



Republic of the Philippines  
**DEPARTMENT OF FINANCE**

**DOF-LOCAL FINANCE CIRCULAR NO. 1-94**

October 28, 1993

- SUBJECT** : Prescribing the Guidelines Governing the Powers of Cities, Municipalities and Barangays to Impose the Business Tax on Retailers Pursuant to Secs. 143(D) and 152(A) of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, and its Implementing Rules and Regulations (IRR)
- TO** : All Regional Directors, Bureau of Local Government Finance; District Treasurers of Metropolitan Manila; Provincial, City, Municipal and Barangay Treasurers; and Others Concerned

Queries have been received in this Department thru the Bureau of Local Government Finance regarding the proper application of the provisions of R.A. 7160, the Local Government Code of 1991, on the impositions by barangays of business taxes on retailers.

Representations are made that there are, at present, two schools of thought relative to the taxing powers of barangays on stores or retailers pursuant to Sec. 152(a) of the Code. One contends that the barangay in a municipality shall not collect the one percent (1%) tax on stores or retailers whose gross sales exceed P30,000.00 while the other holds that the barangay shall collect the tax on all sales of P30,000.00 even if the gross sales of the store exceeds P30,000.00.

To clarify the issue, Articles 232(d) and 240(a) of the Implementing Rules and Regulations (IRR) of the Code, implementing Sections 143(d) and 152(a) thereof, respectively, are quoted hereunder:

Article 232. Tax on Business. — The municipality may impose taxes on the following businesses:

“x x x

“(d) On retailers.

“Gross Sales Receipts For the Preceding Year:	Rate of Tax Per Annum
“P400,000.00 or less	2%
more than P400,000.00	1%

“The rate of two percent (2%) per annum shall be imposed on sales not exceeding Four Hundred Thousand Pesos (P400,000.00) while the rate of one percent (1%) per annum shall be imposed on sales in excess of the first Four Hundred Thousand Pesos (P400,000.00).

“However, barangays shall have the exclusive power to levy taxes as provided in Article 240(a) of this Rule, 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.”

“Article 240. — *Scope of Taxing and Other Revenue-Raising Powers of Barangays.*  
— The barangays may levy the following taxes, fees and charges which shall exclusively accrue to them.

“(a) Taxes on stores or retailers with fixed business establishments with gross sales or receipts of the preceding calendar year of Fifty Thousand Pesos (P50,000.00) or less, in

the case of a barangay within a city, and Thirty Thousand Pesos (P30,000.00) or less, in the case of a barangay within a municipality at rates not exceeding one percent (1%) on such gross sales or receipts.”

It is clear from the provisions of Article 240(a) that barangays may only tax stores or retailers whose gross sales or receipts for the preceding year do not exceed P50,000.00 or P30,000.00, as the case may be. There is no indication that the barangays were empowered to tax the first P50,000.00 or P30,000.00 as aforesaid, of gross sales or receipts or all stores or retailers located in their territorial jurisdictions.

Accordingly, pursuant to Art. 287 of the IRR, the following guidelines are hereby prescribed for guidance of all concerned:

1. Stores or retailers with fixed business establishments in a barangay or a city whose gross sales or receipts for the preceding year do not exceed P50,000.00 shall be taxable exclusively by the barangay. Those whose gross sales or receipts exceed P50,000.00 shall be taxable by the city.
2. Stores or retailers with fixed business establishments in a barangay or a municipality whose gross sales or receipts for the preceding year do not exceed P30,000.00 shall be taxable exclusively by the barangay. Those whose gross sales or receipts exceed P30,000.00 shall be taxable by the municipality.
3. The barangay, however, shall have the power to collect the said tax only if the barangay has levied the tax pursuant to an ordinance duly enacted by its Sanggunian. Otherwise, the tax shall be collectible by the municipality or city where the barangay is located subject to the same condition that either the municipality or city must have enacted the ordinance levying the tax on retailers.

The Regional Directors of the Bureau of Local Government Finance, this Department and the District Treasurers of the Metropolitan Manila are hereby instructed to disseminate the contents hereof to all Provincial, City, Municipal and/or Barangay Treasurers under their respective jurisdictions for their information and guidance.

By authority of the Secretary:

(SGD.) **JUANITA D. AMATONG**  
Undersecretary