



Republic of the Philippines
Province of Cavite

CITY OF BACOR

Office of the Mayor

EXECUTIVE ORDER No. 71
Series of 2022

**AN ORDER ADOPTING THE IMPLEMENTING RULES AND REGULATIONS OF THE
"2022 REVENUE CODE OF THE CITY OF BACOR"**

WHEREAS, Section 16 of R.A. No. 7160 provides that every local government unit shall exercise the powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare...XXX;

WHEREAS, pursuant to Article 456 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 7160, otherwise known as the Local Government Code (LGC) of 1991, and in line with the mandates of the Department of Finance (DOF) to supervise the revenue operations of all local government units, under Executive Order (EO) No. 292, s. 1987, and of the Bureau of Local Government Finance (BLGF) to exercise administrative and technical supervision, and coordination over treasury and assessment operations of local governments, under EO No. 127, s. 1987. The city government collection of taxes and other fees shall be uniform in every local government unit and shall conform with the Local Treasury Operations Manual (LTOM);

WHEREAS, on August 25, 2022, the Sangguniang Panlungsod enacted and passed the City Ordinance No. 217-2022 (2022 REVENUE CODE OF THE CITY OF BACOR) amending certain provisions of City Ordinance No. 2013-060 (2013 REVENUE CODE OF THE CITY OF BACOR);

WHEREAS, the City Government of Bacoor recognizes the need to issue an Implementing Rules and Regulations pertinent to the Amended Revenue Code of the City to conform with the Local Treasury Operations Manual issued by the BLGF;

WHEREAS, the Office of the City Mayor of Bacoor, in coordination with the City Treasury Office, issued the above-mentioned Implementing Rules and Regulations that is compliant with the Local Treasury Operations Manual;

NOW, THEREFORE, I, STRIKE B. REVILLA, City Mayor of Bacoor, Cavite, by virtue of the powers vested in me by law, do hereby order for the adoption and implementation of the Implementing Rules and Regulations for City Ordinance No. 217-2022 herein attached.

Section 1. Implementing Rules and Regulations (IRR).

Attached herein is the Implementing Rules and Regulation of the City Ordinance No. 217-2022 which shall form part of this Executive Order. This shall be known as the **"IMPLEMENTING RULES AND REGULATIONS OF THE 2022 REVENUE CODE OF THE CITY OF BACOR"**.

**AN ORDER ADOPTING THE IMPLEMENTING RULES AND REGULATIONS OF THE "2022 REVENUE CODE
OF THE CITY OF BACOR"**

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The Office of the City Treasurer is hereby ordered to adopt the said implementing rules and regulations and apply the same in their operation. Strict compliance and observance of all city treasury officials and employees to this IRR is hereby ordered.

Section 2. Repealing Clause.

All previously issued orders and directives inconsistent with any provision found herein shall be deemed repealed, revoked or amended accordingly.

Section 3. Separability Clause.

In the event that any provision found herein shall be judicially or administratively declared illegal or infirm, the remaining provisions shall remain in full force and effect.

Section 4. Effectivity Clause.

This Executive Order shall take effect immediately upon its signing and remain in full force and effect until repealed, revoked or amended accordingly.

SO ORDERED.

Issued this 07 day of December 2022 in the City of Bacoor, Province of Cavite.


STRIKE B. REVILLA
City Mayor

cc:

Sangguniang Panlungsod
City Assessor's Office
Office of the City Treasurer
City Accounting Office
Business Permit and Licensing Office
Zoning and Land Development Department
Local Economic and Investments Promotion Office
City Administrator's Office
City Information Office
All other City Government offices/department/units concerned



AN ORDER ADOPTING THE IMPLEMENTING RULES AND REGULATIONS OF THE "2022 REVENUE CODE OF THE CITY OF BACOR



**THE IMPLEMENTING RULES AND REGULATIONS OF THE CITY ORDINANCE
NO. 217-2022 OR THE "2022 REVENUE CODE OF THE CITY OF BACODR"**

RULE 1

GENERAL PROVISIONS

SECTION 1. TITLE

These Implementing Rules and Regulations shall be known and cited as the "Implementing Rules and Regulations of City Ordinance No. 217-2022, "2022 Revenue Code of the City of Bacoor".

SECTION 2. PURPOSE

These Implementing Rules and Regulations are promulgated for the effective implementation and enforcement of City Ordinance No. 217-2022, with respect to the Revenue Code of the City of Bacoor.

SECTION 3. CONSTRUCTION

The Implementing Rules and Regulations shall be liberally construed to carry out the proper implementation and application of the City's Tax Code (Revenue Code of the City of Bacoor) and to ensure that same is in compliance with the National Government's objective plan of a uniform local tax collection operation and measures.

RULE 2

DECLARATION OF POLICIES

SECTION 4. It is the policy of the City to adopt a systematic, uniform and transparent Revenue/Tax Collection Policy which shall:

- a. Provide city treasury officials with an updated reference material that will guide them in discharging their duties and functions under the decentralized framework and environment of the LGC;
- b. Equip city treasury officials with necessary information to develop their own capabilities to respond to the demands of their roles within the LGU and fiscal management structures;
- c. Enable city treasury officials to fully appreciate their powers, functions, and authorities, and to relate these constructively with those of other officers concerned with fiscal functions;
- d. Raise awareness of city treasury officials on the basic concepts and tools of the non-traditional functions of LGUs that they may be involved in, whether as principals or as advisers; and



- e. Serve as a guide to Local Treasurers and other fiscal officers in the management of the LGU's financial affairs conforming to prescribed good governance practices and internal control measures for improved accountability and transparency
- f. Lastly, to serve as guide or reference to transacting local patrons paying their taxes in the city.

RULE 3

DEFINITION OF TERMS

SECTION 5. DEFINITION OF TERMS – For purpose of these Implementing Rules and Regulations, the following words and phrases shall have the following meaning:

- A. **Amusement** is a pleasurable diversion and entertainment. It is synonymous to relaxation, avocation, pastime, or fun. [Sec. 131 (b), Local Government Code (LGC)]
- B. **Amusement places** include theaters, cinemas, concert halls, circuses and other places of amusement where one seeks admission to entertain oneself by seeing or viewing the show or performances. [Sec. 131 (c), LGC]
- C. **Capital Investment** is the capital which a person employs in any undertaking, or which he/she contributes to the capital of a partnership, corporation, or any other juridical entity or association in a particular taxing jurisdiction. [Sec. 131 (f), LGC]
- D. **Corporation** includes partnerships, no matter how created or organized, joint-stock companies, joint accounts (cuentas en participacion), associations or insurance companies, but does not include general professional partnerships and joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal, and other energy operations or consortium agreement under a service contract with the government.

General partnerships are partnerships formed by persons for the sole purpose of exercising their common profession, no part of the income of which is derived from engaging in any trade or business;

The term "resident foreign" when applied to a corporation means a foreign corporation not otherwise organized under the laws of the Philippines but engaged in trade or business within the Philippines. [Sec. 131 (i), LGC]

- E. **Dealer** means one whose business is to buy and sell merchandise, goods and chattels as a merchant. He/she stands immediately between the producer or manufacturer and the consumer and depends for his/her profit not upon the labor he bestows upon his commodities but upon the skill and foresight with which he/she watches the market [Sec. 131 (k), LGC].
- F. **Investment** is the placing of capital or laying out of money in a way intended to secure income or profit from its employment. (Philippine Law Dictionary, 3rd edition, Moreno)
- G. **Loan** – in reference to money, it is a contract under which one of the parties delivers to another a sum of money on the condition that the same amount shall be paid (Art. 1933, Civil Code of the Philippines). It involves the delivery by one party and the receipt by the other party of a given sum of money, upon an agreement, express or implied, that the recipient will repay the same sum, with or without interest. [People v. Concepcion, 44 Phil 129]

RULE 4

REAL PROPERTY TAX

SECTION 6. PROCEDURES IN COMPUTING REAL PROPERTY TAXES(RPT), INTEREST AND DISCOUNTS

A. **Computation of the Basic Tax and Special Education Fund (SEF) Tax** – In computing the basic RPT and the tax accruing to the SEF, the following basic components should be noted:

1. The assessed value of the real property shall be taken from the Assessment Roll submitted by the Local Assessor concerned.
2. The applicable tax rate shall be the rate fixed for the subject property by the approved tax ordinance of the LGU concerned.
3. Formula for the computation of RPT

i. Basic Tax:

$$\text{Tax Due} = (\text{Assessed Value}) (\text{Basic Tax Rate}) - \text{Discount} + \text{Interest}$$

ii. SEF Tax:

$$\text{Tax Due} = (\text{Assessed Value}) (\text{SEF Tax Rate}) - \text{Discount} + \text{Interest}$$

iii. Total Tax Due

$$\text{Tax Due} = \text{Basic Tax Due} + \text{SEF Tax Due}$$

B. **Formula for the Computation of the Tax Discount for Advanced and Prompt Payment**

$$\text{Discount} = [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Tax Discount Rate})]$$

C. **Formula for the Computation of the Interest Due on Unpaid Taxes**

$$\text{Interest} = [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Number of Months Delinquent}^1)]$$

Sample Computations

Sample A. A property with an Assessed Value (AV) of ₱1,000,000.00. Basic and SEF Tax rates is at 1%.

Case 1: Establish the Basic Tax, SEF Tax and the Total Tax Due of the property.

Illustration:

$$\begin{aligned} \text{a. Basic Tax Due} &= [(\text{Assessed Value}) (\text{Basic Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{₱ } 1,000,000.00) (1.0\%) - (0) + (0)] \\ \text{Basic Tax Due} &= \text{₱ } 10,000.00 \end{aligned}$$

¹ *Maximum of 36 months.*

$$\begin{aligned} \text{b. SEF Tax Due} &= [(\text{Assessed Value}) (\text{SEF Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{P } 1,000,000.00) (1.0\%) - (0) + (0)] \\ \text{SEF Tax Due} &= \text{P } 10,000.00 \end{aligned}$$

$$\begin{aligned} \text{c. Total Tax Due} &= [(\text{Basic Tax Rate}) + (\text{SEF Tax Rate})] \\ &= [(\text{P } 10,000.00) + (\text{P } 10,000.00)] \\ \text{Total Tax Due} &= \text{P } 20,000.00 \end{aligned}$$

Case 2: Assuming the Total Tax Due established in **Case 1** is for Calendar Year (CY) 2019 and the local ordinance provides for 20% Discount for Advance Payments, what is the new Total Tax Due in case the owner would want to pay in full before 2019?

$$\begin{aligned} \text{Discount} &= [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Tax Discount Rate})] \\ &= [(\text{P } 1,000,000.00) (1.0\%) (20\%)] \\ \text{Discount} &= \text{P } 2,000.00 \end{aligned}$$

$$\begin{aligned} \text{a. Basic Tax Due} &= [(\text{Assessed Value}) (\text{Basic Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{P } 1,000,000.00) (1.0\%) - (\text{P } 2,000.00) + (0)] \\ \text{Basic Tax Due} &= \text{P } 8,000.00 \end{aligned}$$

$$\begin{aligned} \text{b. SEF Tax Due} &= [(\text{Assessed Value}) (\text{SEF Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{P } 1,000,000.00) (1.0\%) - (\text{P } 2,000.00) + (0)] \\ \text{SEF Tax Due} &= \text{P } 8,000.00 \end{aligned}$$

$$\begin{aligned} \text{c. Total Tax Due} &= [(\text{Basic Tax Rate}) + (\text{SEF Tax Rate})] \\ &= [(\text{P } 8,000.00) + (\text{P } 8,000.00)] \\ \text{Total Tax Due} &= \text{P } 16,000.00 \end{aligned}$$

Case 3: Supposing the owner pays his Real Property Tax (RPT) during the 1st quarter of 2019. What is the new Total Tax Due if the local tax ordinance provides for a 10% discount on full payment made during the 1st quarter?

First, determine the discount as follows:

$$\begin{aligned} \text{Discount} &= [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Tax Discount Rate})] \\ &= [(\text{P } 1,000,000.00) (1.0\%) (10\%)] \\ \text{Discount} &= \text{P } 1,000.00 \end{aligned}$$

Then compute the taxes due.

$$\begin{aligned} \text{a. Basic Tax Due} &= [(\text{Assessed Value}) (\text{Basic Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{P } 1,000,000.00) (1.0\%) - (\text{P } 1,000.00) + (0)] \\ \text{Basic Tax Due} &= \text{P } 9,000.00 \end{aligned}$$

$$\begin{aligned} \text{b. SEF Tax Due} &= [(\text{Assessed Value}) (\text{SEF Tax Rate}) - (\text{Discount}) + \text{Interest}] \\ &= [(\text{P } 1,000,000.00) (1.0\%) - (\text{P } 1,000.00) + (0)] \\ \text{SEF Tax Due} &= \text{P } 9,000.00 \end{aligned}$$

$$\begin{aligned} \text{c. Total Tax Due} &= [(\text{Basic Tax Due}) + (\text{SEF Tax Due})] \\ &= [(\text{P } 9,000.00) + (\text{P } 9,000.00)] \\ \text{Total Tax Due} &= \text{P } 18,000.00 \end{aligned}$$

Case 4: Assume that the same property has been delinquent since CY 1988 and its owner asked for a computation if he /she is to pay in January 2019, to include taxes due for 2019 and 2020. Assume further that no general revision was ever conducted since 1988. Rates of Discount for Advance and Prompt payment are 20% and 10%, respectively.

a. For 1988 to 1991, in determining the maximum allowable interest for late payment,

the provisions of PD 464 shall apply.

Interest (Annual)

= [(Assessed Value) (Tax Rate) (Interest Rate) (Number of Months Delinquent)]

= [(P 1,000,000.00) (1.0%) (2%) (12)]

= P 2,400.00

Year	Applicable Penalty	Basic Tax	Interest/ (discount)	SEF Tax	Interest/ (discount)	Total Tax Due
1988	24%	10,000	2,400	10,000	2,400	24,800
1989	24%	10,000	2,400	10,000	2,400	24,800
1990	24%	10,000	2,400	10,000	2,400	24,800
1991	24%	10,000	2,400	10,000	2,400	24,800
SUBTOTAL (1988-1991)						99,200

For delinquency from 1992 onward, the impositions under the LGC shall apply at 2% per month, with a maximum of 36 months that is equivalent to 72% of interest annually.

Interest (2016)

= [(Assessed Value) (Tax Rate) (Interest Rate) (Number of Months Delinquent)]

= [(P 1,000,000.00) (1.0%) (2%) (36)]

= P 7,200.00

Year	Applicable Penalty	Basic Tax	Interest/ (discount)	SEF Tax	Interest/ (discount)	Total Tax Due
1992	72%	10,000	7,200	10,000	7,200	34,400
1993	72%	10,000	7,200	10,000	7,200	34,400
1994	72%	10,000	7,200	10,000	7,200	34,400
1995	72%	10,000	7,200	10,000	7,200	34,400
1996	72%	10,000	7,200	10,000	7,200	34,400
1997	72%	10,000	7,200	10,000	7,200	34,400
1998	72%	10,000	7,200	10,000	7,200	34,400
1999	72%	10,000	7,200	10,000	7,200	34,400
2000	72%	10,000	7,200	10,000	7,200	34,400
2001	72%	10,000	7,200	10,000	7,200	34,400
2002	72%	10,000	7,200	10,000	7,200	34,400
2003	72%	10,000	7,200	10,000	7,200	34,400
2004	72%	10,000	7,200	10,000	7,200	34,400
2005	72%	10,000	7,200	10,000	7,200	34,400
2006	72%	10,000	7,200	10,000	7,200	34,400
2007	72%	10,000	7,200	10,000	7,200	34,400
2008	72%	10,000	7,200	10,000	7,200	34,400
2009	72%	10,000	7,200	10,000	7,200	34,400
2010	72%	10,000	7,200	10,000	7,200	34,400
2011	72%	10,000	7,200	10,000	7,200	34,400
2012	72%	10,000	7,200	10,000	7,200	34,400
2013	72%	10,000	7,200	10,000	7,200	34,400
2014	72%	10,000	7,200	10,000	7,200	34,400
2015	72%	10,000	7,200	10,000	7,200	34,400
2016	72%	10,000	7,200	10,000	7,200	34,400

SUBTOTAL (1992-2016)	516,000
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For delinquencies less than 36 months:

Interest (2017)

$$= [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Interest Rate}) (\text{Number of Months Delinquent})]$$

$$= [(\text{P } 1,000,000.00) (1.0\%) (2\%) (25)]$$

$$= \text{P } 5,000.00$$

Interest (2018)

$$= [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Interest Rate}) (\text{Number of Months Delinquent})]$$

$$= [(\text{P } 1,000,000.00) (1.0\%) (2\%) (13)]$$

$$= \text{P } 2,600.00$$

To compute for advance payment Discount, which is applicable for the 2020 tax dues:

$$\text{Discount} = [(\text{Assessed Value}) (\text{Tax Rate}) (\text{Tax Discount Rate})]$$

$$= [(\text{P } 1,000,000.00) (1.0\%) (10\%)]$$

$$\text{Discount} = \text{P } 2,000.00$$

Year	Rate of Interest/ (discount)	Basic Tax	Penalties/ (discount)	SEF Tax	Penalties/ (discount)	Tax Due Basic & SEF
2017	50%	10,000	5,000	10,000	5,000	30,000
2018	26%	10,000	2,600	10,000	2,600	25,200
2019	(10%)	10,000	(1,000)	10,000	(1,000)	18,000
2020	(20%)	10,000	(2,000)	10,000	(2,000)	16,000
SUBTOTAL (2017-2019)						89,200
TOTAL TAX DUE (1988-2020)						704,400

SECTION 7. TREATMENT OF REAL PROPERTY TAX PAYMENT UNDER PROTEST

- A. No protest shall be entertained unless the taxpayer first pays the tax. There shall be annotated on the tax receipt the words "paid under protest".

