6,500,000.00 or more	at a rate not exceeding thirty-seven and a half percent (37 ½%) of one percent (1%)

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

With gross sales or receipts for the Amount of Tax preceding calendar year in the amount of:

	Amount of Tax Per Annum
Less than P1,000.00	18.00
P1,000.00 or more but less than P2,000.00	33.00
2,000.00 or more but less than 3,000.00	50.00
3,000.00 or more but less than 4,000.00	72.00
4,000.00 or more but less than 5,000.00	100.00
5,000.00 or more but less than 6,000.00	121.00
6,000.00 or more but less than 7,000.00	143.00

7,000.00 or more but less than 8,000.00	165.00
8,000.00 or more but less than 10,000.00	187.00
10,000.00 or more but less than 15,000.00	220.00
15,000.00 or more but less than 20,000.00	275.00
20,000.00 or more but less than 30,000.00	330.00
30,000.00 or more but less than 40,000.00	440.00
40,000.00 or more but less than 50,000.00	660.00
50,000.00 or more but less than 75,000.00	990.00
75,000.00 or more but less than 100,000.00	1,320.00
100,000.00 or more but less than 150,000.00	1,870.00
150,000.00 or more but less than 200,000.00	2,420.00
200,000.00 or more but less than 300,000.00	3,300.00
300,000.00 or more but less than 500,000.00	4,400.00
500,000.00 or more but less than 750,000.00	6,600.00
750,000.00 or more but less than 1,000,000.00	8,800.00
1,000,000.00 or more but less than 2,000,000.00	10,000.00
2,000,000.00 or more	at a rate not exceeding fifty percent (50%) of 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 ($\frac{1}{2}$) 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) Cook 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

(8) Cement.

(d) On Retailers.

With gross sales or receipts Rate of tax for the preceding calendar year of:

	Rate of Tax Per Annum
P400,000.00 or less	2%
more than P400,000.00	1%

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

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

With gross receipts for the preceding calendar year in the amount of:

	Amount of Tax Per Annum
Less than P5,000.00	27.50
P5,000.00 or more but less than P10,000.00	61.60
10,000.00 or more but less than 15,000.00	104.50
15,000.00 or more but less than 20,000.00	165.00
20,000.00 or more but less than 30,000.00	275.00
30,000.00 or more but less than 40,000.00	385.00
40,000.00 or more but less than 50,000.00	550.00
50,000.00 or more but less than 75,000.00	880.00
75,000.00 or more but less than 100,000.00	1,320.00
100,000.00 or more but less than 150,000.00	1,980.00
150,000.00 or more but less than 200,000.00	2,640.00
200,000.00 or more but less than 250,000.00	3,630.00
250,000.00 or more but less than 300,000.00	4,620.00
300,000.00 or more but less than 400,000.00	6,160.00
400,000.00 or more but less than 500,000.00	8,250.00
500,000.00 or more but less than 750,000.00	9,250.00
750,000.00 or more but less than 1,000,000.00	10,250.00
1,000,000.00 or more but less than 2,000,000.00	11,500.00
2,000,000.00 or more	at a rate not exceeding fifty percent (50%) of one percent (1%)

(f) On banks and other financial institutions, at a rate not exceeding fifty percent (50%) of one percent (1%) on the gross

receipts of the preceding calendar year derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premium.

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

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

SEC. 10. Section 146 of the same Act is hereby amended to read as follows:

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

(b) In cases where a person conducts or operates two (2) or more [of the] businesses [mentioned in Section 143 of this Code] which are subject to the same rate of tax, the tax shall be computed on the combined total gross sales or receipts of the said two (2) or more related businesses.

(c) In cases where a person conducts or operates two (2) or more businesses [mentioned in Section 143 of this Code] which are subject to different rates of tax, the gross sales or receipts of each business shall be separately reported for the purpose of computing the tax due from each business.”

