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AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991

BOOK II - LOCAL TAXATION AND FISCAL MATTERS

TITLE I - LOCAL GOVERNMENT TAXATION

CHAPTER I

General Provisions

Section 128. *Scope.* - The provisions herein shall govern the exercise by provinces, cities, municipalities, and barangays of their taxing and other revenue-raising powers.

Section 129. *Power to Create Sources of Revenue.* - Each local government unit shall exercise its power to create its own sources of revenue and to levy taxes, fees, and charges subject to the provisions herein, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local government units.

Section 130. *Fundamental Principles.* - The following fundamental principles shall govern the exercise of the taxing and other revenue-raising powers of local government units:

- (a) Taxation shall be uniform in each local government unit;
- (b) Taxes, fees, charges and other impositions shall:
 - (1) be equitable and based as far as practicable on the taxpayer's ability to pay;
 - (2) be levied and collected only for public purposes;
 - (3) not be unjust, excessive, oppressive, or confiscatory;
 - (4) not be contrary to law, public policy, national economic policy, or in the restraint of trade;

- (c) The collection of local taxes, fees, charges and other impositions shall in no case be let to any private person;
- (d) The revenue collected pursuant to the provisions of this Code shall inure solely to the benefit of, and be subject to the disposition by, the local government unit levying the tax, fee, charge or other imposition unless otherwise specifically provided herein; and,
- (e) Each local government unit shall, as far as practicable, evolve a progressive system of taxation.

Section 131. *Definition of Terms.* - When used in this Title, the term:

- (a) "Agricultural Product" includes the yield of the soil, such as corn, rice, wheat, rye, hay, coconuts, sugarcane, tobacco, root crops, vegetables, fruits, flowers, and their by-products; ordinary salt; all kinds of fish; poultry; and livestock and animal products, whether in their original form or not.

The phrase "whether in their original form or not" refers to the transformation of said products by the farmer, fisherman, producer or owner through the application of processes to preserve or otherwise to prepare said products for market such as freezing, drying, salting, smoking, or stripping for purposes of preserving or otherwise preparing said products for market;

- (b) "Amusement" is a pleasurable diversion and entertainment. It is synonymous to relaxation, avocation, pastime, or fun;
- (c) "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;
- (d) "Business" means trade or commercial activity regularly engaged in as a means of livelihood or with a view to profit;
- (e) "Banks and other financial institutions" include non-bank financial intermediaries, lending investors, finance and investment companies, pawnshops, money shops, insurance companies, stock markets, stock brokers and dealers in securities and foreign exchange, as defined under applicable laws, or rules and regulations thereunder;
- (f) "Capital Investment" is the capital which a person employs in any undertaking, or which he contributes to the capital of a partnership, corporation, or any other juridical entity or association in a particular taxing jurisdiction;
- (g) "Charges" refers to pecuniary liability, as rents or fees against persons or property;

- (h) "Contractor" includes persons, natural or juridical, not subject to professional tax under Section 139 of this Code, whose activity consists essentially of the sale of all kinds of services for a fee, regardless of whether or not the performance of the service calls for the exercise or use of the physical or mental faculties of such contractor or his employees.

As used in this Section, the term "contractor" shall include general engineering, general building and specialty contractors as defined under applicable laws; filling, demolition and salvage works contractors; proprietors or operators of mine drilling apparatus; proprietors or operators of dockyards; persons engaged in the installation of water system, and gas or electric light, heat, or power; proprietors or operators of smelting plants, engraving, plating, and plastic lamination establishments; proprietors or operators of establishments for repairing, repainting, upholstering, washing or greasing of vehicles, heavy equipment, vulcanizing, recapping and battery charging; proprietors or operators of furniture shops and establishments for planing or surfacing and recutting of lumber, and sawmills under contract to saw or cut logs belonging to others; proprietors or operators of dry cleaning or dyeing establishments, steam laundries, and laundries using washing machines; proprietors or owners of shops for the repair of any kind of mechanical and electrical devices, instruments, apparatus, or furniture and shoe repairing by machine or any mechanical contrivance; proprietors or operators of establishments or lots for parking purposes; proprietors or operators of tailor shops, dress shops, milliners and hatters, beauty parlors, barbershops, massage clinics, sauna, Turkish and Swedish baths, slenderizing and building salons and similar establishments; photographic studios; funeral parlors; proprietors or operators of hotels, motels, and lodging houses; proprietors or operators of arrastre and stevedoring, warehousing, or forwarding establishments; master plumbers, smiths, and house or sign painters; printers, bookbinders, lithographers; publishers except those engaged in the publication or printing of any newspaper, magazine, review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication and advertisements; business agents, private detective or watchman agencies, commercial and immigration brokers, and cinematographic film owners, lessors and distributors.

- (i) "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 a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal, and other energy operations pursuant to an operating or consortium agreement under a service contract with the government. General professional partnership 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;

- (j) "Countryside and Barangay Business Enterprise" refers to any business entity, association, or cooperative registered under the provisions of Republic Act Numbered Sixty-eight hundred ten (R.A. No. 6810), otherwise known as "Magna Carta For Countryside And Barangay Business Enterprises (Kalakalan 20)";
- (k) "Dealer" means one whose business is to buy and sell merchandise, goods, and chattels as a merchant. He stands immediately between the producer or manufacturer and the consumer and depends for his profit not upon the labor he bestows upon his commodities but upon the skill and foresight with which he watches the market;
- (l) "Fee" means a charge fixed by law or ordinance for the regulation or inspection of a business or activity;
- (m) "Franchise" is a right or privilege, affected with public interest which is conferred upon private persons or corporations, under such terms and conditions as the government and its political subdivisions may impose in the interest of public welfare, security, and safety;
- (n) "Gross Sales or Receipts" include the total amount of money or its equivalent representing the contract price, compensation or service fee, including the amount charged or materials supplied with the services and deposits or advance payments actually or constructively received during the taxable quarter for the services performed or to be performed for another person excluding discounts if determinable at the time of sales, sales return, excise tax, and value-added tax (VAT);
- (o) "Manufacturer" includes every person who, by physical or chemical process, alters the exterior texture or form or inner substance of any raw material or manufactured or partially manufactured product in such manner as to have been put in its original condition, or who by any such process alters the quality of any such raw material or manufactured or partially manufactured products so as to reduce it to marketable shape or prepare it for any of the use of industry, or who by any such process combines any such raw material or manufactured or partially manufactured products with other materials or products of the same or of different kinds and in such manner that the finished products of such process or manufacture can be put to a special use or uses to which such raw material or manufactured or partially manufactured products in their original condition could not have been put, and who in addition alters such raw material or manufactured or partially

manufactured products, or combines the same to produce such finished products for the purpose of their sale or distribution to others and not for his own use or consumption;

- (p) "Marginal Farmer or Fisherman" refers to an individual engaged in subsistence farming or fishing which shall be limited to the sale, barter or exchange of agricultural or marine products produced by himself and his immediate family;
- (q) "Motor Vehicle" means any vehicle propelled by any power other than muscular power using the public roads, but excluding road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, fork-lifts, amphibian trucks, and cranes if not used on public roads, vehicles which run only on rails or tracks, and tractors, trailers, and traction engines of all kinds used exclusively for agricultural purposes;
- (r) "Municipal Waters" includes not only streams, lakes, and tidal waters within the municipality, not being the subject of private ownership and not comprised within the national parks, public forest, timber lands, forest reserves or fishery reserves, but also marine waters included between two lines drawn perpendicularly to the general coastline from points where the boundary lines of the municipality or city touch the sea at low tide and a third line parallel with the general coastline and fifteen (15) kilometers from it. Where two (2) municipalities are so situated on the opposite shores that there is less than fifteen (15) kilometers of marine waters between them, the third line shall be equally distant from opposite shores of their respective municipalities;
- (s) "Operator" includes the owner, manager, administrator, or any other person who operates or is responsible for the operation of a business establishment or undertaking;
- (t) "Peddler" means any person who, either for himself or on commission, travels from place to place and sells his goods or offers to sell and deliver the same. Whether a peddler is a wholesale peddler or a retail peddler of a particular commodity shall be determined from the definition of wholesale dealer or retail dealer as provided in this Title;
- (u) "Persons" means every natural or juridical being, susceptible of rights and obligations or of being the subject of legal relations;
- (v) "Residents" refer to natural persons who have their habitual residence in the province, city, or municipality where they exercise their civil rights and fulfill their civil obligations, and to juridical persons for which the law or any other provisions creating or recognizing them fixes their residence in a particular province, city, or municipality. In the absence of such law, juridical persons are residents of the province, city, or municipality where they have their legal

residence or principal place of business or where they conduct their principal business or occupation;

- (w) "Retail" means a sale where the purchaser buys the commodity for his own consumption, irrespective of the quantity of the commodity sold;
- (x) "Vessel" includes every type of boat, craft, or other artificial contrivance used, or capable of being used, as a means of transportation on water;
- (y) "Wharfage" means a fee assessed against the cargo of a vessel engaged in foreign or domestic trade based on quantity, weight, or measure received and/or discharged by vessel; and
- (z) "Wholesale" means a sale where the purchaser buys or imports the commodities for resale to persons other than the end user regardless of the quantity of the transaction.

Section 132. Local Taxing Authority. - The power to impose a tax, fee, or charge or to generate revenue under this Code shall be exercised by the sanggunian of the local government unit concerned through an appropriate ordinance.

Section 133. Common Limitations on the Taxing Powers of Local Government Units. - Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:

- (a) Income tax, except when levied on banks and other financial institutions;
- (b) Documentary stamp tax;
- (c) Taxes on estates, inheritance, gifts, legacies and other acquisitions mortis causa, except as otherwise provided herein;
- (d) Customs duties, registration fees of vessel and wharfage on wharves, tonnage dues, and all other kinds of customs fees, charges and dues except wharfage on wharves constructed and maintained by the local government unit concerned;
- (e) Taxes, fees, and charges and other impositions upon goods carried into or out of, or passing through, the territorial jurisdictions of local government units in the guise of charges for wharfage, tolls for bridges or otherwise, or other taxes, fees, or charges in any form whatsoever upon such goods or merchandise;
- (f) Taxes, fees or charges on agricultural and aquatic products when sold by marginal farmers or fishermen;
- (g) Taxes on business enterprises certified to by the Board of Investments as

pioneer or non-pioneer for a period of six (6) and four (4) years, respectively from the date of registration;

- (h) Excise taxes on articles enumerated under the national Internal Revenue Code, as amended, and taxes, fees or charges on petroleum products;
- (i) Percentage or value-added tax (VAT) on sales, barter or exchanges or similar transactions on goods or services except as otherwise provided herein;
- (j) Taxes on the gross receipts of transportation contractors and persons engaged in the transportation of passengers or freight by hire and common carriers by air, land or water, except as provided in this Code;
- (k) Taxes on premiums paid by way of reinsurance or retrocession;
- (l) Taxes, fees or charges for the registration of motor vehicles and for the issuance of all kinds of licenses or permits for the driving thereof, except tricycles;
- (m) Taxes, fees, or other charges on Philippine products actually exported, except as otherwise provided herein;
- (n) Taxes, fees, or charges, on Countryside and Barangay Business Enterprises and cooperatives duly registered under R.A. No. 6810 and Republic Act Numbered Sixty-nine hundred thirty-eight (R.A. No. 6938) otherwise known as the "Cooperative Code of the Philippines" respectively; and
- (o) Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities, and local government units.

CHAPTER II - Specific Provisions on the Taxing and Other Revenue-Raising Powers of Local Government Units

ARTICLE I Provinces

Section 134. *Scope of Taxing Powers.* - Except as otherwise provided in this Code, the province may levy only the taxes, fees, and charges as provided in this Article.

Section 135. *Tax on Transfer of Real Property Ownership.*

- (a) The province may impose a tax on the sale, donation, barter, or on any other mode of transferring ownership or title of real property at the rate of not more than fifty percent (50%) of the one percent (1%) of the total consideration involved in the acquisition of the property or of the fair market value in case the monetary consideration involved in the transfer is not substantial, whichever is higher. The sale, transfer or other disposition of real property pursuant to R.A. No. 6657 shall be exempt from this tax.

- (b) For this purpose, the Register of Deeds of the province concerned shall, before registering any deed, require the presentation of the evidence of payment of this tax. The provincial assessor shall likewise make the same requirement before cancelling an old tax declaration and issuing a new one in place thereof, Notaries public shall furnish the provincial treasurer with a copy of any deed transferring ownership or title to any real property within thirty (30) days from the date of notarization.

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.

Section 136. *Tax on Business of Printing and Publication.* - The province may impose a tax on the business of persons engaged in the printing and/or publication of books, cards, posters, leaflets, handbills, certificates, receipts, pamphlets, and others of similar nature, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year.

In the case of a newly started business, the tax shall not exceed one-twentieth (1/20) of one percent (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.

The receipts from the printing and/or publishing of books or other reading materials prescribed by the Department of Education, Culture and Sports as school texts or references shall be exempt from the tax herein imposed.

Section 137. *Franchise Tax.* - Notwithstanding any exemption granted by any law or other special law, the province may impose a tax on businesses enjoying a franchise, at the rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year based on the incoming receipt, or realized, within its territorial jurisdiction.

In the case of a newly started business, the tax shall not exceed one-twentieth (1/20) of one percent (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 thereon, as provided herein.

Section 138. *Tax on Sand, Gravel and Other Quarry Resources.* - The province may levy and collect not more than ten percent (10%) of fair market value in the locality per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources, as defined under the National Internal Revenue Code, as amended, extracted from public lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters within its territorial jurisdiction.

The permit to extract sand, gravel and other quarry resources shall be issued exclusively by the provincial governor, pursuant to the ordinance of the sangguniang panlalawigan.

The proceeds of the tax on sand, gravel and other quarry resources shall be distributed as follows:

- (1) Province - Thirty percent (30%);
- (2) Component City or Municipality where the sand, gravel, and other quarry resources are extracted - Thirty percent (30%); and
- (3) Barangay where the sand, gravel, and other quarry resources are extracted - Forty percent (40%).

Section 139. Professional Tax. -

- (a) The province may levy an annual professional tax on each person engaged in the exercise or practice of his profession requiring government examination at such amount and reasonable classification as the sangguniang panlalawigan may determine but shall in no case exceed Three hundred pesos (P300.00).
- (b) Every person legally authorized to practice his profession shall pay the professional tax to the province where he practices his profession or where he maintains his principal office in case he practices his profession in several places: Provided, however, That such person who has paid the corresponding professional tax shall be entitled to practice his profession in any part of the Philippines without being subjected to any other national or local tax, license, or fee for the practice of such profession.
- (c) Any individual or corporation employing a person subject to professional tax shall require payment by that person of the tax on his profession before employment and annually thereafter.
- (d) The professional tax shall be payable annually, on or before the thirty-first (31st) day of January. Any person first beginning to practice a profession after the month of January must, however, pay the full tax before engaging therein. A line of profession does not become exempt even if conducted with some other profession for which the tax has been paid. Professionals exclusively employed in the government shall be exempt from the payment of this tax.
- (e) Any person subject to the professional tax shall write in deeds, receipts, prescriptions, reports, books of account, plans and designs, surveys and maps, as the case may be, the number of the official receipt issued to him.

Section 140. Amusement Tax. –

- (a) The province may levy an amusement tax to be collected from the proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia, and other places of amusement at a rate of not more than ten percent (10%) of the gross receipts from the admissions fees.¹
- (b) In the case of theaters or cinemas, the tax shall first be deducted and withheld by their proprietors, lessees, or operators and paid to the provincial treasurer before the gross receipts are divided between said proprietors, lessees, or operators and the distributors of the cinematographic films.
- (c) The holding of operas, concerts, dramas, recitals, painting and art exhibitions, flower shows, musical programs, literary and oratorical presentations, except pop, rock, or similar concerts shall be exempt from the payment of the tax hereon imposed.
- (d) The sangguniang panlalawigan may prescribe the time, manner, terms and conditions for the payment of tax. In case of fraud or failure to pay the tax, the sangguniang panlalawigan may impose such surcharges, interest and penalties as it may deem appropriate.
- (e) The proceeds from the amusement tax shall be shared equally by the province and the municipality where such amusement places are located.

Section 141. Annual Fixed Tax For Every Delivery Truck or Van of Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in, Certain Products. -

- (a) The province may levy an annual fixed tax for every truck, van or any vehicle used by manufacturers, producers, wholesalers, dealers or retailers in the delivery or distribution of distilled spirits, fermented liquors, soft drinks, cigars and cigarettes, and other products as may be determined by the sangguniang panlalawigan, to sales outlets, or consumers, whether directly or indirectly, within the province in an amount not exceeding Five hundred pesos (P500.00).
- (b) The manufacturers, producers, wholesalers, dealers and retailers referred to in the immediately foregoing paragraph shall be exempt from the tax on peddlers prescribed elsewhere in this Code.

ARTICLE II - Municipalities

Section 142. Scope of Taxing Powers. - Except as otherwise provided in this Code,

¹ As Amended by RA 9640, Entitled, “An Act Amending Section 140 (A) of Republic Act No. 7160, Otherwise Known as "The Local Government Code Of 1991"”, lapsed into law on 21 May 2009.

municipalities may levy taxes, fees, and charges not otherwise levied by provinces.

Section 143. Tax on Business. - The municipality may impose taxes on the following businesses:

- (a) 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, 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
P 10,000.00 or more but less than 15,000.00	220.00
15,000.00 or more but less than 20,000.00	202.00
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	19,000.00
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
6,000,000.00 or more at a rate not exceeding thirty-seven and a half percent (37½%) of one percent (1%)	

- (b) On wholesalers, distributors, or dealers in any article of commerce of whatever kind or nature 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
P 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 than 500,000.00	4,400.00
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%).	

(c) On exporters, and on manufacturers , millers, producers, wholesalers, distributors, dealers or retailers of essential commodities enumerated hereunder at a rate not exceeding one-half ($\frac{1}{2}$) of the rates prescribed under subsection (a), (b) and (d) of this Section:

- (1) Rice and corn;
- (2) Wheat or cassava flour, meat, dairy products, locally manufactured, processed or preserved food, sugar, salt and other agricultural, marine, and fresh water products, whether in their original state or not;
- (3) Cooking oil and cooking gas;
- (4) Laundry soap, detergents, and medicine;
- (5) Agricultural implements, equipment and post-harvest facilities, fertilizers, pesticides, insecticides, herbicides and other farm inputs;
- (6) Poultry feeds and other animal feeds;
- (7) School supplies; and
- (8) Cement.

(d) On retailers.

With gross sales or receipts for the preceding calendar year	Rate of Tax Per
in the amount of:	Annum
P400,000.00 or less	2%

more than P400,000.00

1%

Provided, however, That barangays shall have the exclusive power to levy taxes, as provided under Section 152 hereof, on gross sales or receipts of the preceding calendar year of Fifty thousand pesos (P50,000.00) or less, in the case of cities, and Thirty thousand pesos (P30,000.00) or less, in the case of municipalities.

- (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
P 5,000.00 or more but less than P 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
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%)	

- (f) On banks and other financial institutions, at a rate not exceeding fifty percent (50%) of one percent (1%) on the gross receipts of the preceding calendar year derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premium.
- (g) On peddlers engaged in the sale of any merchandise or article of commerce, at a rate not exceeding Fifty pesos (P50.00) per peddler annually.
- (h) On any business, not otherwise specified in the preceding paragraphs, which the sanggunian concerned may deem proper to tax: Provided, That on any business subject to the excise, value-added or percentage tax under the National Internal Revenue Code, as amended, the rate of tax shall not exceed two percent (2%) of gross sales or receipts of the preceding calendar year.

