



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG)
DEPARTMENT OF FINANCE (DOF)

Joint Memorandum Circular (JMC) No.: 2019-01

Date: May 17, 2019

SUBJECT : GUIDELINES FOR THE REVIEW, ADJUSTMENT, SETTING AND/OR ADOPTION OF REASONABLE REGULATORY FEES AND CHARGES OF LOCAL GOVERNMENT UNITS

1.0 Background

- 1.1 The regulation of business and activities as well as the delivery of services to the people, through local government entail costs to the government, and equity requires that person/s benefitting from the services to share the cost of providing such services.
- 1.2 If the primary purpose of the imposition is generation of revenue and that regulation is merely incidental, the imposition is a "tax", but if regulation is the primary purpose and the fact that revenue is incidentally obtained does not make the imposition a tax, but merely a "fee"¹.
- 1.3 However, the determination of the amount of the fees and charges shall be finding the balance between recovering the cost of services rendered and ease of doing business. But any revision of fees and charges need to be coordinated with stakeholders to ensure that the rates are just and reasonable and to minimize, if not avoid, unintended impacts on established priorities and the general public.
- 1.4 In order to help local government units (LGUs) build strong enabling environment for good local governance and serve our constituents fairly, particularly the business sector, we enjoin all LGUs to review, adjust, and/or revise their local revenue ordinances in accordance with the rationalized procedure for setting fees and charges.

2.0 Purpose

- 2.1 This Joint Memorandum Circular (JMC) is being issued for the guidance of LGUs to ensure uniform procedure in setting reasonable fees and charges as provided for by the provisions of Republic Act (RA) No. 7160, otherwise known as the Local Government Code (LGC) of 1991 and in order to set a balance between recovering the cost of services and the ease of doing business in compliance with RA No. 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery (EODB EGSD) Act of 2018.

¹ G.R. No. 173863, dated 15 September 2010

3.0 Legal Compliance

3.1 RA No. 7160: Local Government Code of 1991

- 3.1.1** Sections 134, 142, 151 and 152 allow provinces, cities, municipalities and barangays to impose and collect taxes, fees and charges on business and occupation and on the practice of any profession and calling.
- 3.1.2** Section 147 provides that fees and charges imposed by municipalities should be reasonable and commensurate with the cost of regulation, inspection and licensing before any person may engage in such business or occupation, or practice of such profession or calling. Furthermore, Article 233 of the Implementing Rules and Regulations (IRR) of the LGC provides that no such fee or charge shall be based on capital investment or gross sales or receipts of the person or business liable therefore.
- 3.1.3** Section 153 stipulates that LGUs may collect reasonable fees and charges for services rendered.
- 3.1.4** Section 130 requires that the exercise of the taxing and other revenue-raising powers of LGUs shall be governed by the following principles: a) uniform in each local government unit; b) equitable and based as far as practicable on the taxpayer's ability to pay, levied and collected only for public purposes, not be unjust, excessive, oppressive, or confiscatory, and not be contrary to law, public policy, national economic policy, or in the restraint of trade; c) collections shall in no case be let to any private person; d) collections 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; and e) evolve a progressive system of taxation.
- 3.1.5** Section 132 stipulates that the power to impose a tax, fee or charge to generate revenue under the LGC shall be exercised by the LGU concerned through an appropriate ordinance.
- 3.1.6** Sections 444(3)(iv), 455(3)(iv) and 465(3)(iv) provide that the licenses and permits are to be issued by the local chief executives.
- 3.1.7** Section 55 (c) provides that the local chief executive may veto an ordinance or resolution only once. The sanggunian may override the veto of the local chief executive by two-thirds (2/3) vote of all its members, thereby making the ordinance effective even without the approval of the local chief executive concerned.
- 3.1.8** Section 187 stipulates that public hearing is mandatory prior to the enactment of the LGC.
- 3.1.9** Sections 56 and 57 provide that sangguniang panglungsod or sangguniang bayan and sangguniang barangay shall forward to the sangguniang panlalawigan and sangguniang panglungsod or sangguniang bayan respectively the approved ordinances. Within the time prescribed therein, the appropriate sanggunian shall review the forwarded approved ordinance to determine whether such is beyond the power of the sangguniang panglungsod or bayan concerned or whether the barangay ordinance is consistent with law and city or municipal ordinances.

- 3.1.10 Section 56 (d) provides that if no action has been taken by the sangguniang panlalawigan within thirty (30) days after submission of such ordinance or resolution, the same shall be presumed consistent with law and therefore valid.
- 3.1.11 Section 188 requires that within ten (10) days after their approval, certified true copies of all provincial, city, and municipal tax ordinances or revenue shall be published in full for three (3) consecutive days in a newspaper of local circulation; the same shall be posted in at least two (2) conspicuous and publicly accessible places.
- 3.2 RA No. 11032: Ease of Doing Business and Efficient Government Service Delivery (EODB EGSD) Act of 2018
- 3.2.1 Section 5 provides that all proposed regulations of government agencies under Section 3 of the same Act shall undergo regulatory impact assessment to establish if the proposed regulation does not add undue regulatory burden and cost to these agencies and the applicants or requesting parties.
- 3.2.2 Section 6 provides that all government agencies including departments, bureaus, offices, instrumentalities, or government-owned and/or -controlled corporations, or LGUs shall set up their respective most current and updated service standards to be known as the Citizen's Charter in the form of information billboards which shall be posted at the main entrance of offices or at the most conspicuous place, in their respective websites and in the form of published materials written either in English, Filipino, or in the local dialect, that detail:
- "(a) A comprehensive and uniform checklist of requirements for each type of application or request;
 - "(b) The procedure to obtain a particular service;
 - "(c) The person/s responsible for each step;
 - "(d) The maximum time to conclude the process;
 - "(e) The document/s to be presented by the applicant or requesting party, if necessary;
 - "(f) The amount of fees, if necessary; and
 - "(g) The procedure for filing complaints."
- 3.2.3 Section 21 provides that imposition of additional cost not reflected in the Citizen's Charter constitutes a violation and holds persons responsible liable under the same Act.