SEC. 11. Paragraph (b) of Section 148 of the same Act is hereby amended to read as follows:

“SEC. 148. *Fees for Sealing and Licensing of Weights and Measures.* –

(a) x x x

(b) The sangguniang bayan shall prescribe the necessary regulations for the use of such weights and measures, subject to such guidelines as shall be prescribed by the Department of Science and Technology. The sanggunian concerned shall, by appropriate ordinance, penalize fraudulent practices and unlawful possession or use of instruments of weights and measures and prescribe the criminal penalty therefore in accordance with the provisions of this Code: *Provided, however,* That the sanggunian concerned may authorize the municipal treasurer to settle an offence not involving the commission of fraud before a case therefore is filed in court, upon payment of a compounded penalty AS PRESCRIBED BY THE SANGGUNIAN of not less than [Two hundred pesos (P200)] ONE THOUSAND PESOS (P1,000). THE SANGGUNIAN MAY INCREASE THE CEILING ON THE FEES FOR SEALING AND LICENSING OF WEIGHTS AND MEASURES ONCE EVERY THREE (3) YEARS BASED ON THE PAST THREE-YEAR AVERAGE OF THE CONSUMER PRICE INDEX AS OFFICIALLY PUBLISHED BY THE NATIONAL STATISTICS COORDINATION BOARD.”

SEC. 12. Paragraph (a) and subparagraph (3) of Paragraph (b) of Section 149 of the same Act are hereby amended to read as follows:

“SEC. 149. *Fishery Rentals, Fees and Charges.* – (a) Municipalities shall have the exclusive authority to grant fishery privileges in the municipal waters and impose rentals, fees or charges therefore in accordance with the provisions of this Section: *PROVIDED, THAT RENTALS, FEES OR CHARGES ARE BASED ON ESTIMATES OF RESOURCE RENT AS DETERMINED BY THE SANGGUNIAN CONCERNED IN CONSULTATION WITH THE FISHERIES AND AQUATIC RESOURCE MANAGEMENT COUNCILS (FARMC) ESTABLISHED UNDER REPUBLIC ACT NO. 8550, OTHERWISE KNOWN AS THE “PHILIPPINE FISHERIES CODE OF 1998.”*

(b) The sangguniang bayan may:

(1) x x x

(2) x x x

(3) Issue licenses for the operation of fishing vessels of three (3) tons or less for which purpose the sangguniang bayan shall promulgate rules and regulations regarding the issuances of such licenses to qualified applicants under existing laws: *PROVIDED, THAT THE TOTAL NUMBER OF LICENSES ISSUED IS CONSONANT WITH THE TOTAL ALLOWABLE CATCH AS DETERMINED BY THE SANGGUNIAN CONCERNED, IN CONSULTATION WITH THE FISHERIES AND AQUATIC RESOURCE MANAGEMENT COUNCILS (FARMC): Provided, however, That the sanggunian concerned shall, by appropriate ordinance, penalize the use of explosives,*

noxious or poisonous substances, electricity, muro-ami, and other deleterious methods of fishing and prescribe a criminal penalty therefor in accordance with the provisions of this Code: *Provided, finally*, That the sanggunian concerned shall have the authority to prosecute any violation of the provisions of applicable fishery laws.”

SEC. 13. Section 150 of the same Act is hereby amended to read as follows:

“SEC. 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] ALL 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 CITY OR municipality 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] ALL BUSINESSES 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] BUSINESS 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) or 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) x x x."

SEC. 14. Section 151 of the same Act is hereby amended to read as follows:

"SEC. 151. *Scope of Taxing Powers.* – Except as otherwise provided in this Code, the city may levy the taxes, fees, and charges which the province or municipality may impose: *Provided, however,* That the taxes, fees and charges levied and collected by [highly urbanized and independent component] cities shall accrue to them and distributed in accordance with the provisions of this Code.

x x x."

SEC. 15. Section 152 of the same Act is hereby amended to read as follows:

"SEC. 152. *Scope of Taxing Powers.* – The barangays may levy taxes, fees and charges, as provided in this Article, which shall exclusively accrue to them:

(a) Taxes – On stores or retailers with fixed business establishments with gross sales or receipts of the preceding calendar year of [Fifty] ONE HUNDRED Thousand pesos [(P50,000.00)] (P100,000.00) or less, in the case of cities and [Thirty] SIXTY thousand pesos [(P30,000.00)] (P60,000.00) or less, in the case of municipalities, at a rate not exceeding one percent (1%) on such gross sales or receipts.

x x x."