The sanggunian concerned may prescribe a schedule of graduated tax rates but in no case to exceed the rates prescribed herein.

Section 144. *Rates of Tax within the Metropolitan Manila Area.* - The municipalities within the Metropolitan Manila Area may levy taxes at rates which shall not exceed by fifty percent (50%) the maximum rates prescribed in the preceding Section.

Section 145. *Retirement of Business.* - A business subject to tax pursuant to the preceding sections 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.

Section 146. *Payment of Business Taxes.* -

- (a) The taxes imposed under Section 143 shall be payable for every separate or distinct establishment or place where business subject to the tax is conducted and one line of business does not become exempt by being conducted with some other business for which such tax has been paid. The tax on a business must be paid by the person conducting the same.
- (b) In cases where a person conducts or operates two (2) or more of the businesses mentioned in Section 143 of this Code which are subject to the same rate of tax, the tax shall be computed on the combined total gross sales or receipts of the said two (2) or more related businesses.
- (c) In cases where a person conducts or operates two (2) or more businesses mentioned in Section 143 of this Code which are subject to different rates of tax, the gross sales or receipts of each business shall be separately reported for the purpose of computing the tax due from each business.

Section 147. *Fees and Charges.* - The municipality may impose and collect such reasonable fees and charges on business and occupation and, except as reserved to the province in Section 139 of this Code, on the practice of any profession or calling, commensurate with the cost of regulation, inspection and licensing before any person may engage in such business or occupation, or practice such profession or calling.

Section 148. *Fees for Sealing and Licensing of Weights and Measures.* -

- (a) The municipality may levy fees for the sealing and licensing of weights and measures at such reasonable rates as shall be prescribed by the sangguniang bayan.
- (b) The sangguniang bayan shall prescribe the necessary regulations for the use of such weights and measures, subject to such guidelines as shall be

prescribed by the Department of Science and Technology. The sanggunian concerned shall, by appropriate ordinance, penalize fraudulent practices and unlawful possession or use of instruments of weights and measures and prescribe the criminal penalty therefor in accordance with the provisions of this Code. Provided, however, That the sanggunian concerned may authorize the municipal treasurer to settle an offense not involving the commission of fraud before a case therefor is filed in court, upon payment of a compromise penalty of not less than Two hundred pesos (P200.00).

Section 149. *Fishery Rentals, Fees and Charges.* -

- (a) Municipalities shall have the exclusive authority to grant fishery privileges in the municipal waters and impose rentals, fees or charges therefor in accordance with the provisions of this Section.
- (b) The sangguniang bayan may:
 - (1) Grant fishery privileges to erect fish corrals, oysters, mussels or other aquatic beds or bangus fry areas, within a definite zone of the municipal waters, as determined by it: Provided, however, That duly registered organizations and cooperatives of marginal fishermen shall have the preferential right to such fishery privileges: Provided, further, That the sangguniang bayan may require a public bidding in conformity with and pursuant to an ordinance for the grant of such privileges: Provided, finally, That in the absence of such organizations and cooperatives or their failure to exercise their preferential right, other parties may participate in the public bidding in conformity with the above cited procedure.
 - (2) Grant the privilege to gather, take or catch bangus fry, prawn fry or kawag-kawag or fry of other species and fish from the municipal waters by nets, traps or other fishing gears to marginal fishermen free of any rental, fee, charge or any other imposition whatsoever.
 - (3) Issue licenses for the operation of fishing vessels of three (3) tons or less for which purpose the sangguniang bayan shall promulgate rules and regulations regarding the issuances of such licenses to qualified applicants under existing laws.
 - (4) Provided, however, That the sanggunian concerned shall, by appropriate ordinance, penalize the use of explosives, noxious or poisonous substances, electricity, muro-ami, and other deleterious methods of fishing and prescribe a criminal penalty therefor in accordance with the provisions of this Code: Provided, finally, That the sanggunian concerned shall have the authority to prosecute any violation of the provisions of applicable fishery laws.

Section 150. *Situs of the Tax.* -

- (a) For purposes of collection of the taxes under Section 143 of this Code, manufacturers, assemblers, repackers, brewers, distillers, rectifiers and compounders of liquor, distilled spirits and wines, millers, producers, exporters, wholesalers, distributors, dealers, contractors, banks and other financial institutions, and other businesses, maintaining or operating branch or sales outlet elsewhere shall record the sale in the branch or sales outlet making the sale or transaction, and the tax thereon shall accrue and shall be paid to the municipality where such branch or sales outlet is located. In cases where there is no such branch or sales outlet in the city or municipality where the sale or transaction is made, the sale shall be duly recorded in the principal office and the taxes due shall accrue and shall be paid to such city or municipality.
- (b) The following sales allocation shall apply to manufacturers, assemblers, contractors, producers, and exporters with factories, project offices, plants, and plantations in the pursuit of their business:
 - (1) Thirty percent (30%) of all sales recorded in the principal office shall be taxable by the city or municipality where the principal office is located; and
 - (2) Seventy percent (70%) of all sales recorded in the principal office shall be taxable by the city or municipality where the factory, project office, plant, or plantation is located.
- (c) In case of a plantation located at a place other than the place where the factory is located, said seventy percent (70%) mentioned in subparagraph (b) of subsection (2) above shall be divided as follows:
 - (1) Sixty percent (60%) to the city or municipality where the factory is located; and
 - (2) Forty percent (40%) to the city or municipality where the plantation is located.
- (d) In cases where a manufacturer, assembler, producer, exporter or contractor has two (2) or more factories, project offices, plants, or plantations located in different localities, the seventy percent (70%) sales allocation mentioned in subparagraph (b) of subsection (2) above shall be prorated among the localities where the factories, project offices, plants, and plantations are located in proportion to their respective volumes of production during the period for which the tax is due.
- (e) The foregoing sales allocation shall be applied irrespective of whether or not sales are made in the locality where the factory, project office, plant, or

plantation is located.

ARTICLE III - Cities

Section 151. Scope of Taxing Powers. - Except as otherwise provided in this Code, the city, may levy the taxes, fees, and charges which the province or municipality may impose: Provided, however, That the taxes, fees and charges levied and collected by highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of this Code.

The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes.

ARTICLE IV - Barangays

Section 152. Scope of Taxing Powers. - The barangays may levy taxes, fees, and charges, as provided in this Article, which shall exclusively accrue to them:

- (a) Taxes - On stores or retailers with fixed business establishments with gross sales of receipts of the preceding calendar year of Fifty thousand pesos (P50,000.00) or less, in the case of cities and Thirty thousand pesos (P30,000.00) or less, in the case of municipalities, at a rate not exceeding one percent (1%) on such gross sales or receipts.
- (b) Service Fees or Charges. - Barangays may collect reasonable fees or charges for services rendered in connection with the regulations or the use of barangay-owned properties or service facilities such as palay, copra, or tobacco dryers.
- (c) Barangay Clearance. - No city or municipality may issue any license or permit for any business or activity unless a clearance is first obtained from the barangay where such business or activity is located or conducted. For such clearance, the sangguniang barangay may impose a reasonable fee. The application for clearance shall be acted upon within seven (7) working days from the filing thereof. In the event that the clearance is not issued within the said period, the city or municipality may issue the said license or permit.
- (d) Other fees and Charges. - The barangay may levy reasonable fees and charges:
 - (1) On commercial breeding of fighting cocks, cockfights and cockpits;
 - (2) On places of recreation which charge admission fees; and
 - (3) On billboards, signboards, neon signs, and outdoor advertisements.

ARTICLE V - Common Revenue-Raising Powers

Section 153. *Service Fees and Charges.* - Local government units may impose and collect such reasonable fees and charges for services rendered.

Section 154. *Public Utility Charges.* - Local government units may fix the rates for the operation of public utilities owned, operated and maintained by them within their jurisdiction.

Section 155. *Toll Fees or Charges.* - The sanggunian concerned may prescribe the terms and conditions and fix the rates for the imposition of toll fees or charges for the use of any public road, pier, or wharf, waterway, bridge, ferry or telecommunication system funded and constructed by the local government unit concerned: Provided, That no such toll fees or charges shall be collected from officers and enlisted men of the Armed Forces of the Philippines and members of the Philippine National Police on mission, post office personnel delivering mail, physically-handicapped, and disabled citizens who are sixty-five (65) years or older.

When public safety and welfare so requires, the sanggunian concerned may discontinue the collection of the tolls, and thereafter the said facility shall be free and open for public use.

ARTICLE VI - Community Tax

Section 156. *Community Tax.* - Cities or municipalities may levy a community tax in accordance with the provisions of this Article.

Section 157. *Individuals Liable to Community Tax.* - Every inhabitant of the Philippines eighteen (18) years of age or over who has been regularly employed on a wage or salary basis for at least thirty (30) consecutive working days during any calendar year, or who is engaged in business or occupation, or who owns real property with an aggregate assessed value of One thousand pesos (P1,000.00) or more, or who is required by law to file an income tax return shall pay an annual additional tax of Five pesos (P5.00) and an annual additional tax of One peso (P1.00) for every One thousand pesos (P1,000.00) of income regardless of whether from business, exercise of profession or from property which in no case shall exceed Five thousand pesos (P5,000.00).

In the case of husband and wife, the additional tax herein imposed shall be based upon the total property owned by them and the total gross receipts or earnings derived by them.

Section 158. *Juridical Persons Liable to Community Tax.* - Every corporation no matter how created or organized, whether domestic or resident foreign, engaged in or doing business in the Philippines shall pay an annual community tax of Five hundred pesos (P500.00) and an annual additional tax, which, in no case, shall exceed Ten thousand pesos (P10,000.00) in accordance with the following schedule:

- (1) For every Five thousand pesos (P5,000.00) worth of real property in the Philippines owned by it during the preceding year based on the valuation used for the payment of real property tax under existing laws, found in the assessment rolls of the city or municipality where the real property is situated - Two pesos (P2.00); and
- (2) For every Five thousand pesos (P5,000.00) of gross receipts or earnings derived by it from its business in the Philippines during the preceding year - Two pesos (P2.00).

The dividends received by a corporation from another corporation however shall, for the purpose of the additional tax, be considered as part of the gross receipts or earnings of said corporation.

Section 159. Exemptions. - The following are exempt from the community tax:

- (1) Diplomatic and consular representatives; and
- (2) Transient visitors when their stay in the Philippines does not exceed three (3) months.

Section 160. Place of Payment. - The community tax shall be paid in the place of residence of the individual, or in the place where the principal office of the juridical entity is located.

Section 161. Time for Payment; Penalties for Delinquency.—

- (a) The community tax shall accrue on the first (1st) day of January of each year which shall be paid not later than the last day of February of each year. If a person reaches the age of eighteen (18) years or otherwise loses the benefit of exemption on or before the last day of June, he shall be liable for the community tax on the day he reaches such age or upon the day the exemption ends. However, if a person reaches the age of eighteen (18) years or loses the benefit of exemption on or before the last day of March, he shall have twenty (20) days to pay the community tax without becoming delinquent.

Persons who come to reside in the Philippines or reach the age of eighteen (18) years on or after the first (1st) day of July of any year, or who cease to belong to an exempt class or after the same date, shall not be subject to the community tax for that year.

- (b) Corporations established and organized on or before the last day of June shall be liable for the community tax for that year. But corporations established and organized on or before the last day of March shall have twenty (20) days within which to pay the community tax without becoming

delinquent. Corporations established and organized on or after the first day of July shall not be subject to the community tax for that year.

If the tax is not paid within the time prescribed above, there shall be added to the unpaid amount an interest of twenty-four percent (24%) per annum from the due date until it is paid.

Section 162. *Community Tax Certificate.* - A community tax certificate shall be issued to every person or corporation upon payment of the community tax. A community tax certificate may also be issued to any person or corporation not subject to the community tax upon payment of One peso (P1.00).

Section 163. *Presentation of Community Tax Certificate On Certain Occasions.* -

- (a) When an individual subject to the community tax acknowledges any document before a notary public, takes the oath of office upon election or appointment to any position in the government service; receives any license, certificate, or permit from any public authority; pays any tax or fee; receives any money from any public fund; transacts other official business; or receives any salary or wage from any person or corporation with whom such transaction is made or business done or from whom any salary or wage is received to require such individual to exhibit the community tax certificate.

The presentation of community tax certificate shall not be required in connection with the registration of a voter.

- (b) When, through its authorized officers, any corporation subject to the community tax receives any license, certificate, or permit from any public authority, pays any tax or fee, receives money from public funds, or transacts other official business, it shall be the duty of the public official with whom such transaction is made or business done, to require such corporation to exhibit the community tax certificate.
- (c) The community tax certificate required in the two preceding paragraphs shall be the one issued for the current year, except for the period from January until the fifteenth (15th) of April each year, in which case, the certificate issued for the preceding year shall suffice.

Section 164. *Printing of Community Tax Certificates and Distribution of Proceeds.* -

- (a) The Bureau of Internal Revenue shall cause the printing of community tax certificates and distribute the same to the cities and municipalities through the city and municipal treasurers in accordance with prescribed regulations.

The proceeds of the tax shall accrue to the general funds of the cities, municipalities and barangays except a portion thereof which shall accrue to the general fund of the national government to cover the actual cost of

printing and distribution of the forms and other related expenses. The city or municipal treasurer concerned shall remit to the national treasurer the said share of the national government in the proceeds of the tax within ten (10) days after the end of each quarter.

- (b) The city or municipal treasurer shall deputize the barangay treasurer to collect the community tax in their respective jurisdictions: Provided, however, That said barangay treasurer shall be bonded in accordance with existing laws.
- (c) The proceeds of the community tax actually and directly collected by the city or municipal treasurer shall accrue entirely to the general fund of the city or municipality concerned. However, proceeds of the community tax collected through the barangay treasurers shall be apportioned as follows:
 - (1) Fifty percent (50%) shall accrue to the general fund of the city or municipality concerned; and
 - (2) Fifty percent (50%) shall accrue to the barangay where the tax is collected.

CHAPTER III - Collection of Taxes

Section 165. *Tax Period and Manner of Payment.* - Unless otherwise provided in this Code, the tax period of all local taxes, fees and charges shall be the calendar year. Such taxes, fees and charges may be paid in quarterly installments.

Section 166. *Accrual of Tax.* - Unless otherwise provided in this Code, all local taxes, fees, and charges shall accrue on the first (1st) day of January of each year. However, new taxes, fees or charges, or changes in the rates thereof, shall accrue on the first (1st) day of the quarter next following the effectivity of the ordinance imposing such new levies or rates.

Section 167. *Time of Payment.* - Unless otherwise provided in this Code, all local taxes, fees, and charges shall be paid within the first twenty (20) days of January or of each subsequent quarter, as the case may be. The sanggunian concerned may, for a justifiable reason or cause, extend the time for payment of such taxes, fees, or charges without surcharges or penalties, but only for a period not exceeding six (6) months.

Section 168. *Surcharges and Penalties on Unpaid Taxes, Fees, or Charges.* - The sanggunian may impose a surcharge not exceeding twenty-five (25%) of the amount of taxes, fees or charges not paid on time and an interest at the rate not exceeding two percent (2%) per month of the unpaid taxes, fees or charges including surcharges, until such amount is fully paid but in no case shall the total thirty-six (36%) months.

Section 169. *Interests on Other Unpaid Revenues.* - Where the amount of any other revenue due a local government unit, except voluntary contributions or donations, is not paid on the date fixed in the ordinance, or in the contract, expressed or implied, or upon the occurrence of the event which has given rise to its collection, there shall be collected as part of that amount an interest thereon at the rate not exceeding two percent (2%) per month from the date it is due until it is paid, but in no case shall the total interest on the unpaid amount or a portion thereof exceed thirty-six (36) months.

Section 170. *Collection of Local Revenue by Treasurer.* - All local taxes, fees, and charges shall be collected by the provincial, city, municipal, or barangay treasurer, or their duly authorized deputies.

The provincial, city or municipal treasurer may designate the barangay treasurer as his deputy to collect local taxes, fees, or charges. In case a bond is required for the purpose, the provincial, city or municipal government shall pay the premiums thereon in addition to the premiums of bond that may be required under this Code.

Section 171. *Examination of Books of Accounts and Pertinent Records of Businessmen by Local Treasurer.* - The provincial, city, municipal or barangay treasurer may, by himself or through any of his deputies duly authorized in writing, examine the books, accounts, and other pertinent records of any person, partnership, corporation, or association subject to local taxes, fees and charges in order to ascertain, assess, and collect the correct amount of the tax, fee, or charge. Such examination shall be made during regular business hours, only once for every tax period, and shall be certified to by the examining official. Such certificate shall be made of record in the books of accounts of the taxpayer examined.

In case the examination herein authorized 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.

For this purpose, the records of the revenue district office of the Bureau of Internal Revenue shall be made available to the local treasurer, his deputy or duly authorized representative.

CHAPTER IV - Civil Remedies for Collection of Revenues

Section 172. *Application of Chapter.* - The provisions of this Chapter and the remedies provided hereon may be availed of for the collection of any delinquent local tax, fee, charge, or other revenue.

Section 173. *Local Government's Lien.* - Local taxes, fees, charges and other revenues constitute a lien, superior to all liens, charges or encumbrances in favor of any person, enforceable by appropriate administrative or judicial action, not only upon

any property or rights therein which may be subject to the lien but also upon property used in business, occupation, practice of profession or calling, or exercise of privilege with respect to which the lien is imposed. The lien may only be extinguished upon full payment of the delinquent local taxes fees and charges including related surcharges and interest.

Section 174. *Civil Remedies.* - The civil remedies for the collection of local taxes, fees, or charges, and related surcharges and interest resulting from delinquency shall be:

- (a) By administrative action thru distraint of goods, chattels, or effects, and other personal property of whatever character, including stocks and other securities, debts, credits, bank accounts, and interest in and rights to personal property, and by levy upon real property and interest in or rights to real property;
- (b) By judicial action.

Either of these remedies or all may be pursued concurrently or simultaneously at the discretion of the local government unit concerned.

Section 175. *Distraint of Personal Property.* - The remedy by distraint shall proceed as follows:

- (a) Seizure - Upon failure of the person owing any local tax, fee, or charge to pay the same at the time required, the local treasurer or his deputy may, upon written notice, seize or confiscate any personal property belonging to that person or any personal property subject to the lien in sufficient quantity to satisfy the tax, fee, or charge in question, together with any increment thereto incident to delinquency and the expenses of seizure. In such case, the local treasurer or his deputy shall issue a duly authenticated certificate based upon the records of his office showing the fact of delinquency and the amounts of the tax, fee, or charge and penalty due. Such certificate shall serve as sufficient warrant for the distraint of personal property aforementioned, subject to the taxpayer's right to claim exemption under the provisions of existing laws. Distrainted personal property shall be sold at public auction in the manner hereon provided for.
- (b) Accounting of distrainted goods. - The officer executing the distraint shall make or cause to be made an account of the goods, chattels or effects distrainted, a copy of which signed by himself shall be left either with the owner or person from whose possession the goods, chattels or effects are taken, or at the dwelling or place or business of that person and with someone of suitable age and discretion, to which list shall be added a statement of the sum demanded and a note of the time and place of sale.
- (c) Publication - The officer shall forthwith cause a notification to be exhibited in not less than three (3) public and conspicuous places in the territory of the

local government unit where the distraint is made, specifying the time and place of sale, and the articles distrained. The time of sale shall not be less than twenty (20) days after the notice to the owner or possessor of the property as above specified and the publication or posting of the notice. One place for the posting of the notice shall be at the office of the chief executive of the local government unit in which the property is distrained.

