



Republic of the Philippines
Department of Finance
BUREAU OF LOCAL GOVERNMENT FINANCE
Region IV-A (CALABARZON)
3rd Flr. Marcelita Bldg., National Highway
Brgy. Real, Calamba City

REGIONAL MEMORANDUM CIRCULAR NO. 13-11
September 1, 2011

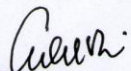
TO : All Provincial/City/Municipal Treasurers
And All Others Concerned
This Region

SUBJECT : Harmonization of the provisions of Local Tax Ordinances/Revenue Codes imposing Surcharges and Penalties for the late/delayed remittance/payment of the two percent (2%) local governments' share in the 5% Gross Income Tax (GIT) incentives pursuant to Section 24 of R.A. No. 7916, as amended, with the provisions of Revenue Regulation No. 1-2000 dated January 6, 2000 of the Bureau of Internal Revenue, amending the provisions of Revenue Regulations No. 12-97 and implementing Section 4 of R.A. No. 8748

For the information, guidance and compliance of all concerned, attached is a copy of BLGF Memorandum Circular No. 13-2011 dated July 4, 2011 of the Executive Director, this Bureau, relative to the Harmonization of the provisions of Local Tax Ordinances/Revenue Codes imposing Surcharges and Penalties for the late/delayed remittance/payment of the two percent (2%) local governments' share in the 5% Gross Income Tax (GIT) incentives pursuant to Section 24 of R.A. No. 7916, as amended, with the provisions of Revenue Regulation No. 1-2000 dated January 6, 2000 of the Bureau of Internal Revenue, amending the provisions of Revenue Regulations No. 12-97 and implementing Section 4 of R.A. No. 8748.

In this connection, the Provincial Treasurers, this Region, are hereby instructed to disseminate copies of the abovementioned BLGF Memorandum Circular to the Municipal Treasurers within their respective jurisdictions.

Be guided accordingly.

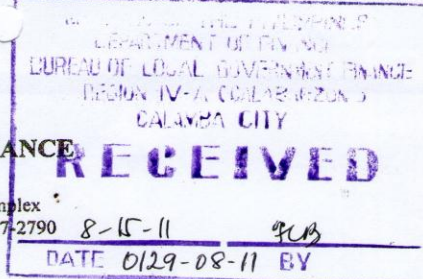

EDUARDO L. DEL ROSARIO
Regional Director

/lmr



REPUBLIC OF THE PHILIPPINES
BUREAU OF LOCAL GOVERNMENT FINANCE
DEPARTMENT OF FINANCE

8th Floor EDC Building, Bangko Sentral ng Pilipinas Complex
Roxas Boulevard, Manila 1004 • Telefax Nos. 527-2780 / 527-2790
E-mail: blgf@blgf.gov.ph



BLGF MEMORANDUM CIRCULAR NO. 13-2011
July 4, 2011

TO : All Regional Directors for Local Government Finance; Provincial, City and Municipal Treasurers; and Others Concerned.

SUBJECT : Harmonization of the provisions of Local Tax Ordinances/Revenue Codes imposing Surcharges and Penalties for the late/delayed remittance/payment of the two percent (2%) local governments' share in the 5% Gross Income Tax (GIT) incentives pursuant to Section 24 of R.A. No. 7916, as amended, with the provisions of Revenue Regulation No. 1-2000 dated January 6, 2000 of the Bureau of Internal Revenue, amending the provisions of Revenue Regulation No. 12-97 and implementing Section 4 of R.A. No. 8748.

For the information and guidance of all concerned, Section 4 of Republic Act No. 8748, entitled "An Act Amending Republic Act No. 7916", otherwise known as the Special Economic Zone Act of 1995 was implemented by Revenue Regulation (RR) No. 12-97. Relative to the said amendment, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 1-2000 accordingly amending the provisions of RR 12-97 with respect to the sharing, distribution and manner of disposition of the two percent (2%) share of local government units from the five percent (5%) special tax on gross income earned, in lieu of all taxes, except the real property tax, imposed on PEZA-registered enterprises registered under and operating pursuant to the *Special Economic Zone Act*.

Section 4 of R.A. 8748, amending Section 24 of R.A. 7916, provides as follows:

"Section 24. *Exemption from National and Local Taxes.* — Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted as follows:

"(a) Three percent (3%) to the National Government;

"(b) Two percent (2%) which shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located." (Emphasis ours)

In implementing the abovequoted Section 24 of R.A. 8748, the BIR issued RR 1-2000, Section 5, paragraph 2 of which provides as follows:

"SECTION 5. Returns and Payment of the Tax. -

(a) x x x

The aforesaid enterprise shall file quarterly income tax return within sixty (60) days after the close of each of the first three (3) quarters and a final adjustment income tax return covering the entire taxable year, not later than the fifteenth (15th) day of the fourth (4th) month following the close of its taxable year, whether a calendar or a fiscal year accounting period, in accordance with Title II, Chapter XII of the National Internal Revenue Code of 1997; x x x." (Underscoring for emphasis)

Apparently however, if applied to local taxation, the preceding provision of RR 1-2000 will not fit well with the particular provision of tax ordinances or revenue codes of LGUs generally patterned after R.A. No.7160, otherwise known as the Local Government Code (LGC) of 1991, specifically Sections 167 and 168 thereof, quoted as follows:

"SEC. 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." (Emphasis ours)

"SEC. 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 interest on the unpaid amount or portion thereof exceed thirty-six (36%) months." (Emphasis ours)

In comparison, Section 24 of RR 1-2000 provides that the filing of quarterly income tax return, which serves as the basis in computing the 2% LGU share in the 5% GIT of a PEZA-registered enterprise, is within sixty (60) days after the close of each quarter, except the 4th quarter. On the other hand, a local tax ordinance or revenue code enacted pursuant to the provisions of the LGC, provides that the due date for each quarter is on or before the twentieth (20th) day of the subsequent quarter, if the taxpayer prefers to pay the tax on a quarterly basis.

It must be emphasized however, that Sections 167 and 168 aforementioned deal with local impositions thus, the opening statement of said Section 167

specifically provides that: "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." Relatedly therefore, the phrases "**amount of taxes, fees or charges not paid on time**" and "**unpaid taxes, fees or charges**" in Section 168, *supra*, prescribing the imposition and collection of "Surcharges and Penalties on Unpaid Taxes, Fees, or Charges", late payments included, refer to local impositions.

On the contrary, the 2% LGU share in the 5% GIT of PEZA-registered enterprises under Section 24 of R.A. 7916, as amended, refers to a national imposition the implementation of which is assigned with the Bureau of Internal Revenue thus the RR 1-2000.

In this connection, the specific provisions of local tax ordinances/revenue codes levying such surcharges and penalties on the late remittance/payment of the 2% LGU share in the 5% GIT of ecozone locators should be in harmony with the provision of R.A. 7916, as amended, and RR1-2000, which are the governing laws on the matter.

In view hereof, all City and Municipal Treasurers concerned are enjoined to make representations with their respective local *sanggunians* for the purpose of modifying and/or amending their respective local tax ordinances or revenue codes to conform and harmonize with the provisions of RR 1-2000, implementing Section 4 of R.A. No. 8748.

Accordingly all Regional Directors, District Treasurers and Provincial Treasures are hereby directed to disseminate and furnish copies of this Circular to all concerned within their respective territorial jurisdiction.

This Circular shall take effect immediately.


MA. PRESENTACION R. MONTESA, CESO III
Executive Director