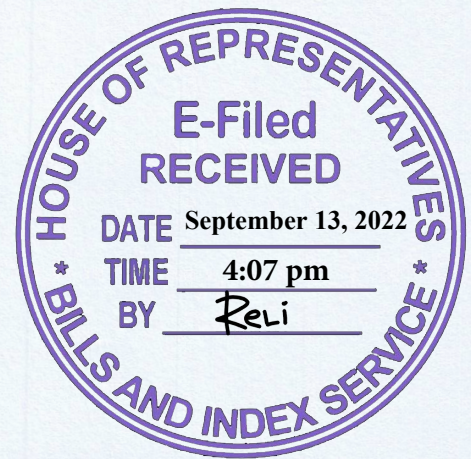


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4774



Introduced by Representative Rex Gatchalian

**AN ACT
REALLOCATING THE SHARING OF TAXES BETWEEN LOCAL GOVERNMENT
UNITS HOSTING PRINCIPAL OFFICES, FACTORIES, PROJECT OFFICES,
PLANTS, AND PLANTATIONS AMENDING FOR THIS PURPOSE SECTIONS 131
AND 150 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL
GOVERNMENT CODE OF 1991"**

EXPLANATORY NOTE

Under the Local Government Code of 1991 (LGC) the sales allocation between cities and municipalities hosting principal offices and those hosting factories, project offices, plants and plantations is 30% and 70% of all sales recorded in the principal office, respectively. However, since the LGC was passed more than thirty years ago, we have seen a disproportionate improvement and increase in the income of cities and municipalities hosting principal offices while LGUs hosting factories, project offices, plants, and plantations have fallen far behind.

It is becoming increasingly clear that the ratio under the LGC by which local business taxes are shared is not equitable. Manufacturing cities, or cities and municipalities where factories, project offices, plants, and plantations are located often bear the brunt of the social ills associated with running a business.

To put things into perspective, these cities and municipalities host most of the human resource required to run a factory for manufacturing or a plantation to function. In this connection, these workers will require socialized housing, health services, food subsidies, and education for their children, just to name a few. So instead of focusing on capital investment and increasing personal services for basic government operations, these LGUs are burdened with the responsibility of taking

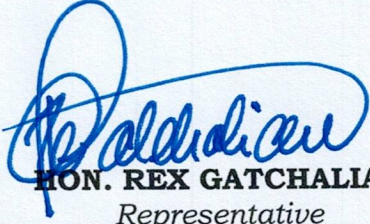
care of their constituents – a concern much less experienced by LGUs hosting just the principal offices.

Further, the infrastructure of LGUs hosting factories and plantations also take a rather heavier toll. Studies have shown that trailer trucks weighing 40 tons can cause as much as 2,500 more damage when compared to the damage caused by sedans on roads. It is therefore not a surprise to see roads beside factories so beat up, while the roads in central business districts remain well maintained despite having the same amount of capital investment poured in them.

Despite supposedly having a larger share of the local business tax, a sizable portion of these proceeds are spent providing for the aforementioned additional social services for a larger number of constituents and the cost for repair and rehabilitation of road infrastructure. This is one of the reasons why manufacturing cities have fallen behind some of the more progressive LGUs that only host principal offices in their jurisdiction.

It is for these reasons that this bill proposes to reallocate the sharing of local taxes between cities and municipalities hosting principal offices and those hosting factories, project offices, plants and plantations from the current ratio of 30% and 70% of all sales recorded in the principal office, respectively, to a new ratio of 10% and 90%, respectively.

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


HON. REX GATCHALIAN
Representative
1st District, Valenzuela City

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HOUSE OF REPRESENTATIVES

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AND 150 OF 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:

1 SECTION 1. Section 131 of Republic Act No. 7160, otherwise known as the
2 '*Local Government Code of 1991*', is hereby amended and renumbered to read as
3 follows:

4
5 "Section 131. Definition of Terms. – When used in this Title, the term:

6
7 (a) "Agricultural Product" xxx

8
9 (b) xxx

10
11 **(L) "DISAGGREGATED FINANCIAL REPORT" REFERS TO THE**
12 **FINANCIAL REPORT CONTAINING THE SALES ALLOCATION OF**
13 **COVERED BUSINESSES THAT HAS BEEN BROKEN DOWN IN**
14 **COMPONENT PARTS, SPECIFYING THE MONETARY VALUE OF THE**
15 **RESPECTIVE VOLUMES OF PRODUCTION OR SALES THAT MAY BE**
16 **ATTRIBUTABLE TO THE PRINCIPAL OFFICE, EVERY BRANCH OR**
17 **SALES OUTLET, FACTORY, PROJECT OFFICE, PLANT, OR**
18 **PLANTATION, AS THE CASE MAY BE.**

19
20 **(M[1]) "Fee" xxx**

1
2 (AA[z]) "Wholesale" xxx."