SEC. 16. Section 155 of the same Act is hereby amended to read as follows:

"SEC. 155. *Toll Fees or Charges.* – The sanggunian concerned may prescribe the terms and conditions and fix the rates for the imposition of toll fees or charges, for the use of any public road, pier or wharf, waterway, bridge, ferry or telecommunication system funded and constructed by the local government unit concerned: *Provided*, That no such toll fees or charges shall be collected from GOVERNMENT-OWNED VEHICLES. [officers and enlisted men of the Armed Forces of the Philippines and members of the Philippine National Police, on mission, post office personnel delivering mail, physically-handicapped, and disabled who are sixty-five (65) years or older.]

x x x."

SEC. 17. Section 157 of the same Act is hereby amended to read as follows:

"SEC. 157. *Individuals Liable to Community Tax.* – Every inhabitant of the Philippines eighteen (18) years of age or over who has been regularly employed on a wage or salary basis for at

least thirty (30) consecutive working days during any calendar year, or who is engaged in business or occupation, or who owns real property with an aggregate market value of One thousand pesos (P1,000.00) or more, or who is required by law to file an income tax return shall pay an annual community tax of NOT MORE THAN [Five (P5.00)] THIRTY pesos (P30.00) and an annual additional tax of NOT MORE THAN [One Peso (P1)] TWO PESOS (P2) for every One Thousand pesos (P1,000) of income [regardless of whether] from business, exercise of profession, EMPLOYMENT or from property [which in no case shall exceed Five Thousand pesos (P5,000.00)].

In the case of husband and wife, the additional tax herein imposed shall be based upon the total property owned by them and the total gross receipts or earnings derived by them: *PROVIDED, THAT DISABLED PERSONS AND SENIOR CITIZENS NOT GAINFULLY EMPLOYED, NOT ENGAGED IN BUSINESS OR EARNING LESS THAN SIXTY THOUSAND PESOS (P60,000.00) ANNUALLY SHALL PAY A FIX AMOUNT OF THIRTY PESOS (P30.00).*”

SEC. 18. Section 158 of the same Act is hereby amended to read as follows:

“SEC. 158. *Juridical Persons Liable to Community Tax.* – Every corporation no matter how created or organized, whether domestic or resident foreign, engaged in or doing business in the Philippines shall pay an annual community tax of [Five hundred (P500.00)] ONE THOUSAND pesos (P1,000.00) and an annual additional tax [, which, in no case, shall exceed Ten thousand pesos (P10,000.00)] in accordance with the following schedule:

(1) For every [Five thousand pesos (P5,000.00)] ONE THOUSAND PESOS (P1,000.00) worth of real property in the Philippines owned by it during the preceding year based on the

valuation used for the payment of the real property tax under existing laws, found in the assessment rolls of the city or municipality where the real property is situated – [Two Pesos (P2.00)] THREE PESOS (P3.00); and

(2) For every [Five] ONE thousand pesos [(P5,000.00)] (P1,000.00) of gross receipts or earnings derived by it from its business in the Philippines during the preceding year - [Two] THREE pesos [(P2.00)] (P3.00).

The dividends received by a corporation from another corporation however shall, for the purpose of the additional tax, be considered as part of the gross receipts or earnings of said corporation.”

SEC. 19. Section 162 of the same Act is hereby amended to read as follows:

“SEC. 162. *Community Tax Certificate.* – A community tax certificate shall be issued to every person or corporation upon payment of the community tax. A community tax certificate may also be issued to any person or corporation not subject to the community tax upon payment of [One (1)] THIRTY pesoS (P30.00).”

SEC. 20. Section 171 of the same Act is hereby amended to read as follows:

“SEC. 171. *Examination of Books of Accounts and Pertinent Records of Businessmen by Local Treasurers.* – The provincial, city, municipal or Barangay treasurer may, by himself or through any of his deputies duly authorized in writing, examine the books, accounts, and other pertinent records of any person, partnership, corporation, or association subject to local taxes, fees and charges in order to ascertain, assess, and collect the correct amount of the tax, fee, or charge. Such examination shall be made during regular business hours, only once for every tax period, and shall be certified to by the examining official. Such certificate

shall be made of record in the books of accounts of the taxpayer examined.

