

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8023



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

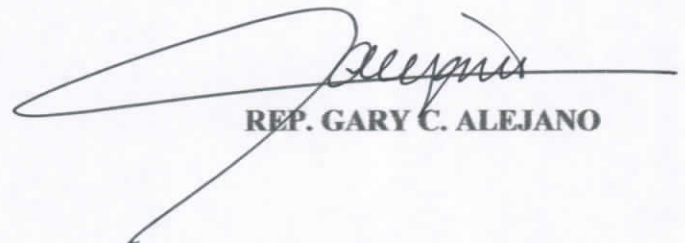
A vital component of the Local Government Code of 1991 (R.A. 7160) was to provide LGUs more avenues to generate their own sources of revenue in order to faithfully execute their expanded responsibilities. Changes in the economy, however, has rendered some provisions of the Code inefficient.

Among such changes are: 1) Leakages from local tax revenues resulting from local tax exemptions enjoyed by government corporations and business entities covered by investment promotion laws; 2) Annual increases in the national inflation rate which has reduced the value of tax collections; and the 3) Undue emphasis on the head office of corporations as a taxable unit.

To address these issues, this proposed measure seeks to:

- Increase the annual fixed tax rate for delivery trucks or vans of manufacturers or producers from 500 pesos to 1,500 pesos and to ensure the continued increase in income from this source in the future, index it to the inflation rate;
- Reduce the taxable base of the head office from 30% to 10% of gross sales or revenues and increasing the share of sales outlets, branches, plantations, factories and the like from 70% to 90%
- Remove the authority of the national government to provide exemptions on local taxes, fees and charges; and
- Impose a limitation on the extent LGUs can provide local exemptions from taxes, fees, and charges.

In view of the foregoing, approval of this measure is earnestly sought.


REP. GARY C. ALEJANO

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8023

Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

AN ACT

**TO ENHANCE THE TAXING POWERS OF LOCAL GOVERNMENT UNITS BY
AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT 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:*

BOOK II – LOCAL TAXATION AND FISCAL MATTERS

SEC. 1. Section 141 of the Code 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)] **ONE THOUSAND FIVE HUNDRED PESOS (P1,500).
THE SANGGUNIANG PANLALAWIGAN MAY INCREASE THE 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 TO SALES OUTLETS, OR CONSUMERS, WHETHER
DIRECTLY OR INDIRECTLY, ONCE EVERY THREE (3) YEARS BASED ON
GUIDELINES ISSUED BY THE BUREAU OF LOCAL GOVERNMENT FINANCE
OF THE DEPARTMENT OF FINANCE UTILIZING THE CONSUMER PRICE
INDEX AS THE BASIS FOR THE INCREASE IN THE CEILING OF THE
AFOREMENTIONED ANNUAL FIXED TAX.”**

SEC. 2. Section 150 of the Code is hereby amended to read as follows:

“SEC. 150. Situs of the Tax. - (a) For purposes of collection of the taxes under
SEC. 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

1 other] **ALL** businesses[,] maintaining or operating branch or sales outlet elsewhere shall
2 record the sale in the branch or sales outlet making the sale or transaction, and the tax
3 thereon shall accrue and shall be paid to the **CITY OR** municipality where such branch or
4 sales outlet is located. In cases where there is no such branch or sales outlet in the city or
5 municipality where the sale or transaction is made, the sale shall be duly recorded in the
6 principal office and the taxes due shall accrue and shall be paid to such city or
7 municipality.

8
9 (b) [The following sales allocation shall apply to [manufacturers, assemblers,
10 contractors, producers, and exporters] **ALL BUSINESSES** with factories, project offices,
11 plants, and plantations in the pursuit of their business:

12
13 (1) **TEN PERCENT (10%)** [Thirty percent (30%)] of all sales recorded in the
14 principal office shall be taxable by the city or municipality where the principal office
15 is located; and,

16
17 (2) **NINETY PERCENT (90%)** [Seventy percent (70%)] of all sales recorded in the
18 principal office shall be taxable by the city or municipality where the factory, project
19 office, plant, or plantation is located.

20
21 (c) In case of a plantation located at a place other than the place where the factory is
22 located, said **NINETY PERCENT (90%)** [seventy percent (70%)] mentioned in
23 subparagraph (b) of subsection (2) above shall be divided as follows:

24
25 (1) Sixty percent (60%) to the city or municipality where the factory is located; and,

26
27 (2) Forty percent (40%) to the city or municipality where the plantation is located.

28
29 (d) In cases where a [manufacturer, assembler, producer, exporter or contractor]
30 **BUSINESS** has two (2) or more factories, project offices, plants, or plantations located in
31 different localities, the **NINETY PERCENT (90%)** [seventy percent (70%)] sales
32 allocation mentioned in subparagraph (b) of subsection (2) above shall be prorated among
33 the localities where the factories, project offices, plants, and plantations are located in
34 proportion to their respective volumes of production during the period for which the tax is
35 due.”

36
37 **SEC. 3.** Section 192 of the Code is hereby amended to read as follows:

38
39 “**SEC. 192 Authority to grant Local Tax Exemption Privileges - EXCEPT AS**
40 **PROVIDED HEREIN, NO LAW PROVIDING TAX EXEMPTION FROM LOCAL**
41 **GOVERNMENT TAXES, FEES AND CHARGES SHALL BE ENACTED. UNLESS**
42 **OTHERWISE PROVIDED IN THIS CODE, THE** local government units [may],
43 through duly [ordinances] approved **ORDINANCES, MAY** grant tax exemptions,
44 incentives or reliefs **FOR THE PURPOSE OF PROMOTING OR ENCOURAGING**
45 **INVESTMENTS IN THEIR JURISDICTIONS,** under such terms and conditions as they
46 may deem necessary; **PROVIDED THAT THE DURATION OF SUCH INCENTIVES**
47 **SHALL NOT EXCEED A TOTAL OF SIX (6) CONSECUTIVE YEARS FROM THE**
48 **EFFECTIVE DATE GRANTING THE INCENTIVE.”**

49
50 **SEC. 4. - Repealing Clause.** All general and special laws, acts, city charters, decrees,
51 executive orders, proclamations and administrative regulations, or part or parts thereof which are
52 inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

1
2 **SEC. 5. - *Separability Clause.*** If, for any reason or reasons, any part of provision of this
3 Act shall be held unconstitutional or invalid, other parts or provisions hereof which not affected
4 thereby shall continue to be in full force and effect.
5

6 **SEC. 6. - *Effectivity Clause.*** This Act shall take effect after fifteen (15) days from its
7 publication in the Official Gazette or in two (2) newspaper of general circulation.

Approved,