3
4 SEC. 2. Section 150 of Republic Act No. 7160, otherwise known as the
5 "Local Government Code of 1991," is hereby amended to read as follows:
6

7 "Section 150. Situs of the Tax. - (a) For purposes of collection of the
8 taxes under Section 143 of this Code, [~~manufacturers, assemblers,~~
9 ~~repackers, brewers, distillers, rectifiers and compounders of liquor,~~
10 ~~distilled spirits and wines, millers, producers, exporters, wholesalers,~~
11 ~~distributors, dealers, contractors, banks and other financial~~
12 ~~institutions, and other]~~ **ALL** businesses maintaining or operating **A**
13 branch or sales outlet elsewhere shall record the sale in the branch or
14 sales outlet making the sale or transaction, and the tax thereon shall
15 accrue and shall be paid to the **CITY OR** municipality where such
16 branch or sales outlet is located. In cases where there is no such branch
17 or sales outlet in the city or municipality where the sale or transaction
18 is made the sale shall be duly recorded in the principal office and the
19 taxes due shall accrue and shall be paid to such city or municipality.
20

21 (b) The following sales allocation shall apply to [~~manufacturers,~~
22 ~~assemblers, contractors, producers, and exporters]~~ **ALL BUSINESSES**
23 with factories, project offices, plants, and plantations in the pursuit of
24 their business:
25

26 (1) [~~Thirty percent (30%)~~] **TEN PERCENT (10%)** of all sales
27 recorded in the principal office shall be taxable by the city or
28 municipality where the principal office is located; and
29

30 (2) [~~Seventy percent (70%)~~] **NINETY PERCENT (90%)** of all sales
31 recorded in the principal office shall be taxable by the city or
32 municipality where the factory, project office, plant, or plantation
33 is located.
34

35 (c) In case of a plantation located at a place other than the place where
36 the factory is located, said [~~seventy percent (70%)~~] **NINETY PERCENT**

1 (90%) mentioned in subparagraph (b) of subsection (2) above shall be
2 divided as follows:

3
4 (1) Sixty percent (60%) to the city or municipality where the
5 factory is located; and

6
7 (2) Forty percent (40%) to the city or municipality where the
8 plantation is located.

9
10 (d) In cases where a **BUSINESS** [~~manufacturer, assembler, producer,~~
11 ~~exporter or contractor~~] has two (2) or more factories, project offices,
12 plants, or plantations located in different localities, the [~~seventy percent~~
13 ~~(70%)~~] **NINETY PERCENT (90%)** sales allocation mentioned in
14 subparagraph (b) of subsection (2) above shall be prorated among the
15 localities where the factories, project offices, plants, and plantations are
16 located in proportion to their respective volumes of production during
17 the period for which the tax is due.

18
19 (e) The foregoing sales allocation shall be applied irrespective of whether
20 or not sales are made in the locality where the factory, project office,
21 plant, or plantation is located.

22
23 **(G) FOR THE PROPER ENFORCEMENT OF THIS PROVISION, THE**
24 **TAXPAYERS MENTIONED HEREIN SHALL BE REQUIRED TO**
25 **SUBMIT A SWORN DISAGGREGATED SCHEDULE OF THEIR TOTAL**
26 **SALES OR TOTAL REVENUES AND UNAUDITED CONSOLIDATED**
27 **FINANCIAL STATEMENTS FOR THE PRECEDING CALENDAR YEAR**
28 **WITHIN THE FIRST TWENTY (20) DAYS OF JANUARY TO THE**
29 **LOCAL GOVERNMENT UNITS WHERE THEIR PRINCIPAL OFFICE,**
30 **BRANCH, SALES OFFICE, FACTORY, WAREHOUSE, OR**
31 **PLANTATION IS LOCATED, AS THE CASE MAY BE. THE**
32 **DISAGGREGATED SCHEDULE SHALL SPECIFY THE TOTAL**
33 **AMOUNT OF SALES TAXABLE BY EACH CITY OR MUNICIPALITY.**

34
35 **THE PERCENTAGE OF THE TAX PAYABLE IN A PARTICULAR**
36 **LOCALITY SHALL BE BASED ON THE TOTAL SALES OR TOTAL**

1 REVENUES RECORDED IN ACCORDANCE WITH THE RULES
2 SPECIFIED IN THIS SECTION.

3
4 THE TAXPAYERS MENTIONED HEREIN SHALL HAVE THE
5 OBLIGATION TO PRESENT A SWORN DISAGGREGATED SCHEDULE
6 OF THEIR TOTAL SALES OR TOTAL REVENUES AND THEIR
7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS A
8 CONDITION PRECEDENT TO THE ISSUANCE OR RENEWAL OF
9 BUSINESS PERMITS THAT ARE NECESSARY FOR THEIR INITIAL
10 OR CONTINUING OPERATIONS. IN THE CASE OF INITIAL
11 OPERATIONS, THE TAXPAYERS SHALL PRESENT THEIR
12 FORECASTED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
13 COMING FISCAL YEAR.”

14
15 SEC. 3. **Implementing Rules and Regulations.** – Within ninety (90) days
16 from the effectivity of this Act, the Department of Interior and Local Government, in
17 coordination with the Bureau of Local Government Finance, shall issue the rules and
18 regulations implementing its provisions. The Implementing Rules and Regulations
19 (IRR) issued pursuant to this section shall take effect thirty (30) days after its
20 publication in a newspaper of general circulation.

21
22 SEC. 4. **Separability Clause.** – If any provision of this Act is held invalid
23 or unconstitutional, the other provisions not so declared shall remain in full force
24 and effect.

25
26 SEC. 5. **Repealing Clause.** – All other laws, executive orders, presidential
27 decrees, administrative orders, rules and regulations, issuances, or parts thereof
28 contrary to or inconsistent with the provisions of this Act are hereby repealed or
29 amended accordingly.

30
31 SEC. 6. **Effectivity Clause.** – Notwithstanding the non-issuance of the IRR,
32 this Act shall take effect fifteen (15) days after its publication in the Official Gazette
33 or in a newspaper of general circulation

34
35 Approved,