The protest in writing must be filed within thirty (30) days from payment of the tax to the provincial, city treasurer or municipal treasurer, in the case of a municipality within Metropolitan Manila Area, who shall decide the protest within sixty (60) days from receipt. [Sec. 252 (a), LGC]

- B. The tax or a portion thereof paid under protest shall be held in trust by the Local Treasurer concerned. However, fifty percent (50%) of the tax paid under protest

shall be distributed in accordance with Sec. 271 of the LGC, on the distribution of proceeds. [Art. 343 (b), IRR, implementing Sec. 252 (b), LGC]

- C. In the event that the protest is finally decided in favor of the taxpayer, the amount or portion of the tax protested shall be refunded to the protestant, or applied as tax credit against his/her existing or future tax liability. [Sec. 252 (c), LGC]
- D. In the event that the protest is denied or upon the lapse of the sixty (60)-day period prescribed in sub-paragraph (a) of Sec. 252 of the LGC, the taxpayer may avail of the remedies as provided for in Chapter 3, Title Two, Book II of the same Code. [Sec. 252 (d), LGC]
- E. Should the taxpayer find the action on the protest unsatisfactory, the taxpayer may appeal with the Local Board of Assessment Appeal (LBAA) within sixty (60) days from receipt of the decision on the protest. (Sec. 226, LGC)
- F. If the taxpayer is still unsatisfied with the decision of the LBAA, the taxpayer may appeal with the Central Board of Assessment Appeals (CBAA) within thirty (30) days from receipt of the LBAA's decision. (Sec. 229, LGC)

NOTE: Payments under protest and appeal to the LBAA are "successive administrative remedies to a taxpayer who questions the correctness of an assessment." The LBAA shall not entertain any appeal "without the action of the local assessor" on the protest. (GR No. 184203, 26 Nov. 2014)

SECTION 8. PERIODS OF ASSESSMENT AND COLLECTION

All assessments or reassessments made after the first (1st) day of January of any year shall take effect on the first (1st) day of January of the succeeding year. Provided, however, That the reassessment of real property due to its partial or total destruction, or to a major change in its actual use, or to any great and sudden inflation or deflation of real property values, or to gross illegality of the assessment when made or to any abnormal cause, shall be made within ninety days (90) days from the date any such cause or causes occurred, and shall take effect at the beginning of the quarter next following the reassessment. (Sec. 221, LGC)

- A. The basic real property tax shall be collected within five (5) years from the date they become due. No action for the collection of the tax, whether administrative or judicial shall be instituted after the expiration of such period.
- B. In case of fraud or intent to evade payment of the tax, such action may be instituted for the collection of the same within ten (10) years from the discovery of such fraud or intent to evade payment.
- C. The period of prescription within which to collect shall be suspended for the time during which:
 - 1. The local treasurer is legally prevented from collecting the tax;
 - 2. The owner of the property or the person having legal interest therein requests for reinvestigation and executes a waiver in writing before the expiration of the period within which to collect; and

3. The owner of the property or the person having legal interest therein is out of the country or otherwise cannot be located. (Sec. 270, LGC)

SECTION 9. PROCEDURE IN THE CONDUCT OF ADMINISTRATIVE ACTION THROUGH LEVY ON REAL PROPERTY AND JUDICIAL ACTION

A. Administrative Action as Remedy for the Collection of Real Property Tax

1. Pre-Auction Sale Activities

a. Notice of the Delinquency in the Payment of Real Property Tax²

- i. When the real property tax or any other tax imposed becomes delinquent, the provincial, city or municipal treasurer shall issue the Notice of Delinquency with the following specifications:
 1. Description, location, and owner of the real property subject to delinquent tax;
 2. Date upon which the tax became delinquent;
 3. That personal property may be distrained to effect payment of the delinquent tax;
 4. That at any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made; and
 5. Unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject however to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from the date of sale.
- ii. Post the notice of delinquency at the main entrance of the provincial capitol, city or municipal hall and in a publicly accessible and conspicuous place in each barangay of the LGU concerned.
- iii. The notice of delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the province, city or municipality. (Sec. 254, LGC)

Serve a copy of the Notice of Real Property Tax Delinquency³ either by registered mail with return card or by personal service to the delinquent real property owner or any person having legal interest therein at the address appearing in the records of the local treasury office or known personally by the Local Treasurer concerned.

² LTOM Form No. 16 - Notice of Delinquency in the Payment of Real Property Tax

³ LTOM Form No. 17 - Notice of Real Property Tax Delinquency (First Notice);
LTOM Form No. 18 - Notice of Real Property Tax Delinquency (Second Notice);
LTOM Form No. 19 - Notice of Real Property Tax Delinquency (Final Notice)

NOTE: xxx, we note that unlike land registration proceedings which are in rem, cases involving an auction sale of land for the collection of delinquent taxes are in personam. Thus, notice by publication, though sufficient in proceedings in rem, does not as a rule satisfy the requirements of proceedings in personam. As such, mere publication of the notice of delinquency would not suffice, considering that the procedure in tax sales is in personam. It was, therefore, still incumbent upon the city treasurer to send the notice of tax delinquency directly to the taxpayer in order to protect the interests of the latter. (GR No. 133698, 4 April 2001)

b. Levy on Real Property

- i. After the expiration of the time required to pay the basic real property tax or any other tax levied under Title Two, Book II of the LGC, real property subject to such tax may be levied upon through the issuance of a warrant on or before, or simultaneously with the institution of the civil action for the collection of delinquent tax.
- ii. Warrant of Levy⁴ – When issuing a warrant of levy, the local treasurer shall prepare a duly authenticated certificate showing the following:
 1. Name of the delinquent owner of the property or person having legal interest therein;
 2. Description of the property; and
 3. Amount of the tax due and the interest thereon.
- iii. The warrant shall operate with the force of a legal execution throughout the province, city or municipality within the Metropolitan Manila Area (MMA). The warrant shall be mailed or served upon the delinquent owner of the real property or person having legal interest therein, or in case he/she is out of the country or cannot be located, to the administrator or occupant of the property.
- iv. Notice of Levy⁵ – At the same time, written notice of levy with the attached warrant shall be mailed to or served upon the assessor and the Registrar of Deeds (RoD) of the province, city or a municipality within the MMA where the property is located, who shall annotate the levy on the tax declaration (TD) and the certificate of title to the property, respectively.
- v. The levying officer shall submit a report on the levy to the sanggunian concerned within ten (10) days after the receipt of the warrant by the owner of the property or person having legal interest therein⁶. (Sec. 258, LGC)

⁴ LTOM Form No. 20 - Warrant of Levy

⁵ LTOM Form No. 21 - Notice of Levy

⁶ LTOM Form No. 22 - Report of Levy (Sanggunian)

c. Advertisement of Sale

- i. Within thirty (30) days after the service of the warrant of levy, the local treasurer shall proceed to publicly advertise for sale or auction the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale.
- ii. The advertisement shall be effected by posting a notice at the main entrance of the provincial, city or municipal building, and in publicly accessible and conspicuous place in the barangay where the real property is located.
- iii. The Notice of Sale shall be published once a week for two (2) weeks in a newspaper of general circulation in the province, city or municipality where the property is located.⁷
- iv. The advertisement shall specify the following:
 1. Amount of the delinquent tax, interest due thereon and expenses of sale;
 2. Date and place of sale;
 3. Name of the owner of the real property or person having legal interest therein; and
 4. Description of the property to be sold.
- v. At any time before the date fixed for the sale, the owner of the real property or person having legal interest therein may stay the proceedings by paying the delinquent tax, the interest due thereon and the expenses of sale. (Sec. 260, LGC)
- vi. Service of Notice of Sale (NS)⁸ – In addition to the publication, the local treasurer may serve the NS through registered mail with return card or personally upon the owner of the delinquent real property or person having legal interest therein, at the address appearing in the records of the local treasury office or known personally by the Local Treasurer. In the event that the real property owner is out of the country or cannot be located, the warrant shall be served upon the duly appointed administrator of the delinquent real property or the occupant thereof who must be of sufficient age and discretion.
- vii. The local treasurer may, by ordinance duly approved advance an amount sufficient to defray the costs of collection through administrative and judicial remedies, including the expenses of advertisement and sale. (Sec. 260, LGC)

⁷ LTOM Form No. 23 - Notice of Auction Sale of Delinquent Real Properties

⁸ LTOM Form No. 24 - Notice of Sale

- viii. In the conduct of auction sale, the local treasurer may recommend to the local chief executive (LCE) the creation of an auction committee. The committee may be created for the purpose of formulating the rules and regulations of the auction and may be composed of the Local Treasurer, Legal Officer, Local Assessor, and a representative of the Office of the LCE, of the LGU undertaking the public sale or auction.
- ix. The rules and regulations in the conduct of public auction on delinquent real properties may include the qualifications of those who are allowed to participate in the auction. The rules and regulations set shall be disseminated before the conduct of sale. Based on Article 1491 of the Civil Code of the Philippines (RA No. 386) as amended, the following persons are disqualified to purchase a property at public auction⁹.
 - 1. The guardian, the property of the person or persons who may be under his/her guardianship;
 - 2. Agents, the property whose administration or sale may have been entrusted to them, unless the consent of the principal has been given;
 - 3. Executors and administrators, the property of the estate under administration;
 - 4. Public officers and employees, the property of the State or any of the subdivision thereof, or of any government owned or controlled corporation (GOCC), or institution, the administration of which has been entrusted to them; this provision shall apply to judges and government experts who, in any manner whatsoever, take part in the sale;
 - 5. Justices, judges, prosecuting attorneys, clerks of superior and inferior courts, and other officers and employees connected with the administration of justice, the property and rights in litigation or levied upon an execution before the court within whose jurisdiction or territory they exercise their respective functions; this prohibition includes the act of acquiring by assignment and shall apply to lawyers, with respect to the property and rights which may be the object of any litigation in which they may take part by virtue of their profession; and
 - 6. Any others specially disqualified by law.

7. Auction Proper Activities

- a. The sale shall be held either at the main entrance of the provincial, city or municipal building, or on the property to be sold, or at any other place as specified in the notice of sale. (Sec. 260, LGC)

⁹ *LTOM Form No. 28 - Rules and Regulations of Public Auction*

NOTE: The public auction of land to satisfy delinquency in the payment of real estate tax derogates or impinges on property rights and due process. Thus, the steps prescribed by law are mandatory and must be strictly followed; If not, the sale of the real property is invalid and does not make its purchaser the new owner. Strict adherence to the statutes governing tax sales is imperative not only for the protection of the taxpayers, but also to allay any possible suspicion of collusion between the buyer and the public officials called upon to enforce the laws. (GR No. 220440, 8 November 2017)

- b. **Registration of Bidders¹⁰** – Any qualified person interested to participate in the public auction shall register with the local treasurer. Bidders shall be assigned a number which shall be called or referred to during the entire proceedings.
- c. The property shall be sold to the highest bidder. No bid lower than the floor price shall be admitted. The floor price shall be equivalent to the sum of delinquent tax, the interest due thereon and expenses of sale. The highest bidder, within two (2) hours after award shall pay the bid price in cash or in manager's check.
- d. **Certificate of Sale (CS)¹¹** – The local treasurer shall prepare and deliver to the purchaser of the delinquent real property a CS containing the name of the purchaser, a description of the property sold, the amount of the delinquent tax, the interest due thereon, the expenses of sale and a brief description of the auction proceedings. (Sec. 260, LGC)
- e. **Declaration of Forfeiture¹²** – In case there is no bidder for the real property advertised for sale, or if the highest bid is for an amount insufficient to pay the real property tax and the related interest and costs of sale, the local treasurer conducting the sale shall purchase the property in behalf of the local government unit concerned to satisfy the claim.

Within two (2) days thereafter, the local treasurer shall make a report of his proceedings which shall be reflected upon the records of his/her office.

It shall be duty of the Registrar of Deeds concerned, upon registration with his/her office of any such declaration of forfeiture to transfer the title of the forfeited property to the local government unit concerned.

Within one (1) year from the date of such forfeiture, the taxpayer or any of his/her representative, may redeem the property by paying to the local treasurer the full amount of the real property tax and the related interest and the cost of sale. (Sec. 263, LGC)

¹⁰ LTOM Form No. 25 - Public Auction Registration Form; LTOM Form No. 26 - List of Registered Bidders; LTOM Form No. 27 - Undertaking and Waiver of Bidder

¹¹ LTOM Form No. 29 - Certificate of Sale

¹² LTOM Form No. 30 - Declaration of Forfeiture of Delinquent Property

8. Post-Auction Sale Activities

- a. **Report of Sale¹³** – Within thirty (30) days after the sale, the local treasurer or his/her deputy, make a report of the sale to the Sanggunian concerned, and which shall form part of his/her records.
- b. The local treasurer shall remit to the owner of the real property or person having legal interest therein the proceeds of the sale in excess of the delinquent tax, the interest due thereon, and the expenses of the sale.
- c. **Certificate of Redemption¹⁴** – Within one (1) year from the date of sale, the owner of the delinquent real property or person having legal interest or his representative, shall have the right to redeem the property upon payment to the local treasurer of the amount of delinquent tax, including the interest thereon, and the expenses of sale from the date of delinquency to the date of sale, plus interest of not more than two percent (2%) per month on the purchase price from the date of sale to the date of redemption.

Illustration: It must be noted that within the 1-year redemption period, possession of the property auctioned is retained by the owner or person having legal interest therein and will continue to enjoy the income or fruits thereof. The reason is that, redemption period affords the owner an extended chance to pay the delinquent tax. Hence, ownership of the property is not vested upon the purchaser immediately after the public auction. In the event the owner exercises such right of redemption by paying the redemption price, that is, the amount of the delinquent tax, the interest due thereon, and the expenses of sale, plus interest of not more than 2% per month on the purchase or bid price, the amount of the purchase or bid price should be readily available to be returned to the purchaser upon surrender of the Certificate of Sale.

Therefore, in the meantime, the local treasurer should hold in trust the excess amount until the expiration of the 1-year redemption period. If the owner or person having legal interest fails to redeem the property, the excess amount may then be remitted. Henceforth, ownership shall be vested upon the purchaser in auction through the execution of the Final Deed of Sale.

NOTE: The counting of one (1) year redemption period of property sold at public auction for its tax delinquency should be counted from the date of annotation of the Certificate of Sale in the proper Register of Deeds if such is provided in the local government unit's ordinance.

(GR No. 171033, 03 August 2010 - City Mayor, City Treasurer, City Assessor All of Quezon City, and Alvin Emerson S. Yu, vs. Rizal Commercial Banking Corporation)

¹³ LTOM Form No. 31 - Report of Sale

¹⁴ LTOM Form No. 32 - Certificate of Redemption

The distinct feature of Section 263 is when, in the absence of the public impels the Treasurer to purchase the property in behalf of the LGU. Reason would, therefore, dictate that this purchase by the City is the very forfeiture mandated by the law. The contemplated "forfeiture" in the provision points to the situation where the local government ipso facto "forfeits" the property for want of a bidder.

Therefore, in cases covered by these pertinent provisions in the LGC, the date of the "sale" or "forfeiture" is rightfully the point in time when the owner is divested of certain attributes of ownership over the property albeit only until the redemption of the property. This translates to no other event but to the date of the public auction.

Such payment shall invalidate the Certificate of Sale issued to the purchaser and the owner of the delinquent real property or person having legal interest therein shall be entitled to a Certificate of Redemption which shall be issued by the local treasurer or his/her deputy.

The local treasurer or his/her deputy, upon receipt from the purchaser of the Certificate of Sale, shall forthwith return to the latter the entire amount paid by him/her plus interest of not more than two percent (2%) per month. Thereafter, the property shall be free from the lien of such delinquent tax, interest due thereon and expenses of sale. (Sec. 261, LGC)

- d. The local treasurer shall inform the assessor and the registrar of deeds of the cancellation of the warrant of levy due to the exercise of redemption by the property owner¹⁵.
- e. **Final Deed of Sale¹⁶** – In case the owner or person having legal interest therein fails to redeem the delinquent property as provided herein, the local treasurer shall execute a deed conveying to the purchaser said property, free from lien of the delinquent tax, interest due thereon and expenses of sale. The deed shall briefly state the proceeding upon which the validity of the sale rests. (Sec. 262, LGC)
- f. Upon execution of the Final Deed of Sale (FDS) of the auctioned real property in favor of the purchaser, the local treasurer shall require the owner of the auctioned property to surrender possession of delinquent real property and the corresponding owner's duplicate copy of the Transfer Certificate of Title (TCT) and the Tax Declaration (TD). These will be attached to the FDS which shall be submitted to the Register of Deeds (RoD).
- g. The RoD having jurisdiction over the place where the property is located shall consolidate the title in the name of the purchaser who shall be entitled to a copy of a new TCT.
- h. The purchaser as the new owner, shall be issued the corresponding TD. It shall be the duty of the local assessor to issue a new TD in the name of the purchaser as the new owner of the auctioned property. The new owner shall be liable to pay the annual ad valorem tax and other taxes that will thereafter become due thereon.

¹⁵ LTOM Form No. 33 - Cancellation of Warrant of Levy (Assessor and Registrar of Deeds)

¹⁶ LTOM Form No. 34 - Final Deed of Sale

- i. If the property is not redeemed, the ownership thereof shall be fully vested on the local government unit concerned. (Sec. 263, LGC)
- j. **Resale of Real Estate Taken for Taxes, Fees, or Charges** – The sanggunian concerned may, by ordinance duly approved and upon notice of not less than twenty (20) days, sell and dispose of the real property acquired through purchase/forfeiture at public auction. The proceeds of the sale shall accrue to the general fund of the local government unit concerned. (Sec. 264, LGC)

NOTE: By virtue of the foregoing provisions of Secs. 263 and 264 of the LGC, the City exercised its right of forfeiture over the delinquent property for want of bidder. The owner of the delinquent property had one year from the date of forfeiture to redeem the property by paying the full amount of the delinquent tax, interest and expenses incurred related to the auction sale. However, the delinquent owner failed to exercise his statutory right to redeem the property. Thereafter, following the procedures, a Transfer Certificate of Title was issued to the City as the new absolute owner in fee simple.

Therefore, this Bureau sees no injustice against the former if the forfeited property is subsequently sold at the prevailing market price which appears to be the most advantageous to the interest of Caloocan City as the owner. Suffice it to say that, as owner of the property, the city has both the right and duty to sell the same at a price or consideration most advantageous and beneficial to its interest which is in line with the opinion of COA to base the selling price of the property from the prevailing market value. (BLGF Letter to the OIC City Assessor of Caloocan, 28 January 2013)

B. Collection of Real Property Tax Through the Courts

1. The delinquent RPT or any deficiency thereof after public sale or auction may be collected by civil action in a court of competent jurisdiction which shall be filed by the local treasurer within the period prescribed under Sec. 270 (Periods Within Which to Collect Real Property Taxes), Chapter 6, Title Two, Book II of the LGC. The institution of the civil action may be done simultaneously with the administrative remedy of collection. (Sec. 266, LGC)
2. The delinquent basic RPT or any other tax levied under Title 2, Book II of the LGC, shall constitute indebtedness of the taxpayer to the LGU, hence, collection of such indebtedness can be enforced through civil action in any court of competent jurisdiction, observing the following:
 - a. The local treasurer shall furnish the provincial attorney or city or municipal legal officer a certified statement of delinquency who, within fifteen (15) days after receipt, shall file the civil action in the name of the province, city or municipality in the proper court of competent jurisdiction. The jurisdiction of the court is determined by the amount sought to be recovered exclusive of interests and costs. Thus, where the delinquent tax due does not exceed Ten Thousand Pesos (Php10,000.00), the competent court is the municipal or city trial court, and where the amount due is in excess of Ten Thousand Pesos (Php10,000.00), the proper court is the regional trial court;

- b. Where cognizable in an inferior court, the action must be filed in the municipality or city where the delinquent property is located. Where the regional trial court has jurisdiction, the plaintiff LGU shall file the complaint in the city or province where the property is situated; and
- c. In both cases, that is, where the claim is either cognizable by an inferior court or by the regional trial court, the local treasurer shall furnish the provincial attorney or the city or municipal legal officer concerned the exact address of the defendant where he/ she may be served with summons. (Art. 357, IRR implementing Sec. 266, LGC)

SECTION 10. COMPROMISE AGREEMENT IN THE PAYMENT OF REAL PROPERTY TAX

The compromise agreement does not operate to defeat effective tax administration of the LGU or serve to discourage diligent taxpayers but rather a mechanism by which the property owners may avail of, in case the delinquent tax is beyond the capacity of the taxpayer to pay the whole amount within the required payment period.

- A. Compromise agreement in the payment of real property tax (RPT) may be allowed at any time prior to the issuance of the warrant of levy. Payment of RPT thru compromise agreement shall be in accordance with Sec. 255 of the LGC.

