

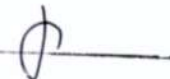
SEVENTEENTH CONGRESS OF THE]
REPUBLIC OF THE PHILIPPINES]
Second Regular Session]



'17 JUL 25 P2:39

SENATE

S. B. No. 1509

RECEIVED BY: 

Introduced by SENATOR SHERWIN T. GATCHALIAN

AN ACT
AMENDING SECTION 150 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, FOR THE
PURPOSE OF STRENGTHENING ITS ENFORCEMENT AND
IMPLEMENTATION

EXPLANATORY NOTE

The power to tax "is an attribute of sovereignty," and as such, inheres in the State. Such, however, is not true for provinces, cities, municipalities and barangays as they are not the sovereign; rather, they are mere "territorial and political subdivisions of the Republic of the Philippines."¹

However, it is constitutionally provided that each local government unit shall have the power to create its own sources of revenues and to levy taxes, fees, and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments.²

The Local Government Code of 1991 specifically provides that municipalities, cities and provinces may impose taxes on business. This is where *Situs* of taxation comes in. While the proportionate tax sharing of the local government units is clear, enforcement among LGUs for intra-revenue sharing has been indistinguishable because of improper monitoring and dubious submissions of receipts, which at most times is the trick utilized by enterprising businesses to circumvent this provision.

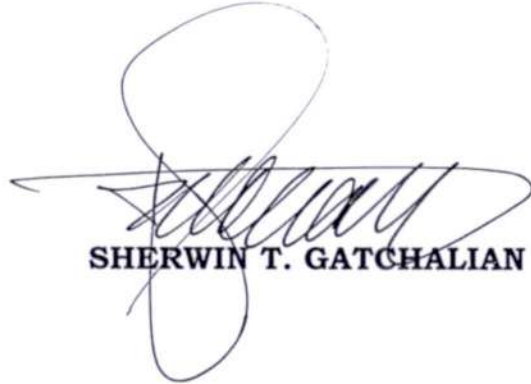
This measure therefore seeks to strengthen the enforcement of Section 150 of the Local Government Code of 1991 by requiring taxpayers to submit

¹ http://www.lawphil.net/judjuris/juri2015/jul2015/gr_187631_2015.html

² Section 5, Article X of the 1987 Constitution.

certain reports and documentary requirements before they are issued
business permits and other applicable licenses or clearances that are
necessary in their business operations.

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




SHERWIN T. GATCHALIAN

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

1 SECTION. 1. Section 150 of Republic Act No. 7160, otherwise known
2 as the Local Government Code of 1991, is hereby amended to read as follows:

3 **Section 150. Situs of the Tax. -**

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

17 (b) The following sales allocation shall apply to manufacturers,
18 assemblers, contractors, producers, and exporters with factories,

1 project offices, plants, and plantations in the pursuit of their
2 business:

3 (1) Thirty percent (30%) of all sales recorded in the principal
4 office shall be taxable by the city or municipality where the
5 principal office is located; and

6 (2) Seventy percent (70%) of all sales recorded in the principal
7 office shall be taxable by the city or municipality where the
8 factory, project office, plant, or plantation is located.

9 (c) In case of a plantation located at a place other than the place
10 where the factory is located, said seventy percent (70%) mentioned
11 in subparagraph (b) of subsection (2) above shall be divided as
12 follows:

13 (1) Sixty percent (60%) to the city or municipality where the
14 factory is located; and

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

17 (d) In cases where a manufacturer, assembler, producer, exporter
18 or contractor has two (2) or more factories, project offices, plants,
19 or plantations located in different localities, the seventy percent
20 (70%) sales allocation mentioned in subparagraph (b) of subsection
21 (2) above shall be prorated among the localities where the factories,
22 project offices, plants, and plantations are located in proportion to
23 their respective volumes of production during the period for which
24 the tax is due.

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

28 **(F) FOR THE PROPER ENFORCEMENT OF THIS PROVISION,**
29 **THE TAXPAYERS MENTIONED HEREIN SHALL BE REQUIRED**
30 **TO SUBMIT A SCHEDULE OF THEIR TOTAL SALES OR TOTAL**
31 **REVENUES AND UNAUDITED CONSOLIDATED FINANCIAL**
32 **STATEMENTS FOR THE PRECEDING FISCAL YEAR WITHIN**
33 **THIRTY (30) BUSINESS DAYS FROM THE CLOSE OF THE**
34 **FISCAL YEAR TO THE LOCAL GOVERNMENT UNIT WHERE**
35 **THEIR PRINCIPAL OFFICE, BRANCH, SALES OFFICE,**
36 **FACTORY, WAREHOUSE, OR PLANTATION IS LOCATED, AS**
37 **THE CASE MAY BE.**

38
39 **THE PERCENTAGE OF THE TAX PAYABLE IN A PARTICULAR**
40 **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 THEIR TOTAL SALES OR TOTAL
6 REVENUES AND THEIR UNAUDITED CONSOLIDATED
7 FINANCIAL STATEMENTS AS A CONDITION PRECEDENT TO
8 THE ISSUANCE OR RENEWAL OF BUSINESS PERMITS THAT
9 ARE NECESSARY FOR THEIR INITIAL OR CONTINUING
10 OPERATIONS. IN THE CASE OF INITIAL OPERATIONS, THE
11 TAXPAYERS SHALL PRESENT THEIR FORECASTED
12 CONSOLIDATED FINANCIAL STATEMENTS FOR THE COMING
13 FISCAL YEAR.

14
15 FOR PURPOSES OF THE REQUIREMENT IMPOSED HEREIN, A
16 FISCAL YEAR SHALL MEAN THE CALENDAR YEAR OR ANY 12-
17 MONTH PERIOD ENDING ON THE LAST DAY OF ANY MONTH
18 OTHER THAN DECEMBER, WHICH THE TAXPAYER FOLLOWS.
19 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS SHALL
20 AT ALL TIMES COMPLY WITH GENERALLY ACCEPTED
21 ACCOUNTING PRINCIPLES.
22

23 SEC. 2. **Separability Clause.** - Should any part of this Act be declared
24 unconstitutional, the rest of the provisions of this Act shall continue to be in
25 effect and subsisting.

26 SEC. 3. **Repealing Clause.** - The provisions of other laws, decrees,
27 executive orders, rules and regulations inconsistent with this Act are hereby
28 repealed, amended, or modified accordingly.

29 SEC. 4. **Effectivity.** - This Act shall take effect fifteen (15) days after its
30 publication in the *Official Gazette* and/or in at least two (2) national
31 newspapers in general circulation.

Approved,