- (d) Release of distrained property upon payment prior to sale - If at any time prior to the consummation of the sale, all the proper charges are paid to the officer conducting the sale, the goods or effects distrained shall be restored to the owner.
- (e) Procedure of sale - At the time and place fixed in the notice, the officer conducting the sale shall sell the goods or effects so distrained at public auction to the highest bidder for cash. Within five (5) days after the sale, the local treasurer shall make a report of the proceedings in writing to the local chief executive concerned.

Should the property distrained be not disposed of within one hundred and twenty (120) days from the date of distraint, the same shall be considered as sold to the local government unit concerned for the amount of the assessment made thereon by the Committee on Appraisal and to the extent of the same amount, the tax delinquencies shall be cancelled.

Said Committee on Appraisal shall be composed of the city or municipal treasurer as chairman, with a representative of the Commission on Audit and the city or municipal assessor as members.

- (f) Disposition of proceeds - The proceeds of the sale shall be applied to satisfy the tax, including the surcharges, interest, and other penalties incident to delinquency, and the expenses of the distraint and sale. The balance over and above what is required to pay the entire claim shall be returned to the owner of the property sold. The expenses chargeable upon the seizure and sale shall embrace only the actual expenses of seizure and preservation of the property pending the sale, and no charge shall be imposed for the services of the local officer or his deputy. Where the proceeds of the sale are insufficient to satisfy the claim, other property may, in like manner, be distrained until the full amount due, including all expenses, is collected.

Section 176. Levy on Real Property. - After the expiration of the time required to pay the delinquent tax, fee, or charge, real property may be levied on before, simultaneously, or after the distraint of personal property belonging to the delinquent taxpayer. To this end, the provincial, city or municipal treasurer, as the case may be, shall prepare a duly authenticated certificate showing the name of the taxpayer and the amount of the tax, fee, or charge, and penalty due from him. Said certificate shall operate with the force of a legal execution throughout the Philippines. Levy shall be effected by writing upon said certificate the description of

the property upon which levy is made. At the same time, written notice of the levy shall be mailed to or served upon the assessor and the Register of Deeds of the province or city where the property is located who shall annotate the levy on the tax declaration and certificate of title of the property, respectively, and the delinquent taxpayer or, if he be absent from the Philippines, to his agent or the manager of the business in respect to which the liability arose, or if there be none, to the occupant of the property in question.

In case the levy on real property is not issued before or simultaneously with the warrant of distraint on personal property, and the personal property of the taxpayer is not sufficient to satisfy his delinquency, the provincial, city or municipal treasurer, as the case may be, shall within thirty (30) days after execution of the distraint, proceed with the levy on the taxpayer's real property.

A report on any levy shall, within ten (10) days after receipt of the warrant, be submitted by the levying officer to the sanggunian concerned.

Section 177. *Penalty for Failure to Issue and Execute Warrant.* - Without prejudice to criminal prosecution under the Revised Penal Code and other applicable laws, any local treasurer who fails to issue or execute the warrant of distraint or levy after the expiration of the time prescribed, or who is found guilty of abusing the exercise thereof by competent authority shall be automatically dismissed from the service after due notice and hearing.

Section 178. *Advertisement and Sale.* - Within thirty (30) days after the 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 claim and cost of sale; and such advertisement shall cover a period of at least thirty (30) days. It shall be effected by posting a notice at the main entrance of the municipal building or city hall, and in a public and conspicuous place in the barangay where the real property is located, and by publication once a week for three (3) weeks in a newspaper of general circulation in the province, city or municipality where the property is located. The advertisement shall contain the amount of taxes, fees or charges, and penalties due thereon, and the time and place of sale, the name of the taxpayer against whom the taxes, fees, or charges are levied, and a short description of the property to be sold. At any time before the date fixed for the sale, the taxpayer may stay the proceedings by paying the taxes, fees, charges, penalties and interests. If he fails to do so, the sale shall proceed and 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 determined by the local treasurer conducting the sale and specified in the notice of sale.

Within thirty (30) days after the sale, the local treasurer or his deputy shall make a report of the sale to the sanggunian concerned, and which shall form part of his records. After consultation with the sanggunian, the local treasurer shall make and deliver to the purchaser a certificate of sale, showing the proceeding of the sale, describing the property sold, stating the name of the purchaser and setting out the

exact amount of all taxes, fees, charges, and related surcharges, interests, or penalties: Provided, however, That any excess in the proceeds of the sale over the claim and cost of sales shall be turned over to the owner of the property.

The local treasurer may, by ordinance duly approved, advance an amount sufficient to defray the costs of collection by means of the remedies provided for in this Title, including the preservation or transportation in case of personal property, and the advertisement and subsequent sale, in cases of personal and real property including improvements thereon.

Section 179. *Redemption of Property Sold.* - Within one (1) year from the date of sale, the delinquent taxpayer or his representative shall have the right to redeem the property upon payment to the local treasurer of the total amount of taxes, fees, or charges, and related surcharges, interests or penalties 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 purchase to the date of redemption. Such payment shall invalidate the certificate of sale issued to the purchaser and the owner shall be entitled to a certificate of redemption from the provincial, city or municipal treasurer or his deputy.

The provincial, city or municipal treasurer or his deputy, upon surrender by the purchaser of the certificate of sale previously issued to him, shall forthwith return to the latter the entire purchase price paid by him plus the interest of not more than two percent (2%) per month herein provided for, the portion of the cost of sale and other legitimate expenses incurred by him, and said property thereafter shall be free from the lien of such taxes, fees, or charges, related surcharges, interests, and penalties.

The owner shall not, however, be deprived of the possession of said property and shall be entitled to the rentals and other income thereof until the expiration of the time allowed for its redemption.

Section 180. *Final Deed to Purchaser.* - In case the taxpayer fails to redeem the property as provided herein, the local treasurer shall execute a deed conveying to the purchaser so much of the property as has been sold, free from liens of any taxes, fees, charges, related surcharges, interests, and penalties. The deed shall succinctly recite all the proceedings upon which the validity of the sale depends.

Section 181. *Purchase of Property By the Local Government Units for Want of Bidder.* - In case there is no bidder for the real property advertised for sale as provided herein, or if the highest bid is for an amount insufficient to pay the taxes, fees, or charges, related surcharges, interests, penalties and costs, the local treasurer conducting the sale shall purchase the property in behalf of the local government unit concerned to satisfy the claim and within two (2) days thereafter shall make a report of his proceedings which shall be reflected upon the records of his office. It shall be the duty of the Registrar of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the forfeited

property to the local government unit concerned without the necessity of an order from a competent court.

Within one (1) year from the date of such forfeiture, the taxpayer or any of his representative, may redeem the property by paying to the local treasurer the full amount of the taxes, fees, charges, and related surcharges, interests, or penalties, and the costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be fully vested on the local government unit concerned.

Section 182. *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 under the preceding section at public auction. The proceeds of the sale shall accrue to the general fund of the local government unit concerned.

Section 183. *Collection of Delinquent Taxes, Fees, Charges or other Revenues through Judicial Action.* - The local government unit concerned may enforce the collection of delinquent taxes, fees, charges or other revenues by civil action in any court of competent jurisdiction. The civil action shall be filed by the local treasurer within the period prescribed in Section 194 of this Code.

Section 184. *Further Distraint or Levy.* - The remedies by distraint and levy may be repeated if necessary until the full amount due, including all expenses, is collected.

Section 185. *Personal Property Exempt from Distraint or Levy.* - The following property shall be exempt from distraint and the levy, attachment or execution thereof for delinquency in the payment of any local tax, fee or charge, including the related surcharge and interest:

- (a) Tools and implements necessarily used by the delinquent taxpayer in his trade or employment;
- (b) One (1) horse, cow, carabao, or other beast of burden, such as the delinquent taxpayer may select, and necessarily used by him in his ordinary occupation;
- (c) His necessary clothing, and that of all his family;
- (d) Household furniture and utensils necessary for housekeeping and used for that purpose by the delinquent taxpayer, such as he may select, of a value not exceeding Ten thousand pesos (P10,000.00);
- (e) Provisions, including crops, actually provided for individual or family use sufficient for four (4) months;
- (f) The professional libraries of doctors, engineers, lawyers and judges;
- (g) One fishing boat and net, not exceeding the total value of Ten thousand

pesos (P10,000.00), by the lawful use of which a fisherman earns his livelihood; and

- (h) Any material or article forming part of a house or improvement of any real property.

CHAPTER V - Miscellaneous Provisions

Section 186. *Power To Levy Other Taxes, Fees or Charges.* - Local government units may exercise the power to levy taxes, fees or charges on any base or subject not otherwise specifically enumerated herein or taxed under the provisions of the National Internal Revenue Code, as amended, or other applicable laws: Provided, That the taxes, fees, or charges shall not be unjust, excessive, oppressive, confiscatory or contrary to declared national policy: Provided, further, That the ordinance levying such taxes, fees or charges shall not be enacted without any prior public hearing conducted for the purpose.

Section 187. *Procedure for Approval and Effectivity of Tax, Ordinances and Revenue Measures; Mandatory Public Hearings.* - The procedure for approval of local tax ordinances and revenue measures shall be in accordance with the provisions of this Code: Provided, That public hearings shall be conducted for the purpose prior to the enactment thereof: Provided, further, That any question on the constitutionality or legality of tax ordinances or revenue measures may be raised on appeal within thirty (30) days from the effectivity thereof to the Secretary of Justice who shall render a decision within sixty (60) days from the date of receipt of the appeal: Provided, however, That such appeal shall not have the effect of suspending the effectivity of the ordinance and the accrual and payment of the tax, fee, or charge levied therein: Provided, finally, That within thirty (30) days after receipt of the decision or the lapse of the sixty-day period without the Secretary of Justice acting upon the appeal, the aggrieved party may file appropriate proceedings with a court of competent jurisdiction.

Section 188. *Publication of Tax Ordinances and Revenue Measures.* - Within ten (10) days after their approval, certified true copies of all provincial, city, and municipal tax ordinances or revenue measures shall be published in full for three (3) consecutive days in a newspaper of local circulation: Provided, however, That in provinces, cities and municipalities where there are no newspapers of local circulation, the same may be posted in at least two (2) conspicuous and publicly accessible places.

Section 189. *Furnishing of Copies of Tax Ordinances and Revenue Measures.* - Copies of all provincial, city, and municipal and barangay tax ordinances and revenue measures shall be furnished the respective local treasurers for public dissemination.

Section 190. *Attempt to Enforce Void or Suspended Tax Ordinances and revenue measures.* - The enforcement of any tax ordinance or revenue measure after due notice of the disapproval or suspension thereof shall be sufficient ground for

administrative disciplinary action against the local officials and employees responsible therefor.

Section 191. *Authority of Local Government Units to Adjust Rates of Tax Ordinances.*

- Local government units shall have the authority to adjust the tax rates as prescribed herein not oftener than once every five (5) years, but in no case shall such adjustment exceed ten percent (10%) of the rates fixed under this Code.

Section 192. *Authority to Grant Tax Exemption Privileges.* - Local government units may, through ordinances duly approved, grant tax exemptions, incentives or reliefs under such terms and conditions as they may deem necessary.

Section 193. *Withdrawal of Tax Exemption Privileges.* - Unless otherwise provided in this Code, tax exemptions or incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned or controlled corporations, except local water districts, cooperatives duly registered under R.A. No. 6938, non-stock and non-profit hospitals and educational institutions, are hereby withdrawn upon the effectivity of this Code.

CHAPTER VI - Taxpayer's Remedies

Section 194. *Periods of Assessment and Collection.* –

- (a) Local taxes, fees, or charges shall be assessed within five (5) years from the date they became due. No action for the collection of such taxes, fees, or charges, whether administrative or judicial, shall be instituted after the expiration of such period: Provided, That, taxes, fees or charges which have accrued before the effectivity of this Code may be assessed within a period of three (3) years from the date they became due.
- (b) In case of fraud or intent to evade the payment of taxes, fees, or charges, the same may be assessed within ten (10) years from discovery of the fraud or intent to evade payment.
- (c) Local taxes, fees, or charges may be collected within five (5) years from the date of assessment by administrative or judicial action. No such action shall be instituted after the expiration of said period: Provided, however, That, taxes, fees or charges assessed before the effectivity of this Code may be collected within a period of three (3) years from the date of assessment.
- (d) The running of the periods of prescription provided in the preceding paragraphs shall be suspended for the time during which:
 - (1) The treasurer is legally prevented from making the assessment of collection;
 - (2) The taxpayer requests for a reinvestigation and executes a waiver in

writing before expiration of the period within which to assess or collect;
and

(3) The taxpayer is out of the country or otherwise cannot be located.

Section 195. *Protest of Assessment.* - When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a notice of assessment stating the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests and penalties. Within sixty (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment; otherwise, the assessment shall become final and executory. The local treasurer shall decide the protest within sixty (60) days from the time of its filing. If the local treasurer finds the protest to be wholly or partly meritorious, he shall issue a notice cancelling wholly or partially the assessment. However, if the local treasurer finds the assessment to be wholly or partly correct, he shall deny the protest wholly or partly with notice to the taxpayer. The taxpayer shall have thirty (30) days from the receipt of the denial of the protest or from the lapse of the sixty (60) day period prescribed herein within which to appeal with the court of competent jurisdiction otherwise the assessment becomes conclusive and unappealable.

Section 196. *Claim for Refund of Tax Credit.* - No case or proceeding shall be maintained in any court for the recovery of any tax, fee, or charge erroneously or illegally collected until a written claim for refund or credit has been filed with the local treasurer. No case or proceeding shall be entertained in any court after the expiration of two (2) years from the date of the payment of such tax, fee, or charge, or from the date the taxpayer is entitled to a refund or credit.

TITLE II - REAL PROPERTY TAXATION

CHAPTER I - General Provisions

Section 197. *Scope.* - This Title shall govern the administration, appraisal, assessment, levy and collection of real property tax.

Section 198. *Fundamental Principles.* - The appraisal, assessment, levy and collection of real property tax shall be guided by the following fundamental principles:

- (a) Real property shall be appraised at its current and fair market value;
- (b) Real property shall be classified for assessment purposes on the basis of its actual use;
- (c) Real property shall be assessed on the basis of a uniform classification within each local government unit;

- (d) The appraisal, assessment, levy and collection of real property tax shall not be let to any private person; and
- (e) The appraisal and assessment of real property shall be equitable.

Section 199. Definitions. - When used in this Title:

- (a) "Acquisition Cost" for newly-acquired machinery not yet depreciated and appraised within the year of its purchase, refers to the actual cost of the machinery to its present owner, plus the cost of transportation, handling, and installation at the present site;
- (b) "Actual Use" refers to the purpose for which the property is principally or predominantly utilized by the person in possession thereof;
- (c) "Ad Valorem Tax" is a levy on real property determined on the basis of a fixed proportion of the value of the property;
- (d) "Agricultural Land" is land devoted principally to the planting of trees, raising of crops, livestock and poultry, dairying, salt making, inland fishing and similar aquacultural activities, and other agricultural activities, and is not classified as mineral, timber, residential, commercial or industrial land;
- (e) "Appraisal" is the act or process of determining the value of property as of a specified date for a specific purpose;
- (f) "Assessment" is the act or process of determining the value of a property, or proportion thereof subject to tax, including the discovery, listing, classification, and appraisal of properties;
- (g) "Assessment Level" is the percentage applied to the fair market value to determine the taxable value of the property;
- (h) "Assessed Value" is the fair market value of the real property multiplied by the assessment level. It is synonymous to taxable value;
- (i) "Commercial Land" is land devoted principally for the object of profit and is not classified as agricultural, industrial, mineral, timber, or residential land;
- (j) "Depreciated Value" is the value remaining after deducting depreciation from the acquisition cost;
- (k) "Economic Life" is the estimated period over which it is anticipated that a machinery or equipment may be profitably utilized;
- (l) "Fair Market Value" is the price at which a property may be sold by a seller who is not compelled to sell and bought by a buyer who is not compelled to

buy;

- (m) "Improvement" is a valuable addition made to a property or an amelioration in its condition, amounting to more than a mere repair or replacement of parts involving capital expenditures and labor, which is intended to enhance its value, beauty or utility or to adapt it for new or further purposes;
- (n) "Industrial Land" is land devoted principally to industrial activity as capital investment and is not classified as agricultural, commercial, timber, mineral or residential land;
- (o) "Machinery" embraces machines, equipment, mechanical contrivances, instruments, appliances or apparatus which may or may not be attached, permanently or temporarily, to the real property. It includes the physical facilities for production, the installations and appurtenant service facilities, those which are mobile, self-powered or self-propelled, and those not permanently attached to the real property which are actually, directly, and exclusively used to meet the needs of the particular industry, business or activity and which by their very nature and purpose are designed for, or necessary to its manufacturing, mining, logging, commercial, industrial or agricultural purposes;
- (p) "Mineral Lands" are lands in which minerals, metallic or non-metallic, exist in sufficient quantity or grade to justify the necessary expenditures to extract and utilize such materials;
- (q) "Reassessment" is the assigning of new assessed values to property, particularly real estate, as the result of a general, partial, or individual reappraisal of the property;
- (r) "Remaining Economic Life" is the period of time expressed in years from the date of appraisal to the date when the machinery becomes valueless;
- (s) "Remaining Value" is the value corresponding to the remaining useful life of the machinery;
- (t) "Replacement or Reproduction Cost" is the cost that would be incurred on the basis of current prices, in acquiring an equally desirable substitute property, or the cost of reproducing a new replica of the property on the basis of current prices with the same or closely similar material; and
- (u) "Residential Land" is land principally devoted to habitation.

Section 200. Administration of the Real Property Tax. - The provinces and cities, including the municipalities within the Metropolitan Manila Area, shall be primarily responsible for the proper, efficient and effective administration of the real property tax.

CHAPTER II - Appraisal and Assessment of Real Property

Section 201. *Appraisal of Real Property.* - All real property, whether taxable or exempt, shall be appraised at the current and fair market value prevailing in the locality where the property is situated. The Department of Finance shall promulgate the necessary rules and regulations for the classification, appraisal, and assessment of real property pursuant to the provisions of this Code.

Section 202. *Declaration of real Property by the Owner or Administrator.* - It shall be the duty of all persons, natural or juridical, owning or administering real property, including the improvements therein, within a city or municipality, or their duly authorized representative, to prepare, or cause to be prepared, and file with the provincial, city or municipal assessor, a sworn statement declaring the true value of their property, whether previously declared or undeclared, taxable or exempt, which shall be the current and fair market value of the property, as determined by the declarant. Such declaration shall contain a description of the property sufficient in detail to enable the assessor or his deputy to identify the same for assessment purposes. The sworn declaration of real property herein referred to shall be filed with the assessor concerned once every three (3) years during the period from January first (1st) to June thirtieth (30th) commencing with the calendar year 1992.