Real properties covered by a compromise agreement shall not be included in the administration of judicial and administrative remedies.

- B. **Authority to Enter into a Compromise Agreement** - The Local Chief Executive (LCE), thru a sanggunian resolution of the Provincial/City or Municipality within MMA, shall have the authority to enter into a compromise agreement.

The concerned sanggunian, upon evaluation of the recommendation of the Local Treasurer, shall determine the terms and conditions of the compromise agreement such as:

- 1. amount and period of payment
- 2. number of installments; and
- 3. penalty in case of non-compliance with the terms and conditions of the said agreement.

- C. **Guide to Compromise Agreement** – A compromise agreement may be resorted to by the delinquent taxpayer in the settlement of delinquent RPT obligations, as may be justified as follows:

- 1. The delinquent RPT has accumulated and is beyond the capacity of the taxpayer to pay the whole amount in one payment within the required payment period.
- 2. The accumulated delinquent RPT shall be paid within the terms and conditions of the compromise agreement and no penalties or interest shall be waived.
- 3. The amount to be paid in the compromise agreement shall cover current year taxes and prior year/s delinquencies.

- D. The Local Treasurer concerned shall maintain a copy of all compromise agreements entered into by the LGU.

RULE 5

BUSINESS AND LOCAL TAXES

Section 11. SCHEDULE ON BUSINESS TAX

- A. Business Taxes on manufacturers, assemblers, repackers, processors, brewers, distillers, rectifiers, and compounders of liquors, distilled spirits, and wines or manufacturers of any article of commerce of whatever kind or nature shall be imposed in accordance with the following schedule:

With gross sales or receipts for the preceding calendar year in the amount of			Amount of Tax Per Annum
	Less than	₱ 10,000.00	₱ 165.00
₱ 10,000.00	or more but less than	15,000.00	220.00
15,000.00	or more but less than	20,000.00	302.00
20,000.00	or more but less than	30,000.00	440.00
30,000.00	or more but less than	40,000.00	660.00
40,000.00	or more but less than	50,000.00	825.00
50,000.00	or more but less than	75,000.00	1,320.00
75,000.00	or more but less than	100,000.00	1,650.00
100,000.00	or more but less than	150,000.00	2,200.00
150,000.00	or more but less than	200,000.00	2,750.00
200,000.00	or more but less than	300,000.00	3,850.00
300,000.00	or more but less than	500,000.00	5,500.00
500,000.00	or more but less than	750,000.00	8,000.00
750,000.00	or more but less than	1,000,000.00	10,000.00
1,000,000.00	or more but less than	2,000,000.00	13,750.00
2,000,000.00	or more but less than	3,000,000.00	16,500.00
3,000,000.00	or more but less than	4,000,000.00	19,800.00
4,000,000.00	or more but less than	5,000,000.00	23,100.00
5,000,000.00	or more but less than	6,500,000.00	24,375.00
6,500,000.00	or more		at a rate not exceeding thirty seven and a half percent (37-1/2%) of one percent (1%)

Illustrative Case 1a. Compute the tax on business of a repacker if the total annual gross sales for the preceding year 2018 amounted to ₱3,500,000.00 and to be paid on the first working day of January 2019.

Referring to the schedule, the gross sales of ₱3,500,000.00 falls under the bracket "3,000,000.00 or more but less than 4,000,000.00", therefore, the **business tax for CY 2019 is ₱19,800.00.**

Illustrative Case 1b. Compute the tax on business of a repacker if the total annual gross sales for the preceding years 2017 and 2018 amounted to ₱3,500,000.00 and ₱7,000,000.00, respectively, and paid on 31 July 2019.

Referring to the schedule, the gross sales of ₱3,500,000.00 falls under the bracket "3,000,000.00 or more but less than 4,000,000.00", therefore, the business tax due, including surcharge and interests is computed as follows:

Tax Due for 2018:

Gross Sales for 2017 = ₱3,500,000.00

Tax based on the schedule		₱19,800.00
Surcharge	₱19,800.00 x 25%	<u>4,950.00</u>
		₱24,750.00
Interest		
January to December 2018	12 mos. x 2%=24%	
January to July 2019	7 mos. x 2%=14%	
	38%	
	₱24,750.00 x 38%	<u>₱ 9,405.00</u>

Total Tax Due for 2018 **₱34,150.00**

Referring to the schedule, the gross sales of ₱7,000,000.00 falls under the bracket "6,500,000.00 or more," therefore, the business tax due including surcharge and interests, is computed as follows:

Tax Due for 2019:

Gross Sales for 2018	₱7,000,000.00	
Tax Rate (37.5% of 1%)	<u>0.00375</u>	₱26,250.00
Surcharge	₱26,250.00 x 25%	<u>6,562.50</u>
Tax for 2019		₱32,812.50
Plus Interest (Jan-Jul 2019)	₱32,812.50 x 14%	<u>4,593.75</u>
Total Tax Due for 2019		<u>₱37,406.25</u>

Illustrative Case 2. If the total annual gross sales of an assembler for the preceding year is ₱7,000,000 and payment is made in January 2019, compute for the total tax due.

Gross Sales for 2018 ₱7,000,000.00
Tax Rate (37.5% of 1%) 0.00375
Tax Due **₱ 26,250.00**

- B. Business tax on wholesalers, distributors, or dealers in any article of commerce of whatever kind or nature shall be imposed in accordance with the following schedule:

With gross sales or receipts for the preceding calendar year in the amount of			Amount of Tax Per Annum
	Less than	₱ 1,000.00	₱ 18.00
₱ 1,000.00	or more but less than	2,000.00	33.00
2,000.00	or more but less than	3,000.00	50.00
3,000.00	or more but less than	4,000.00	72.00
4,000.00	or more but less than	5,000.00	100.00
5,000.00	or more but less than	6,000.00	121.00
6,000.00	or more but less than	7,000.00	143.00
7,000.00	or more but less than	8,000.00	165.00
8,000.00	or more but less than	10,000.00	187.00
10,000.00	or more but less than	15,000.00	220.00
15,000.00	or more but less than	20,000.00	275.00
20,000.00	or more but less than	30,000.00	330.00
30,000.00	or more but less than	40,000.00	440.00
40,000.00	or more but less than	50,000.00	660.00
50,000.00	or more but less than	75,000.00	990.00
75,000.00	or more but less than	100,000.00	1,320.00
100,000.00	or more but less than	150,000.00	1,870.00
150,000.00	or more but less than	200,000.00	2,420.00
200,000.00	or more but less than	300,000.00	3,300.00
300,000.00	or more but less	500,000.00	4,400.00

	than		
500,000.00	or more but less than	750,000.00	6,600.00
750,000.00	or more but less than	1,000,000.00	8,800.00
1,000,000.00	or more but less than	2,000,000.00	10,000.00
2,000,000.00	or more		at a rate not exceeding fifty percent (50%) of one percent (1%)

Illustrative case: Compute the **tax on business of a wholesaler** if the annual gross sales for the preceding year amounted to ₱5,000,000.00.

Gross Sales ₱5,000,000.00

Tax Rate (50% of 1%) 0.005

Tax Due **₱ 25,000.00**

The city may exceed the maximum rates allowed for the province or municipality by not more than 50%.

The business enumerated in paragraph (a) of Sec. 143 of the LGC shall no longer be subject to the tax on wholesalers, distributors, or dealers herein provided for. [Art. 232 (b), IRR implementing Sec. 143 (b), LGC]

- C. Business tax on exporters, and on manufacturers, millers, producers, wholesalers, distributors, dealers, or retailers of essential commodities at a rate not exceeding one-half (1/2) of the rates prescribed under subsections (a), (b) and (d) of Sec. 143 of the LGC.

The term "exporters" shall refer to those who are principally engaged in the business of exporting goods and merchandise, as well as manufacturers and producers whose goods or products are both sold domestically and abroad. The amount of export sales shall be excluded from the total sales and shall be subject to the rates not exceeding one half (1/2) of the rates prescribed under (a), (b) and (d) of Art. 232 (c), LGC.

NOTE: A "dealer" in any article of commerce (except essential commodities), like a wholesaler, is subject to the business tax under Sec. 143 (b) of the LGC; however, if the same dealer is also engaged in the business of retail, he shall be subject to the tax under Sec. 143 (d) of the LGC.

A wholesaler who is at the same time a retailer and who deals both in "essential commodities" as listed in paragraph (c) of Sec. 143 of the LGC and in "non-essential commodities", shall be entitled to the concession or reduced tax afforded by the same paragraph insofar as his business transactions in such essential commodities are concerned. Necessarily, he shall keep a separate account for this class of sales or receipts to be entitled to the reduced tax rates. Otherwise he shall be liable as wholesaler at the rates prescribed under Sec. 143 (d), both of the LGC.

(Philippine Law on Local Government Taxation Volume 1, Business Taxes, Licenses, Fees and Charges, 2010 edition, Ursal)

Illustrative case: Compute the tax on business of a cement manufacturer with total annual gross sales amounting to ₱5,000,000.00 for the preceding year 2017, and payment is made in January 2018.

Gross Sales ₱5,000,000.00

Tax based on schedule A¹⁷ ₱ 24,375.00

Cement being an essential commodity, the tax rate shall not exceed ½ of the rates prescribed under schedule A

(₱24,375.00/2) ₱ 12,187.50

The city may exceed the maximum rates allowed for the province or municipality by not more than 50%.

- D. **On retailers** – The guidelines on the administration and collection of the business tax on retailers are as follows:

With gross sales or receipts for the preceding calendar year in the amount of	Amount of Tax Per Annum
₱400,000.00 or less	2 %
more than ₱400,000.00	1 %

1. The rate of two percent (2%) per annum shall be imposed on sales not exceeding Four Hundred Thousand Pesos (₱400,000.00), while the rate of one percent (1%) per annum shall be imposed on sales in excess of the first Four Hundred Thousand Pesos (₱400,000.00).
2. Barangays, however, shall have the exclusive power to levy taxes, as provided under Art. 240 (a) of the IRR of the LGC, on gross sales or receipts of the preceding calendar year of Fifty Thousand Pesos (₱50,000.00) or less, in the case of cities, and Thirty Thousand Pesos (₱30,000.00) or less, in the case of municipalities.

(Art. 232 (d), IRR implementing Sec. 143, LGC)

Illustrative case: Compute the tax on business of a retailer with total annual gross sales of ₱450,000.00 for the preceding year 2018, and payment is made in January 2019.

Gross Sales =	₱450,000	
Less:	₱400,000 x 2%	₱8,000.00
	₱ 50,000 x 1%	₱ 500.00
Business tax due		₱8,500.00

¹⁷ Sec. 143 (a), LGC

E. On contractors and other independent contractors in accordance with the following schedule:

With gross sales or receipts for the preceding calendar year in the amount of			Amount of Tax Per Annum
Less than ₱ 5,000.00			₱ 27.50
5,000.00	or more but less than	₱ 10,000.00	61.60
10,000.00	or more but less than	15,000.00	104.50
15,000.00	or more but less than	20,000.00	165.00
20,000.00	or more but less than	30,000.00	275.00
30,000.00	or more but less than	40,000.00	385.00
40,000.00	or more but less than	50,000.00	550.00
50,000.00	or more but less than	75,000.00	880.00
75,000.00	or more but less than	100,000.00	1,320.00
100,000.00	or more but less than	150,000.00	1,980.00

With gross sales or receipts for the preceding calendar year in the amount of			Amount of Tax Per Annum
150,000.00	or more but less than	200,000.00	2,640.00
200,000.00	or more but less than	250,000.00	3,630.00
250,000.00	or more but less than	300,000.00	4,620.00
300,000.00	or more but less than	400,000.00	6,160.00
400,000.00	or more but less than	500,000.00	8,250.00
500,000.00	or more but less than	750,000.00	9,250.00
750,000.00	or more but less than	1,000,000.00	10,250.00
1,000,000.00	or more but less than	2,000,000.00	11,500.00
2,000,000.00	or more		at a rate not exceeding fifty percent (50%) of one percent (1%)

Illustrative Case: Compute the total tax due of a contractor with total receipts of ₱6,000,000 from the preceding year and payment is made in the current year.

Total receipts	₱6,000,000.00	
=	<u>2,000,000.00</u>	₱ 11,500.00
Less:		
	₱4,000,000.00	
Tax Rate (50% of 1%)	0.005	<u>20,000.00</u>
Total tax due		₱ 31,500.00

a. Determination of taxable gross receipts of construction contractors

- i. The taxable gross receipts shall be the amounts received by the principal contractor as the total contract price less the amount paid to sub-contractors under sub-contract arrangements, if there is any. The gross receipts of sub-contractors are in turn subject to the same business tax as construction contractors.
- ii. The taxable gross sales or receipts include the total amount of money or its equivalent actually or constructively received during the taxable quarter for the services performed or to be performed, consisting of the following:
 1. The contract price;
 2. The compensation or service fee, including the amount charged for materials installed or used in conjunction with the services; and
 3. Deposits or advance payments.

Taxable gross receipts exclude discounts that can be determined at the time of sales, sales returns, and the excise taxes and VAT paid by the contractor.

b. Situs or Place of Payment of Business Tax on Construction Contractors – For the purpose of collection of the business tax on construction contractors, the following rules shall apply:

- i. **On Domestic Construction Projects** – For projects bidded and implemented within the territorial jurisdiction of the Philippines:
 1. All gross receipts realized from domestic projects or contracts undertaken by the branch office shall be recorded in the said branch office and the tax thereon shall be payable to the city or municipality where the said branch is located; and
 2. In cases where there is no branch office, the gross receipts from domestic projects or contracts shall be recorded in the Head/Principal Office and the same shall be allocated as follows:
 - a. Thirty percent (30%) of the gross receipts shall be taxable by the city or municipality where the principal office is located; and
 - b. Seventy percent (70%) of the gross receipts shall be taxable by the city or municipality where the project office is located.

- ii. **On Overseas Construction Projects** – For construction projects undertaken by a Philippine-based construction contractor outside the territorial boundaries of the Philippines, as well as construction contracts involving fabrication works with attendant installation works outside the Philippines, which are paid for in accepted freely convertible foreign currency:
1. In the case of overseas construction projects, the construction contractors shall declare separately the gross receipts realized therefrom, which shall not be subject to the business tax;
 2. In the case of pre-fabricated works which are paid for in accepted freely convertible foreign currency with attendant installation works outside the Philippines, the gross receipts realized therefrom shall be subject to not more than one half (1/2) of the rate under paragraph (e) (1) of this Section; and
 3. In case there is transfer or relocation of the Head/Principal Office or of any branch to another city or municipality, the construction contractor shall give due notice of such transfer or relocation to the cities or municipalities concerned at least fifteen (15) days before such transfer or relocation is effected.

(DOF LFC No. 3-95, 22 May 1995)

F. Banks and Other Financial Institutions

- a. Banks and other financial institutions are subject to a business tax at a rate not exceeding fifty percent (50%) of one percent (1%) on the gross receipts of the preceding calendar year derived from:
- i. interests, commissions and discounts from lending activities;
 - ii. income from financial leasing;
 - iii. dividends, rentals on property and profit from exchange or sale of property; and
 - iv. insurance premium. [Sec. 143 (f), LGC]
- b. **Guidelines Applicable to Banks**
- i. For the purpose of imposing the tax on gross receipts of banks, the term "gross receipts" shall include only the following:
 1. Interest from loans and discounts representing interest earned and actually collected on loans and discounts such as:
 - a. Discounts earned and actually collected in advance on bills discounted;
 - b. Interest earned and actually collected on demand loans;
 - c. Interest earned and actually collected on time loans, including the earned portions of interest collected in advance; and
 - d. Interest earned and actually collected on mortgage contracts receivables.

2. Interest earned and actually collected on inter-bank loans;
 3. Income from rental of property shall include the following:
 - a. Earned portion of rental collected in advance from lessees of safe deposit boxes; and
 - b. Rental earned and actually collected from lessees of bank premises and equipment.
 4. Income earned and actually collected from acquired assets;
 5. Income from sale or exchange of assets and property;
 6. Cash dividends earned and received on equity investments;
 7. Commissions from lending activities; and
 8. Income component of rentals from financial leasing.
- ii. The following income and receipts of banks shall be excluded from the taxing authority of the LGUs:
1. Interest earned under the expanded foreign currency deposit system;
 2. Interest accumulated by lending institutions on mortgages insured under RA No. 580, as amended, otherwise known as the Home Financing Act; and
 3. Receipts from filing fees, service and other administrative charges.
- iii. **Situs or Place of Payment of Tax on Banks**
1. All transactions filed with or negotiated in the branch shall be recorded in said branch and the gross receipts derived from said transaction shall be taxable by the city or municipality where such branch is located. This rule shall be applied to:
 - a. Transactions negotiated with and approved by the branch manager under his own authority;
 - b. Transactions filed and negotiated in the Branch but being beyond the approving authority of the branch manager, are forwarded to the Head Office for final approval; and
 - c. Transactions where the stated address in the loan application of the borrower is the city or municipality where the Bank has a branch, in which case the Head Office upon approval of the loan shall credit the transaction to the Bank Branch.
 2. The gross receipts derived from transactions made by the Head Office, except gross receipts recorded in the branches, shall be taxable by the city or municipality where said Head Office is located.
 3. In case there is a transfer or relocation of the Head Office or of any branch to another city or municipality, the bank shall give due notice of such transfer or relocation to the chief executives of the cities or municipalities concerned within fifteen (15) days after such transfer or relocation is effected.

(DOF LFC No. 2-07, 26 February 2007 as reiterated under
Bangko Sentral ng Pilipinas (BSP) Circular Letter
No. CL - 2017 - 079, 27 December 2017; BLGF Memorandum
Circular No. 016-2018, 10 August 2018)

c. Guidelines Applicable to Insurance Companies

i. Gross Receipts of Insurance Companies Subject to Tax – Gross receipts of insurance companies shall include only the following:

1. Insurance premiums actually collected, except the following tax exempt premiums which must be recorded and declared separately:
 - a. Premiums collected on insurance policies issued before the effectivity of the ordinance imposing the tax;
 - b. Two percent (2%) of all premiums for the sale of fire, earthquake, and explosion hazard insurance pursuant to the Fire Code of the Philippines (PD No. 1185, as amended by RA 9514);
 - c. Premiums refunded within six (6) months after payment of the account;
 - d. Reinsurance premiums by a company that has already paid the tax;
 - e. Premiums collected or received by any branch of a domestic corporation, firm, or association doing business outside the Philippines on account of a life insurance of the insured who is a non-resident;
 - f. Premiums collected or received on account of any reinsurance, if the risk insured covers property located outside the Philippines, or the insured, in case of personal insurance, resides outside the foreign country where the original insurance has been issued or perfected;
 - g. Portions of the premiums collected or received by insurance companies pertaining to variable contracts; and
 - h. The excess of the amount necessary to insure the lives of variable contracts.

However, the aforementioned tax-exempt premiums shall be recorded and declared separately.

2. Interest earnings on loans and discounts actually collected;
3. Rentals actually collected from property owned by insurance companies;
4. Income actually collected from acquired assets; and
5. Cash dividends received on equity investments.