In case the examination herein authorized is made by a duly authorized deputy of the local treasurer, the written authority of the deputy concerned shall specifically state the name, address, and business of the taxpayer whose books, accounts, and pertinent records are to be examined, the date and place of such examination, and the procedure to be followed in conducting the same.

For this purpose, the records of the revenue district office of the Bureau of Internal Revenue shall be made available to the local treasurer, his deputy or duly authorized representative.

THE REVENUE DISTRICT OFFICER SHALL, UPON REQUEST, FURNISH THE CITY OR MUNICIPAL TREASURER, SUCH OTHER PERTINENT INFORMATION REQUIRED IN SAID EXAMINATION. THE CITY AND MUNICIPAL TREASURERS AND THEIR DEPUTIES AND AUTHORIZED REPRESENTATIVES SHALL AT ALL TIMES KEEP THE INFORMATION STRICTLY CONFIDENTIAL AND SHALL BE USED ONLY TO ASCERTAIN, ASSESS, AND COLLECT THE CORRECT AMOUNT OF LOCAL TAX, FEE OR CHARGE. SUCH RECORDS SHALL NOT BE DIVULGED TO ANY THIRD PERSONS EXCEPT UPON ORDER OF A COURT OF COMPETENT JURISDICTION. THE CITY OR MUNICIPAL TREASURERS OR THEIR DEPUTIES OR AUTHORIZED REPRESENTATIVES SHALL BE ADMINISTRATIVELY LIABLE FOR THEIR DISCLOSURE TO ANY THIRD PARTY OR PERSON, WITHOUT PREJUDICE TO PROSECUTION UNDER EXISTING LAWS.

THE EXAMINATION SHALL BE MADE DURING REGULAR BUSINESS HOURS NOT OFTENER THAN ONCE A YEAR FOR EVERY TAX PERIOD, WHICH SHALL BE THE YEAR IMMEDIATELY PRECEDING THE EXAMINATION, AND SHALL BE CERTIFIED BY THE EXAMINING OFFICIAL. SUCH CERTIFICATION SHALL BE MADE OF RECORD IN THE BOOKS OF ACCOUNTS OF THE TAXPAYER EXAMINED.

ALL BUSINESSES MUST KEEP PROPER BOOKS OF ACCOUNTS. IN THE CASE OF BUSINESSES WITH REVENUES ABOVE SIX HUNDRED THOUSAND PESOS (P600,000.00), THE FINANCIAL STATEMENTS MUST BE AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT. FOR BUSINESSES WITH REVENUES ABOVE ONE HUNDRED THOUSAND PESOS (P100,000.00) BUT BELOW SIX HUNDRED THOUSAND PESOS (P600,000.00), THE ACCOUNTS SHALL BE PREPARED BY A BOOKKEEPER."

SEC. 21. Section 188 of the same Act is hereby amended to read as follows:

"SEC. 188. *Publication of Tax Ordinances and Revenue Measures.* – Within [ten (10)] FIFTEEN (15) days after their approval, certified true copies of all provincial, city and municipal tax ordinances or revenue measures shall be published in full for three (3) consecutive days in a DAILY newspaper PUBLISHED AND CIRCULATED LOCALLY [of local circulation:] OR ONCE A WEEK FOR THREE (3) CONSECUTIVE WEEKS IN CASE OF A WEEKLY NEWSPAPER PUBLISHED AND CIRCULATED LOCALLY. [Provided, however, That,] [i]n provinces, cities, and municipalities where there are no newspapers THAT ARE PUBLISHED AND CIRCULATED LOCALLY [of local circulation], the same [may] SHALL

INSTEAD be posted FOR AT LEAST ONE (1) MONTH in PROVINCIAL CAPITOLS, CITY OR MUNICIPAL HALLS, ALL BARANGAY HALLS AND OTHER [at least two (2)] conspicuous and publicly accessible places.”

