



**SENATE**

S. No. 881

'19 AUG -8 P4:51

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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."<sup>1</sup>

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.<sup>2</sup>

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 certain reports and documentary requirements before they are issued business permits and

<sup>1</sup> [http://www.lawphil.net/judjuris/juri2015/jul2015/gr\\_187631\\_2015.html](http://www.lawphil.net/judjuris/juri2015/jul2015/gr_187631_2015.html)

<sup>2</sup> Section 5, Article X of the 1987 Constitution.

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 as the  
2 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, rectifiers  
6 and compounders of liquor, distilled spirits and wines, millers, producers,  
7 exporters, wholesalers, distributors, dealers, contractors, banks and  
8 other financial institutions, and other businesses, maintaining or  
9 operating branch or sales outlet elsewhere shall record the sale in the  
10 branch or sales outlet making the sale or transaction, and the tax  
11 thereon shall accrue and shall be paid to the municipality where such  
12 branch or sales outlet is located. In cases where there is no such branch  
13 or sales outlet in the city or municipality where the sale or transaction is  
14 made, the sale shall be duly recorded in the principal office and the taxes  
15 due shall accrue and shall be paid to such city or municipality.

16 (b) The following sales allocation shall apply to manufacturers,  
17 assemblers, contractors, producers, and exporters with factories, project  
18 offices, plants, and plantations in the pursuit of their business:



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

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

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

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

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

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

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

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

35 **THE PERCENTAGE OF THE TAX PAYABLE IN A PARTICULAR**  
36 **LOCALITY SHALL BE BASED ON THE TOTAL SALES OR TOTAL**  
37 **REVENUES RECORDED IN ACCORDANCE WITH THE RULES**  
38 **SPECIFIED IN THIS SECTION.**  
39  
40

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

10  
11 FOR PURPOSES OF THE REQUIREMENT IMPOSED HEREIN, A  
12 FISCAL YEAR SHALL MEAN THE CALENDAR YEAR OR ANY 12-  
13 MONTH PERIOD ENDING ON THE LAST DAY OF ANY MONTH  
14 OTHER THAN DECEMBER, WHICH THE TAXPAYER FOLLOWS.  
15 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS SHALL  
16 AT ALL TIMES COMPLY WITH GENERALLY ACCEPTED  
17 ACCOUNTING PRINCIPLES.  
18

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

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

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

Approved,