(DOF LFC No. 2-93, 16 June 1993)

ii. Income and Receipts of Insurance Companies Not Subject to Tax – All other incomes and receipts of insurance companies not enumerated in the preceding paragraph shall be excluded from the taxing authority of the

city or municipality concerned; Service fees received from fire, earthquake, and explosion pre-insurance adjustment business directly to agents, pursuant to the Fire Code of the Philippines. (PD No. 1185)

iii. **Situs or Place of Payment of Tax on Insurance Companies** – The situs of tax on insurance companies shall be in accordance with the following rules:

1. Insurance contracts/policies issued by the Head Office or branch shall be recorded in the said office or branch as the case may be and the premiums and/or gross receipts due on such contracts/policies shall be taxable by the city or municipality where such Head Office or branch to which such premiums or gross receipts were actually paid is located. This rule shall be applied irrespective of whether the insurance contracts/policies were solicited or negotiated by insurance agents, or brokers who are not residents of the city or municipality where the branch is located, or who are not affiliated with or assigned to such branch.
2. The offices of an insurance agent, or broker, shall not be considered a branch and shall not be subject to the situs of taxation rule.
3. All insurance premiums and/or gross receipts from transactions not recorded in the branches or the insurance companies shall be recorded in the Head Office and taxable by the city or municipality where the said Head Office is located.
4. In case there is transfer or relocation of the Head Office or of any branch to another city or municipality, the insurance company shall give due notice to the LCEs of the cities or municipalities concerned within fifteen (15) days after such transfer or relocation is effected.

(DOF LFC No. 2-93, 16 June 1993)

d. **Guidelines Applicable to Financing Companies**

- i. Financing companies shall refer to corporations or partnerships, except those regulated by the BSP, the Insurance Commission, and the Cooperative Development Authority (CDA), which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial or agricultural enterprises, either by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by leasing of motor vehicles, heavy equipment and industrial machinery, business and office machines and equipment, appliances and other movable property.
- ii. For the purpose of imposing business tax on financing companies, gross receipts shall include only the following:
 1. Interest earned and actually collected on loans and discounts, viz:
 - a. Discounts earned and actually collected in advance on bills discounted;
 - b. Interest earned and actually collected on demand loans;
 - c. Interest earned and actually collected on time loans, including the earned portions of interest collected in

advance; and

- d. Interest earned and actually collected on mortgage contract receivables.
2. Interest earned and actually collected on inter-bank loans
3. Rental of property – this represents the following rental income:
 - a. Earned portion of rental collected in advance from lessees of safe deposit boxes; and
 - b. Rental earned and actually collected from lessees on bank premises and equipment.
4. Income earned and actually collected from acquired assets
5. Income from sale or exchange of assets or property
6. Cash dividends earned and received on equity investments
7. Income component of rentals from financial leasing
- iii. All other incomes and receipts of financing companies not enumerated in the preceding paragraph shall be excluded from the taxing authority of LGUs.
- iv. **Situs or Place of Payment of Tax on Financing Companies** – The situs of tax on financing companies shall be in accordance with the following:
 1. All transactions made by the branch shall be recorded in said branch and the gross receipts derived from said transactions shall be taxable by the city or municipality where such branch is located.
 2. The gross receipts derived from transactions made by the Head Office, except gross receipts recorded in the branches, shall be taxable by the city or municipality where said Head Office is located.
 3. In case there is a transfer or relocation of the head office or any branch to another city or municipality, the bank shall give due notice of such transfer or relocation to the Chief Executives of the cities or municipalities concerned within fifteen (15) days after such transfer or relocation is effected.

(DOF LFC No. 3-93, 16 June 1993)

e. Guidelines Applicable to Credit Card Companies

NOTE: Credit card companies fall within the purview of banks and other financial institutions contemplated under Sec. 143 (f) of the LGC, and therefore may be subject to business taxes at the rate of 50% of 1% on the gross receipts upon enactment of the appropriate ordinance by the LGU concerned. (BLGF Letter to Picazo Buyco Tan Fider & Santos Law Offices, 15 March 1999)

SECTION 12. SAMPLE ILLUSTRATIONS OF OTHER LOCAL TAXES IMPOSED BY PROVINCES, CITIES AND MUNICIPALITY WITHIN METRO MANILA

A. Tax on Transfer of Real Property Ownership

Illustrative Case a.1 Compute the tax on transfer of real property ownership of a property with a fair market value(FMV) of ₱1,000,000.00 and the total consideration involved in the acquisition is ₱2,000,000.00:

If the property is located in the Province:	If the property is located in the City:
$2,000,000 \times (50\% \text{ of } 1\%)$ $2,000,000 \times 0.005 = \text{₱10,000.00}$ transfer tax payable to province	$2,000,000 \times (75\% \text{ of } 1\%)$ $2,000,000 \times 0.0075 = \text{₱15,000.00}$ transfer tax payable to the city

Note: The basis for computing the tax is the total consideration involved in the acquisition since it is higher than the FMV of the property.

Illustrative Case a.2 Compute the tax on transfer of real property ownership of a property with a fair market value (FMV) of ₱1,000,000.00 and with the following specifications:

Location: City		
Type of Property: Land		
Classification: Residential Mode of Transfer: Inheritance		
Decedent's death: 2 December 2015 Payment of Transfer Tax: 31 March 2019 General Revision: every three years		
FMV	₱1,000,000.00	
Multiplied by (75 % x 1%)	0.0075	₱ 7,500.00
Interest for 2019	₱7,500.00 x 72%	5,400.00 Tax
		₱ 12,900.00

Illustrative Case a.3 Compute the tax on transfer of real property ownership of a property with a fair marketvalue (FMV) of ₱1,000,000.00 and the total consideration involved in the acquisition is ₱2,000,000.00, with the following specifications:

Location: Province Type of Property: Land		
Classification: Residential		
Date of Notarized Deed of Sale: 1 January 2016 Payment of Transfer Tax: 31 March 2019 General Revision: every three years		
The basis for computing the tax is the total consideration involved in the acquisition since it is higher than the FMV.		
Acquisition Cost	₱2,000,000.00	
Multiplied by (50% x 1%)	0.005	₱ 10,000.00
Interest	₱10,000.00 x 72%	7,200.00
Tax for 2019		₱ 17,200.00

Illustrative Case a.4 Computation in Consideration of the 60 Day Period from the Time of Death of the Decedent:

Compute the tax on transfer of real property ownership of a property with a fair market value (FMV) of ₱1,000,000.00 and the total consideration involved in the acquisition is ₱ 500,000.00, with the following specifications:

Location: City		
Type of Property: Land Classification:		
Residential		
Mode of Transfer: Inheritance		
Decedent's death: 31 March 2019 Payment		
of Transfer Tax: 15 June 2019		
General Revision: every three years		
FMV	₱1,000,000.00	
Multiplied by (75 % x 1%)	<u>0.0075</u>	₱ 7,500.00
Interest*	₱7,500.00 x 2%	<u>150.00</u>
Tax for 2019		₱ 7,650.00

Computation of Interest*:

In consideration of the 60 day period from the date of the decedent's death**:

Decedent's death: 31 March 2019

Thus:

April 1-30, 2019	=	30 days
May 1-30, 2019	=	<u>30</u> <u>days</u>
TOTAL		60 days

Therefore:

Since the 60 day period covers the months of April to May, and the tax was paid on 15 June 2019, there shall be imposed a 2% interest for delinquency in the month of June,.

NOTE:-**

"Sec. 135. Tax on Transfer of Real Property Ownership.

a. XXX

b. XXX

It shall be the duty of the seller, donor, transferor, executor or administrator to pay the tax herein imposed within sixty (60) days from the date of the execution of the deed or from the date of the decedent's death."

B. Tax on Business of Printing and Publication

Compute the tax if the gross annual receipts for the preceding calendar year amounts to ₱500,000.00:

$$₱500,000 \times (50\% \text{ of } 1\%)$$

$$₱500,000 \times 0.005 = \underline{\text{₱2,500}} \text{ tax on business of printing and publication}$$

In case of a newly started business, the tax shall not exceed 1/20 of 1% of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year, or any fraction thereof, as provided herein. (Sec. 136, LGC)

However, the city may exceed the maximum rate allowed for the province or municipality by not more than 50% except the rates of professional and amusement taxes. (Sec. 151, LGC)

C. Franchise Tax

Compute the tax of a business with gross annual receipts for the preceding calendar year amounting to 1,000,000.00:

$$\text{Gross receipts} - ₱1,000,000 \times (50\% \text{ of } 1\%)$$

$$₱1,000,000.00 \times 0.005 = \underline{\text{₱5,000.00}}$$

In case of a newly started business, the tax shall not exceed 1/20 of 1% of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year, or any fraction thereof, as provided herein. (Sec. 137, LGC)

However, the city may exceed the maximum rate allowed for the province or municipality by not more than 50% except the rates of professional and amusement taxes. (Sec. 151, LGC)

D. Tax on Sand, Gravel and other Quarry Resources

Compute the tax of 200 cubic meters of sand extracted from the province and the fair market value per cubic meter of sand is ₱500/cubic meter. Assume that the ordinance imposes a tax rate of 10% on the FMV.

$$\text{Fair market value per cubic meter of sand} = ₱500/\text{cubic meter} \times 10\% = 50/\text{cubic meter}$$

$$200 \text{ cubic meters} \times ₱50/\text{cubic meter} = \underline{\text{₱10,000}} \text{ total tax due on sand and gravel.}$$

E. Amusement Tax

Compute the tax assuming gross receipts from admission amounted to ₱100,000.00.

$$\text{Gross receipts} - ₱100,000.00 \times 10\% = \underline{\text{₱10,000}} \text{ amusement tax due the province or city}$$

Note: the rate of amusement tax imposed by the province or city was decreased from 30% to 10% per RA No. 9640.

F. Professional Tax

The tax shall be uniform for provinces and cities at an amount not exceeding **P300.00**.

However, LGUs shall have the authority to adjust the tax rates not oftener than once every five (5) years but in no case shall such adjustment exceed ten percent (10%) of the rates fixed under the LGC (Sec. 191, LGC)

G. Annual Fixed Tax Imposed for Every Delivery Truck or Van

The tax shall not exceed **P500.00** for the province or municipality. The city may levy the tax exceeding the maximum amount imposed by the province or municipality by not more than 50%.

H. Community Tax

Illustrative Case 1:

For Individual:

An employee receiving a monthly salary of **P52,000** shall be computed a community tax as follows:

Annual Tax	P 5.00
Additional tax: P1.00 for every P1,000 $P52,000 \times 12 = 624,000/\text{annum}$ $624,000/1,000$ $P624.00 \times P1.00$	P624.00
Community tax due	P629.00

Illustrative Case 2:

On Corporation:

Compute the community tax due on XYZ Corporation owning a real property with a total assessed value of **P5,000,000**. The business registered a gross sales of **P2,000,000** during the preceding year. The community tax is paid in February of the current year.

Annual Tax	P 500.00
Additional tax:	
From business operation:	
P2.00 for every P5,000 $P2,000,000/P5,000$	
$P400 \times P2.00$	P 800.00
Community tax due	P 1,300.00

SECTION 13. SAMPLE ILLUSTRATIONS OF SITUS OF TAX ON BUSINESS

A. MANUFACTURER

Manufacturer 1

Offices/Facilities	Location
Principal/Head Office	LGU1
Factory 1	LGU1
Factory 2	LGU2
Sales/Branch Office	LGU2

Facts:

- Company A operates two (2) bakeries producing and selling baked products
- Factory 1 caters to Luzon clientele
- Factory 2 caters to Visayas clientele
- Said factories have separate invoicing, purchase and official receipting systems
- Sales of goods sourced from Factory 1 are recorded in the Principal/Head Office
- Sales of goods sourced from Factory 2 are recorded in the Branch/Sales Office
- All sales are consolidated in the Principal/Head Office

Situs of Tax

- All sales made in the locality where there is no sales office shall be recorded in the Principal/Head Office along with the sales made by the principal/head office, and shall be 100% taxable by LGU1 since the Principal/Head Office and Factory 1, wherein it caters Luzon-Based customers are both located in LGU1.
- All sales made and recorded in the sales/branch office shall be 100% taxable in LGU2 where the said sales office/branch office is located.
- LGU1 and LGU2 may collect Mayor's Permit fee and other regulatory fees and charges as may be imposed under their respective duly enacted tax ordinances.

NOTE: The consolidation of all sales of the Company are only for purposes of income tax and VAT, as required by the Bureau of Internal Revenue (BIR)

Manufacturer 2

Offices/Facilities	Location
Principal/Head Office	LGU1
Sales/Branch Office	LGU2
Factory	LGU3
Plantation	LGU4

Facts:

- Company A is a manufacturer with principal office located in LGU1 where all sales are effected and recorded.

- b. Sales are also made in locality where there is no branch/sales office
- c. Sales are made in a locality where there is a sales/branch office
- d. Plantation is located in a locality other than that where the factory is located

Situs of Tax

- a. 30% of all sales made in the locality where there is no sales office shall be recorded in the principal/head office along with the sales made by the principal/head office, shall be taxable by LGU1 where the principal/head office is located.
- b. 70% of sales allocation shall be divided as follows:
 - i. 60% to LGU3 where the factory is located
 - ii. 40% to LGU4 where the plantation is located
 - iii. All sales made in the sales/branch office shall be recorded thereat and 100% taxable by LGU2 where the sales/branch office is located
 - iv. LGU1, LGU2, LGU3 and LGU4 may collect Mayor’s Permit fee and other regulatory fees and charges as may be imposed under their respective duly enacted tax ordinances

Manufacturer 3

Offices/Facilities	Location
Principal/Head Office	LGU1
Sales/Branch Office	LGU2
Factory 1	LGU3
Factory 2	LGU4

Fact:

- a. In cases where there are two or more factories

Situs of Tax

- a. 30% of all sales made in the locality where there is no sales office shall be recorded in the principal/head office along with the sales made by the principal/head office, shall be taxable by LGU1 where the principal/head office is located.
- b. 70% of sales allocation shall be prorated among the localities where such factories are located in proportion to their respective volumes of production during the period for which the tax is due.

NOTE: This shall likewise apply to plants, plantations or project offices. In the case of project offices of service and other independent contractors, the term production shall refer to the cost of projects actually undertaken during the tax period.

B. ROUTE TRUCKS

Office/Facilities	Location
Principal/Head Office	LGU1
Warehouse 1	LGU1
Warehouse 2	LGU2
Factory 1	LGU3
Factory 2	LGU4

Facts:

- Company A is engaged in the business of manufacturing and marketing personal and household care products.
- Has a central warehouse in LGU1 where finished product are stored and transferred to another warehouse in LGU2
- Sales orders are booked by salesmen with various customers within and out of LGU2
- Sales orders are submitted to warehouse 2 for processing and prepares the sales invoices on the basis of which goods are withdrawn from warehouse 2

Situs of Tax

- Products taken from warehouse 2 delivered to customers outside LGU2 shall be recorded in warehouse 2 and the tax thereon paid in LGU2 where warehouse 2 is located.
- Deliveries or sales made of products taken from warehouse 1 to places where it does not have any branch/sales office, or another warehouse, shall be recorded in the principal/head office and the taxes due thereon shall be paid to LGU 1.

c. PROCESSOR

Office/Facilities	Location
Principal/Head Office	LGU1
Project Office/Mining Area	LGU2

Facts:

- Mining company whose operations include the processing of extracted minerals to finished products.
- Sales/transactions are recorded in the principal/head office located in LGU1.
- Project office/mining area is located in LGU2

Situs of Tax

- Thirty percent (30%) of all sales/transactions recorded in the principal office shall be taxable by LGU1 where the principal office is located; and
- Seventy percent (70%) of all sales/transactions recorded in the principal office shall be taxable by LGU2 where the project office/mining area is located.

NOTE: In the case of project offices/mining areas that are geographically located in two

(2) or more localities, the allocation of the business tax imposed by LGUs concerned shall be decided by the "Committee" which will be composed of affected LGUs where there are mining operations subject to the allocation provided above when there are two or more project offices located in different localities.

D. DISTRIBUTOR

Office/Facilities	Location
Principal/Head Office	LGU1
Sales Service Centers	Nationwide
Warehouse	LGU1

Facts:

- Company A is engaged in the distribution of pharmaceutical and consumer products
- Opened sales service centers where delivery of stocks takes place
- Sales service centers are mere liaison offices where orders for goods are submitted
- Sales service centers receives an order and relays information to the principal/head office
- Principal/head office checks the availability of the items subject of the order. If stocks are available, the sales invoice is generated by the principal/head office, and the sales invoice together with the goods are dispatched directly from the central warehouse to the customers

Situs of Tax

- All sales made and recorded in principal/head office shall be 100% taxable by LGU1 where the principal/head office is located
- Sales service centers which are mere liaison offices shall not share in the business tax
- Warehouse as a mere storage area may only be subject to Mayor's Permit fee and other regulatory fees and charges
- LGU1 and LGUs where sales service centers are located may collect Mayor's Permit fee and other regulatory fees and charges, as may be imposed under their respective duly enacted tax ordinances

E. POWER PRODUCER

Office/Facilities	Location
Principal/Head Office	LGU1
Plant	LGU1 LGU2

Administrative Office	LGU3
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Facts:

- a. Company A is engaged in power generation
- b. Sales of electricity generated from the power plant and billing are recorded and invoiced in the principal office
- c. Unified plant physically located in LGU 1 and LGU2
- d. Leases office space in LGU3 which serves as an administrative office

Situs of Tax

- a. 30% of all sales recorded in the principal/head office shall be taxable by LGU1 where the principal/head office is located.
- b. 70% of all sales recorded in the principal/head office shall be taxed equally between LGU1 and LGU4.
- c. LGU3 shall not share in the local business tax paid to LGU1 LGU2
- d. LGU1, LGU2, and LGU3 may collect Mayor's Permit fee and other regulatory fees and charges as may be imposed under their respective duly enacted tax ordinances.

F. SERVICE CONTRACTOR

Office/Facilities	Location
Principal/Head Office	LGU1
Fabrication/Manufacturing Site	LGU2

Facts:

- a. Company A is engaged in the business of supply and installation of power and distribution of industrial machineries
- b. Upon purchase order of client, company orders imported and local parts
- c. There are parts of products that would entail an assembly/fabrication/ modification process
- d. The whole assembly is then installed on-site

Situs of Tax

- a. Company A shall pay its local business tax in full as a service contractor to LGU1.
- b. LGU2 shall not share in the local business tax paid to LGU1. Maintaining a fabrication/manufacturing site in LGU2 does not make the company a manufacturer. It is merely a part of, or incidental to, and is necessary to its main business of supply and installation of industrial machinery. It must be considered a single transaction, which cannot be divided into its components or integral parts and treated separately for purposes of taxation, thus, it may not be further taxed.
- c. Both LGUs may impose Mayor's permit and other regulatory fees and charges, as may be provided under their duly enacted local ordinances.

G. REAL ESTATE LESSOR

Office/Facilities	Location
Principal/Head Office	LGU1
Properties for lease	Various LGUs

Facts:

- Company A is a lessor of real properties located in various places within the jurisdiction of different LGUs
- Lease agreements between the lessor and lessee are administered in the principal/head office
- Principal/head office issues corresponding invoices. Rentals collected from lessors are recorded in the principal/head office

Situs of Tax

- Taxes due shall accrue and shall be paid 100% to LGU1 where the principal/head office is located
- LGUs where real properties are subject of lease agreements shall not share in the local business tax
- LGU1 and various LGUs may collect Mayor's Permit fee and other regulatory fees and charges as may be imposed under their respective duly enacted tax ordinances.