Section 203. *Duty of Person Acquiring Real Property or Making Improvement Thereon.* - It shall also be the duty of any person, or his authorized representative, acquiring at any time real property in any municipality or city or making any improvement on real property, to prepare, or cause to be prepared, and file with the provincial, city or municipal assessor, a sworn statement declaring the true value of subject property, within sixty (60) days after the acquisition of such property or upon completion or occupancy of the improvement, whichever comes earlier.

Section 204. *Declaration of Real Property by the Assessor.* - When any person, natural or juridical, by whom real property is required to be declared under Section 202 hereof, refuses or fails for any reason to make such declaration within the time prescribed, the provincial, city or municipal assessor shall himself declare the property in the name of the defaulting owner, if known, or against an unknown owner, as the case may be, and shall assess the property for taxation in accordance with the provision of this Title. No oath shall be required of a declaration thus made by the provincial, city or municipal assessor.

Section 205. *Listing of Real Property in the Assessment Rolls.* -

- (a) In every province and city, including the municipalities within the Metropolitan Manila Area, there shall be prepared and maintained by the provincial, city or municipal assessor an assessment roll wherein shall be listed all real property, whether taxable or exempt, located within the territorial jurisdiction of the local government unit concerned. Real property shall be listed, valued and assessed in the name of the owner or

administrator, or anyone having legal interest in the property.

- (b) The undivided real property of a deceased person may be listed, valued and assessed in the name of the estate or of the heirs and devisees without designating them individually; and undivided real property other than that owned by a deceased may be listed, valued and assessed in the name of one or more co-owners: Provided, however, That such heir, devisee, or co-owner shall be liable severally and proportionately for all obligations imposed by this Title and the payment of the real property tax with respect to the undivided property.
- (c) The real property of a corporation, partnership, or association shall be listed, valued and assessed in the same manner as that of an individual.
- (d) Real property owned by the Republic of the Philippines, its instrumentalities and political subdivisions, the beneficial use of which has been granted, for consideration or otherwise, to a taxable person, shall be listed, valued and assessed in the name of the possessor, grantee or of the public entity if such property has been acquired or held for resale or lease.

Section 206. *Proof of Exemption of Real Property from Taxation.* - Every person by or for whom real property is declared, who shall claim tax exemption for such property under this Title shall file with the provincial, city or municipal assessor within thirty (30) days from the date of the declaration of real property sufficient documentary evidence in support of such claim including corporate charters, title of ownership, articles of incorporation, by-laws, contracts, affidavits, certifications and mortgage deeds, and similar documents.

If the required evidence is not submitted within the period herein prescribed, the property shall be listed as taxable in the assessment roll. However, if the property shall be proven to be tax exempt, the same shall be dropped from the assessment roll.

Section 207. *Real Property Identification System.* - All declarations of real property made under the provisions of this Title shall be kept and filed under a uniform classification system to be established by the provincial, city or municipal assessor.

Section 208. *Notification of Transfer of Real Property Ownership.* - Any person who shall transfer real property ownership to another shall notify the provincial, city or municipal assessor concerned within sixty (60) days from the date of such transfer. The notification shall include the mode of transfer, the description of the property alienated, the name and address of the transferee.

Section 209. *Duty of Registrar of Deeds to Appraise Assessor of Real Property Listed in Registry.* -

- (a) To ascertain whether or not any real property entered in the Registry of

Property has escaped discovery and listing for the purpose of taxation, the Registrar of Deeds shall prepare and submit to the provincial, city or municipal assessor, within six (6) months from the date of effectivity of this Code and every year thereafter, an abstract of his registry, which shall include brief but sufficient description of the real properties entered therein, their present owners, and the dates of their most recent transfer or alienation accompanied by copies of corresponding deeds of sale, donation, or partition or other forms of alienation.

- (b) It shall also be the duty of the Registrar of Deeds to require every person who shall present for registration a document of transfer, alienation, or encumbrance of real property to accompany the same with a certificate to the effect that the real property subject of the transfer, alienation, or encumbrance, as the case may be, has been fully paid of all real property taxes due thereon. Failure to provide such certificate shall be a valid cause for the Registrar of Deeds to refuse the registration of the document.

Section 210. *Duty of Official Issuing Building Permit or Certificate of Registration of Machinery to Transmit Copy to Assessor.* - Any public official or employee who may now or hereafter be required by law or regulation to issue to any person a permit for the construction, addition, repair, or renovation of a building, or permanent improvement on land, or a certificate of registration for any machinery, including machines, mechanical contrivances, and apparatus attached or affixed on land or to another real property, shall transmit a copy of such permit or certificate within thirty (30) days of its issuance, to the assessor of the province, city or municipality where the property is situated.

Section 211. *Duty of Geodetic Engineers to Furnish Copy of Plans to Assessor.* - It shall be the duty of all geodetic engineers, public or private, to furnish free of charge to the assessor of the province, city or municipality where the land is located with a white or blue print copy of each of all approved original or subdivision plans or maps of surveys executed by them within thirty (30) days from receipt of such plans from the Lands Management Bureau, the Land Registration Authority, or the Housing and Land Use Regulatory Board, as the case may be.

Section 212. *Preparation of Schedule of Fair Market Values.* - Before any general revision of property assessment is made pursuant to the provisions of this Title, there shall be prepared a schedule of fair market values by the provincial, city and municipal assessor of the municipalities within the Metropolitan Manila Area for the different classes of real property situated in their respective local government units for enactment by ordinance of the sanggunian concerned. The schedule of fair market values shall be published in a newspaper of general circulation in the province, city or municipality concerned or in the absence thereof, shall be posted in the provincial capitol, city or municipal hall and in two other conspicuous public places therein.

Section 213. *Authority of Assessor to Take Evidence.* - For the purpose of obtaining

information on which to base the market value of any real property, the assessor of the province, city or municipality or his deputy may summon the owners of the properties to be affected or persons having legal interest therein and witnesses, administer oaths, and take deposition concerning the property, its ownership, amount, nature, and value.

Section 214. *Amendment of Schedule of Fair Market Values.* - The provincial, city or municipal assessor may recommend to the sanggunian concerned amendments to correct errors in valuation in the schedule of fair market values. The sanggunian concerned shall, by ordinance, act upon the recommendation within ninety (90) days from receipt thereof.

Section 215. *Classes of Real Property for Assessment Purposes.* - For purposes of assessment, real property shall be classified as residential, agricultural, commercial, industrial, mineral, timberland or special.

The city or municipality within the Metropolitan Manila Area, through their respective sanggunian, shall have the power to classify lands as residential, agricultural, commercial, industrial, mineral, timberland, or special in accordance with their zoning ordinances.

Section 216. *Special Classes of Real Property.* - All lands, buildings, and other improvements thereon actually, directly and exclusively used for hospitals, cultural, or scientific purposes, and those owned and used by local water districts, and government-owned or controlled corporations rendering essential public services in the supply and distribution of water and/or generation and transmission of electric power shall be classified as special.

Section 217. *Actual Use of Real Property as Basis for Assessment.* - Real property shall be classified, valued and assessed on the basis of its actual use regardless of where located, whoever owns it, and whoever uses it.

Section 218. *Assessment Levels.* - The assessment levels to be applied to the fair market value of real property to determine its assessed value shall be fixed by ordinances of the sangguniang panlalawigan, sangguniang panlungsod or sangguniang bayan of a municipality within the Metropolitan Manila Area, at the rates not exceeding the following:

(a) On Lands:

CLASS	ASSESSMENT LEVELS
Residential	20%
Agricultural	40%
Commercial	50%
Industrial	50%
Mineral	50%
Timberland	20%

(b) On Buildings and Other Structures:

(1) Residential

<i>Fair market Value</i>		Assessment Levels
Over	Not Over	
	P175,000.00	0%
P175,000.00	300,000.00	10%
300,000.00	500,000.00	20%
500,000.00	750,000.00	25%
750,000.00	1,000,000.00	30%
1,000,000.00	2,000,000.00	35%
2,000,000.00	5,000,000.00	40%
5,000,000.00	10,000,000.00	50%
10,000,000.00		60%

(2) Agricultural

<i>Fair Market Value</i>		Assessment Levels
Over	Not Over	
P300,000.00		25%
P300,000.00	500,000.00	30%
500,000.00	750,000.00	35%
750,000.00	1,000,000.00	40%
1,000,000.00	2,000,000.00	45%
2,000,000.00		50%

(3) Commercial / Industrial

<i>Fair Market Value</i>		Assessment Levels
Over	Not Over	
P300,000.00		30%
P300,000.00	500,000.00	35%
500,000.00	750,000.00	40%
750,000.00	1,000,000.00	50%
1,000,000.00	2,000,000.00	60%
2,000,000.00	5,000,000.00	70%
5,000,000.00	10,000,000.00	75%
10,000,000.00		80%

(4) Timberland

Fair Market Value

Over	Not Over	Assessment Levels
P300,000.00	45%	
P300,000.00	500,000.00	50%
500,000.00	750,000.00	55%
750,000.00	1,000,000.00	60%
5,000,000.00	2,000,000.00	65%
2,000,000.00	70%	

(c) On Machineries

Class	Assessment Levels
Agricultural	40%
Residential	50%
Commercial	80%
Industrial	80%

(d) On Special Classes: The assessment levels for all lands buildings, machineries and other improvements;

Actual Use	Assessment Level
Cultural	15%
Scientific	15%
Hospital	15%
Local water districts	10%
Government-owned or controlled corporations engaged in the supply and distribution of water and/or generation and transmission of electric power	10%

Section 219. General Revision of Assessment and Property Classification. - The provincial, city or municipal assessor shall undertake a general revision of real property assessments within two (2) years after the effectivity of this Code and every three (3) years thereafter.

Section 220. Valuation of Real Property. - In cases where (a) real property is declared and listed for taxation purposes for the first time; (b) there is an ongoing general revision of property classification and assessment; or (c) a request is made by the person in whose name the property is declared, the provincial, city or municipal assessor or his duly authorized deputy shall, in accordance with the provisions of this Chapter, make a classification, appraisal and assessment or taxpayer's valuation thereon: Provided, however, That the assessment of real property shall not be increased oftener than once every three (3) years except in case of new improvements substantially increasing the value of said property or of any change in its actual use.

Section 221. Date of Effectivity of Assessment or Reassessment. - 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 the gross illegality of the assessment when made or to any other abnormal cause, shall be made within ninety (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.

Section 222. *Assessment of Property Subject to Back Taxes.* - Real property declared for the first time shall be assessed for taxes for the period during which it would have been liable but in no case of more than ten (10) years prior to the date of initial assessment: Provided, however, That such taxes shall be computed on the basis of the applicable schedule of values in force during the corresponding period.

If such taxes are paid on or before the end of the quarter following the date the notice of assessment was received by the owner or his representative, no interest for delinquency shall be imposed thereon; otherwise, such taxes shall be subject to an interest at the rate of two percent (2%) per month or a fraction thereof from the date of the receipt of the assessment until such taxes are fully paid.

Section 223. *Notification of New or Revised Assessment.* - When real property is assessed for the first time or when an existing assessment is increased or decreased, the provincial, city or municipal assessor shall within thirty (30) days give written notice of such new or revised assessment to the person in whose name the property is declared. The notice may be delivered personally or by registered mail or through the assistance of the punong barangay to the last known address of the person to be served.

Section 224. *Appraisal and Assessment of Machinery.* -

- (a) The fair market value of a brand-new machinery shall be the acquisition cost. In all other cases, the fair market value shall be determined by dividing the remaining economic life of the machinery by its estimated economic life and multiplied by the replacement or reproduction cost.
- (b) If the machinery is imported, the acquisition cost includes freight, insurance, bank and other charges, brokerage, arrastre and handling, duties and taxes, plus charges at the present site. The cost in foreign currency of imported machinery shall be converted to peso cost on the basis of foreign currency exchange rates as fixed by the Central Bank.

Section 225. *Depreciation Allowance for Machinery.* - For purposes of assessment, a depreciation allowance shall be made for machinery at a rate not exceeding five percent (5%) of its original cost or its replacement or reproduction cost, as the case may be, for each year of use: Provided, however, That the remaining value for all kinds of machinery shall be fixed at not less than twenty percent (20%) of such original, replacement, or reproduction cost for so long as the machinery is useful and

in operation.

CHAPTER III - Assessment Appeals

Section 226. *Local Board of Assessment Appeals.* - Any owner or person having legal interest in the property who is not satisfied with the action of the provincial, city or municipal assessor in the assessment of his property may, within sixty (60) days from the date of receipt of the written notice of assessment, appeal to the Board of Assessment Appeals of the provincial or city by filing a petition under oath in the form prescribed for the purpose, together with copies of the tax declarations and such affidavits or documents submitted in support of the appeal.

Section 227. *Organization, Powers, Duties, and Functions of the Local Board of Assessment Appeals.* -

- (a) The Board of Assessment Appeals of the province or city shall be composed of the Registrar of Deeds, as Chairman, the provincial or city prosecutor and the provincial, or city engineer as members, who shall serve as such in an ex officio capacity without additional compensation.
- (b) The chairman of the Board shall have the power to designate any employee of the province or city to serve as secretary to the Board also without additional compensation.
- (c) The chairman and members of the Board of Assessment Appeals of the province or city shall assume their respective positions without need of further appointment or special designations immediately upon effectivity of this Code. They shall take oath or affirmation of office in the prescribed form.
- (d) In provinces and cities without a provincial or city engineer, the district engineer shall serve as member of the Board. In the absence of the Registrar of Deeds, or the provincial or city prosecutor, or the provincial or city engineer, or the district engineer, the persons performing their duties, whether in an acting capacity or as a duly designated officer-in-charge, shall automatically become the chairman or member, respectively, of the said Board, as the case may be.

Section 228. *Meetings and Expenses of the Local Board of Assessment Appeals.* -

- (a) The Board of Assessment Appeals of the province or city shall meet once a month and as often as may be necessary for the prompt disposition of appealed cases. No member of the Board shall be entitled to per diems or traveling expenses for his attendance in Board meetings, except when conducting an ocular inspection in connection with a case under appeal.
- (b) All expenses of the Board shall be charged against the general fund of the province or city, as the case may be. The sanggunian concerned shall

appropriate the necessary funds to enable the Board in their respective localities to operate effectively.

Section 229. *Action by the Local Board of Assessment Appeals.* -

- (a) The Board shall decide the appeal within one hundred twenty (120) days from the date of receipt of such appeal. The Board, after hearing, shall render its decision based on substantial evidence or such relevant evidence on record as a reasonable mind might accept as adequate to support the conclusion.
- (b) In the exercise of its appellate jurisdiction, the Board shall have the power to summon witnesses, administer oaths, conduct ocular inspection, take depositions, and issue subpoena and subpoena duces tecum. The proceedings of the Board shall be conducted solely for the purpose of ascertaining the facts without necessarily adhering to technical rules applicable in judicial proceedings.
- (c) The secretary of the Board shall furnish the owner of the property or the person having legal interest therein and the provincial or city assessor with a copy of the decision of the Board. In case the provincial or city assessor concurs in the revision or the assessment, it shall be his duty to notify the owner of the property or the person having legal interest therein of such fact using the form prescribed for the purpose. The owner of the property or the person having legal interest therein or the assessor who is not satisfied with the decision of the Board, may, within thirty (30) days after receipt of the decision of said Board, appeal to the Central Board of Assessment Appeals, as herein provided. The decision of the Central Board shall be final and executory.

Section 230. *Central Board of Assessment Appeals.* - The Central Board of Assessment Appeals shall be composed of a chairman, and two (2) members to be appointed by the President, who shall serve for a term of seven (7) years, without reappointment. Of those first appointed, the chairman shall hold office for seven (7) years, one member for five (5) years, and the other member for three (3) years. Appointment to any vacancy shall be only for the unexpired portion of the term of the predecessor. In no case shall any member be appointed or designated in a temporary or acting capacity. The chairman and the members of the Board shall be Filipino citizens, at least forty (40) years old at the time of their appointment, and members of the Bar or Certified Public Accountants for at least ten (10) years immediately preceding their appointment. The chairman of the Board of Assessment Appeals shall have the salary grade equivalent to the rank of Director III under the Salary Standardization Law exclusive of allowances and other emoluments. The members of the Board shall have the salary grade equivalent to the rank of Director II under the Salary Standardization Law exclusive of allowances and other emoluments. The Board shall have appellate jurisdiction over all assessment cases decided by the Local Board of Assessment Appeals.

There shall be Hearing Officers to be appointed by the Central Board of Assessment Appeals pursuant to civil service laws, rules and regulations, one each for Luzon, Visayas and Mindanao, who shall hold office in Manila, Cebu City and Cagayan de Oro City, respectively, and who shall serve for a term of six (6) years, without reappointment until their successors have been appointed and qualified. The Hearing Officers shall have the same qualifications as that of the Judges of the Municipal Trial Courts.

The Central Board Assessment Appeals, in the performance of its powers and duties, may establish and organize staffs, offices, units, prescribe the titles, functions and duties of their members and adopt its own rules and regulations.

Unless otherwise provided by law, the annual appropriations for the Central Board of Assessment Appeals shall be included in the budget of the Department of Finance in the corresponding General Appropriations Act.

Section 231. *Effect of Appeal on the Payment of Real Property Tax.* - Appeal on assessments of real property made under the provisions of this Code shall, in no case, suspend the collection of the corresponding realty taxes on the property involved as assessed by the provincial or city assessor, without prejudice to subsequent adjustment depending upon the final outcome of the appeal.

CHAPTER IV - Imposition of Real Property Tax

Section 232. *Power to Levy Real Property Tax.* - A province or city or a municipality within the Metropolitan Manila Area may levy an annual ad valorem tax on real property such as land, building, machinery, and other improvement not hereinafter specifically exempted.

Section 233. *Rates of Levy.* - A province or city or a municipality within the Metropolitan Manila Area shall fix a uniform rate of basic real property tax applicable to their respective localities as follows:

- (a) In the case of a province, at the rate not exceeding one percent (1%) of the assessed value of real property; and
- (b) In the case of a city or a municipality within the Metropolitan Manila Area, at the rate not exceeding two percent (2%) of the assessed value of real property.

Section 234. *Exemptions from Real Property Tax.* - The following are exempted from payment of the real property tax:

- (a) Real property owned by the Republic of the Philippines or any of its political subdivisions except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person;

- (b) Charitable institutions, churches, parsonages or convents appurtenant thereto, mosques, non-profit or religious cemeteries and all lands, buildings, and improvements actually, directly, and exclusively used for religious, charitable or educational purposes;
- (c) All machineries and equipment that are actually, directly and exclusively used by local water districts and government owned or controlled corporations engaged in the supply and distribution of water and/or generation and transmission of electric power;
- (d) All real property owned by duly registered cooperatives as provided for under R.A. No. 6938; and
- (e) Machinery and equipment used for pollution control and environmental protection.

Except as provided herein, any exemption from payment of real property tax previously granted to, or presently enjoyed by, all persons, whether natural or juridical, including all government-owned or controlled corporations are hereby withdrawn upon the effectivity of this Code.

CHAPTER V - Special Levies on Real Property

Section 235. *Additional Levy on Real Property for the Special Education Fund.* - A province or city, or a municipality within the Metropolitan Manila Area, may levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax. The proceeds thereof shall exclusively accrue to the Special Education Fund (SEF).

Section 236. *Additional Ad Valorem Tax on Idle Lands.* - A province or city, or a municipality within the Metropolitan Manila Area, may levy an annual tax on idle lands at the rate not exceeding five percent (5%) of the assessed value of the property which shall be in addition to the basic real property tax.

