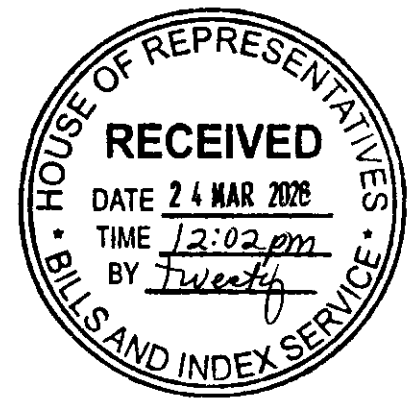




REPUBLIC OF THE PHILIPPINES
House of Representatives
CONSTITUTION HILLS, QUEZON CITY

TWENTIETH CONGRESS
First Regular Session

House Bill No. **8736**



AN ACT FURTHER AMENDING SECTION 450 OF REPUBLIC ACT NO. 7160, AS AMENDED BY REPUBLIC ACT NO. 9009, TO INCLUDE INCOME FROM PLANTATION-BASED INDUSTRIES AND LARGE-SCALE AGRICULTURE IN THE COMPUTATION OF MUNICIPAL INCOME FOR PURPOSES OF CITYHOOD

Introduced by Representative SHIRLYN L. BAÑAS-NOGRALES

EXPLANATORY NOTE

The 1987 Constitution mandates that local government units shall have a just share in national taxes and in the proceeds derived from the utilization of natural resources within their jurisdiction. However, under the current “situs of taxation” rule under Section 150 of the Local Government Code, income taxes are recorded at the principal offices of corporations – usually located in Metro Manila – rather than in the municipalities where plantations and large-scale agricultural operations are actually situated.

This practice creates a statistical distortion. Municipalities that host billion-peso plantations appear to have low income on paper, preventing them from meeting the ₱100 million income requirement for conversion into a city under Section 450 of the Local Government Code. As a result, these localities remain classified as municipalities despite bearing the economic, environmental, and social costs of hosting these industries.

The proposed amendment seeks to correct this inequity by allowing income derived from plantation-based industries and large-scale agriculture to be counted toward a municipality’s income for purposes of cityhood. Where plantations span multiple municipalities, the income shall be apportioned based on land area, with certifications from the municipal assessors and the Department of Agriculture. The Department of Finance shall likewise issue certifications confirming the estimated tax revenue attributable to each municipality.

This measure will enable municipalities that genuinely contribute to national wealth to qualify for cityhood, thereby entitling them to a larger share of the National Tax Allotment and greater resources for infrastructure, social services, and development. It is a step toward fairness, recognizing the economic realities of local communities and correcting a long-standing statistical inequity.

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

SHIRLYN L. BAÑAS-NOGRALES



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

SECTION 1. Declaration of Policy. – It is the policy of the State to ensure the equitable distribution of national wealth and to recognize the economic contributions of municipalities hosting plantation-based industries and large-scale agricultural operations.

SECTION 2. Amendment. – Section 450 of Republic Act No. 7160, as amended by Republic Act No. 9009, is hereby further amended to read as follows:

“Section 450. Requisites for Creation of a City. – A municipality may be converted into a city if it has:

- “(a) x x x;
- (b) x x x;
- (c) x x x.”

“PROVIDED, THAT:

- i. INCOME DERIVED FROM PLANTATION-BASED INDUSTRIES AND LARGE-SCALE AGRICULTURE SHALL BE DEEMED PART OF THE MUNICIPALITY’S INCOME, EVEN IF THE CORRESPONDING TAXES ARE PAID AT THE COMPANY’S PRINCIPAL OFFICE LOCATED ELSEWHERE;
- ii. WHERE PLANTATIONS SPAN MULTIPLE MUNICIPALITIES, THE INCOME SHALL BE APPORTIONED BASED ON LAND AREA, AS CERTIFIED BY THE MUNICIPAL ASSESSORS AND THE DEPARTMENT OF AGRICULTURE; AND
- iii. THE DEPARTMENT OF FINANCE SHALL ISSUE CERTIFICATIONS CONFIRMING THE ESTIMATED TAX REVENUE ATTRIBUTABLE TO EACH MUNICIPALITY.”

SECTION 3. Separability Clause. – If any provision of this Act is declared unconstitutional, the remainder shall not be affected.

SECTION 4. Repealing Clause. – Section 450 of Republic Act No. 7160, as amended by Republic Act No. 9009, all laws, decrees, orders, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 5. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,