H. TOLLWAYS OPERATORS AND CONCESSIONAIRES (TOCs)

Office/Facilities	Location
Principal/Head Office	LGU1
Toll Barrier/Plaza	LGU1 LGU2 LGU3 LGU4

Facts:

- Company A was granted the concession to finance, design, rehabilitate, expand, operate and maintain the Manila North Expressway and charge fees for the users for a concession.
- Toll Barriers and/or Toll Plazas are strategically situated along the Tollways System and housing the Toll Booths manned by collecting personnel

Situs of Tax

- All receipts collected by the Tollbooths in a Toll Barrier/Plaza shall be recorded in said Toll Barrier/Plaza and the tax due thereon shall be payable to LGU 1, LGU2, LGU 3 and LGU4 where the said Tollbooths or Toll Barriers/Plazas are located.
- LGU1 where the principal/head office is located shall not share in the LBT

due to LGU 2, LGU3 and LGU4, except on the LBT due attributed to the collections made by the Toll Barrier situated within the territorial jurisdiction of LGU 1.

- c. LGUs traversed by the tollways system where the TOC does not maintain any Tollbooth or Toll Barrier/Plaza shall not be entitled to the collection of the LBT.
- d. All receipts from Electronic Toll Collection System (ETC) such as "EC Tag", "Easy Trip Tag", and "Badge/Magnetic Card", or any other modes of electronic collection, shall be recorded in the Toll Barrier/Plaza where the e-Card or e-Pass is used and the charges therefrom shall be recorded in said Toll Barrier/Plaza and the tax due thereon shall be payable to the LGU where the said Toll Barrier/Plaza is located.

LGU1, LGU2, LGU3 and LGU4 may impose Mayor's permit and other regulatory fees and charges, as may be provided under their duly enacted local ordinances.

SECTION 14. MAYOR'S PERMIT TO OPERATE BUSINESS

The following procedures shall be observed in securing Mayor's Permit for business:

- A. Application for Mayor's Permit** – An application to operate business shall be filed with the Office of the City/Municipal Mayor.
 - B. Documentation Requirements** – The following documents may be required, if applicable:
 - 1. For a newly started business**
 - a. Proof of business registration, incorporation, or legal personality (i.e. Department of Trade and Industry (DTI) /Securities and Exchange Commission (SEC) / Cooperative Development Authority (CDA) Registration);
 - b. Basis for computing taxes, fees and charges (e.g. business capitalization in the case of franchise/printing and publication as basis for the computation of local business tax);
 - c. Occupancy Permit, if required by national laws (e.g. Building Code) and local laws;
 - d. Contract of Lease (if lessee);
 - e. Barangay clearance (for businesses which are not required occupancy permits); and
 - f. Locational clearance.
 - 2. For renewal of existing business permit**
 - a. Basis for computing taxes, fees, and charges (e.g. Income Tax Returns); and
 - b. Barangay Clearance (original copy)
- (JMC Memorandum Circular No. 01, s. 2016, 30 August 2016)

3. Streamlined Procedures for the Issuance of Local Business Licenses-Clearances, Permits, Certifications or Authorizations

The LGUs are mandated to implement the following revised guidelines in the issuance of business licenses, clearances, permits, certifications or authorizations:

- a. A single or unified business application form shall be used in processing new applications for business permits and business renewals which consolidates all the information of the applicant or requesting party by various local government departments, such as, but not limited to, the local taxes and clearances, building clearance, sanitary permit, zoning clearance, and other specific LGU requirements, as the case may be including the fire clearance from the Bureau of Fire Protection (BFP).

The unified form shall be made available online using technology-neutral platforms such as, but not limited to the central business portal or the city/municipality's website and various channels for dissemination. Hard copies of the unified forms shall likewise be made available at all times in designated areas of the concerned office and/ or agency.
- b. A one-stop business facilitation service hereinafter referred to as the Business One Stop Shop (BOSS) for the city/municipality's business permitting and licensing system to receive and process manual and/ or electronic submission of application for license-clearance, permit, certification or authorization shall be established within the cities/ municipalities' Negosyo Center as provided for under Republic Act No. 10644, otherwise known as the "Go Negosyo Act". There shall be a queuing mechanism in the BOSS to better manage the flow of applications among the LGU departments receiving and processing applications. LGUs shall implement co-location of the offices of the treasury, business permits and licensing office, zoning office, including the Bureau of Fire Protection (BFP), and other relevant city/municipality offices/ departments, among others, engaged in starting a business, dealing with construction permits.
- c. Cities/Municipalities are mandated to automate their business permitting an electronic BOSS within a period of three (3) years upon the effectivity of this Act for a more efficient business registration processes. Cities/Municipalities with electronic BOSS shall develop electronic versions of licenses, clearances, permits, certifications or authorizations with the same level of authority, which may be printed by businesses in the convenience of their offices. The Department of Information and Communication Technology (DICT) shall make available to LGUs the software for the computerization of the business permit and licensing system. The DICT, Department of Trade and Industry (DTI), and Department of the Interior and Local Government (DILG), shall provide technical assistance in the planning and implementation of a computerized or software-enabled business permitting and licensing system.
- d. To lessen the transaction requirements, other local clearances such as, but not limited to, sanitary permits, environmental and agricultural clearances shall be issued together with the business permit.
- e. Business permits shall be valid for a period of one (1) year. The city/ municipality may have the option to renew business permits within the

first month of the year or on the anniversary date of the issuance of the business permit.

- f. Barangay clearances and permits related to doing business shall be applied, issued, and collected at the city/municipality in accordance with the prescribed processing time of this Act: Provided, that the share in the collections shall be remitted to the respective barangays.

(Sec. 11, RA No. 11302 or An Act Promoting Ease Of Doing Business and Efficient Delivery of Government Services, Amending for the Purpose Republic Act No. 9485, Otherwise Known as the Anti-Red Tape Act of 2007, and for Other Purposes, approved 28 May 2018)

SECTION 15. EXAMINATION OF BOOKS OF ACCOUNTS AND PERTINENT RECORDS OF BUSINESSMEN

- A. The following shall govern the examination of books of accounts and pertinent records of businessmen by the Local Treasurer:

1. Only the Local Treasurer, or his/her duly authorized representative, of the LGU imposing the tax, fee or charge, may examine the books of accounts and pertinent records of business in order to ascertain, assess and collect the correct amount of tax, fee or charge. [Art. 259(a), IRR, Implementing Sec. 171, LGC]. Consequently, no personnel from the Office of the LCE and other departments within the LGU may inspect records of businessmen;
2. The examination of the books of accounts and pertinent records of business is an inherent function of the Local Treasurers and may be performed or enforced without need of an executive order from the LCE or an implementing ordinance of the sanggunian. (BLGF 1st Indorsement to the City Treasurer of Santiago City, 13 May 1996)

B. Authority to Conduct Examination

1. The provincial, city and municipal, or barangay treasurer may, by himself/herself or through any of his/her deputies duly authorized in writing, conduct the examination of the books, accounts, and other pertinent records of any person, partnership, corporation, or association subject to local taxes, fees and charges [Art. 256(b), IRR, Implementing Sec. 171, LGC] in order to ascertain, assess, and collect the correct amount of the tax, fee, or charge.
2. The LGC has not specified the rank of the officials who may be deputized to examine books of accounts of business establishments. It is, however, proposed that only personnel occupying plantilla of permanent positions in the Local Treasury Office shall be deputized in writing by the treasurer concerned to examine the books of accounts of business establishments in their respective jurisdiction.

- C. **Written Authority to Conduct Examination** – In case the examination is made by a duly authorized deputy of the Local Treasurer, the written authority of the deputy concerned shall specifically state the name, address, and business of the taxpayer whose books, accounts and pertinent records are to be examined, the date and place of such examination, and the procedure to be followed in conducting the same. [Art. 259(d), IRR Implementing Sec. 171, LGC]

- D. **Time, Frequency and Certification** – The examination shall be made during regular business hours not oftener than once a year for every tax period, which shall be the year immediately preceding the examination, and shall be certified to

by the examining official. Such certification shall be made of record in the books of accounts of the taxpayer examined. [Art. 259 (C), IRR Implementing Sec. 171, LGC]

- E. Access to the Bureau of Internal Revenue (BIR) Records** – The records of the Revenue District Office of the BIR shall be made available to the Local Treasurer, his/her deputy or duly authorized representative. [Art. 259(e), IRR Implementing Sec. 171, LGC; EO 646 as implemented under DOF DO No. 9-08, 26 March 2008; and MOU between DILG, DOF, BIR and different leagues of LGUs including "Liga ng mga Barangay sa Pilipinas"]

SECTION 16. GUIDELINES IN THE CONDUCT OF EXAMINATION OF BOOK OF ACCOUNTS

- A. Administrative Preparation by the Local Treasurer/Head of the Local Treasury Office** – Prior to the conduct of any examination of the books of accounts of a business establishment, the Local Treasurer or Head of the Local Treasury Office concerned shall undertake the following steps:

1. From the list of business taxpayers, the Local Treasurer shall select/ identify the business entities that shall be verified and examined based on, but not limited to the following:
 - a. Complexity of the business;
 - b. Materiality and volume of prior years' gross sales;
 - c. Number of sales/distribution outlets;
 - d. Delinquency in payment of business taxes; and
 - e. Other relevant factors.
2. The Local Treasurer shall create the examination team to be composed of staff from the Local Treasury Office. The team shall be headed preferably by a Certified Public Accountant (CPA) or a degree holder of Bachelor of Science in Accountancy.
 - a. Ideally, a pair of deputized examiners shall conduct the examination of the accounts of business establishments. However, in order to cover more establishments, the examination may be done by a lone deputy.
 - b. No deputized examiner shall be assigned to the same business establishment he/she had examined the previous year.
3. The local treasurer shall prepare and sign the Letter of Authority (LOA) and shall serve as the authority of the examiner/deputies to conduct examination of the taxpayer's books of accounts and other pertinent records. The taxpayer or his/her authorized representative shall acknowledge immediately upon receipt hereof the LOA served by the deputies¹⁸.

B. Responsibilities of the Examination Team

1. The examination team shall prepare the schedule of activity to be performed during the conduct of the examination of books of accounts, detailing the objectives and procedures, based on the Guidelines issued by the local treasurer concerned.
2. The designated team leader shall exercise close supervision over the members of the team in the conduct of the examination and shall ensure that they conduct themselves at all times with proper decorum.
3. Deputized examiners shall wear their office uniform/appropriate attire in the conduct of examination. They shall properly identify themselves to the owner/manager of the business establishment by presenting their office identification card.
4. In case the books of accounts and other records are not available on the first visit, another appointment with the business owner/ representative should be made not later than three (3) days after serving the LOA.
5. Deputized examiners shall avoid making any tick marks or writings on the same, except for the certification that said books of accounts have been examined, date examined, and the signature of the Deputized Examiner after the last entry.
6. Where the examination of the books of accounts and other records could not be accomplished in one (1) day, the deputized examiner shall indicate on the Tax Data and Assessment Form, the date and time when the examination started and when terminated.
7. If at the time of the examination of a business entity, the owner or representative cannot be contacted or could not produce the pertinent records and books of accounts needed for the examination, this fact must be noted by the examination team in the Tax Data and Assessment Form. In case similar circumstances occur during the second and third visits, the same facts should be noted in the Tax Data and Assessment Form, indicating the time and date of each visit. The notation shall also be made in the original copy of the LOA¹⁸.
8. The deputized examiners shall perform the following activities:
 - a. Review pertinent records of the business establishment to be examined such as Articles of Incorporation and By-Laws, SEC/DTI Registration, minutes of board meetings, etc.;

¹⁸ LTOM Form No. 3 - Letter of Authority, LTOM Form No. 4 - List of Documents to be Examined

¹⁹ LTOM Form No. 11 - Non-Presentation of Documents; LTOM Form No. 12 - Final Notice of Non-Presentation of Documents

- a. Review of the working papers, if any, of the business establishment if previously examined;
- b. Submission of the LOA to the owner/president of the business establishment; and
- c. Acceptance of the following books of accounts and documents for verification/examination:
 - i. Mayor's Permit for current year;
 - ii. Business License Official Receipts for current year;
 - iii. Books of Accounts such as Sales Journals/Registers, Purchase Journals/ Registers, Cash Receipts/Disbursement Journals/ Registers, General Ledgers, Subsidiary Ledgers;
 - iv. Audited Financial Statements (Income Statement, Balance Sheet and Cash Flow Statement);
 - v. Community Tax Certificate;
 - vi. Official Receipts, Cash/Charge/Collection; Receipts/Invoices, Order Slips, Delivery Receipts, Debit/Credit Memos, Sales Returns;
 - vii. Purchase Receipts/Invoices;
 - viii. Articles of Incorporation and/or amendments, if any;
 - ix. Monthly non-Value Added Tax (VAT) returns;
 - x. Report on quarterly VAT relief (submitted to BIR);
 - xi. Monthly VAT returns; and
 - xii. Others, such as beginning and ending merchandise inventory reports, stock cards, and such other reports relevant to the business taxpayer's operations.

C. Detailed Examination Activities

1. For Validation of Sales Accounts

- a. Compare/Validate the amount of gross sales/receipts account on the Income Statement with the sales account in the General Ledger;
- b. Check posting to the General Ledger from Sales Journals/Cash Receipts Journals and other books where sales or service income are reflected;
- c. Confirm the income/revenue from the customer's Records of Sales/ Receipts (at random); and
- d. Compute the correct gross receipts/sales based on the sales records examined.

2. For Validation of Purchase Accounts

- a. Verify the amount of purchases reflected in the Income Statement from the General Ledger;
- b. Check posting to the General Ledger from Purchases/Cash Payments Journals; and

- c. Verify entries in Purchases/Cash Receipts Journals with purchase documents (at random).
- 3. **For Validation of Inventory**
 - a. Check beginning and ending inventory on Financial Statement with General Ledger balance;
 - b. Verify computation of the ending balance of the Inventory Account by comparing it with the last physical inventory count conducted;
 - c. If warranted, inspect at random material items in the inventory and check against the physical inventory count; and
 - d. Observe the volume of customers, sales activities and deliveries of the business entity to have a sense of daily sales volume.
- 4. **Other Examination Activities**
 - a. Maintain files of the necessary examination working papers;
 - b. Secure a copy of the Schedule of Account Receivables/Payables for succeeding examination of the books of accounts of the business entity; and
 - c. Verify the amount shown on the Schedule of Account Receivables/Payables from the individual Subsidiary Ledgers.

D. Preparation of Working Papers and Tax Data and Assessment Form

- 1. **Tax Data Working Papers or Tax Data Sheet²⁰** – This working paper shows the comparison between the gross receipts/sales declared per business permit application and the gross receipts/sales as appearing in the sales documents examined. The amount of the understatement or overstatement in gross receipts/sales is likewise presented in the working papers.
- 2. **Tax Data and Assessment Form²¹** – This shall be accomplished in triplicate and submitted by the deputies to their immediate supervisor for every examination and inspection conducted. It contains all the pertinent information on the business concerned and the detailed findings of the deputies. This form shows the detailed computation of the additional assessment for business tax based on the computed understatement of sales/receipts declared in the business permit application, the amount of surcharges and penalties, the interest on the deficiency tax assessed, as well as the signatures of the examination team and the local treasurer. The Tax Data and Assessment Form shall be attached to the LOA and shall be submitted to their immediate supervisor for review before submission to the local treasurer for approval. The original copy of the Tax Data and Assessment Form shall be given to the business taxpayer concerned.

²⁰ LTOM Form No. 5 - Tax Data Sheet

²¹ LTOM Form No. 6 Tax Data Sheet and Assessment Form

3. A letter of assessment/assessment notice (1st Notice) shall be issued to the taxpayer showing the amount of tax deficiency inclusive of penalties, surcharges and interest resulting from the conduct of examination. A second assessment notice (2nd Notice) may be sent to the taxpayer in case he/she fails to respond to the first notice. A third assessment notice [a maximum of three (3) notices] may be sent before a final demand for payment and possible foreclosure proceedings may be issued to the taxpayer. In accordance with Sec. 195 of the LGC, the taxpayer, within sixty (60) days from receipt of the Letter of Assessment, may file a written protest with the local treasurer contesting the assessment; otherwise the assessment shall become final and executory ²².
4. A letter of confirmation/certificate of confirmation/certificate of examination shall be issued to signify the completion of the examination conducted. The original copy of the Letter of Confirmation/Certification of Examination shall be issued to the taxpayer concerned and the duplicate copy shall be attached to the Tax Data and Assessment Form for file at the Local Treasury Office²³.
5. Submission to the LCE by the local treasurer of the list of final demand letters sent to business taxpayers for possible foreclosure proceedings²⁴

SECTION 17. RETIREMENT OF BUSINESS

- A. A business subject to tax shall, upon termination thereof, submit a sworn statement of its gross sales or receipts for the current year. If the tax paid during the year be less than the tax due on said gross sales or receipts of the current year, the difference shall be paid before the business is considered officially retired. (Sec. 145, LGC)
- B. **Termination of Business Construed** – For purposes hereof, termination shall mean that business operations are stopped completely. Any change in ownership, management and/or name of the business shall not constitute termination as herein contemplated. Unless stated otherwise, the assumption of the business by any new owner or manager or re-registration of the same business under a new name will be considered by the LGU concerned only for record purposes in the course of the renewal of the permit or license to operate the business.
- C. **Confirmation of Retirement of Business and Taxation** – The local treasurer concerned shall see to it that the payment of taxes of a business is not avoided by simulating the termination or retirement thereof. For this purpose, the following procedural guidelines shall be strictly followed:

²² LTOM Form No. 7 - Letter of Assessment (First Notice); LTOM Form No. 8 - Letter of Assessment (Second Notice); LTOM Form No. 9 - Letter of Assessment (Final Notice)

²³ LTOM Form No. 14 - Certificate of Confirmation; LTOM Form No. 15 - Certificate of Examination

²⁴ LTOM Form No. 10 - Final Notice Before Issuance of Warrant of Distrainment and Levy

1. The local treasurer shall assign every application for the termination or retirement of business to an inspector in his/her office who shall go to the address of the business on record to verify if it is really no longer operating. If the inspector finds that the business is simply placed under a new name, manager and/or new owner, the local treasurer shall recommend to the Mayor the disapproval of the application for the termination or retirement of said business.
 2. Accordingly, the business shall continue to be liable for the payment of all the taxes, fees and charges imposed on it under existing local tax ordinances.
 3. In addition, in the case of a new owner to whom the business was transferred by sale or other form of conveyance, said new owner shall be liable to pay the tax or fee for the transfer of the business to him/her if there is an existing ordinance prescribing such transfer tax.
- D. In case it is found that the retirement or termination of the business is found to be legitimate, and the tax due therefrom be less than the tax due for the current year based on the gross sales or receipts, the difference in the amount of the tax shall be paid before the business is considered officially retired or terminated.

NOTE: On the year an establishment retires or terminates its business within the municipality, it would be required to pay the difference in the amount if the tax collected, based on the previous year's gross sales or receipts, is less than the actual tax due based on the current year's gross sales or receipts. (GR No. 154092 14 July 2005)

- E. The permit issued to a business retiring or terminating its operations shall be surrendered to the local treasurer who shall forthwith cancel the same and record the cancellation in his/her books. (Art. 241, IRR implementing Sec. 145, LGC)
- F. If the business changes ownership or relocates from one city/municipality to another, it shall be the duty of the new owner, agent or manager of such business to secure a new permit as required and pay the corresponding permit fee as though it were a new business.