Section 237. *Idle Lands, Coverage.* - For purposes of real property taxation, idle lands shall include the following:

- (a) Agricultural lands, more than one (1) hectare in area, suitable for cultivation, dairying, inland fishery, and other agricultural uses, one-half (1/2) of which remain uncultivated or unimproved by the owner of the property or person having legal interest therein. Agricultural lands planted to permanent or perennial crops with at least fifty (50) trees to a hectare shall not be considered idle lands. Lands actually used for grazing purposes shall likewise not be considered idle lands.
- (b) Lands, other than agricultural, located in a city or municipality, more than

one thousand (1,000) square meters in area one-half (1/2) of which remain unutilized or unimproved by the owner of the property or person having legal interest therein.

Regardless of land area, this Section shall likewise apply to residential lots in subdivisions duly approved by proper authorities, the ownership of which has been transferred to individual owners, who shall be liable for the additional tax: Provided, however, That individual lots of such subdivisions, the ownership of which has not been transferred to the buyer shall be considered as part of the subdivision, and shall be subject to the additional tax payable by subdivision owner or operator.

Section 238. *Idle Lands Exempt from Tax.* - A province or city or a municipality within the Metropolitan Manila Area may exempt idle lands from the additional levy by reason of force majeure, civil disturbance, natural calamity or any cause or circumstance which physically or legally prevents the owner of the property or person having legal interest therein from improving, utilizing or cultivating the same.

Section 239. *Listing of Idle Lands by the Assessor.* - The provincial, city or municipal assessor shall make and keep an updated record of all idle lands located within his area of jurisdiction. For purposes of collection, the provincial, city or municipal assessor shall furnish a copy thereof to the provincial or city treasurer who shall notify, on the basis of such record, the owner of the property or person having legal interest therein of the imposition of the additional tax.

Section 240. *Special Levy by Local Government Units.* - A province, city or municipality may impose a special levy on the lands comprised within its territorial jurisdiction specially benefited by public works projects or improvements funded by the local government unit concerned: Provided, however, That the special levy shall not exceed sixty percent (60%) of the actual cost of such projects and improvements, including the costs of acquiring land and such other real property in connection therewith: Provided, further, That the special levy shall not apply to lands exempt from basic real property tax and the remainder of the land portions of which have been donated to the local government unit concerned for the construction of such projects or improvements.

Section 241. *Ordinance Imposing a Special Levy.* - A tax ordinance imposing a special levy shall describe with reasonable accuracy the nature, extent, and location of the public works projects or improvements to be undertaken, state the estimated cost thereof, specify the metes and bounds by monuments and lines and the number of annual installments for the payment of the special levy which in no case shall be less than five (5) nor more than ten (10) years. The sanggunian concerned shall not be obliged, in the apportionment and computation of the special levy, to establish a uniform percentage of all lands subject to the payment of the tax for the entire district, but it may fix different rates for different parts or sections thereof, depending on whether such land is more or less benefited by proposed work.

Section 242. *Publication of Proposed Ordinance Imposing a Special Levy.* - Before the enactment of an ordinance imposing a special levy, the sanggunian concerned shall conduct a public hearing thereon; notify in writing the owners of the real property to be affected or the persons having legal interest therein as to the date and place thereof and afford the latter the opportunity to express their positions or objections relative to the proposed ordinance.

Section 243. *Fixing the Amount of Special Levy.* - The special levy authorized herein shall be apportioned, computed, and assessed according to the assessed valuation of the lands affected as shown by the books of the assessor concerned, or its current assessed value as fixed by said assessor if the property does not appear of record in his books. Upon the effectivity of the ordinance imposing special levy, the assessor concerned shall forthwith proceed to determine the annual amount of special levy assessed against each parcel of land comprised within the area especially benefited and shall send to each landowner a written notice thereof by mail, personal service or publication in appropriate cases.

Section 244. *Taxpayer's Remedies Against Special Levy.* - Any owner of real property affected by a special levy or any person having a legal interest therein may, upon receipt of the written notice of assessment of the special levy, avail of the remedies provided for in Chapter 3, Title Two, Book II of this Code.

Section 245. *Accrual of Special Levy.* - The special levy shall accrue on the first day of the quarter next following the effectivity of the ordinance imposing such levy.

CHAPTER VI - Collection of Real Property Tax

Section 246. *Date of Accrual of Tax.* - The real property tax for any year shall accrue on the first day of January and from that date it shall constitute a lien on the property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon the payment of the delinquent tax.

Section 247. *Collection of Tax.* - The collection of the real property tax with interest thereon and related expenses, and the enforcement of the remedies provided for in this Title or any applicable laws, shall be the responsibility of the city or municipal treasurer concerned.

The city or municipal treasurer may deputize the barangay treasurer to collect all taxes on real property located in the barangay: Provided, That the barangay treasurer is properly bonded for the purpose: Provided, further, That the premium on the bond shall be paid by the city or municipal government concerned.

Section 248. *Assessor to Furnish Local Treasurer with Assessment Roll.* - The provincial, city or municipal assessor shall prepare and submit to the treasurer of the local government unit, on or before the thirty-first (31st) day of December each year, an assessment roll containing a list of all persons whose real properties have

been newly assessed or reassessed and the values of such properties.

Section 249. *Notice of Time for Collection of Tax.* - The city or municipal treasurer shall, on or before the thirty-first (31st) day of January each year, in the case of the basic real property tax and the additional tax for the Special Education Fund (SEF) or any other date to be prescribed by the sanggunian concerned in the case of any other tax levied under this title, post the notice of the dates when the tax may be paid without interest at a conspicuous and publicly accessible place at the city or municipal hall. Said notice shall likewise be published in a newspaper of general circulation in the locality once a week for two (2) consecutive weeks.

Section 250. *Payment of Real Property Taxes in Installments.* - The owner of the real property or the person having legal interest therein may pay the basic real property tax and the additional tax for Special Education Fund (SEF) due thereon without interest in four (4) equal installments; the first installment to be due and payable on or before March Thirty-first (31st); the second installment, on or before June Thirty (30); the third installment, on or before September Thirty (30); and the last installment on or before December Thirty-first (31st), except the special levy the payment of which shall be governed by ordinance of the sanggunian concerned.

The date for the payment of any other tax imposed under this Title without interest shall be prescribed by the sanggunian concerned.

Payments of real property taxes shall first be applied to prior years delinquencies, interests, and penalties, if any, and only after said delinquencies are settled may tax payments be credited for the current period.

Section 251. *Tax Discount for Advanced Prompt Payment.* - If the basic real property tax and the additional tax accruing to the Special Education Fund (SEF) are paid in advance in accordance with the prescribed schedule of payment as provided under Section 250, the sanggunian concerned may grant a discount not exceeding twenty percent (20%) of the annual tax due.

Section 252. *Payment Under Protest.* -

- (a) No protest shall be entertained unless the taxpayer first pays the tax. There shall be annotated on the tax receipts 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.
- (b) The tax or a portion thereof paid under protest, shall be held in trust by the treasurer concerned.
- (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 existing or future tax liability.

- (d) In the event that the protest is denied or upon the lapse of the sixty day period prescribed in subparagraph (a), the taxpayer may avail of the remedies as provided for in Chapter 3, Title II, Book II of this Code.

Section 253. *Repayment of Excessive Collections.* - When an assessment of basic real property tax, or any other tax levied under this Title, is found to be illegal or erroneous and the tax is accordingly reduced or adjusted, the taxpayer may file a written claim for refund or credit for taxes and interests with the provincial or city treasurer within two (2) years from the date the taxpayer is entitled to such reduction or adjustment.

The provincial or city treasurer shall decide the claim for tax refund or credit within sixty (60) days from receipt thereof. In case the claim for tax refund or credit is denied, the taxpayer may avail of the remedies as provided in Chapter 3, Title II, Book II of this Code.

Section 254. *Notice of Delinquency in the Payment of the Real Property Tax.* -

- (a) When the real property tax or any other tax imposed under this Title becomes delinquent, the provincial, city or municipal treasurer shall immediately cause a notice of the delinquency to be posted at the main hall and in a publicly accessible and conspicuous place in each barangay of the local government unit concerned. 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.
- (b) Such notice shall specify the date upon which the tax became delinquent and shall state that personal property may be distrained to effect payment. It shall likewise state that any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made in accordance with the next following Section, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, 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.

Section 255. *Interests on Unpaid Real Property Tax.* - In case of failure to pay the basic real property tax or any other tax levied under this Title upon the expiration of the periods as provided in Section 250, or when due, as the case may be, shall subject the taxpayer to the payment of interest at the rate of two percent (2%) per month on the unpaid amount or a fraction thereof, until the delinquent tax shall

have been fully paid: Provided, however, That in no case shall the total interest on the unpaid tax or portion thereof exceed thirty-six (36) months.

Section 256. Remedies For The Collection Of Real Property Tax. - For the collection of the basic real property tax and any other tax levied under this Title, the local government unit concerned may avail of the remedies by administrative action thru levy on real property or by judicial action.

Section 257. Local Governments Lien. - The basic real property tax and any other tax levied under this Title constitutes a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses.

Section 258. Levy on Real Property. - After the expiration of the time required to pay the basic real property tax or any other tax levied under this Title, 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 the delinquent tax. The provincial or city treasurer, or a treasurer of a municipality within the Metropolitan Manila Area, as the case may be, when issuing a warrant of levy shall prepare a duly authenticated certificate showing the name of the delinquent owner of the property or person having legal interest therein, the description of the property, the amount of the tax due and the interest thereon. The warrant shall operate with the force of a legal execution throughout the province, city or a municipality, within the Metropolitan Manila Area. The warrant shall be mailed to or served upon the delinquent owner of the real property or person having legal interest therein, or in case he is out of the country or cannot be located, the administrator or occupant of the property. At the same time, written notice of the levy with the attached warrant shall be mailed to or served upon the assessor and the Registrar of Deeds of the province, city or municipality within the Metropolitan Manila Area where the property is located, who shall annotate the levy on the tax declaration and certificate of title of the property, respectively.

The levying officer shall submit a report on the levy to the sanggunian concerned within ten (10) days after receipt of the warrant by the owner of the property or person having legal interest therein.

Section 259. Penalty for Failure to Issue and Execute Warrant. - Without prejudice to criminal prosecution under the Revised Penal Code and other applicable laws, any local treasurer or his deputy who fails to issue or execute the warrant of levy within one (1) year from the time the tax becomes delinquent or within thirty (30) days from the date of the issuance thereof, or who is found guilty of abusing the exercise thereof in an administrative or judicial proceeding shall be dismissed from the service.

Section 260. Advertisement and Sale. - Within thirty (30) days after service of the warrant of levy, the local treasurer shall proceed to publicly advertise for sale or

at auction the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale. The advertisement shall be effected by posting a notice at the main entrance of the provincial, city or municipal building, and in a publicly accessible and conspicuous place in the barangay where the real property is located, and by publication once a week for two (2) weeks in a newspaper of general circulation in the province, city or municipality where the property is located. The advertisement shall specify the amount of the delinquent tax, the interest due thereon and expenses of sale, the date and place of sale, the name of the owner of the real property or person having legal interest therein, and a description of the property to be sold. 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. 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 the sale.

Within thirty (30) days after the sale, the local treasurer or his deputy shall make a report of the sale to the sanggunian concerned, and which shall form part of his records. The local treasurer shall likewise prepare and deliver to the purchaser a certificate of sale which shall contain 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 proceedings: Provided, however, That proceeds of the sale in excess of the delinquent tax, the interest due thereon, and the expenses of sale shall be remitted to the owner of the real property or person having legal interest therein.

The local treasurer may, by ordinance duly approved, advance an amount sufficient to defray the costs of collection thru the remedies provided for in this Title, including the expenses of advertisement and sale.

Section 261. Redemption of Property Sold. - Within one (1) year from the date of sale, the owner of the delinquent real property or person having legal interest therein, or his representative, shall have the right to redeem the property upon payment to the local treasurer of the amount of the delinquent tax, including the interest due 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. 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 deputy. From the date of sale until the expiration of the period of redemption, the delinquent real property shall remain in possession of the owner or person having legal interest therein who shall be entitled to the income and other fruits thereof. The local treasurer or his deputy, upon receipt from the purchaser of the certificate of sale, shall forthwith return to the latter the entire amount paid by him plus interest of not more than two percent (2%) per month. Thereafter, the property shall be free from lien of such delinquent tax, interest due thereon and expenses of

sale.

Section 262. *Final Deed to Purchaser.* - In case the owner or person having legal interest 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 proceedings upon which the validity of the sale rests.

Section 263. *Purchase of Property By the Local Government Units for Want of Bidder.* - In case there is no bidder for the real property advertised for sale as provided herein, 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 and within two (2) days thereafter shall make a report of his proceedings which shall be reflected upon the records of his office. It shall be the duty of the Registrar of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the forfeited property to the local government unit concerned without the necessity of an order from a competent court.

Within one (1) year from the date of such forfeiture, the taxpayer or any of his 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 costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be vested on the local government unit concerned.

Section 264. *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 under the preceding section at public auction. The proceeds of the sale shall accrue to the general fund of the local government unit concerned.

Section 265. *Further Distraint or Levy.* - Levy may be repeated if necessary until the full amount due, including all expenses, is collected.

Section 266. *Collection of Real Property Tax Through the Courts.* - The local government unit concerned may enforce the collection of the basic real property tax or any other tax levied under this Title by civil action in any court of competent jurisdiction. The civil action shall be filed by the local treasurer within the period prescribed in Section 270 of this Code.

Section 267. *Action Assailing Validity of Tax Sale.* - No court shall entertain any action assailing the validity or any sale at public auction of real property or rights therein under this Title until the taxpayer shall have deposited with the court the amount for which the real property was sold, together with interest of two percent (2%) per month from the date of sale to the time of the institution of the action. The amount so deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid but it shall be returned to the depositor if the action fails.

Neither shall any court declare a sale at public auction invalid by reason or irregularities or informalities in the proceedings unless the substantive rights of the delinquent owner of the real property or the person having legal interest therein have been impaired.

Section 268. *Payment of Delinquent Taxes on Property Subject of Controversy.* - In any action involving the ownership or possession of, or succession to, real property, the court may, motu proprio or upon representation of the provincial, city, or municipal treasurer or his deputy, award such ownership, possession, or succession to any party to the action upon payment to the court of the taxes with interest due on the property and all other costs that may have accrued, subject to the final outcome of the action.

Section 269. *Treasurer to Certify Delinquencies Remaining Uncollected.* - The provincial, city or municipal treasurer or their deputies shall prepare a certified list of all real property tax delinquencies which remained uncollected or unpaid for at least one (1) year in his jurisdiction, and a statement of the reason or reasons for such non-collection or non-payment, and shall submit the same to the sanggunian concerned on or before December thirty-first (31st) of the year immediately succeeding the year in which the delinquencies were incurred, with a request for assistance in the enforcement of the remedies for collection provided herein.

Section 270. *Periods Within Which To Collect Real Property Taxes.* - The basic real property tax and any other tax levied under this Title 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. 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.

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.

CHAPTER VII - Disposition of Proceeds

Section 271. *Distribution of Proceeds.* - The proceeds of the basic real property tax, including interest thereon, and proceeds from the use, lease or disposition, sale or redemption of property acquired at a public auction in accordance with the

provisions of this Title by the province or city or a municipality within the Metropolitan Manila Area shall be distributed as follows:

(a) In the case of provinces:

- (1) Province - Thirty-five percent (35%) shall accrue to the general fund;
- (2) Municipality - Forty percent (40%) to the general fund of the municipality where the property is located; and
- (3) Barangay - Twenty-five percent (25%) shall accrue to the barangay where the property is located.

(b) In the case of cities:

- (1) City - Seventy percent (70%) shall accrue to the general fund of the city; and
- (2) Thirty percent (30%) shall be distributed among the component barangays of the cities where the property is located in the following manner:
 - i. Fifty percent (50%) shall accrue to the barangay where the property is located;
 - ii. Fifty percent (50%) shall accrue equally to all component barangays of the city; and

(c) In the case of a municipality within the Metropolitan Manila Area:

- (1) Metropolitan Manila Authority - Thirty-five percent (35%) shall accrue to the general fund of the authority;
- (2) Municipality - Thirty-five percent (35%) shall accrue to the general fund of the municipality where the property is located;
- (3) Barangays - Thirty percent (30%) shall be distributed among the component barangays of the municipality where the property is located in the following manner:
 - i. Fifty percent (50%) shall accrue to the barangay where the property is located;
 - ii. Fifty percent (50%) shall accrue equally to all component barangays of the municipality.

The share of each barangay shall be released, without need of any further

action, directly to the barangay treasurer on a quarterly basis within five (5) days after the end of each quarter and shall not be subject to any lien or holdback for whatever purpose.

Section 272. *Application of Proceeds of the Additional One Percent SEF Tax.* - The proceeds from the additional one percent (1%) tax on real property accruing to the Special Education Fund (SEF) shall be automatically released to the local school boards: Provided, That, in case of provinces, the proceeds shall be divided equally between the provincial and municipal school boards: Provided, however, That the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the Local School Board.

Section 273. *Proceeds of the Tax on Idle Lands.* - The proceeds of the additional real property tax on idle lands shall accrue to the respective general fund of the province or city where the land is located. In the case of a municipality within the Metropolitan Manila Area, the proceeds shall accrue equally to the Metropolitan Manila Authority and the municipality where the land is located.

Section 274. *Proceeds of the Special Levy.* - The proceeds of the special levy on lands benefited by public works, projects and other improvements shall accrue to the general fund of the local government unit which financed such public works, projects or other improvements.

CHAPTER VIII - Special Provisions

Section 275. *General Assessment Revision; Expenses Incident Thereto.* - The sanggunian of provinces, cities and municipalities within the Metropolitan Manila Area shall provide the necessary appropriations to defray the expenses incident to the general revision of real property assessment.

All expenses incident to a general revision of real property assessment shall, by ordinance of the sangguniang panlalawigan, be apportioned between the province and the municipality on the basis of the taxable area of the municipality concerned.

Section 276. *Condonation or Reduction of Real Property Tax and Interest.* - In case of a general failure of crops or substantial decrease in the price of agricultural or agribased products, or calamity in any province, city or municipality, the sanggunian concerned, by ordinance passed prior to the first (1st) day of January of any year and upon recommendation of the Local Disaster Coordinating Council, may condone or reduce, wholly or partially, the taxes and interest thereon for the succeeding year or years in the city or municipality affected by the calamity.

Section 277. *Condonation or Reduction of Tax by the President of the Philippines.* - The President of the Philippines may, when public interest so requires, condone or reduce the real property tax and interest for any year in any province or city or a

municipality within the Metropolitan Manila Area.

Section 278. *Duty of Registrar of Deeds and Notaries Public to Assist the Provincial, City or Municipal Assessor.* - It shall be the duty of the Registrar of Deeds and notaries public to furnish the provincial, city or municipal assessor with copies of all contracts selling, transferring, or otherwise conveying, leasing, or mortgaging real property received by, or acknowledged before them.

Section 279. *Insurance Companies to Furnish Information.* - Insurance companies are hereby required to furnish the provincial, city or municipal assessor copies of any contract or policy insurance on buildings, structures, and improvements insured by them or such other documents which may be necessary for the proper assessment thereof.

Section 280. *Fees in Court Actions.* - All court actions, criminal or civil, instituted at the instance of the provincial, city or municipal treasurer or assessor under the provisions of this Code, shall be exempt from the payment of court and sheriff's fees.

