

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 4866



Introduced by Representative Jose Manuel F. Alba

AN ACT
REQUIRING AGRICULTURAL COMPANIES TO PAY INCOME TAXES IN
THE MUNICIPALITIES WHERE THEY OPERATE, AMENDING FOR THE
PURPOSE PERTINENT PROVISIONS OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

Agriculture remains a backbone of the Philippine economy, employing millions of Filipinos and sustaining rural communities. Yet, despite the scale of agricultural operations in the countryside, host municipalities and provinces often reap little benefit from corporate income taxes of large agricultural companies. This is because under current practice, companies pay their income taxes at their principal place of business or registered head office, often located in major cities outside the areas where production actually takes place.

This system creates an imbalance: local government units (LGUs) that host plantations, farms, and processing plants bear the social, environmental, and infrastructural burdens of agricultural operations, yet receive minimal direct revenue support from corporate income taxes. The result is that rural LGUs remain underfunded in addressing pressing needs such as farm-to-market roads, irrigation, climate-resilient infrastructure, farmer welfare programs, and basic social services.

This proposed measure seeks to correct this inequity by requiring agricultural companies to pay their corporate income taxes directly in the municipalities or cities where their agricultural activities are conducted. In cases where companies operate in multiple LGUs, tax payments shall be

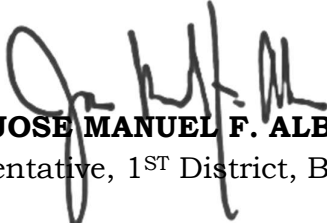
apportioned based on revenues derived from each locality, with oversight from the Bureau of Internal Revenue (BIR).

The benefits of this bill are threefold:

1. Fairness and Equity – Ensures that host LGUs directly benefit from the revenues generated by agricultural enterprises operating within their jurisdiction.
2. Strengthened Local Development – Provides additional resources for LGUs to fund farmer support programs, social services, and infrastructure vital to agricultural productivity.
3. Empowered Communities – Aligns corporate tax responsibility with the communities that sustain agricultural value chains, ensuring that development is inclusive and place-based.

By realigning tax collection with the actual site of production, this measure strengthens rural economies, addresses fiscal imbalance, and contributes to a more equitable distribution of national wealth.

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


JOSE MANUEL F. ALBA
Representative, 1ST District, Bukidnon

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

SECTION 1. Short Title. - This Act shall be known as the “*Promoting
Agriculture-focused Income Tax Allocation for Sustainability Act (PATAS Act)*”.

SECTION 2. Declaration of Policy. - It is the policy of the State to ensure that host local government units (LGUs) where agricultural activities are physically undertaken directly benefit from the tax revenues generated by these enterprises. Agricultural workers, communities, and LGUs bear the economic, social, and environmental costs of agricultural operations; thus, they must receive their equitable share of taxes for local development.

SECTION 3. Amendment to the National Internal Revenue Code (NIRC) . - Section 77 (A) of the NIRC of 1997, as amended, is hereby amended to read as follows:

“Place of Filing. – *Except as the Commissioner otherwise permits, the quarterly income tax declaration required in Section 75 and the final adjustment return required in Section 76 shall be filed with the authorized agent banks or Revenue District Officer or Collection Agent or duly authorized Treasurer of the City or municipality having jurisdiction over the location of the principal office of the corporation filing the return or place where its main*

books of accounts and other data from which the return is prepared are kept.

All agricultural companies, plantations, and agribusiness entities engaged in cultivation, harvesting, production, or processing of agricultural products shall not be covered by the next preceding paragraph as the payment of its required corporate income taxes shall be made in the municipality or city where the agricultural activity is physically conducted, regardless of the location of their principal office or registered place of business.

For agricultural companies, plantations, and agribusiness operating in multiple municipalities, the income tax due shall be apportioned based on gross revenues derived from operations in each locality, as certified by the Bureau of Internal Revenue (BIR) in coordination with the LGUs concerned.”

SECTION 4. Implementing Agency. - The Bureau of Internal Revenue (BIR), in consultation with the Department of Agriculture (DA), Department of Finance (DOF), and the Department of the Interior and Local Government (DILG), shall issue the necessary rules and regulations to:

1. Establish the apportionment formula for agricultural companies, plantations, and agribusiness with agricultural activities spanning multiple LGUs;
2. Ensure proper reporting and verification of revenues derived from each locality;
3. Prevent tax evasion or double taxation; and
4. Strengthen LGU monitoring capacity to validate agricultural activities.

SECTION 5. Allocation of Revenues. - Income taxes collected under this Act shall accrue directly to the municipality or city where the agricultural activities are situated, with a mandatory allocation of at least 20% for community development, farmer welfare programs, and climate-resilient agricultural infrastructure.

SECTION 6. Penalties. - Any agricultural enterprise that willfully misdeclares its revenues or fails to properly allocate income taxes as required under this Act shall be subject to:

- a) Administrative penalties under the NIRC;
- b) A fine equivalent to 100% of the taxes underpaid, without prejudice to criminal prosecution.

SECTION 7. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the remainder not affected shall remain in full force and effect.

SECTION 8. Repealing Clause. - All laws, decrees, orders, rules, and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 9. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.