RULE 6

CREDIT FINANCING AND ALTERNATIVE SOURCES OF FUND

SECTION 18. GENERAL POLICY

- A. It shall be the basic policy that any LGU may create indebtedness, and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program.
- B. An LGU may also avail of credit lines from government or private banks and lending institutions for the purpose of stabilizing local finances. (Sec. 296, LGC)

SECTION 19. CREDITS AND OTHER SOURCES OF FUNDS AVAILABLE TO LGUs

LGUs may avail of the following credit financing, indebtedness and other financing mechanisms for the purposes under, and in accordance with the provisions of the LGC, as well as other relevant laws:

- A. Loans, credit, and other forms of indebtedness (Sec. 297, LGC);
- B. Deferred payment and other financial schemes (Sec. 298, LGC);
- C. Loans, grants and subsidies to other LGUs (Sec. 300, LGC);
- D. Joint and several loans with other LGUs (Sec. 300, LGC);
- E. Loans from funds secured by the National Government from foreign sources (Sec. 301, LGC);
- F. Bonds and other long-term securities (Sec. 299, LGC);
- G. Private sector financing, construction, maintenance operations, and management of infrastructure projects under Build-Operate-Transfer (BOT) arrangement; and
- H. Grants

SECTION 20. OTHER BUILD-OPERATE-TRANSFER ARRANGEMENTS

BOT arrangements entail various degrees of involvement of the private sector in the financing, construction and management of public infrastructure and facilities. Among the arrangements referred to as BOT, are the following:

A. Build-Transfer

1. A contractual arrangement under which the project proponent finances and constructs an infrastructure or facility and after its completion turns it over to the government agency or LGU concerned.
2. The LGU shall pay the proponent on an agreed schedule its total investment plus a reasonable rate of return.
3. This arrangement is most suitable for the construction of any infrastructure or development project, including sensitive facilities with security or strategic implications that the Government opts to operate directly.

B. Build-Lease-Transfer

1. A contractual arrangement under which project proponent finances and constructs an infrastructure or facility and upon its completion turns it over to the sponsor agency or LGU on a lease arrangement.
2. The terms and fixed period of the lease enable the proponent to recover its investments and make a reasonable profit.
3. The title of the facility is transferred to the sponsor agency or LGU at the end of the contracted lease period.

C. Build-Own-and-Operate

1. A contractual arrangement under which a project proponent is authorized to finance, construct, own, operate and maintain an infrastructure or development facility.
2. The proponent, which in this case owns the assets, is allowed to recover its total investment, the costs of maintaining and operating the facility and a reasonable return, by collecting tolls, fees, rentals or other charges from facility users.
3. Under this scheme, the proponent, as project owner, may assign its operation and maintenance to a facility operator.

D. Build-Transfer-and-Operate

1. A contractual arrangement under which the sponsor government agency or LGU contracts a private entity to build an infrastructure facility on a turn- key basis.
2. The contractor assumes cost over-runs, delays, and specified performance risks.
3. The title is transferred to the project sponsor as soon as the facility is commissioned satisfactorily, but the private entity operates the facility on its behalf under an agreement.

E. Contract-Add-and-Operate (CAO)

1. A contractual arrangement under which the project proponent is authorized to add to any existing infrastructure facility which it is renting from the government and to operate the expanded project over an agreed franchise period.
2. Any transfer arrangement as regards the added facility depends on the specific agreements and approved contractual arrangements.

F. Rehabilitate-Operate-and-Transfer (ROT) – A contractual arrangement under which an existing facility is turned over to the private sector to refurbish, operate and maintain for a franchise period, at the expiry of which it is turned to the Government.

G. Rehabilitate-Own-and-Operate (ROO) – A contractual arrangement under which an existing facility is turned over to the private sector to refurbish and operate with no time limitation imposed on ownership. As long as the operator is not in violation of its franchise, it can continue to operate the facility in perpetuity.

SECTION 21. DUTIES AND RESPONSIBILITIES OF TREASURERS RELATIVE TO CREDIT FINANCING

Local treasurers have the following duties and responsibilities that relate to the powers of LGUs to use credit financing, indebtedness and alternative sources of funds:

- A. Act as the custodian of all funds directly released to the LGU from the proceeds of grants and from loans, credits and other forms of indebtedness, as well as income and express profits derived from the operations of the projects financed from them. He/she shall deposit these funds in a separate depository account in the name of the LGU with banks, preferably government owned, located in or nearest to the area of jurisdiction of the LGU;
- B. Prepare the required reports of checks issued, disbursements and other accountabilities;
- C. In coordination with other LGU official concerned, ensure that the debt servicing for the LGU credit does not exceed twenty percent (20%) of its annual regular income for each year until the loan is fully paid [Sec. 324 (b), LGC];
- D. Pay or amortize loans, including all interests incurred, as appropriate from the income of the projects or services and/or from the regular income of the LGUs until fully paid;
- E. Coordinate with the local accountant in completing the annual Statement of Indebtedness, Payments and Balances (SIPB) report [BLGF MC No. 005.2018]; and

F. Upon authorization of the sanggunian concerned, Local Treasurers shall:

1. Establish a sinking fund for the re-payment of bond issues or maintain trust funds for the purpose;
2. Maintain special accounts in the General Fund for loans, interest, bond issues, and receipts arising from BOT transactions, such as toll fees, charges, and other mandatory contributions for specific purposes (Sec. 313, LGC);
3. Maintain separate records of funds received for projects financed by proceeds of loans, credits, grants, and other forms of financing to keep track of the cash flow of the project fund; and
4. If required, provide financial data about the LGU that may be needed in relation to its availment of the funding sources and mechanisms.

SECTION 22. PROVISIONS FOR THE SERVICING OF CONTRACTUAL OBLIGATIONS OF LGUs

- A. Using Portion of IRA Shares as Payment to Contractual Obligations - Any LGU, through its local chief executive (LCE) and upon authorization by the sanggunian concerned, may authorize the National Government to deduct or withhold a portion of its IRA share for the payment of its contractual obligation, subject to the limitations defined in the succeeding paragraph (c) hereof. For this purpose, the resolution of the local sanggunian shall clearly state the name of the creditor, the nature of the indebtedness, the amount to be withheld and the period of time that such withholding of IRA shares shall be made. (Art. 401, IRR implementing Sec. 303, LGC)
- B. Mandatory Appropriations for Re-payment of Loans - LGUs shall appropriate in their respective annual budgets such amounts as are sufficient to pay the loans and other indebtedness incurred or redeem or retire bonds, debentures, securities, notes and other obligations issued under this Chapter as they become payable until the total obligations shall have been paid in full. Provided, that failure to provide the appropriations herein shall render their annual budgets inoperative. (Sec. 303, LGC)
- C. Mandatory Requirements and Limitations on Debt Service - LGUs shall make full provision for all statutory and contractual obligations: provided, however, that the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the LGU concerned. [Sec. 324 (b), LGC]
- D. Regular income shall refer to revenues and receipts realized by provinces, cities and municipalities from regular sources of the local General Fund including the IRA and other shares provided for under the LGC, but exclusive of non-recurring receipts such as other national aids, grants, financial assistance, loan proceeds, sale of fixed assets and other similar receipts.

SECTION 23. ENFORCEABILITY OF LOAN OBLIGATIONS NOTWITHSTANDING THE EXPIRATION OF THE TERMS OF THE ELECTIVE CONTRACTING OFFICIALS

Loan obligations contracted by LGUs will subsist and remain binding and enforceable notwithstanding the expiration of the terms of the elective local officials who contracted the same. The corporate existence of the LGU is not co-terminus with the term of its officials who merely are its agents. The sanggunian which authorized the contracting of loan obligations binds the succeeding sanggunian of the LGU which is separate and distinct from the personality of its officials. (DOJ Opinion No. 160, s. 1994)

SECTION 24. GUIDELINES ON THE USE OF FUNDS RAISED BY INDEBTEDNESS

- A. An LGU may contract loans, credits, and other forms of indebtedness with any government or domestic private bank and other lending institutions to finance the following:
 - 1. Construction, installation, improvement, expansion, operation, or maintenance of public facilities, infrastructure facilities, housing projects;
 - 2. Acquisition of real property; and
 - 3. Implementation of other capital investment projects, subject to such terms and conditions as may be agreed upon by the LGU and the lender. [Sec. 297 (a), LGC]
- B. An LGU may likewise secure from any government bank and lending institution short, medium, and long term loans and advances against security of real estate or other acceptable assets for the establishment, development, or expansion of agricultural, industrial, commercial house financing and livelihood projects, and other economic enterprises. [Sec. 297 (b), LGC]
- C. Government financial and other lending institutions are authorized to grant loans, credits, and other forms of indebtedness out of their loanable funds to LGUs for purposes specified above. [Sec. 297 (c), LGC]

SECTION 25. TAX EXEMPTION PRIVILEGES OF LGUs

LGUs shall be exempt from payment of duties and taxes for the importation of heavy equipment or machinery which shall be used for the construction, improvement, repair and maintenance of roads, bridges, and other infrastructure projects, as well as garbage trucks, fire trucks, and other similar equipment: provided, that such equipment or machinery shall not be disposed of, either by public auction or negotiated sale, within five (5) years from their importation. To avail of the incentives and for expeditious processing of request for duty and tax exemption, the following specific requirements are prescribed:

- A. A letter application signed by the LCE (Governor, City Mayor or Municipal Mayor) or his/her duly authorized representative, attaching therewith the pertinent Board Resolution, authorizing the LCE to import/accept donation;
- B. The usual import-documents such as:
 - 1. Bill of lading, airway bill, parcel post notice or other shipping documents;
 - 2. Commercial invoice and packing list; and
 - 3. Other relevant documents covering the shipment.
- C. Sworn statement that the imported articles are not for sale, hire or barter; and
- D. An undertaking from the LGU that, upon release and physical possession of the machinery and equipment, the notice, "ENTERED DUTY/TAX-FREE UNDER THE NEW LOCAL GOVERNMENT CODE" shall be printed in a conspicuous space on the machinery and equipment which was accorded duty-and-tax-free release. (Sec. 5, DOF DO No. 21.92)

SECTION 26. LIMITATIONS ON THE USE OF CREDIT LINES TO STABILIZE LOCAL FINANCE

In the use of credit lines for the purpose of stabilizing local finances, as provided in Sec. 296 of the LGC, LGUs shall observe the following guidelines:

- A. Availment must be approved by the concerned sanggunian; and
- B. Funds availed through credit for this purpose shall be spent and disbursed solely to finance expenditures covered by appropriations authorized in the duly approved local government budget for the current year.

SECTION 27. COMMON REQUIREMENTS FOR CREDIT FINANCING OF LOCAL DEVELOPMENT PROJECTS

LGUs shall observe the following common requirements in the use of credit financing for their development projects:

- A. Inclusion of the proposed project in the approved local development plan and public investment program. [Sec. 296 (a), LGC]
- B. Sanggunian resolution authorizing the LCE to secure/negotiate and/or enter into an agreement, which may include the following:
 - 1. Endorsing the proposed project
 - 2. Identifying the forms/types of financing the projects
 - 3. Authorizing the mode/form of financing the projects
- C. Certificate of Net Debt Service Ceiling and Borrowing Capacity [Appendix 57, BSP Cir. 926, s. 2016]
- D. Favorable Monetary Board Opinion on the probable effects of the proposed credit operation on monetary aggregates, the price level and the balance of payments (BoP) [Sec. 43, RA 11211]

The list of data on the financial and other operations of the LGU, as well as the socio-economic climate within its territory, are shown as follows:

LGU FINANCIAL DATA COMMONLY REQUIRED WHEN AVAILING OF INDEBTEDNESS AND OTHER FINANCING MECHANISMS

- | | |
|--|---|
| <ul style="list-style-type: none"> A. LGU INCOME | <ul style="list-style-type: none"> Local Sources Tax Revenue Real Property Taxes Business Taxes and Licenses Other Taxes Non Tax Revenue Operations of Economic Enterprises Regulatory Fees Service/Users Charges Other Receipts Shares from National Tax Collections/ Grants/Aids Internal Revenue Allotment (IRA) Share in National Wealth Share in tobacco Excise Tax Grants Domestic Foreign National Aid Loans, Borrowing, and Transfers Loans Transfers Inter-Local Transfers |
| <ul style="list-style-type: none"> B. LGU EXPENDITURES 1. By Function a. General public services b. Education, culture and sports c. Labor and employment d. Housing and Community Development | |

Other credit worthiness documentary requirements and further credit analysis to be done by the Bureau of Local Government Finance are discussed in a separate manual entitled "Creditworthiness Rating Manual."

SECTION 28. ACCEPTABLE COLLATERAL

The most common securities or collaterals which LGUs may offer for loans to satisfy the requirements of lending institutions are any one or a combination of the following:

- A. Assignment of a portion of the share from the IRA of the LGU concerned;

Any LGU through its LCE and upon authorization by way of a resolution of the sanggunian concerned, may authorize the National Government to deduct or withhold a portion of its IRA share for the payment of its contractual obligations, subject to the limitations under Sec. 324 (b) of the LGC. The resolution of the sanggunian shall clearly state the name of the creditor, the nature of indebtedness, the amount to be withheld, and the period and term that such withholding of the IRA shares shall be made;

- B. Chattel mortgage of equipment financed by the loan;
- C. Real estate mortgage of the patrimonial property of the LGU; and
- D. Net profit from the project financed by the credit.

SECTION 29. SPECIAL ACCOUNT FOR LOANS, INTERESTS, BONDS, AND CONTRIBUTIONS FOR SPECIFIC PURPOSES

LGUs shall maintain special accounts in their general fund for the following:

- A. Public utilities and other economic enterprises;
- B. Loans, interests, bond issues, and other contributions for specific purposes;
- C. Development projects funded from the IRA; and
- D. Such other special accounts which may be created by law or ordinance

SECTION 30. OTHER REQUIREMENTS FOR LOANS, DEFERRED PAYMENTS, AND OTHER FINANCIAL LOANS, SCHEMES

The officials of LGUs contracting loans and other forms of indebtedness under the provisions of this Chapter shall also comply with the following:

- A. Any other provisions of the LGC, or other laws that may be relevant to a particular project or the transactions necessary to realize it;
- B. The rules and regulations on property and supply management, which shall be applied in the acquisition of equipment or machinery under the loans, deferred payment and other financial schemes; and
- C. All applicable accounting and auditing policies and regulations.

SECTION 31. INTER-LGU LOANS, GRANTS, AND SUBSIDIES

Provinces, cities and municipalities may, upon approval of the majority of all members of the sanggunian concerned and in amounts not exceeding their surplus funds, extend loans, grants, or subsidies to other LGUs under such terms and conditions as may be agreed upon by the contracting parties. (Sec. 300 1st par., LGC) There are no standard terms and conditions for loans under this scheme. However, the creditor LGU and the borrower LGU have to negotiate, come to an agreement, and observe

the following processes:

- A. Enactment by the lending and the borrowing LGUs of the required resolutions and/or ordinances duly signed/approved by the majority of all the members of their respective sanggunian, stipulating the terms and conditions that shall include the following:
 1. Repayment scheme and grace period;
 2. Interest lending/borrowing rate;
 3. Security/collateral;
 4. Benefits to both the lending and the borrowing LGUs; and
 5. Automatic budget allocation of the necessary amount for repayment
- B. Ratification of the loan contract by the sanggunian of both contracting LGUs/ parties, which is needed for the loan agreement to become valid and enforceable.
- C. Certification by the Local Treasurer of the lending LGU, attested to by its Auditor, of the accumulated surpluses eligible for lending, grants or subsidies.

SECTION 32. JOINT AND SEVERAL LGU LOAN ARRANGEMENTS

LGUs may, upon approval of their respective sanggunian, jointly and severally contract loans, credits, and other forms of indebtedness for purposes mutually beneficial to them. (Sec. 300, LGC)

SECTION 33. LOANS FROM FUNDS SECURED BY THE NATIONAL GOVERNMENT FROM FOREIGN SOURCES

The President or his/her duly authorized representative may, through any government financial or other lending institution, relend to any province, city, municipality, or barangay, the proceeds of loans contracted with foreign financial institutions or other international funding agencies.

A. Guidelines:

1. The loans shall be used for the purpose of:
 - a. Financing the construction, installation, improvement, expansion, operation or maintenance of public facilities, infrastructure facilities, or housing projects;
 - b. Acquiring real property; and
 - c. Implementing other capital investment projects.
2. Such loans shall be subject to the terms and conditions agreed upon by the President and the LGU. The proceeds from such loans shall accrue directly to the LGU. [Sec. 301 (a), LGC]
3. The President may likewise authorize the relending to LGUs the proceeds of grants secured from foreign sources, subject to the provisions of existing laws and the applicable grant agreements. [Sec. 301 (b), LGC]
4. Repayment or amortization of loans, including their accrued interest thereon, may be financed partly from the income of the projects or services and from the regular income of the LGU, which must be provided for and appropriated regularly in its annual budget until the loan and interest thereon shall have been fully paid. [Sec. 301 (c), LGC]

5. First tier LGUs may directly contract loans with multilateral financial institutions created by multilateral treaties to which Philippines is a signatory. [Sec. 1, EO No. 809, s. 2009]

B. The Municipal Development Fund as Conduit - The Municipal Development Fund, created under PD No. No. 1914, operates for the above purposes with the DOF as administrator. Provinces, cities and municipalities may tap the Municipal Development Fund for loans through agreements with the DOF, setting the terms and conditions of the loan. (Sec. 1, P. D. 1914)

SECTION 34. DEFERRED PAYMENTS AND OTHER FINANCIALSCHEMES

Provincial, city and municipal governments may acquire property, plant, machinery, equipment, and such necessary accessories under a supplier's credit, deferred payments plan, or other financial schemes (Sec. 298, LGC) under the following conditions:

- A. That the acquisition of such equipment, machinery, and their accessories shall be governed by the pertinent provisions of the Implementing Rules and Regulations of the LGC, on "Local Government Supply and Property Management", whether such items are to be supplied or purchased from a local or foreign supplier; and
- B. That the LCE, through a sanggunian resolution, is authorized to negotiate the contract executed under the deferred payment scheme. (Art. 396, IRR implementing Sec. 298, LGC)

SECTION 35. BONDS AND OTHER LONG TERM SECURITIES

Subject to the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), provinces, cities and municipalities are authorized to issue bonds, debentures, securities, collaterals, notes and other obligations to finance self-liquidating, income-producing development or livelihood projects pursuant to the priorities established in the approved local development plan or the public investment program. (Sec. 299, LGC)

- A. **Debt Service Requirement and Limitations** - As debt instruments, bonds are subject to the mandatory appropriations in the respective annual budgets of LGUs, as provided under Sec. 303 of the LGC. Likewise, bonds are subject to the debt service limitations provided for under Sec. 324 (b) of the LGC. The Bureau of Local Government Finance (BLGF) certification on the maximum borrowing or debt service capacity of an LGU is part of the documentation required for the issuance of local government bonds.
- B. **Sanggunian Approval** - The sanggunian concerned shall, by way of an ordinance approved by a majority of all its members, declare and state the terms and conditions of the bonds and the purpose for which the proposed indebtedness is to be incurred. (Sec. 299, LGC)
- C. **National Government Guarantee** - In cases where the bond issue shall bear the guarantee of the National Government, the approval of the Secretary of Finance shall be required. [Art. 397 (b), IRR implementing Sec. 299, LGC]
- D. **Local Government Bond Issuances are Subject to Rules and Regulations of the BSP** - Whenever LGUs contemplate to borrow within the Philippines, the prior opinion of the Monetary Board shall be requested in order that it may render an opinion on the probable effects of the proposed operation on monetary aggregates, the price level and the balance of payments. (Sec. 123, Art 111, R. A.

