



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



Sixteenth Congress
First Regular Session

HOUSE BILL NO. **4294**

Introduced by Honorable Herminia B. Roman

EXPLANATORY NOTE

This bill seeks to change the allocation formula used in the computation of the share of the local government units in the two percent (2%) tax on gross income earned by all business enterprises within the Subic Special Economic Zone (SSEZ), amending for the purpose Section 12 (c) of Republic Act (RA) No. 7227, otherwise known as the "*Bases Conversion and Development Act of 1992*," as amended.

Article 12, Section 1 of the 1987 Constitution provides that "*the goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; xxx.*" Consonant to this constitutional mandate, the SSEZ has been created with the passage of RA 7227. The SSEZ is a self-sustaining, industrial, commercial, financial and investment center which generates employment opportunities and attracts productive foreign investments.

RA 7227 provides that no national and local taxes shall be imposed within the SSEZ. In lieu of said taxes, and as an incentive to a separate customs territory like the SSEZ, a 5% tax on its gross income shall be paid by all business enterprises within the zone, 3% of which shall be remitted to the national government and 2% to the Subic Bay Metropolitan Authority (SBMA) for distribution to the local government units which are affected by the creation of the SSEZ.

With the passage of RA 9400 which amended RA 7227, the bases for the allocation formula on how the local government units affected by the creation of the SSEZ will share in the 2% tax on gross income from all business enterprises within the SSEZ had been set on the basis of population (50%), land area (25%), and equal sharing (25%).

While it is true that the Municipality of Morong has the biggest land contribution among the local government units in the creation of SSEZ, which amounts to a total of 8,172 hectares, we find it incongruous that the Municipality of Morong receives one of the smallest share in the 2% tax on gross income from all business enterprises within the SSEZ.

Thus, in the pursuit of giving the local government units which acceded to SBMA a bigger portion of their land area, and in order to equitably diffuse income opportunities for the common good, approval of this bill is earnestly sought.

Herminia B. Roman
HERMINIA B. ROMAN



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AN ACT

**CHANGING THE ALLOCATION FORMULA USED IN THE
COMPUTATION OF THE SHARE OF THE LOCAL GOVERNMENT
UNITS IN THE TWO PERCENT (2%) TAX ON GROSS INCOME
EARNED BY ALL BUSINESS ENTERPRISES WITHIN THE SUBIC
SPECIAL ECONOMIC ZONE, AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 7227, OTHERWISE KNOWN AS "BASES
CONVERSION AND DEVELOPMENT ACT OF 1992," AS AMENDED**

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

SECTION. 1. Section 12 (c) of Republic Act No. 7227, as amended, is
hereby further amended to read as follows:

"Sec. 12. *Subic Special Economic Zone.* – xxx

(a) xxx

(b) xxx

(c) xxx In lieu of said taxes, a five percent (5%) tax on gross
income earned shall be paid by all business enterprises within the Subic
Special Economic Zone and shall be remitted as follows: three percent
(3%) to the National Government, and two percent (2%) to the Subic

1 Bay Metropolitan Authority (SBMA) for distribution to the local
2 government units affected by the declaration of and contiguous to the
3 zone, namely: the City of Olongapo and the municipalities of Subic,
4 San Antonio, San Marcelino, and Castillejos of the Province of
5 Zambales; and the municipalities of Morong, Hermosa and Dinalupihan
6 in the Province of Bataan, on the basis of [population] **LAND AREA**
7 **(50%)**, [land area] **POPULATION (25%)**, and equal sharing (25%).

8 xxx.”

9 SEC. 2. Within ninety (90) days from the effectivity of this Act, the
10 Department of Finance shall, in coordination with the Philippine Economic Zone
11 Authority, the Bureau of Internal Revenue and Bureau of Customs, and in
12 consultation with the Bases Conversion Development Authority and the SBMA,
13 promulgate the necessary rules and regulations for the effective implementation of
14 this Act.

15 SEC. 3. All laws, decrees, orders, proclamations, rules and regulations
16 or other issuances or parts thereof inconsistent with the provisions of this Act are
17 hereby repealed or modified accordingly.

18 SEC. 4. This Act shall take effect fifteen (15) days after its publication
19 in the Official Gazette or in a newspaper of general circulation.

20 Approved,