Section 281. *Fees in Registration of Papers or Documents on Sale of Delinquent Real Property to Province, City or Municipality.* - All certificates, documents, and papers covering the sale of delinquent property to the province, city or municipality, if registered in the Registry of Property, shall be exempt from the documentary stamp tax and registration fees.

Section 282. *Real Property Assessment Notices or Owner's Copies of Tax Declarations to be Exempt from Postal Charges or Fees.* - All real property assessment notices or owner's copies of tax declaration sent through the mails by the assessor shall be exempt from the payment of postal charges or fees.

Section 283. *Sale and Forfeiture Before Effectivity of Code.* - Tax delinquencies incurred, and sales and forfeitures of delinquent real property effected, before the effectivity of this Code shall be governed by the provisions of applicable laws then in force.

TITLE III - SHARES OF LOCAL GOVERNMENT UNITS IN THE PROCEEDS OF NATIONAL TAXES

CHAPTER I - Allotment of Internal Revenue

Section 284. *Allotment of Internal Revenue Taxes.* - Local government units shall have a share in the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year as follows:

- (a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and
- (c) On the third year and thereafter, forty percent (40%).

Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the "liga", to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further, That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

Section 285. Allocation to Local Government Units. - The share of local government units in the internal revenue allotment shall be collected in the following manner:

- (a) Provinces - Twenty-three percent (23%);
- (b) Cities - Twenty-three percent (23%);
- (c) Municipalities - Thirty-four percent (34%); and
- (d) Barangays - Twenty percent (20%)

Provided, however, That the share of each province, city, and municipality shall be determined on the basis of the following formula:

- (a) Population - Fifty percent (50%);
- (b) Land Area - Twenty-five percent (25%); and
- (c) Equal sharing - Twenty-five percent (25%)

Provided, further, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula:

- (a) On the first year of the effectivity of this Code:
 - (1) Population - Forty percent (40%); and
 - (2) Equal sharing - Sixty percent (60%)
- (b) On the second year:

- (1) Population - Fifty percent (50%); and
- (2) Equal sharing - Fifty percent (50%)
- (c) On the third year and thereafter:
 - (1) Population - Sixty percent (60%); and
 - (2) Equal sharing - Forty percent (40%).

Provided, finally, That the financial requirements of barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned.

Section 286. *Automatic Release of Shares.* -

- (a) The share of each local government unit shall be released, without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose.
- (b) Nothing in this Chapter shall be understood to diminish the share of local government units under existing laws.

Section 287. *Local Development Projects.* - Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual internal revenue allotment for development projects. Copies of the development plans of local government units shall be furnished the Department of Interior and Local Government.

Section 288. *Rules and Regulations.* - The Secretary of Finance, in consultation with the Secretary of Budget and Management, shall promulgate the necessary rules and regulations for a simplified disbursement scheme designed for the speedy and effective enforcement of the provisions of this Chapter.

CHAPTER II - Share of Local Government Units in the National Wealth

Section 289. *Share in the Proceeds from the Development and Utilization of the National Wealth.* - Local government units shall have an equitable share in the proceeds derived from the utilization and development of the national wealth within their respective areas, including sharing the same with the inhabitants by way of direct benefits.

Section 290. *Amount of Share of Local Government Units.* - Local government units

shall, in addition to the internal revenue allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interests, or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction.

Section 291. *Share of the Local Governments from any Government Agency or Owned or Controlled Corporation.* - Local government units shall have a share based on the preceding fiscal year from the proceeds derived by any government agency or government-owned or controlled corporation engaged in the utilization and development of the national wealth based on the following formula whichever will produce a higher share for the local government unit:

- (a) One percent (1%) of the gross sales or receipts of the preceding calendar year; or
- (b) Forty percent (40%) of the mining taxes, royalties, forestry and fishery charges and such other taxes, fees or charges, including related surcharges, interests, or fines the government agency or government owned or controlled corporation would have paid if it were not otherwise exempt.

Section 292. *Allocation of Shares.* - The share in the preceding Section shall be distributed in the following manner:

- (a) Where the natural resources are located in the province:
 - (1) Province - Twenty percent (20%);
 - (2) Component City/Municipality - Forty-five percent (45%); and
 - (3) Barangay - Thirty-five percent (35%)

Provided, however, That where the natural resources are located in two (2) or more provinces, or in two (2) or more component cities or municipalities or in two (2) or more barangays, their respective shares shall be computed on the basis of:

- (1) Population - Seventy percent (70%); and
- (2) Land area - Thirty percent (30%)
- (b) Where the natural resources are located in a highly urbanized or independent component city:
 - (1) City - Sixty-five percent (65%); and

(2) Barangay - Thirty-five percent (35%)

Provided, however, That where the natural resources are located in such two (2) or more cities, the allocation of shares shall be based on the formula on population and land area as specified in paragraph (a) of this Section.

Section 293. *Remittance of the Share of Local Government Units.* - The share of local government units from the utilization and development of national wealth shall be remitted in accordance with Section 286 of this Code: Provided, however, That in the case of any government agency or government-owned or controlled corporation engaged in the utilization and development of the national wealth, such share shall be directly remitted to the provincial, city, municipal or barangay treasurer concerned within five (5) days after the end of each quarter.

Section 294. *Development and Livelihood Projects.* - The proceeds from the share of local government units pursuant to this chapter shall be appropriated by their respective sanggunian to finance local government and livelihood projects: Provided, however, That at least eighty percent (80%) of the proceeds derived from the development and utilization of hydrothermal, geothermal, and other sources of energy shall be applied solely to lower the cost of electricity in the local government unit where such a source of energy is located.

TITLE IV - Credit Financing

Section 295. *Scope.* - This Title shall govern the power of local government units to create indebtedness and to enter into credit and other financial transactions.

Section 296. *General Policy.* -

- (a) It shall be the basic policy that any local government unit 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) A local government unit may avail of credit lines from government or private banks and lending institutions for the purpose of stabilizing local finances.

Section 297. *Loans, Credits, and Other Forms of Indebtedness of Local Government Units.* -

- (a) A local government unit may contract loans, credits, and other forms of indebtedness with any government or domestic private bank and other lending institutions to finance the construction, installation, improvement, expansion, operation, or maintenance of public facilities, infrastructure facilities, housing projects, the acquisition of real property, and the implementation of other capital investment projects, subject to such terms and conditions as may be agreed upon by the local government unit and the

lender. The proceeds from such transactions shall accrue directly to the local government unit concerned.

- (b) A local government unit 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 projects, livelihood projects, and other economic enterprises.
- (c) Government financial and other lending institutions are hereby authorized to grant loans, credits, and other forms of indebtedness out of their loanable funds to local government units for purposes specified above.

Section 298. *Deferred-Payment and other Financial Schemes.* - Provincial, city and municipal governments may likewise acquire property, plant, machinery, equipment, and such necessary accessories under a supplier's credit, deferred payment plan, or either financial scheme.

Section 299. *Bonds and Other Long-Term Securities.* - Subject to the rules and regulations of the Central Bank and the Securities and Exchange Commission, provinces, cities, and municipalities are hereby 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. The sanggunian concerned shall, through 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.

Section 300. *Inter-Local Government 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 local government units under such terms and conditions as may be agreed upon by the contracting parties.

Local government units may, upon approval of their respective sanggunian, jointly or severally contract loans, credits, and other forms of indebtedness for purposes mutually beneficial to them.

Section 301. *Loans from Funds Secured by the National Government from Foreign Sources.* -

- (a) The President, or his 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 for the purpose of financing the construction, installation, improvement, expansion, operation, or maintenance of public utilities and facilities, infrastructure

facilities, or housing projects, the acquisition of real property, and the implementation of other capital investment projects, subject to such terms and conditions as may be agreed upon by the President and the local government unit. The proceeds from such loans shall accrue directly to the local government concerned.

- (b) The President may likewise authorize the relending to local government units the proceeds of grants secured from foreign sources, subject to the provisions of existing laws and the applicable grant agreements.
- (c) Repayment or amortization of loans including accrued interest thereon, may be financed partly from the income of the projects or services and from the regular income of the local government unit, which must be provided for and appropriated regularly in its annual budget until the loan and the interest thereon shall have been fully paid.

Section 302. *Financing, Construction, Maintenance, Operation, and Management of Infrastructure Projects by the Private Sector.* -

- (a) Local government units may enter into contracts with any duly prequalified individual contractor, for the financing, construction, operation, and maintenance of any financially viable infrastructure facilities, under the build-operate-transfer agreement, subject to the applicable provisions of Republic Act Numbered Sixty-nine hundred fifty-seven (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 such terms and conditions provided in this Section.
- (b) Local government units 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. It shall be the duty of the local government unit concerned to disclose to the public all projects eligible for financing under this Section, including official notification of duly registered contractors and publications in newspapers of general or local circulation and in conspicuous and accessible public places. Local projects under the build-operate-and-transfer agreement shall be confirmed by the local development councils.
- (c) Projects implemented under 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 local chief executive, shall prepare the plans and specifications for the proposed projects, which shall be submitted to the sanggunian for approval.
 - (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 this Code and other applicable laws, rules and regulations.

In the case of a build-operate-and-transfer agreement, the contract shall be awarded to the lowest complying bidder whose offer is deemed most advantageous to the local government and based on the present value of its proposed tolls, fees, rentals, and charges over a fixed term for the facility to be constructed, operated, and maintained according to the prescribed minimum design and performance standards, plans, and specifications. For this purpose, the winning contractor shall be automatically granted by the local government unit concerned the franchise to operate and maintain the facility, including the collection of tolls, fees, rentals, and charges in accordance with subsection (c-4) hereof.

In the case of a build-operate-and-transfer 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 design and performance standards, plans, and specifications.

- (3) 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 and the provincial, city or municipal engineer shall not, as the case may be, allow any contractor to initiate the prosecution of projects under this Section unless such contractor presents proof or evidence that he has posted the required bond.
- (4) The contractor shall be entitled to a reasonable return of its investment in accordance with its bid proposal as accepted by the local government unit concerned.

In the case of a build-operate-and-transfer 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: Provided, That the local government unit concerned shall, based on reasonableness and equity, approve the tolls, fees, rentals and charges: 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: 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.

In the case of a build-operate-and-transfer agreement, the repayment shall be made through amortization payments in accordance with the schedule proposed in the bid and incorporated in the contract.

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.

- (5) Every infrastructure project undertaken under this Section shall be constructed, operated, and maintained by the contractor under the technical supervision of the local government unit and in accordance with the plans, specifications, standards, and costs approved by it.
- (d) 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.

Section 303. Remedies and Sanctions. - Local government unit 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 Title: Provided, That failure to provide the appropriations herein required shall render their annual budgets inoperative.

TITLE V - Local Fiscal Administration

CHAPTER I - General Provisions

Section 304. Scope. - This Title shall govern the conduct and management of financial affairs, transactions, and operations of provinces, cities, municipalities, and barangays.

Section 305. Fundamental Principles. - The financial affairs, transactions, and operations of local government units shall be governed by the following fundamental principles:

- (a) No money shall be paid out of the local treasury except in pursuance of an appropriations ordinance or law;
- (b) Local government funds and monies shall be spent solely for public purposes;
- (c) Local revenue is generated only from sources expressly authorized by law or

ordinance, and collection thereof shall at all times be acknowledged properly;

- (d) All monies officially received by a local government officer in any capacity or on any occasion shall be accounted for as local funds, unless otherwise provided by law;
- (e) Trust funds in the local treasury shall not be paid out except in fulfillment of the purpose for which the trust was created or the funds received;
- (f) Every officer of the local government unit whose duties permit or require the possession or custody of local funds shall be properly bonded, and such officer shall be accountable and responsible for said funds and for the safekeeping thereof in conformity with the provisions of law;
- (g) Local governments shall formulate sound financial plans, and local budgets shall be based on functions, activities, and projects, in terms of expected results;
- (h) Local budget plans and goals shall, as far as practicable, be harmonized with national development plans, goals, and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources;
- (i) Local budgets shall operationalize approved local development plans;
- (j) Local government units shall ensure that their respective budgets incorporate the requirements of their component units and provide for equitable allocation of resources among these component units;
- (k) National planning shall be based on local planning to ensure that the needs and aspirations of the people as articulated by the local government units in their respective local development plans are considered in the formulation of budgets of national line agencies or offices;
- (l) Fiscal responsibility shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the local government units; and
- (m) The local government unit shall endeavor to have a balanced budget in each fiscal year of operation.

Section 306. Definitions. - When used in this Title, the term -

- (a) "Annual Budget" refers to a financial plan embodying the estimates of income and expenditures for one (1) fiscal year;
- (b) "Appropriation" refers to an authorization made by ordinance, directing the

payment of goods and services from local government funds under specified conditions or for specific purposes;

- (c) "Budget Document" refers to the instrument used by the local chief executive to present a comprehensive financial plan to the sanggunian concerned;
- (d) "Capital Outlays" refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the local government unit concerned, including investments in public utilities such as public markets and slaughterhouses;
- (e) "Continuing Appropriation" refers to an appropriation available to support obligations for a specified purpose or projects, such as those for the construction of physical structures or for the acquisition of real property or equipment, even when these obligations are incurred beyond the budget year;
- (f) "Current Operating Expenditures" refers to appropriations for the purchase of goods and services for the conduct of normal local government operations within the fiscal year, including goods and services that will be used or consumed during the budget year;
- (g) "Expected Results" refers to the services, products, or benefits that shall accrue to the public, estimated in terms of performance measures or physical targets;
- (h) "Fund" refers to a sum of money, or other assets convertible to cash, set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations, and constitutes as independent fiscal and accounting entity;
- (i) "Income" refers to all revenues and receipts collected or received forming the gross accretions of funds of the local government unit;
- (j) "Obligations" refers to an amount committed to be paid by the local government unit for any lawful act made by an accountable officer for and in behalf of the local unit concerned;
- (k) "Personal Services" refers to appropriations for the payment of salaries, wages and other compensation of permanent, temporary, contractual, and casual employees of the local government unit;
- (l) "Receipts" refers to income realized from operations and activities of the local government or are received by it in the exercise of its corporate functions, consisting of charges for services rendered, conveniences furnished, or the price of a commodity sold, as well as loans, contributions or

aids from other entities, except provisional advances for budgetary purposes;
and

- (m) "Revenue" refers to income derived from the regular system of taxation enforced under authority of law or ordinance, and, as such, accrue more or less regularly every year.

CHAPTER II - Local and Other Special Funds

ARTICLE I - Receipts, Safekeeping Article and Disposition of Local Funds

Section 307. *Remittance of Government Monies to the Local Treasury.* - Officers of local government authorized to receive and collect monies arising from taxes, revenues, or receipts of any kind shall remit the full amount received and collected to the treasury of such local government unit which shall be credited to the particular account or accounts to which the monies in question properly belong.

Section 308. *Local Funds.* - Every local government unit shall maintain a General Fund which shall be used to account for such monies and resources as may be received by and disbursed from the local treasury. The General Fund shall consist of monies and resources of the local government which are available for the payment of expenditures, obligations or purposes not specifically declared by law as accruing and chargeable to, or payable from, any other fund.

Section 309. *Special Funds.* - There shall be maintained in every provincial, city, or municipal treasury the following special funds:

- (a) Special Education Fund (SEF) shall consist of the respective shares of provinces, cities, municipalities and barangays in the proceeds of the additional tax on real property to be appropriated for purposes prescribed in Section 272 of this Code; and
- (b) Trust Funds shall consist of private and public monies which have officially come into the possession of the local government or of a local government official as trustee, agent or administrator, or which have been received as a guaranty for the fulfillment of some obligation. A trust fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government unit.

Section 310. *Separation of Books and Depository Accounts.* - Local accountants and treasurers shall maintain separate books and depository accounts, respectively, for each fund in their custody or administration under such rules and regulations as the Commission on Audit may prescribe.

Section 311. *Depository Accounts.* - Local treasurers shall maintain depository accounts in the name of their respective local government units with banks, preferably government-owned, located in or nearest to their respective areas of jurisdiction. Earnings of each depository account shall accrue exclusively thereto.

Section 312. *Separation of Personal Money from Public Funds.* - Local treasurers and other accountable officers shall keep monies separate and distinct from local public funds in their custody and shall not make profit out of public money or otherwise apply the same to any use not authorized by law or ordinance.

ARTICLE II - Special Accounts

Section 313. *Special Accounts to be Maintained in the General Fund.* - Local government units shall maintain special accounts in the general fund for the following:

- (a) Public utilities and other economic enterprises;
- (b) Loans, interests, bond issues, and other contributions for specific purposes; and
- (c) Development projects funded from the share of the local government unit concerned in the internal revenue allotment and such other special accounts which may be created by law or ordinance.

Receipts, transfers, and expenditures involving the foregoing special accounts shall be properly taken up thereunder.

Profits or income derived the operation of public utilities and other economic enterprises, after deduction for the cost of improvement, repair and other related expenses of the public utility or economic enterprise concerned, shall first be applied for the return of the advances or loans made therefor. Any excess shall form part of the general fund of the local government unit concerned.

CHAPTER III - Budgeting

ARTICLE I - Local Government Budgets

Section 314. *Form and Content.* -

- (a) Local government budgets shall primarily consists of two (2) parts:
 - (1) The estimates of income; and
 - (2) The total appropriations covering the current operating expenditures and capital outlays.
- (b) The budget document shall contain:
 - (1) A budget message of the local chief executive setting forth in brief the significance of the executive budget, particularly in relation to the approved local development plan;

- (2) A brief summary of the functions, projects, and activities to be accomplished in pursuit of the goals and objectives of the local government unit for the ensuing fiscal year, specifically the delivery of basic services or facilities enumerated under Section 17 of this Code;
- (3) Summary of financial statements setting forth:
 - i. The actual income and expenditures during the immediately preceding year;
 - ii. The actual income and expenditures of the first two (2) quarters and the estimates of income and expenditures for the last two (2) quarters of the current fiscal year;
 - iii. The estimates of income for the ensuing fiscal year from ordinances and laws existing at the time the proposed budget is transmitted, together with other proposals;
 - iv. The estimated expenditures necessary to carry out the functions, projects, and activities of the local government unit for the ensuing fiscal year;
 - v. All essential facts regarding the bonded and other long-term obligations and indebtedness of the local government unit, if any;
 - vi. Summary statement of all statutory and contractual obligations due; and
 - vii. Such other financial statements and data as are deemed necessary or desirable in order to disclose in all practicable detail the financial condition of the local government unit.

Section 315. *Submission of Detailed Statements of Income and Expenditures.* - (a) On or before the fifteenth (15th) day of July of each year, local treasurers shall submit to their respective local chief executives a certified statement, covering the income and expenditures of the preceding fiscal year, the actual income and expenditures of the first two (2) quarters of the current year, and the estimated income and expenditures for the last two (2) quarters of the current year.