No. 7653 or the BSP Charter)

- E. Local Government Bonds are Exempt from Registration Requirements of the SEC** - Local government bonds are exempt from the registration requirements of the SEC. However, in order to maintain standards in the securities market, the SEC maintains authority and control over the underwriters and brokers of all types of securities including local government bonds.
- F. Special Documentation Requirements for Local Government Bonds.** - In addition to the common requirements, the following documentary requirements shall be complied with in the issuance of local government bonds:
1. BLGF certification as to the debt service capacity of the LGU concerned (BSP Circular No. 926 s. 2016, 13 September 2016);
 2. DOF certification as to the national government guarantee in case the flotation requires National Government guarantee (BSP Circular No. 44);
 3. Monetary Board opinion on the probable effects of the proposed issuance of the LGU Bonds on the monetary aggregates, price levels and balance of payments (BSP Circular No. 41);
 4. Sanggunian resolution for the following:
 - a. Establishment of sinking fund for the payment of retiring or maturing bonds;
 - b. Authorizing the LCE to enter into an agreement with the financial advisor/trustee; and
 - c. Certifying that the LGU will or will not seek any National Government guarantee for the bond.
 5. Annual Audit Report for the immediately preceding year; and
 6. Budget Operation Statement/Statement of Actual Income and Expenditure for the past five (5) years duly signed by the Local Treasurer and/or Local Accountant indicating the IRA actually received for the same period.

SECTION 36. PRIVATE SECTOR FINANCING UNDER THE BUILD-OPERATE-TRANSFER (BOT) ARRANGEMENT

LGUs may avail of the several variations of BOT arrangement to finance, construct, maintain, operate and manage infrastructure projects. The general provisions are as follows:

A. Authorization

LGUs may enter into contracts with duly pre-qualified individual contractor, for the financing, construction, operation, and maintenance of any financially viable infrastructure facilities, under the build-operate-and-transfer agreement, subject to the applicable provisions of R. A. No. 6957, authorizing the financing, construction, operation and maintenance of infrastructure projects by the private sector and the rules and regulations issued thereunder and as such terms and conditions provided for in this Section. [Sec. 302 (a), LGC]

B. Inclusion in Local Development Plans and Public Investment Programs

LGUs shall include in their respective local development plans and public investment programs priority projects that may be financed, constructed, operated and maintained by the private sector under this Section. [Sec. 302 (b), LGC]

C. Disclosure and Public Endorsement

It shall be the duty of the LGU concerned to disclose to the public all projects eligible for financing under this Section, including official notification of duly registered contractors and publication in newspaper of general or local circulation and in conspicuous and accessible public places. Local projects under the BOT agreement shall be confirmed by the Local Development Councils (LDCs). [Sec. 302 (b), LGC]

D. Terms and Conditions

Projects implemented under the provisions of this Section shall be subject to the following terms and conditions:

1. The provincial, city or municipal engineer, as the case may be, upon formal request in writing by the LCE, shall prepare the plans and specifications for the proposed project, which shall be submitted to the sanggunian for approval. [Sec. 302 (c) (1), LGC]
2. Upon approval by the sanggunian of the project plans and specifications, the provincial, city or municipal engineer shall, as the case may be, cause to be published once every week for two (2) consecutive weeks in at least one (1) local newspaper which is circulated in the region, province, city or municipality in which the project is to be implemented, a notice inviting all duly qualified contractors to participate in a public bidding for the projects so approved. The conduct of public bidding and award of contracts for local government projects under this Section shall be in accordance with the LGC, and other applicable laws, rules and regulations. [Sec. 302 (c) (2) 1st par., LGC]
3. In the case of a BOT agreement, the contract shall be awarded to the lowest complying bidder based on the present value of its proposed schedule of amortization payments for the facility to be constructed according to the prescribed minimum designs and performance standards, plans and specifications. For this purpose, the winning contractor shall be automatically granted by the LGU concerned the franchise to operate and maintain the facility, including the collection of tolls, fees, rentals, and charges, in accordance with sub-Section (c) (4) hereof. [Sec. 302 (c) (2) 2nd par., LGC]
4. In the case of a BOT agreement, the contract shall be awarded to the lowest complying bidder based on the present value of its proposed schedule of amortization payments for the facility to be constructed according to the prescribed minimum designs and performance standards, plans and specifications. [Sec. 302 (c) (2) 3rd par., LGC]
5. Any contractor who shall undertake the prosecution of any project under this Section shall post the required bonds to protect the interest of the province, city, or municipality, in such amounts, as may be fixed by the sanggunian concerned. [Sec. 302 (c) (3), LGC]
6. The provincial, city or municipal engineer shall, as the case may be, not allow any contractor to initiate the prosecution of projects under this Section unless such contractor presents proof or evidence that he/she has posted the required bond. [Sec. 302 (c) (3), LGC]
7. The contractor shall be entitled to a reasonable return of its investment in accordance with its bid proposal, as accepted by the LGU concerned.
8. In the case of a BOT agreement, the repayment shall be made by authorizing

the contractor to charge and collect reasonable tolls, fees, rentals, and charges for the use of the project facility not exceeding those proposed in the bid and incorporated in the contract:

- a. Provided, that the LGU concerned shall, based on reasonableness and equity, approve the tolls, fees, rentals and charges;
 - b. Provided, further, that the imposition and collection of tolls, fees, rentals and charges shall be for a fixed period, as proposed in the bid and incorporated in the contract, which shall in no case exceed fifty (50) years;
 - c. Provided, finally, that during the lifetime of the contract, the contractor shall undertake the necessary maintenance and repair of the facility in accordance with standards prescribed in the bidding documents and in the contract. [Sec. 302 (c) (4) 1st and 2nd pars., LGC]
9. In the case of BOT agreement, the repayment shall be made through amortization payments in accordance with the schedule proposed in the bid and incorporated in the contract.
 10. In case of land reclamation or construction of industrial estates, the repayment plan may consist of the grant of a portion or percentage of the reclaimed land or the industrial estate constructed. [Sec. 302 (c) (4) 3rd and 4th pars., LGC]
 11. Every infrastructure project undertaken under this Section shall be constructed, operated, and maintained by the contractor under the technical supervision of the LGU and in accordance with the plans, specifications, standards, and costs approved by it. [Sec. 302 (c) (5), LGC]

E. Review of Contracts - The provincial, city or municipal legal officer shall, as the case may be, review the contracts executed pursuant to this Section to determine their legality, validity, enforceability and correctness of form. [Sec. 302 (d), LGC]

F. BOT Project Formulation and Proponent Selection - The existing BOT legal framework based on R. A. No. 7718 recognizes two (2) modes for identifying projects and selecting proponents, which affect the processes involved in the early phases of the BOT project. These modes are as follows:

1. **Solicited Proposals** - These are the priority projects identified by the sponsor agency or LGU. The sponsor formulates the project based on its objectives and studies, and then invites ("solicits") the private sector to participate in its realization.
2. **Unsolicited Proposals** - These are BOT project proposals of private proponent to prospective sponsor agencies/LGUs. An unsolicited project may be accepted if it addresses existing priorities or needs that may or may not have been previously realized by the prospective sponsor. The agency/LGU may accept an unsolicited proposal on a negotiated basis if the project meets certain conditions.

SECTION 37. AUTHORITY TO NEGOTIATE AND SECURE GRANTS

LCEs may, upon authority of the sanggunian, negotiate and secure financial grants or donations in kind, in support of the basic services or facilities enumerated under Sec. 17 of the LGC, from local and foreign assistance agencies, without necessity of securing clearance or approval therefore from any department, agency, or office of the National Government or from any higher LGU.

A. Projects with National Security Implications – Provided, that projects financed by such grants or assistance with national security implications shall be approved

by the national agency concerned: provided, further, that when such national agency fails to act on the request for approval within thirty (30) days from receipt thereof, the request shall be deemed approved. (Sec. 23 1st par., LGC)

B. Required Report to Congress and the President – The LCE shall, within thirty (30) days upon signing of such grant agreement or deed of donation, report the nature, amount, and terms of such assistance to both Houses of Congress and the President. (Sec. 23, 2nd par., LGC)

C. Formal Procedural Requirements – In availing of the Official Development Assistance (ODA) facilities, the LGU needs to consider that ODA donors as a matter of procedure coordinate regularly with the National Economic and Development Authority (NEDA) which in turn coordinates local government matters with the DILG. For this reason, the following formal procedures shall be observed:

1. The LGU prepares the project proposal using the required NEDA forms in consultation with the DILG and NEDA and with other National Government Agencies (NGAs), as appropriate;
2. The LDC evaluates the project proposal for consistency with its Local Development Plan and the Annual Investment Program (AIP);
3. Upon satisfactory evaluation of the proposal, the sanggunian authorizes the LCE to negotiate the grant;
4. NEDA checks the proposal for possible duplication with other proposed/ on-going projects, and upon clearance endorses it to the ODA institution. If duplications or conflicts are found, the proposal is referred back to the LGU for review and revision;
5. The LCE endorses the project, through NEDA, to the identified ODA-granting institution;
6. The LGU submits the project proposals to the DILG which refers it to the concerned NGAs for possible security implications;
7. The concerned NGAs review the project proposal and within thirty (30) days, inform the DILG and the LGU concerned of the result of the review. As appropriate, the proposal may be approved or objected due to security implications, or referred back for revisions;
8. LGU coordinates directly with the ODA grant funding institutions in monitoring the latter's processing of the proposal and regularly informs the DILG and the NEDA of the status of the proposal;
9. NEDA coordinates regularly with the ODA grant funding institution in facilitating the evaluation and approval of the local project proposal; and
10. An NGA or higher local or regional governmental body (i.e. PDC and RDC) evaluates the project proposals only upon express request of the ODA grant donor and the consent of the LGU(s) concerned.

SECTION 38. PROHIBITED ACTS RELATED TO THE AWARDS OF CONTRACTS UNDER THE PROVISION ON CREDIT FINANCING

- A. It shall be unlawful for any public official or employee in the provincial, city, or municipal government, or their relatives within the fourth civil degree of consanguinity or affinity, to enter into or have any pecuniary interest in any

contract for the construction, acquisition, operation, or maintenance of any project awarded pursuant to the provisions of Title 4, Book II of the LGC, or for the procurement of any supplies, materials, or equipment of any kind to be used in the said project.

- B. Any person convicted for violation of the provisions of said Title shall be removed from office and shall be punished by imprisonment of not less than one (1) month, nor more than two (2) years, at the discretion of the court, without prejudice to prosecution under other laws.

(Sec. 520, LGC)

SECTION 39. DEBT MANAGEMENT

A. Purpose and Need for Debt

LGUs are empowered under Sec. 296 of the LGC to create indebtedness, and avail of credit facilities to finance local infrastructure and other socio-economic projects in accordance with the approved local development plan and public investment program.

To ensure the efficient implementation of the debt service limit on the LGU loans and borrowings as provided in Sec. 324(b) of the LGC, BSP required all banks and non-bank quasi-banks (NBQB), under its Circular Letter, series of 2002, 28 May 2002, to present a certificate of LGUs debt service and borrowing capacities, duly certified by the BLGF.

Aimed to guarantee an accurate and proper evaluation of the request for Certificate of Net Debt Service and Borrowing Capacities (NDSC), BLGF issued on 16 April 2012, Local Finance Circular (LFC) No. 1-2012, requiring LGUs to submit lists of supporting documents to be submitted by the LGUs requesting said certificate. On the other hand, BSP in its Circular No. 769, s. of 2012, issued guidelines on request for Monetary Board Opinion on the monetary and balance of payments implications of proposed domestic borrowings by LGUs, pursuant to Sec. 123 of RA No. 7653.

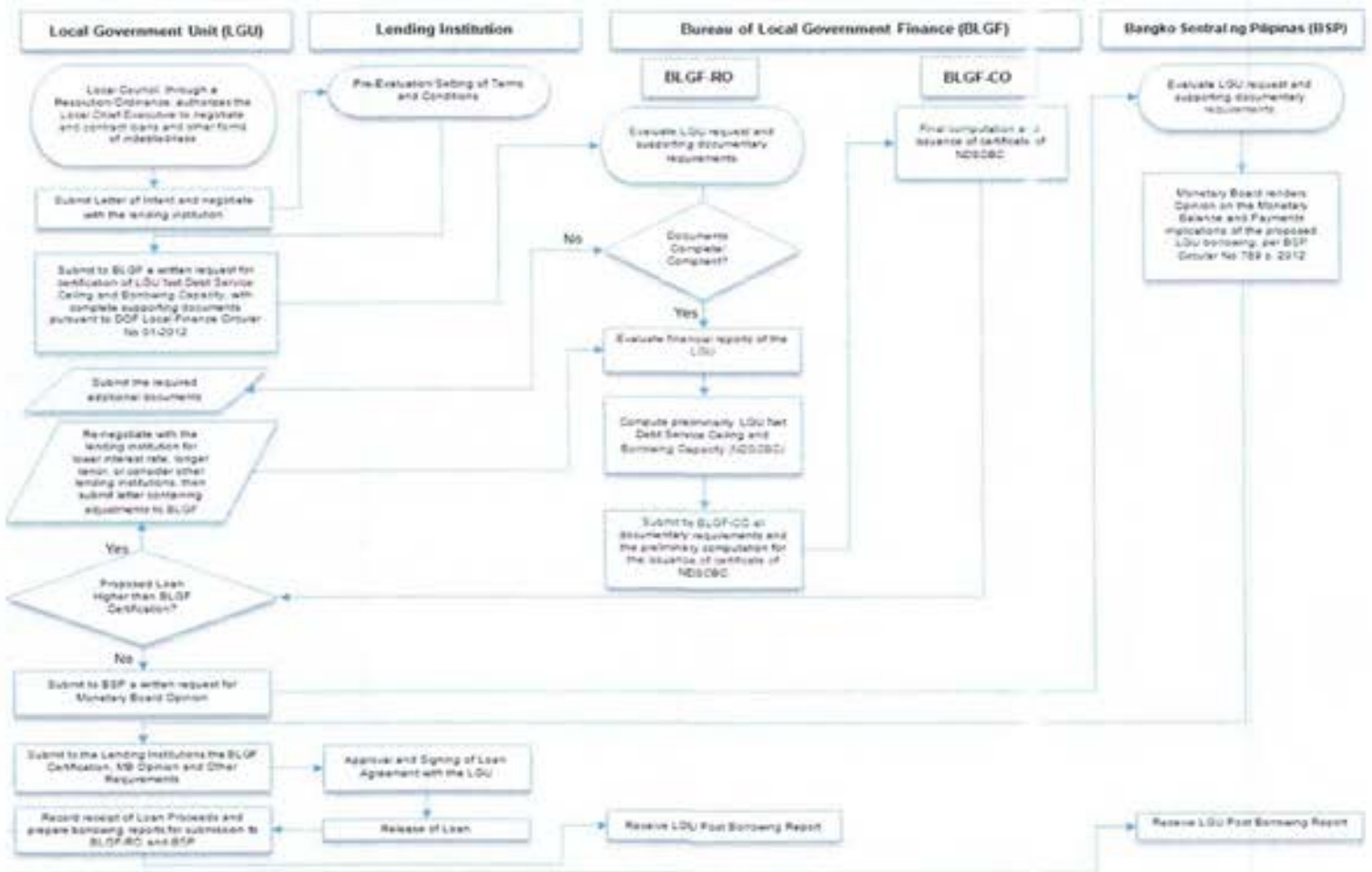
Moreover, to facilitate, expedite and render efficient service standards to all LGUs requesting for certification on NDSC and Borrowing Capacity (BC), across all levels and in any of its geographical jurisdiction. BLGF issued Memorandum Circular No. 05-2016, 26 February 2016, requiring its Regional Offices to evaluate and validate the documentary requirements submitted by LGUs and determine the preliminary computation of NDSC and Net Borrowing Capacity (NBC) before BLGF Central Office makes final computation and issue certificate.

Under DOF Department Order No. 054.2016, 25 October 2016, irrelevant requirements were removed to improve BLGF efficiency and service delivery without prejudice to the accuracy of the certificate. The BLGF deemed it prudent to cut the existing twelve (12) documentary requirements down to four (4), and improve the review and computation of NDSC and Borrowing Capacity (BC) of the concerned LGUs.

1. Documentary Requirements for the Certification of Debt Service and Borrowing Capacity
 - a. Letter request from the LCE indicating:
 - i. The selected lending institution;
 - ii. Terms and conditions of the proposed loan (repayment period and interest rate); and
 - iii. The specific purpose of the loan.
 - b. Certificate by the local treasurer of presence or absence of loan/s, duly certified with the following details:

- i. Types of loan/s and other obligations contracted;
 - ii. Purpose of the loan/s and other obligations contracted;
 - iii. Name of the lending institution/s;
 - iv. Date of approval and maturity of loan/s;
 - v. Terms and conditions (interest rate and number of years to pay);
 - vi. Remaining balances of loan/s and other obligations; and
 - vii. Annual amortization schedules (segregating the principal from the interest) issued by the lending institution.
- c. COA Annual Audit Certificate for the most recent year, which shall be supported by the year-end financial report for the past three (3) years:
- i. Pre-closing Trial Balance (General Fund);
 - ii. Detailed Statement of Financial Performance;
 - iii. An Agency Action Plan and Status of Implementation (AAPSI) report on COA recommendations shall be required if there are findings of COA, while they may only be 'qualified and not 'adverse', pertaining to local financial management and treasury matters or specifically concern the local treasurer, such as, but not limited to: (a) Unremitted and undeposited collections; (b) Unliquidated cash advances; (c) Unremitted mandatory contributions and GSIS, PAGIBIG, Philhealth, withholding tax to BIR; and (d) Unreconciled cash book with the Bank Reconciliation Statement and Subsidiary Ledger.
- d. Certification issued by the lending institution stating that it shall not require LGU deposits as compensating balance for loan, if such lending institution is (1) not an authorized depository bank or (2) an authorized government depository bank required to obtain the prior approval of the DOF as provided under the DOF Department Circular No. 001.2017, 1 May 2017.
2. Documentary Requirements for LGUs Affected by Natural and/or Man- Made Disasters. Local governments that cannot in any way provide the full documentary requirements aforestated, due to natural and/or man-made calamities, and have been declared under state of calamity either by national or local authorities shall, for a period of one (1) year from the declaration of state of calamity, be required only to submit the documents required in Sec. 3.1 and 3.2 hereof, together with certified copy of such declaration.