SEC. 22. Section 192 of the same Act is hereby amended to read as follows:

“SEC. 192. *Authority to Grant Local Tax Exemption Privileges.* – UNLESS OTHERWISE PROVIDED IN THIS CODE, THE [L]local government units [may], through [ordinances] duly approved ORDINANCES, MAY grant tax exemption, incentives or reliefs FOR THE PURPOSE OF PROMOTING OR ENCOURAGING INVESTMENTS IN THEIR JURISDICTIONS, under such terms and conditions as they may deem necessary: *PROVIDED*, THAT THE DURATION OF SUCH INCENTIVES SHALL NOT EXCEED FIVE (5) CONSECUTIVE YEARS FROM THE EFFECTIVE DATE GRANTING THE INCENTIVE: *PROVIDED, FURTHER*, THAT SUCH INCENTIVE SHALL BE AVAILED OF ONLY ONCE.”

SEC. 23. Section 193 of the same Act is hereby amended to read as follows:

“SEC. 193. *Withdrawal of Tax Exemption Privileges.* – Unless otherwise provided in this Code, tax exemptions or incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned or -controlled corporations, AND OTHER SIMILAR GOVERNMENT AGENCIES OR ENTITIES GENERATING REVENUES AS DETERMINED BY THE DEPARTMENT OF FINANCE SUCH AS BUT NOT LIMITED TO, PHILIPPINE PORTS AUTHORITY, MANILA INTERNATIONAL AIRPORT AUTHORITY, PHILIPPINE RECLAMATION AUTHORITY, PHILIPPINE RETIREMENT AUTHORITY, [except local water districts, cooperatives duly registered under R.A. 6398, non-stock

and non-profit hospitals and educational institutions,] are hereby withdrawn [upon the effectivity of this Code] EFFECTIVE JANUARY 1, 2014.

EXCEPT AS PROVIDED HEREIN, NO LAW PROVIDING TAX EXEMPTION FROM LOCAL GOVERNMENT TAXES, FEES AND CHARGES SHALL BE ENACTED WITHOUT PRIOR CONSULTATION WITH THE LEAGUES OF PROVINCES, CITIES AND MUNICIPALITIES AND LIGA NG MGA BARANGAY AND PRIOR RECOMMENDATION OF THE DEPARTMENT OF FINANCE.”

SEC. 24. Section 235 of the same Act is hereby amended to read as follows:

SEC. 235. *Additional Levy on Real Property for the Special Education Fund (SEF).* – A province or city, or a municipality within the Metropolitan Manila Area, may levy and collect an annual tax of [one percent (1%)] ONE AND ONE HALF PERCENT (1½%) on the assessed value of real property IN THEIR RESPECTIVE TERRITORIAL JURISDICTION [which shall be] in addition to the basic real property tax PROVIDED UNDER THIS CODE. The proceeds thereof shall exclusively accrue to the Special Education Fund (SEF).”

SEC. 25. Section 272 of the same Act is hereby amended to read as follows:

“SEC. 272. *Application of Proceeds of the [Additional One Percent] SEF Tax.* – The proceeds from the additional [one percent (1%)] ONE AND ONE HALF PERCENT (1½%) tax on real property accruing to the SEF OF THE PROVINCE, CITY OR MUNICIPALITY WITHIN THE METROPOLITAN MANILA AREA shall be automatically released to the local school boards: *Provided,* That in the case of provinces, the proceeds shall be divided equally between the provincial and the municipal school

boards: *Provided, however,* That the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair OR IMPROVEMENT of PUBLIC school buildings, OR RELATED facilities and equipment, educational research, purchase of books and periodicals, HONORARIUM FOR TEACHERS CONDUCTING EXTENSION CLASSES and sports development as determined and approved by the local school board.”

SEC. 26. The Secretary of the Interior Local Government shall promulgate such rules and regulations as may be necessary for the effective implementation of this Act.

SEC. 27. If any section or provision of this Act shall be declared unconstitutional or invalid, the remaining sections or provisions not affected shall remain in full force and effect.

SEC. 28. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) national newspapers of general circulation.

Approved,