Section 316. *Local Finance Committee.* - There is hereby created in every province, city or municipality a local finance committee to be composed of the local planning and development officer, the local budget officer, and the local treasurer. It shall exercise the following functions:

- (a) Determine the income reasonably projected as collectible for the ensuing fiscal year;

- (b) Recommend the appropriate tax and other revenue measures or borrowings which may be appropriate to support the budget;
- (c) Recommend to the local chief executive concerned the level of the annual expenditures and the ceilings of spending for economic, social, and general services based on the approved local development plans;
- (d) Recommend to the local chief executive concerned the proper allocation of expenditures for each development activity between current operating expenditures and capital outlays;
- (e) Recommend to the local chief executive concerned the amount to be allocated for capital outlay under each development activity or infrastructure project;
- (f) Assist the sangguniang panlalawigan in the review and evaluation of budget of component cities and municipalities in the case of provincial finance committee, the barangay budgets in the case of city or municipal finance committee, and recommend the appropriate action thereon;
- (g) Assist the sanggunian concerned in the analysis and review of annual regular and supplemental budgets of the respective local government unit to determine compliance with statutory and administrative requirements; and
- (h) Conduct semi-annual review and general examination of cost and accomplishments against performance standards applied in undertaking development projects.

A copy of this report shall be furnished the local chief executive and the sanggunian concerned, and shall be posted in conspicuous and publicly accessible places in the provinces, cities, municipalities and barangays.

Section 317. *Submission of Budget Proposals by Heads or Departments or Offices.* -

- (a) Each head of department or office shall submit a budget proposal for his department or office to the local chief executive on or before the fifteenth (15th) of July of each year: Provided, That the budget proposal of each department or office shall be categorized under either economic, social or general services: Provided, further, That each service shall be covered by the budget of at least one (1) department or office of the local government unit concerned.

The said budget proposal shall be prepared in accordance with such policy and program guidelines as the local chief executive concerned may issue in conformity with the local development plan, the budgetary ceilings prescribed by the local finance committee, and the general requirements

prescribed in this Title.

(b) Budget proposals of departments or offices shall be divided into two (2) primary categories, namely: the current operating expenditures and the capital outlays. Such budget proposals shall contain the following information:

- (1) Objectives, functions, and projects showing the general character and relative importance of the work to be accomplished or the services to be rendered, and the cost thereof;
- (2) Organizational charts and staffing patterns indicating the list of plantilla positions with their corresponding salaries, and proposals for reclassification of positions and salary changes, as well as the creation of new positions with their proposed salary grade, duly supported by proper justification;
- (3) Brief description of the functions, projects and activities for the ensuing fiscal year, expected results for each function, project and activity, and the nature of work to be performed, including the objects of expenditures for each function, project and activity;
- (4) Relation of the work and financial proposals to approved local development plans;
- (5) Estimated current operating expenditures and capital outlays with comparative data for the last two (2) preceding, current, and ensuing fiscal years; and
- (6) Accomplishment reports for the last two (2) preceding and current fiscal years.

Section 318. *Preparation of the Budget by the Local Chief Executive.* - Upon receipt of the statements of income and expenditures from the treasurer, the budget proposals of the heads of departments and offices, and the estimates of income and budgetary ceilings from the local finance committee, the local chief executive shall prepare the executive budget for the ensuing fiscal year in accordance with the provisions of this Title.

The local chief executive shall submit the said executive budget to the sanggunian concerned not later than the sixteenth (16th) of October of the current fiscal year. Failure to submit such budget on the date prescribed herein shall subject the local chief executive to such criminal and administrative penalties as provided for under this Code and other applicable laws.

Section 319. *Legislative Authorization of the Budget.* - On or before the end of the current fiscal year, the sanggunian concerned shall, through an ordinance, the

annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive.

Section 320. *Effectivity of Budgets.* - The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein.

The responsibility for the execution of the annual and supplemental budgets and the accountability therefor shall be vested primarily in the local chief executive concerned.

Section 321. *Changes in the Annual Budget.* - All budgetary proposals shall be included and considered in the budget preparation process. After the local chief executive concerned shall have submitted the executive budget to the sanggunian, no ordinance providing for a supplemental budget shall be enacted, except when supported by funds actually available as certified by the local treasurer or by new revenue sources.

A supplemental budget may also be enacted in times of public calamity by way of budgetary realignment to set aside appropriations for the purchase of supplies and materials or the payment of services which are exceptionally urgent or absolutely indispensable to prevent imminent danger to, or loss of, life or property, in the jurisdiction of the local government unit or in other areas declared by the President in a state of calamity. Such ordinance shall clearly indicate the sources of funds available for appropriations, as certified under oath by the local treasurer and local accountant and attested by the local chief executive, and the various items of appropriations affected and the reasons for the change.

Section 322. *Reversion of Unexpended Balances of Appropriations, Continuing Appropriations.* - Unexpended balances of appropriations authorized in the annual appropriations ordinance shall revert to the unappropriated surplus of the general fund at the end of the fiscal year and shall not thereafter be available for the expenditure except by subsequent enactment. However, appropriations for capital outlays shall continue and remain valid until fully spent, reverted or the project is completed. Reversions of continuing appropriations shall not be allowed unless obligations therefor have been fully paid or otherwise settled.

The balances of continuing appropriations shall be reviewed as part of the annual budget preparation and the sanggunian concerned may approve, upon recommendation of the local chief executive, the reversion of funds no longer needed in connection with the activities funded by said continuing appropriations subject to the provisions of this Section.

Section 323. *Failure to Enact the Annual Appropriations.* - In case the sanggunian concerned fails to pass the ordinance authorizing the annual appropriations at the beginning of the ensuing fiscal year, it shall continue to hold sessions, without

additional remuneration for its members, until such ordinance is approved, and no other business may be taken up during such sessions. If the sanggunian still fails to enact such ordinance after ninety (90) days from the beginning of the fiscal year, the ordinance authorizing the appropriations of the preceding year shall be deemed reenacted and shall remain in force and effect until the ordinance authorizing the proposed appropriations is passed by the sanggunian concerned. However, only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith.

In the implementation of such reenacted ordinance, the local treasurer concerned shall exclude from the estimates of income for the preceding fiscal year those realized from nonrecurring sources, like national aids, proceeds from loans, sale of assets, prior year adjustments, and other analogous sources of income. No ordinance authorizing supplemental appropriations shall be passed in place of the annual appropriations.

In case the revised income estimates be less than the aggregate reenacted appropriations, the local treasurer concerned shall accordingly advise the sanggunian concerned which shall, within ten (10) days from the receipt of such advice, make the necessary adjustments or reductions. The revised appropriations authorized by the sanggunian concerned shall then be the basis for disbursements.

Section 324. Budgetary Requirements. - The budgets of local government units for any fiscal year shall comply with the following requirements:

- (a) The aggregate amount appropriated shall not exceed the estimates of income;
- (b) Full provision shall be made for all statutory and contractual obligations of the local government unit concerned: Provided, however, That the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the local government unit concerned;
- (c) In the case of provinces, cities, and municipalities, aid to component barangays shall be provided in amounts of not less than One thousand pesos (P1,000.00) per barangay; and
- (d) Five percent (5%) of the estimated revenue from regular sources shall be set aside as annual lump sum appropriations for relief, rehabilitation, reconstruction and other works or services in connection with calamities which may occur during the budget year. Provided, however, That such fund shall be used only in the area, or a portion thereof, of the local government unit or other areas affected by a disaster or calamity, as determined and

declared by the local sanggunian concerned.²

"Calamity shall be defined as a state of extreme distress or misfortune, produced by some adverse circumstance or event or any great misfortune or cause or loss or misery caused by natural forces.

"In case of fire or conflagration, the calamity fund shall be utilized only for relief operations.

"The local development council shall more monitor the use and disbursement of the calamity fund."

Section 325. General Limitations. - The use of the provincial, city, and municipal funds shall be subject to the following limitations:

- (a) The total appropriations, whether annual or supplemental, for personal services of a local government unit for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class provinces, cities and municipalities, and fifty-five percent (55%) in the case of fourth class or lower, of the total annual income from regular sources realized in the next preceding fiscal year. The appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated, and maintained by the local government unit concerned shall not be included in the annual budget or in the computation of the maximum amount for personal services. The appropriations for the personal services of such economic enterprises shall be charged to their respective budgets;
- (b) No official or employee shall be entitled to a salary rate higher than the maximum fixed for his position or other positions of equivalent rank by applicable laws or rules and regulations issued thereunder;
- (c) No local fund shall be appropriated to increase or adjust salaries or wages of officials and employees of the national government, except as may be expressly authorized by law;
- (d) In cases of abolition of positions and the creation of new ones resulting from the abolition of existing positions in the career service, such abolition or creation shall be made in accordance with pertinent provisions of this code and the civil service law, rules and regulations;
- (e) Positions in the official plantilla for career positions which are occupied by incumbents holding permanent appointments shall be covered by adequate appropriations;

² As amended by RA 8185, entitled, "An Act Amending Section 324 (D) of Republic Act No. 7160, Otherwise Known As The Local Government Code of 1991", 11 June 1996.

- (f) No changes in designation or nomenclature of positions resulting in a promotion or demotion in rank or increase or decrease in compensation shall be allowed, except when the position is actually vacant, and the filling of such positions shall be strictly made in accordance with the civil service law, rules and regulations;
- (g) The creation of new positions and salary increases or adjustments shall in no case be made retroactive;
- (h) The annual appropriations for discretionary purposes of the local chief executive shall not exceed two percent (2%) of the actual receipts derived from basic real property tax in the next preceding calendar year. Discretionary funds shall be disbursed only for public purposes to be supported by appropriate vouchers and subject to such guidelines as may be prescribed by law. No amount shall be appropriated for the same purpose except as authorized under this Section.

Section 326. *Review of Appropriation Ordinances of Provinces, Highly-Urbanized Cities, Independent Component Cities, and Municipalities within the Metropolitan Manila Area.* - The Department of Budget and Management shall review ordinances authorizing the annual or supplemental appropriations of provinces, highly-urbanized cities, independent component cities, and municipalities within the Metropolitan Manila Area in accordance with the immediately succeeding Section.

Section 327. *Review of Appropriation Ordinances of Component Cities and Municipalities.* - The sangguniang panlalawigan shall review the ordinance authorizing annual or supplemental appropriations of component cities and municipalities in the same manner and within the same period prescribed for the review of other ordinances.

If within ninety (90) days from receipt of copies of such ordinance, the sangguniang panlalawigan takes no action thereon, the same shall be deemed to have been reviewed in accordance with law and shall continue to be in full force and effect. If within the same period, the sangguniang panlalawigan shall have ascertained that the ordinance authorizing annual or supplemental appropriations has not complied with the requirements set forth in this Title, the sangguniang panlalawigan shall, within the ninety-day period hereinabove prescribed declare such ordinance inoperative in its entirety or in part. Items of appropriation contrary to limitations prescribed in this Title or in excess of the amounts prescribed herein shall be disallowed or reduced accordingly.

The sangguniang panlalawigan shall within the same period advise the sangguniang panlungsod or sangguniang bayan concerned through the local chief executive of any action on the ordinance under review. Upon receipt of such advice, the city or municipal treasurer concerned shall not make further disbursements of funds from any of the items of appropriation declared inoperative, disallowed or reduced.

Section 328. *Duration of Appropriation.* - Appropriations for ordinary administrative purposes not duly obligated shall terminate with the fiscal year and all unexpended balances thereof shall be automatically reverted on the thirty-first (31st) day of December of each year to the general fund of the local government unit.

ARTICLE II - Barangay Budgets

Section 329. *Barangay Funds.* - Unless otherwise provided in this Title, all the income of the barangay from whatever source shall accrue to its general fund and shall, at the option of the barangay concerned, be kept as trust fund in the custody of the city or municipal treasurer or be deposited in a bank, preferably government-owned, situated in or nearest to its area of jurisdiction. Such funds shall be disbursed in accordance with the provisions of this Title. Ten percent (10%) of the general fund of the barangay shall be set aside for the sangguniang kabataan.

Section 330. *Submission of Detailed Statements of Income and Expenditures for the Barangay Budgets.* - On or before the fifteenth (15th) day of September of each year, the barangay treasurer shall submit to the punong barangay a statement covering the estimates of income and expenditures for the ensuing fiscal year, based on a certified statement issued by the city or municipal treasurer covering the estimates of income from local sources for the barangay concerned.

Section 331. *Preparation of the Barangay Budget.* -

- (a) Upon receipt of the statement of income and expenditures from the barangay treasurer, the punong barangay shall prepare the barangay budget for the ensuing fiscal year in the manner and within the period prescribed in this Title and submit the annual barangay budget to the sangguniang barangay for legislative enactment.
- (b) The total annual appropriations for personal services of a barangay for one (1) fiscal year shall not exceed fifty-five percent (55%) of the total annual income actually realized from local sources during the next preceding fiscal year.
- (c) The barangay budget shall likewise be subject to the same budgetary requirements and limitations hereinabove prescribed.

Section 332. *Effectivity of Barangay Budgets.* - The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein.

The responsibility for the execution of the annual and supplemental budgets and the accountability therefor shall be vested primarily in the punong barangay concerned.

Section 333. *Review of the Barangay Budget.* -

- (a) Within ten (10) days from its approval, copies of the barangay ordinance authorizing the annual appropriations shall be furnished the sangguniang panlungsod or the sangguniang bayan, as the case may be, through the city or municipal budget officer. The sanggunian concerned shall have the power to review such ordinance in order to ensure that the provisions of this Title are complied with. If within sixty (60) days after the receipt of the ordinance, the sanggunian concerned takes no action thereon, the same shall continue to be in full force and effect. If within the same period, the sanggunian concerned shall have ascertained that the ordinance contains appropriations in excess of the estimates of the income duly certified as collectible, or that the same has not complied with the budgetary requirements set forth in this Title, the said ordinance shall be declared inoperative in its entirety or in part. Items of appropriation contrary to, or in excess of, any of the general limitations or the maximum amount prescribed in this Title shall be disallowed or reduced accordingly.
- (b) Within the period hereinabove fixed, the sangguniang panlungsod or sangguniang bayan concerned shall return the barangay ordinance, through the city or municipal budget officer, to the punong barangay with the advice of action thereon for proper adjustments, in which event, the barangay shall operate on the ordinance authorizing annual appropriations of the preceding fiscal year until such time that the new ordinance authorizing annual appropriations shall have met the objections raised. Upon receipt of such advice, the barangay treasurer or the city or municipal treasurer who has custody of the funds shall not make further disbursement from any item of appropriation declared inoperative, disallowed, or reduced.

Section 334. *Barangay Financial Procedures.* -

- (a) The barangay treasurer shall collect all taxes, fees, and other charges due and contributions accruing to the barangay for which he shall issue official receipts, and shall deposit all collections with the city or municipal treasury or in the depository account maintained in the name of the barangay within five (5) days after receipt thereof. He may collect real property taxes and such other taxes as may be imposed by a province, city or municipality that are due in his barangay only after being deputized by the local treasurer concerned for the purpose.
- (b) The barangay treasurer may be authorized by the sangguniang barangay to make direct purchases amounting to not more than One thousand pesos (P1,000.00) at any time for the ordinary and essential needs of the barangay. The petty cash that the barangay treasurer may be authorized to hold for the purpose shall not exceed twenty percent (20%) of the funds available and to the credit of the barangay treasury.
- (c) The financial records of the barangay shall be kept in the office of the city or municipal accountant in simplified manner as prescribed by the Commission

on Audit. Representatives of the Commission on Audit shall audit such accounts annually or as often as may be necessary and make a report of the audit to the sangguniang panlungsod or sangguniang bayan, as the case may be. The Commission on Audit shall prescribe and put into effect simplified procedures for barangay finances within six (6) months following the effectivity of this Code.

CHAPTER IV - Expenditures, Disbursements, Accounting and Accountability

Section 335. *Prohibitions Against Expenditures for Religious or Private Purposes.* - No public money or property shall be appropriated or applied for religious or private purposes.

Section 336. *Use of Appropriated Funds and Savings.* - Funds shall be available exclusively for the specific purpose for which they have been appropriated. No ordinance shall be passed authorizing any transfer of appropriations from one item to another. However, the local chief executive or the presiding officer of the sanggunian concerned may, by ordinance, be authorized to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations.

Section 337. *Restriction Upon Limit of Disbursements.* - Disbursements in accordance with appropriations in the approved annual budget may be made from any local fund in the custody of the treasurer, but the total disbursements from any local fund shall in no case exceed fifty percent (50%) of the uncollected estimated revenue accruing to such local fund in addition to the actual collections: Provided, however, That no cash overdraft in any local fund shall be incurred at the end of the fiscal year.

In case of emergency arising from a typhoon, earthquake, or any other calamity, the sanggunian concerned may authorize the local treasurer to continue making disbursements from any local fund in his possession in excess of the limitations herein provided, but only for such purposes and amounts included in the approved annual budgets.

Any overdraft which may be incurred at the end of the year in any local fund by virtue of the provisions hereof shall be covered with the first collections of the immediately succeeding fiscal year accruing to such local fund.

Section 338. *Prohibitions Against Advance Payments.* - No money shall be paid on account of any contract under which no services have been rendered or goods delivered.

Section 339. *Cash Advances.* - No cash advance shall be granted to any local official or employee, elective or appointive, unless made in accordance with the rules and regulations as the Commission on Audit may prescribe.

Section 340. *Persons Accountable for Local Government Funds.* - Any officer of the local government unit whose duty permits or requires the possession or custody of local government funds shall be accountable and responsible for the safekeeping thereof in conformity with the provisions of this Title. Other local officers who, though not accountable by the nature of their duties, may likewise be similarly held accountable and responsible for local government funds through their participation in the use or application thereof.

Section 341. *Prohibitions Against Pecuniary Interest.* - Without prejudice to criminal prosecution under applicable laws, any local treasurer, accountant, budget officer, or other accountable local officer having any pecuniary interest, direct or indirect, in any contract, work or other business of the local government unit of which he is an accountable officer shall be administratively liable therefor.

Section 342. *Liability for Acts Done Upon Direction of Superior Officer, or Upon Participation of Other Department Heads or Officers of Equivalent Rank.* - Unless he registers his objection in writing, the local treasurer, accountant, budget officer, or other accountable officer shall not be relieved of liability for illegal or improper use or application or deposit of government funds or property by reason of his having acted upon the direction of a superior officer, elective or appointive, or upon participation of other department heads or officers of equivalent rank. The superior officer directing, or the department head participating in such illegal or improper use or application or deposit of government funds or property, shall be jointly and severally liable with the local treasurer, accountant, budget officer, or other accountable officer for the sum or property so illegally or improperly used, applied or deposited.

Section 343. *Prohibition Against Expenses for Reception and Entertainment.* - No money shall be appropriated, used, or paid for entertainment or reception except to the extent of the representation allowances authorized by law or for the reception of visiting dignitaries of foreign governments or foreign missions, or when expressly authorized by the President in specific cases.

Section 344. *Certification, and Approval of, Vouchers.* - No money shall be disbursed unless the local budget officer certifies to the existence of appropriation that has been legally made for the purpose, the local accountant has obligated said appropriation, and the local treasurer certifies to the availability of funds for the purpose. Vouchers and payrolls shall be certified to and approved by the head of the department or office who has administrative control of the fund concerned, as to validity, propriety, and legality of the claim involved. Except in cases of disbursements involving regularly recurring administrative expenses such as payrolls for regular or permanent employees, expenses for light, water, telephone and telegraph services, remittances to government creditor agencies such as GSIS, SSS, LDP, DBP, National Printing Office, Procurement Service of the DBM and others, approval of the disbursement voucher by the local chief executive himself shall be required whenever local funds are disbursed.

In cases of special or trust funds, disbursements shall be approved by the

administrator of the fund.