Process Flow Request for Certificate of Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC)



A. Funding Competing Capital Projects

It is equally important for the Local Treasurers to know which capital project to choose from several alternative projects in order to maximize the utilization of loan proceeds. In the selection of projects to be funded, a balance will be established between the projects' abilities to meet the priorities of the LGU and the financial requirements of the projects. For each project, the viability and approvability of the project and its funding from long-term debt should be assessed based on the following factors:

1. Nature of the Project and Uses of Funds – For each project for which the loan is proposed, the nature of the project as well as the intended use of the loan proceeds should be fully described.
2. Cost-Benefit Analysis of the Project – The benefits of the proposed project should be defined and, when appropriate, quantified in monetary terms. The sources and uses of funds should be identified and estimated. Where revenues are part of the benefits, all assumptions made in deriving the revenues should be documented. The validity of the assumptions and the risk associated with the revenue flows will be assessed. The costs of the project will be estimated, with the basis of estimates documented and the risk associated with the estimates assessed. If regular funds are proposed to be utilized, the impact upon the LGU budgets will be assessed.
3. Expenditure Plan and Sources of Debt Servicing – A detailed plan for the funds expenditure and debt repayment should be developed for each project. The plan should demonstrate the timely matching of funds availability with project expenditures and that debt service should commence with the flow of revenues needed to pay the interest and principal on the debt. The basis of the estimates for the project cost expenditure plan and the basis of revenue cash flow estimates should be documented and the risk associated with those revenue flows should be analyzed.

B. Debt Management Policy

Since the Local Treasurer is the custodian of all funds of the LGU including funds sourced from loans and other types of indebtedness, it is equally important that he/she should be involved in the overall debt management strategy of the LGU.

1. The LGU should adopt and maintain effective debt management policies that recognize the capital improvement needs of the LGU as well as the taxpayers' ability to pay while taking into account existing legal, economic, financial and debt market considerations. The following factors relevant to the issuance of debt should be considered:
 - a. Legal constraints on debt capacity and various financing alternatives;
 - b. The urgency of the capital requirements to be met and the economic costs of delay;
 - c. Willingness and financial ability of the taxpayers to pay for the capital improvements;
 - d. Proper balance between internal and external financing;
 - e. Current interest rates and other market considerations;

- f. The financial condition of the LGU;
 - g. The types, availability and stability of the revenues to be pledged for the repayment of the debt; and
 - h. Type of debt to be incurred/issued.
2. The LGU may adopt a combination of the following debt management policies depending upon its needs and situation:
- a. Capital projects related to economic enterprise operations should be financed solely by debt to be repaid from user fees and revenues generated from the respective economic enterprise operations.
 - b. Capital projects not related to economic enterprise operations shall be financed by debt to be repaid from available revenue sources earmarked for said projects.
 - c. Cash surpluses, to the extent available and not restricted, should be used to finance scheduled capital projects.
 - d. The LGU shall resort to long-term debt only for purposes of constructing or acquiring capital assets such as market, Plant, Property and Equipment, and for making major renovations to existing capital projects.
 - e. All capital projects financed through loans and debt instruments should be financed for a period not to exceed the useful or economic life of the project.
 - f. The LGU shall not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.
 - i. The LGU shall, at all times, manage its debt and sustain its financial position in order to maximize its debt capacity, and seek and maintain a high credit rating.
 - ii. The LGU should consider coordinating with other local government entities to the fullest extent possible, so as to minimize the overlapping debt burden to citizens.
 - iii. The LGU shall ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with appropriate laws, rules, regulations and covenants associated with its outstanding debts.
 - iv. The LGU shall link planning and budgeting.
 - v. Revenue sources will only be earmarked for debt service when legally available and when there are sufficient revenue sources to fund the LGU's regular operational needs.
 - vi. The LGU shall avail of soft loans with concessional rates of interest and long repayment terms. In case the LGU issues bonds and other debt instrumentalities, it shall market its debt through the use of competitive bidding whenever deemed feasible, cost effective and advantageous to do so.
 - vii. The LGU shall continually monitor its outstanding debt in relation to existing conditions in the debt market, and shall

refinance/restructure its debt when it is more cost effective and advantageous to do so. The LGU may also consider the pre-termination or early repayment of its debt when sufficient cost savings can be realized.

- viii. In case the LGU issues bonds to finance its capital projects, it should stabilize its debt service payments through the use of appropriate stabilization arrangements such as the maintenance of a Sinking Fund or the establishment of Fund Reserves.

RULE 7

STATEMENT OF RECEIPTS AND EXPENDITURES & ELECTRONIC STATEMENT OF RECEIPTS AND EXPENDITURES FINANCIAL MANAGEMENT REPORTING SYSTEM

SECTION 40. STATEMENT OF RECEIPTS AND EXPENDITURES (SRE) FINANCIAL REPORT SYSTEM: DEFINITION, COMPOSITION, AND LEGAL BASIS

- A. The SRE is the official reporting system of the DOF for monitoring LGU financial performance. This report is generated through the Electronic Statement of Receipts and Expenditures (eSRE) system of the BLGF. It captures data that generates information on the fiscal capacity, level of borrowings, and creditworthiness of LGUs. The SRE report also provides financial information to the LCE for the purpose of policy formulation and fiscal management.
- B. The SRE was formerly known as the Statement of Income and Expenditures (SIE). The word "Income" was replaced with "Receipts" so as to include loan proceeds and other receipts not classified as income (i.e., proceeds from loan, sale of assets, etc.). Likewise, expenditures are classified into operating and non-operating to distinguish outright expense (operating) from capital and investment outlays and loan payments (non-operating).
- C. The SRE presents receipts and expenditures of the General Fund, SEF, and the Trust Fund and Trust Liabilities. The Trust Liabilities in the SRE report is added to separate collection of advance payment of Real Property Tax. The data presented in the SRE are totals of major captions comprising various account classifications from its main source documents, namely: (a) Statement of Receipt Sources (SRS); and (b) Statement of Expenditures (SOE).
- D. The SRE is divided into three major segments:
1. The first is the current operating segment which is identical to the COA's Statement of Financial Performance. It shows the operating income from local and external sources and current operating expenses (COE) which includes Personal Services (PS), Maintenance and Other Operating Expenses (MOOE), and Financial Expenses (FE);
 2. The second segment is the non-operating receipts and expenditures which is equivalent to the investing and financing activities in the COA's Cash Flow Statement which includes receipts from sale of assets, investment, loan proceeds and expenditure such as purchase of assets, investment and payment of loans; and

3. The third segment is the fund balance which shows the details of cash balances.

E. Legal Basis

The eSRE was instituted by the DOF as the official reporting system on local government fiscal and financial matters pursuant to DO 8-2011, which provides that:

"The DOF shall be responsible for supervision of the revenue operations of all LGUs, with the objective of making these entities less dependent on funding from the national government."

"The BLGF issued Memorandum Circular Nos. 14-2008, 18-2008 and 19-2008 prescribing the Statement of Receipts and Expenditures for collecting and monitoring financial information and performance of all LGUs, thereby upgrading the SIE system for the purpose of harmonizing the data with other government fiscal reports, such as the New Government Accounting System of the COA, and to synchronize the preparation of the SRE by concerned LGU officials."

"The eSRE is hereby instituted as the official Reporting system of the DOF on Local Government Fiscal and Financial Matters, to be maintained by the BLGF to fully establish a reliable, accurate and timely reporting and monitoring system in the country."

SECTION 41. STATEMENT OF RECEIPTS AND EXPENDITURES (SRE): PURPOSE AND USE

A. Purpose

1. **LGU Monitoring System** – LGU financial performance can be evaluated through the data inputted to the system based from reports submitted by the LGUs.
2. **Policy Development** – SRE offers sound financial information to assist policymakers and legislators in drafting local and national legislations, policies, rules and regulations.
3. **Forecasting and Planning** – consolidated data are useful in planning, forecasting, debt certification, creditworthiness rating system, LGU income classification system, among others.
4. **Statistics** – the SRE provides key granular data in local finance such as locally sourced income, external sources of revenues and expenditures and such other financial or fiscal statistics on LGU finance that can be used to design economic and fiscal capacity models.

B. Users and Uses:

User/s	Use/s
Bureau of Local Government Finance (BLGF)	As a tool in monitoring the LGUs' financial performance, data source in setting LGUs' annual income targets, data source and tool in medium- term revenue and expenditure forecasting, and tool for creditworthiness rating and debt capacity monitoring.
Department of Finance (DOF)	As data source for revenue collections, borrowings, LGU's surplus and deficit as input to consolidated public sector financial position (CPSFP) and drafting of national policies.
Department of the Interior and Local Government (DILG)	As data source for revenue collections, borrowings, LGU's surplus and deficit as input to consolidated public sector financial position (CPSFP) and drafting of national policies.
Municipal Development Fund Office (MDFO)	As data source for processing of LGU's application for loans/grants.
National Economic Development Authority (NEDA)	As data source for local finance statistics, forecasting and planning.
Department of Budget and Management (DBM)	As data source for the preparation of Budget of Expenditures and Sources of Financing (BESF) and in cash flow forecasting.
National Tax Research Center (NTRC) Bangko Sentral ng Pilipinas (BSP)	As data source for local finance statistics for research and publication purposes.
Senate of the Philippines House of Representatives	As source of local financial data and analysis in aid of legislation.
Financial Institutions	As data source for evaluation of LGU's credit application.
Potential Donors	As data source and basis for extending grants/ donations/aids/loans to LGUs.
Other Stakeholders/ Researchers	As data source for economic forecasts and to evaluate the LGUs' operating performance.
Public	Serve as source of information in the assessment of local governments' performance in public financial management and other local finance statistics and reports.

SECTION 42. ELECTRONIC STATEMENT OF RECEIPTS AND EXPENDITURES (eSRE)

- A. The eSRE System was primarily established to provide the BLGF with detailed and timely financial information for the purpose of monitoring LGUs' financial performance and to address the financial monitoring and management needs of LGUs' users.
- B. The eSRE System is composed of the eSRE LGU Report System and the eSRE Central System. The eSRE LGU Report System is a system installed in all LGUs for the purpose of entering LGU-specific SRE data and generating reports which will be submitted to the BLGF for review and approval. The eSRE Central System serves as a web-based engine to view financial data and report records which are submitted by all LGUs. Once the data of the LGUs are uploaded from the eSRE LGU Report System to the eSRE Web System, the BLGF can generate, review, approve, analyze reports.
- C. The current release version of the eSRE includes the following modules:
 - 1. **Debt Management Module** – This module is used to generate LGUs' debt capacity certificate and to monitor LGUs' borrowing activities. It captures the aggregate debt of the LGUs and provides early warning if LGUs are nearing the statutory 20% debt ceiling.
 - 2. **Creditworthiness and Financial Indicator Module** – Creditworthiness shows the capacity of an LGU to incur and repay debt responsibly while the financial indicators measure LGU's performance in terms of public financial management and determine its overall financial health.
 - 3. **Fiscal Capacity Model** – This module is used to generate forecasts key own-source revenue levels of all provinces, cities and municipalities which can be used for planning purposes.
- D. The e-SRE database also provides information for the following LGU performance systems:
 - 1. **LGU Fiscal Sustainability Scorecard (LGU FSS)** – the SRE provides the main backend database in computing the benchmarks for all financial indicators of the Scorecard and in rating the reporting compliance of treasurers.
 - 2. **Performance Standards for Local Treasurers and Assistant Treasurers** – the SRE is used for computing financial indicators measuring performance in achieving various operational goals of treasurers and assistant treasurers.
 - 3. **Seal of Good Local Governance (SGLG)** – the SRE provides financial indicators for the Department of the Interior and Local Government performance management indicator system.
 - 4. **Cities and Municipal Competitiveness Index (CMCI)** – the National Competitiveness Council (NCC) uses the SRE for the computation of the Ratio of LGU collected tax to total LGU revenues. This is one of the indicators in the CMCI which measures economic development and competitiveness at the local government level.
 - 5. **Philippine Poverty- Environment Initiative (PPEI) and Extractive**

Industries Transparency Initiative (ITI) – The SRE serves as data source on the detailed account of shares from national wealth received by LGUs such as local taxes, fees and user charges paid from extractive industries as well as the tagging of the expenditures items from such proceeds.

6. **Most Business Friendly LGU Award** – The Philippine Chamber of Commerce and Industry (PCCI) used the SRE as part of the Qualifying Indicator to commend LGUs that have become successful in creating an environment that is conducive to business.

SECTION 43. GUIDELINES AND MANUALS FOR THE PREPARATION AND SUBMISSION OF THE ESRE REPORTS

A. Manual for the Preparation of the SRE for LGUs (Concepts, Input Preparation and Reporting) - The Manual contains the guidelines, procedures and instructions in the preparation of SRE which shall be the used by all local treasurers and SRE focal persons. The objectives of this manual are the following:

1. Uniformity in the preparation of the SRE report by applying common classification of accounts, use of terminologies and timing of recording financial transactions in harmony with the New Government Accounting System (NGAS) reports and in conformity with the Philippine Financial Reporting System (PFRS) and International Financial Reporting Standards (IFRS);
2. Identification of various source documents to be used in the preparation of SRE report and guidelines for the completion of the various report forms; and
3. Illustration on the utilization of the financial information for monitoring the financial performance of the LGUs.

The electronic copy of these manuals are downloadable online at <http://blgf.gov.ph/manuals>

B. Electronic Statement of Receipts and Expenditures v2.1 User Manuals (LGU System & Central System)

1. The eSRE User's Manual provides the necessary information for encoders to provide information for the eSRE reporting system and reviewers and approvers to evaluate the submissions. Each type of user is provided with screen shots and procedure steps to be able to use the system efficiently.
2. The eSRE System Central System User's Manual provides technical guidance to users assigned for the maintenance of the eSRE Central system. Each type of user is provided with screen shots and procedures steps to be able to use the system efficiently.

SECTION 44. SUBMISSION OF SRE REPORT

- A. Pursuant to Sec. 3 of Department Order No. 034-2014²⁴, 26 May 2014, BLGF adopts the following guidelines on the submission of eSRE reports:
1. The eSRE cash basis reports shall be uploaded to the eSRE Web Information System by all local treasurers on or before the following dates:
 - a. For the first three quarterly reports: on or before the 20th of the month following the end of the quarter.
 - b. For the year-end report: on or before March 31 of the subsequent calendar year.
 2. When the deadline falls on a Saturday, Sunday or legal holiday, eSRE reports shall be submitted on the next working day.
- B. **Grace Period** - Upon written request prescribed by the BLGF, the local treasurers who failed to submit eSRE report on time may be given a grace period of fifteen (15) days from the prescribed period. The BLGF Regional Director upon the recommendation of the BLGF Regional Reviewer shall approve the request provided that, such delay was due to fortuitous events, force majeure or other analogous causes.

SECTION 45. RESPONSIBILITIES AND SANCTIONS

- A. Sec. 8 of Department Order No. 8-2011, 11 February 2011, amending the penalties for failure to submit timely and/or accurate eSRE reports is hereby adopted, to wit:
- "Failure of the concerned local treasurer to submit timely and/or accurate eSRE reports shall constitute sufficient grounds for filing a complaint in accordance with the Revised Rules on Administrative Cases in the Civil Service (RRACCS) of the Civil Service promulgated on 8 November 2011, specifically:
1. The failure to submit the reports within the prescribed period is considered a light offense, hence, Sec. 46 (F.3) of Rule 10 of the RRACCS shall apply:
Violation of reasonable office rules and regulations:
1st Offense – Reprimand
2nd Offense – Suspension of one (1) day to thirty (30) days
3rd Offense – Dismissal from the service

²⁴ Amending Secs. 3,8 and 9 of the Department Order No. 8-2011, 11 February 2011

2. The submission of inaccurate reports is considered a less grave offense. Inaccurate report shall mean a report containing data that materially affects the integrity of the report which may consequently mislead end-users. For this purpose, Sec. 46 (D.2) of Rule 10 of the RRACCS shall apply:

Simple Misconduct:

1st Offense – Suspension of one (1) month and one (1) day to six (6) months

2nd Offense – Dismissal from the service

The complaint shall be initiated by the proper disciplining authority or his authorized representative and a show-cause memorandum shall be issued accordingly to the concerned treasurer.

SECTION 46. ENVIRONMENT AND NATURAL RESOURCES DATA MANAGEMENT TOOL (ENRDMT) REPORTS

- A. The ENRDMT was instituted to serve as the data capturing tool for the environment and natural resources revenues and expenditures of LGUs hosting extractive operations, to ensure that the payments made by extractive companies are reported accurately and in a timely manner.
- B. Sec. 1 of DOF Department Order No. 049-2016²⁵ provides that the data requirements for the PH-EITI and the PPEI annual reports shall form part of the quarterly SRE reports submitted by local treasurers to report payments made by extractive industries and detailed account of the shares from national wealth.
- C. The eSRE System shall include the ENRDMT to provide a facility for the LGUs to report the following direct and non-direct payments:
 1. Local taxes, fees and other charges;
 2. Receipts of shares from national wealth within the LGU's jurisdiction;
 3. Expenditures of LGUs coming from receipts/collections from the extractive industries and shares from national wealth; and
 4. Such other monetary and non-monetary benefits received by LGUs from extractive industries and shares from national wealth.

SECTION 47. SUBMISSION OF ENRDMT REPORTS

Pursuant to Sec. 3.A of Department Order No. 078-2017²⁶, 15 December 2017, the ENRD reports shall be uploaded to the ENRDMT web system by all concerned local treasurers on or before the following dates:

- A. For the first three quarterly reports: on or before the 30th of the month following the end of the quarter.
- B. For the year-end report: on or before April 30 of the subsequent fiscal year.

²⁵ *Inclusion of Environment and Natural Resources Data in the Electronic Statement of Receipts and Expenditures System for Local Treasurers*

²⁶ *Amending Secs. 1,2 and 4 of Department Order No. 049.2016 (Inclusion of Environment and Natural Resources Data in the Electronic Statement of Receipts and Expenditures System for Local Treasurers)*

SECTION 48. RESPONSIBILITIES AND SANCTIONS

Failure of the concerned local treasurer to submit timely and/or accurate eSRE reports shall constitute sufficient grounds for filing a complaint in accordance with the Revised Rules on Administrative Cases in the Civil Service (RRACCS) of the Civil Service promulgated on 8 November 2011, specifically:

- A. The failure to submit the reports within the prescribed period is considered a light offense, hence, Sec. 46 (F.3) of Rule 10 of the RRACCS shall apply:

Violation of reasonable office rules and regulations:

1st Offense – Reprimand

2nd Offense – Suspension of one (1) day to thirty (30) days

3rd Offense – Dismissal from the service

- B. The submission of inaccurate reports is considered a less grave offense; hence, Sec. 46 (D.2) of Rule 10 of the RRACCS shall apply:

Simple Misconduct:

1st Offense – Suspension of one (1) month and one (1) day to six (6) months

2nd Offense – Dismissal from the service

RULE 8

FORMS

The forms to be used are herein attached as Annex "___".

All forms shall be in accord with the existing forms provided for Local Treasury Operations Manual as mandated by Bureau of Local Government Finance. Any revisions by BLGF in the use of forms shall automatically apply to existing forms attached hereto.

MISCELLANEOUS PROVISIONS

SECTION 49. SEPARABILITY CLAUSE

If any provisions of this Implementing Rules and Regulations is declared invalid by any competent court, the application of other provisions shall remain valid and enforceable.

SECTION 50. EFFECTIVITY

This Implementing Rules and Regulations (IRR) shall take effect immediately.

SECTION 51. DISSEMINATION

Let the copies of this Implementing Rules and Regulations be served upon all department heads.

The Public Information Office (PIO) of the City of Bacoor is hereby mandated to post this IRR in city government bulletins and announcements areas including the official page social media pages of the city.