In case of temporary absence or incapacity of the department head or chief of office, the officer next-in-rank shall automatically perform his function and he shall be fully responsible therefor.

Section 345. *Officials Authorized to Draw Checks in Settlement of Obligations.* - Checks in obligations shall be drawn by the local treasurer and countersigned by the local administrator.

In case of temporary absence or incapacity of the foregoing officials, these duties shall devolve upon their immediate assistants.

Section 346. *Disbursements of Local Funds and Statement of Accounts.* - Disbursements shall be made in accordance with the ordinance authorizing the annual or supplemental appropriations without the prior approval of the sanggunian concerned. Within thirty (30) days after the close of each month, the local accountant shall furnish the sanggunian with such financial statements as may be prescribed by the Commission on Audit. In the case of the year-end statement of accounts, the period shall be sixty (60) days after the thirty-first (31st) of December.

Section 347. *Rendition of Accounts.* - Local treasurers, accountants and other local accountable officers shall render their accounts within such time, in such form, style, and content and under such regulations as the Commission on Audit may prescribe. Provincial, city, and municipal auditors shall certify the balances arising in the accounts settled by them to the Chairman of the Commission on Audit and to the local treasurer, accountant, and other accountable officers. Copies of the certification shall be prepared and furnished other local officers who may be held jointly and severally liable for any loss or illegal, improper or unauthorized use or misappropriation of local funds or property.

Section 348. *Auditorial Visitation.* - The books, accounts, papers, and cash of local treasurer, accountant, budget officer, or other accountable officers shall at all times be open for inspection of the Commission on Audit or its duly authorized representative.

In case an examination of the accounts of a local treasurer discloses a shortage in cash which should be on hand, it shall be the duty of the examining officer to seize the office and its contents, notify the Commission on Audit, the local chief executive concerned, and the local accountant. Thereupon, the examining officer shall immediately turn over to the accountable officer next-in-rank in the local treasury service, unless the said officer is likewise under investigation, the office of the treasurer and its contents, and close and render his accounts on the date of turnover. In case the accountable officer next in rank is under investigation, the auditor shall take full possession of the office and its contents, close and render his accounts on the date of taking possession, and temporarily continue the public business of such office until such time that the local treasurer is restored or a

successor has been duly designated. The local treasurer or accountable officer found with such shortage shall be automatically suspended from office.

Section 349. *Accounting for Revenues.* - Estimated revenues which remain unrealized at the close of the fiscal year shall not be booked or credited to the unappropriated surplus or any other account.

Section 350. *Accounting for Obligations.* - All lawful expenditures and obligations incurred during a fiscal year shall be taken up in the accounts of that year.

Section 351. *General Liability for Unlawful Expenditures.* - Expenditures of funds or use of property in violation of this Title and other laws shall be a personal liability of the official or employee responsible therefor.

Section 352. *Posting of the Summary of Income and Expenditures.* - Local treasurers, accountants, budget officers, and other accountable officers shall, within thirty (30) days from the end of the fiscal year, post in at least three (3) publicly accessible and conspicuous places in the local government unit a summary of all revenues collected and funds received including the appropriations and disbursements of such funds during the preceding fiscal year.

Section 353. *The Official Fiscal Year.* - The official fiscal year of local government units shall be the period beginning with the first day of January and ending with the thirty-first day of December of the same year.

Section 354. *Administrative Issuances; Budget Operations Manual.* - The Secretary of Budget and Management jointly with the Chairman of the Commission on Audit shall, within one (1) year from the effectivity of this Code, promulgate a Budget Operations Manual for local government units to improve and systematize methods, techniques, and procedures employed in budget preparation, authorization, execution, and accountability.

TITLE VI - Property and Supply Management in the Local Government Units

Section 355. *Scope.* - This Title shall govern the procurement, care, utilization, custody, and disposal of supplies, as defined herein, by local government units and the other aspects of supply management at the local levels.

Section 356. *General Rule in Procurement or Disposal.* - Except as otherwise provided herein, acquisition of supplies by local government units shall be through competitive public bidding. Supplies which have become unserviceable or no longer needed shall be sold, whenever applicable, at public auction, subject to applicable rules and regulations.

Section 357. *Definition of Terms.* - When used in this Title, the term

- (a) "Lowest Complying and Responsible Bid" refers to the proposal of one who

offers the lowest price, meets all the technical specifications and requirements of the supplies desired and, as a dealer in the line of supplies involved, maintains a regular establishment, and has complied consistently with previous commitments;

- (b) "Suitable Substitute" refers to that kind of article which would serve substantially the same purpose or produce substantially the same results as the brand, type, or make of article originally desired or requisitioned;
- (c) "Supplies" includes everything, except real property, which may be needed in the transaction of public business or in the pursuit of any undertaking, project, or activity, whether in the nature of equipment, furniture, stationary materials for construction or personal property of any sort, including non-personal or contractual services such as the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related services; and
- (d) "Terms and Conditions" refer to other requirements not affecting the technical specifications and requirements of the required supplies desired such as bonding, terms of delivery and payment, and related preferences.

Section 358. Requirement of Requisition. - Any order for supplies shall be filled by the provincial or city general services officer or the municipal or barangay treasurer concerned, as the case may be, for any office or department of a local government unit only upon written requisition as hereinafter provided.

Section 359. Officers Having Authority to Draw Requisitions. - Requisitions shall be prepared by the head of office or department needing the supplies, who shall certify as to their necessity for official use and specify the project or activity where the supplies are to be used.

Section 360. Certification by the Local Budget Officer, Accountant, and Treasurer. - Every requisition must be accompanied by a certificate signed by the local budget officer, the local accountant, and the local treasurer showing that an appropriation therefor exists, the estimated amount of such expenditure has been obligated, and the funds are available for the purpose, respectively.

Section 361. Approval of Requisitions. - Approval of the requisition by the head of office or department concerned who has administrative control of the appropriation against which the proposed expenditure is chargeable is deemed sufficient, except in case of requisition for supplies to be carried in stock which shall be approved by the local chief executive concerned: Provided, That such supplies are listed or included in the annual procurement plan and the maximum quantity thereof does not exceed the estimated consumption corresponding to a programmed three-month period: Provided, further, That nothing herein contained shall be held as authorizing the purchase of furniture and equipment for stock purposes.

Section 362. *Call for Bids.* - When procurement is to be made by local government units, the provincial or city general services officer or the municipal or barangay treasurer shall call bids for open public competition. The call for bids shall show the complete specifications and technical descriptions of the required supplies and shall embody all terms and conditions of participation and award, terms of delivery and payment, and all other covenants affecting the transaction. In all calls for bids, the right to waive any defect in the tender as well as the right to accept the bid most advantageous to the government shall be reserved. In no case, however, shall failure to meet the specifications or technical requirements of the supplies desired be awarded.

Section 363. *Publication of Call for Bids.* - The call for bids shall be given the widest publicity possible, sending, by mail or otherwise, any known prospective participant in the locality, of copies of the call and by posting copies of the same in at least three (3) publicly accessible and conspicuous places in the provincial capitol or city, municipal, or barangay hall, as the case may be.

The notice of the bidding may likewise be published in a newspaper of general circulation in the territorial jurisdiction of the local government unit concerned when the provincial or city general services officer or the municipal or barangay treasurer, as the case may be, deems it necessary in order to obtain the lowest responsible and complying bid.

The opening of bids shall only be made in the presence of the provincial or city auditor or his duly authorized representative who shall initial and secure copies of the bids and certify the abstract of the bidding.

Section 364. *The Committee on Awards.* - There shall be in every province, city or municipality a committee on awards to decide the winning bids and questions of awards on procurement and disposal of property.

The Committee on Awards shall be composed of the local chief executive as chairman, the local treasurer, the local accountant, the local budget officer, the local general services officer, and the head of office or department for whose use the supplies are being procured, as members. In case a head of office or department would sit in a dual capacity, a member of the sanggunian elected from among its members shall sit as a member. The committee on awards at the barangay level shall be the sangguniang barangay. No national official shall sit as a member of the committee on awards.

The results of the bidding shall be made public by conspicuously posting the same in the provincial capitol or city, municipal, or barangay hall.

Section 365. *Rule on Awards.* - Awards in the procurement of supplies shall be given to the lowest complying and responsible bid which meets all the terms and conditions of the contract or undertaking.

Section 366. *Procurement Without Public Bidding.* - Procurement of supplies may be made without the benefit of public bidding under any of the following modes:

- (a) Personal canvass of responsible merchants;
- (b) Emergency purchase;
- (c) Negotiated purchase;
- (d) Direct purchase from manufacturers or exclusive distributors; and
- (e) Purchase from other government entities.

Section 367. *Procurement through Personal Canvass.* - Upon approval by the Committee on Awards, procurement of supplies may be effected after personal canvass of at least three (3) responsible suppliers in the locality by a committee of three (3) composed of the local services officer or the municipal or barangay treasurer, as the case may be, the local accountant, and the head of office or department for whose use the supplies are being procured. The award shall be decided by the Committee on Awards.

Purchases under this Section shall not exceed the amounts specified hereunder for all items in any one (1) month for each local government unit:

Provinces and Cities and Municipalities within the Metropolitan Manila Area:

First and Second Class - One hundred fifty thousand pesos (P150,000.00)

Third and Fourth Class - One hundred thousand pesos (P100,000.00)

Fifth and Sixth Class - Fifty thousand pesos (P50,000.00)

Municipalities:

First Class - Sixty thousand pesos (P60,000.00)

Second and Third Class - Forty thousand pesos (P40,000.00)

Fourth Class and Below - Twenty thousand pesos (P20,000.00)

Section 368. *Emergency Purchase.* - In cases of emergency where the need for the supplies is exceptionally urgent or absolutely indispensable and only to prevent imminent danger to, or loss of, life or property, local government units may, through the local chief executive concerned, make emergency purchases or place repair orders, regardless of amount, without public bidding. Delivery of purchase orders or utilization of repair orders pursuant to this Section shall be made within ten (10) days after placement of the same. Immediately after the emergency purchase or repair order is made, the chief of office or department making the emergency purchase or repair order shall draw a regular requisition to cover the same which shall contain the following:

- (a) A complete description of the supplies acquired or the work done or to be performed;

- (b) By whom furnished or executed;
- (c) Date of placing the order and the date and time of delivery or execution;
- (d) The unit price and the total contract price;
- (e) A brief and concise explanation of the circumstances why procurement was of such urgency that the same could not be done through the regular course without involving danger to, or loss of, life or property;
- (f) A certification of the provincial or city general services or the municipal or barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of procurement; and
- (g) A certification of the local budget officer as to the existence of appropriations for the purpose, the local accountant as to the obligation of the amount involved, and the local treasurer as to the availability of funds. The goods or services procured under this Section must be utilized or availed of within fifteen (15) days from the date of delivery or availability.

Without prejudice to criminal prosecution under applicable laws, the local chief executive, the head of department, or the chief of office making the procurement shall be administratively liable for any violation of this Section and shall be a ground for suspension or dismissal from service.

Section 369. Negotiated Purchase. -

- (a) In cases where public biddings have failed for two (2) consecutive times and no suppliers have qualified to participate or win in the biddings, local government units may, through the local chief executive concerned, undertake the procurement of supplies by negotiated purchase, regardless of amount, without public bidding: Provided, however, That the contract covering the negotiated purchase shall be approved by the sanggunian concerned. Delivery of purchase orders or utilization of repair orders pursuant to this Section shall be made within seven (7) days after placement of the same. Immediately after the negotiated purchase or repair order is made, the local chief executive concerned shall draw a regular requisition to cover the same which shall contain the following:
 - (1) A complete description of the supplies acquired or the work done or to be performed;
 - (2) By whom furnished or executed;
 - (3) Date of placing the order and the date and time of delivery or execution;

- (4) The unit price and the total contract price;
 - (5) A certification of the provincial or city general services of the municipal or barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of procurement;
 - (6) A certification to the effect that the price paid or contracted for was the lowest at the time of procurement; and
 - (7) A certification of the local budget officer as to the existence of appropriations for the purpose, the local accountant as to the obligation of the amount involved, and the local treasurer as to the availability of funds.
- (b) In case of repeat orders for regular supplies, procurement may be made by negotiated purchase: Provided, That the repeat order is made within three (3) months from the last procurement of the same item: Provided, further, That the same terms and conditions of sale are obtained for the said repeat order.

Section 370. *Procurement from Duly Licensed Manufacturer.* - Procurement may be made directly from duly licensed manufacturers in cases of supplies of Philippine manufacture or origin and in case there are two (2) or more manufacturers shall be conducted to obtain the lowest price for the quality of the said supplies.

Section 371. *Procurement from Exclusive Philippine Agents or Distributors.* - Procurement may, in the case of supplies of foreign origin, preferably be made directly from the exclusive or reputable Philippine distributors or agents, subject to the following conditions:

- (a) That the Philippine distributor has no subdealers selling at lower prices; and
- (b) That no suitable substitutes or substantially the same quality are available at lower prices.

Section 372. *Procurement from Government Entities.* - Procurement may be made directly from the government entities producing the required supplies, including units or agencies of foreign governments with which the Philippines maintains diplomatic relations. In the latter case, prior authority from the Office of the President shall be required.

Section 373. *Annual Procurement Program.* -

- (a) On or before the fifteenth (15th) day of July each year, the local chief executive shall prepare an annual procurement program for the ensuing fiscal year which shall contain an itemized list of the estimated quantity of supplies needed for such year, a complete description thereof as to kind,

quality, estimated cost, and balance on hand: Provided, however, That the total estimated cost of the approved annual procurement program shall not exceed the total appropriations authorized for the acquisition of supplies. The local government units may augment the supplies and equipment provided by the Supreme Court to the lower courts located in their respective jurisdictions.

- (b) Except in emergency cases or where urgent indispensable needs could not have been reasonably anticipated, no purchase of supplies shall be made unless included in. or covered by, the approved procurement program. (c) The conversion of excess cash into supplies stock is hereby prohibited except to the extent of the kind and quantity specified in the approved annual procurement plan. A violation of this Section shall be a ground for suspension or dismissal of any political or employee responsible therefor.

Section 374. *Establishment of an Archival System.* - Every local government unit shall provide for the establishment of archival system to ensure the safety and protection of all government property, public documents or records such as records of births, marriages, property inventory, land assessments, land ownership, tax payments, tax accounts, and business permits, and such other records or documents of public interest in the various departments and offices of the provincial, city, or municipal government concerned.

Section 375. *Primary and Secondary Accountability for Government Property.* -

- (a) Each head of department or office of a province, city, municipality or barangay shall be primarily accountable for all government property assigned or issued to his department or office. The person or persons entrusted with the possession or custody of government property under the accountability of any head of department or office shall be immediately accountable to such officer.
- (b) The head of a department or office primarily accountable for government property may require any person in possession of the property or having custody and control thereof under him to keep such records and make reports as may be necessary for his own information and protection.
- (c) Buildings and other physical structures shall be under the accountability and responsibility of the provincial or city general services officer or the municipal mayor or punong barangay, as the case may be. (d) Every officer primarily accountable for government property shall keep a complete record of all properties under his charge and render his accounts therefor semiannually to the provincial or city general services officer or the municipal mayor or punong barangay, as the case may be.

Section 376. *Responsibility for Proper Use and Care of Government Property.* - The person in actual physical possession of government property or entrusted with its

custody and control shall be responsible for its proper use and care and shall exercise due diligence in the utilization and safekeeping thereof.

Section 377. *Measure of Liability of Persons Accountable for Government Property.* -

- (a) The person immediately accountable for government property shall be liable for its money value in case of the illegal, improper or unauthorized use or misapplication thereof, by himself or any other person for whose acts he may be responsible, and he shall be liable for all loss, damage, or deterioration occasioned by negligence in the keeping or use of property unless it is proved that he has exercised due diligence and care in the utilization and safekeeping thereof.
- (b) Unless he registers his objection in writing, an accountable person shall not be relieved from liability by reason of his having acted under the direction of a superior officer in using property with which he is chargeable; but the officer directing any illegal, unauthorized or improper use of property shall first be required to answer therefor.
- (c) In cases of loss, damage, or deterioration of government property arising from, or attributable to, negligence in security, the head of the security agency shall be held liable therefor.

Section 378. *Credit for Loss Occurring in Transit or Due to Casualty.* - When a loss of government property occurs while the same is in transit or is caused by fire, theft, force majeure, or other casualty, the officer accountable therefor or having custody thereof shall immediately notify the provincial or city auditor concerned within thirty (30) days from the date the loss occurred or for such longer period as the provincial, city or municipal auditor, as the case may be, may in the particular case allow, and he shall present his application for relief, with the available evidence in support thereof. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any such loss in the settlement of his accounts.

A provincial, city or municipal auditor shall not allow credit for these losses unless so expressly authorized by the Chairman of the Commission on Audit, to the exercised only if the loss is not in excess of fifty thousand pesos (P50,000.00). In any case when the allowance of credit is not within the competence of the provincial, city or municipal auditor, the application and evidence, with the recommendation of the auditor concerned, shall be forwarded to the Chairman of the Commission on Audit for his appropriate action.

Section 379. *Property Disposal.* - When property of any local government unit has become unserviceable for any cause or is no longer needed, it shall upon application of the officer accountable therefor, be inspected and appraised by the provincial, city or municipal auditor, as the case may be, or his duly authorized representative or that of the Commission on Audit and, if found valueless or unusable, shall be destroyed in the presence of the inspecting officer.

If found valuable, the same shall be sold at public auction to the highest bidder under the supervision of the committee on awards and in the presence of the provincial, city or municipal auditor or his duly authorized representative. Notice of the public auction shall be posted in at least three (3) publicly accessible and conspicuous places, and if the acquisition cost exceeds One hundred thousand pesos (P100,000.00) in the case of provinces and cities, and Fifty thousand pesos (P50,000.00) in the case of municipalities, notice of auction shall be published at least two (2) times within a reasonable period in a newspaper of general circulation in the locality.

Section 380. *Negotiated Sale of Property.* - Property no longer needed may also be disposed of at a private sale at such price as may be determined by the committee on awards, subject to the approval of the Commission on Audit or its duly authorized representative when the acquisition or transfer cost of the property exceeds Fifty thousand pesos (P50,000.00) in the case of provinces and cities, and Twenty-five thousand pesos (P25,000.00) in the case of municipalities and barangays.

In case of real property, the disposal shall be subject to the approval of the Commission on Audit regardless of the value or cost involved.

Section 381. *Transfer Without Cost.* - Property which has become unserviceable or is no longer needed may be transferred without cost to another office, agency, subdivision or instrumentality of the national government or another local government unit at an appraised valuation determined by the local committee on awards. Such transfer shall be subject to the approval of the sanggunian concerned making the transfer and by the head of the office, agency, subdivision, instrumentality or local government unit receiving the property.

Section 382. *Tax Exemption Privileges of Local Government Units.* - Local government units shall be exempt from the payment of duties and taxes for the importation of heavy equipment or machineries 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, however, That such equipment or machineries shall not be disposed of, either by public auction or negotiated sale as hereinabove provided, within five (5) years from the importation thereof. In case the machinery or equipment is sold within the five-year period, the purchasers or recipients shall be considered the importers thereof, and shall be liable for duties and taxes computed on the book value of such importation.

Section 383. *Implementing Rules and Regulations.* - The Chairman of the Commission on Audit shall promulgate the rules and regulations necessary to effectively implement the provisions of this Title, including requirements as to testing, inspection, and standardization of supply and property.