4.0 Scope/Coverage

- 4.1 This Joint Memorandum Circular (JMC) covers all Local Chief Executives (LCEs), Vice-Governors, Vice-Mayors, Sanggunian Members, Punong Barangays, Regional Directors of the Department of the Interior and Local Government (DILG) and the Department of Finance - Bureau of Local Government Finance (DOF-BLGF), Provincial/City/Municipal/Barangay Treasurers and Heads of Department or Offices in the LGU and others concerned.



5.0 Definitions

- 5.1 **Cost of Service** - refers to the sum of (a) direct costs such as supplies, materials, salaries/wages of personnel directly involved and proportionate share in the overhead expenses incurred by the LGU in rendering service, and (b) such expenses incurred by the LGU in rendering the service, and (c) such other readily identifiable incidental expenses incurred in rendering the service. The cost of service shall be considered in the regular budget of the operating department/division/unit rendering the pertinent service as authorized in the appropriation ordinance².
- 5.2 **Cost recovery** - refers to the process of compensating the cost associated with the provision of services (including regulation), which involves the collection of user or regulatory fees to ensure long-term sustainability³.
- 5.3 **Charges** - refers to the pecuniary liability, as a rent or fees against a persons or property in exchange for the use or utility of a facility or service of the government⁴.
- 5.4 **Fee** - refers to a charge fixed by law or ordinance for the regulation or inspection of a business or activity⁵.
- 5.5 **Imposition** – pertains to the act of levying a tax, fee or charge on a particular subject, which is done by way of an ordinance.
- 5.6 **Taxes** – A monetary charge imposed by the government on persons, entities, transactions, or property to yield public revenue⁶.

6.0 Policy Content and Guidelines

- 6.1 This Joint Memorandum Circular (JMC) shall apply to all fees and charges being imposed by LGUs rendering services to the public, whether regulatory or service fees, the purpose of which is to recover the cost of service rendered, except when the rate or the method for determining the rate has already been prescribed under the LGC and/or other special laws.
- 6.2 Enumeration of Common and Allowable Fees and Charges, among others

Fees and Charges		Province	Cities	Municipalities	Brgy
1.	Business permit/Mayor's Permit fee ⁷	No	Yes	Yes	No
2.	Barangay Clearance ⁸	No	No	No	Yes
3.	Permit to extract sand, gravel and other quarry resources ⁹	Yes	No	No	No

² As defined in DOF-DBM-NEDA Joint Circular No. 1-2013, dated 30 January 2013

³ *Ibid*

⁴ Section 131(g) of the LGC

⁵ Section 131(l) of the LGC

⁶ Black's Law Dictionary

⁷ **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.

⁸ **Section 152.** xxx...

(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, cockfighting an cockpits;

(2) On places of recreation which charge admission fees; and

(3) On billboards, signboards, neon signs, and outdoor advertisements.

⁹ **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

4.	Fees for Sealing and Licensing of Weights and Measures ¹⁰	No	Yes	Yes	No
5.	Fishery Rentals, Fees and Charges ¹¹	No	Yes	Yes	No
6.	Fees on commercial breeding of fighting cocks, cockfighting and cockpit ¹²	No	No	No	Yes
7.	Fees on places of recreation which charge admission fees ¹³	No	No	No	Yes
8.	Fees on billboards, signboards, neon signs, and outdoor advertisements. ¹⁴	No	No	No	Yes
9.	Service fees ¹⁵	Yes	Yes	Yes	Yes
10.	Public utility charges ¹⁶	Yes	Yes	Yes	Yes
11.	Toll fees and charges ¹⁷	Yes	Yes	Yes	Yes
12.	Other fees and charges strictly in accordance with Section 186 ¹⁸ of the Local Government Code (LGC)	Yes	Yes	Yes	Yes

6.3 Determination of Reasonable Rates of Fees and Charges

6.3.1 The rates of fees and charges shall be revised at just and reasonable rates sufficient to recover the cost of services rendered taking into consideration the Local Fees and Charges (LFC) Toolkit to be issued by the Department of Finance which comprises the direct fixed cost and variable costs of rendering services:

6.3.1.1 Variable costs shall include the following:

- 6.3.1.1.1 salaries and wages of personnel directly involved in delivering the service;
- 6.3.1.1.2 costs of supplies and materials;
- 6.3.1.1.3 transportation and travel expenses; and
- 6.3.1.1.4 supplies, materials, and other resources.

6.3.1.2 Fixed costs consist of proportionate share in the overhead expenses comprising depreciation rates of equipment and utilities used, which includes:

- 6.3.1.2.1 cost of water;
- 6.3.1.2.2 electricity; and

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.

¹⁰ **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.

¹¹ **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 therefore in accordance with the provisions of this Section. xxx...

¹² Supra Note 2

¹³ Ibid

¹⁴ Ibid

¹⁵ **Section 154.** Service Fees and Charges. - Local government units may impose and collect such reasonable fees and charges for services rendered.

¹⁶ **Section 154.** Public Utility 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.

¹⁷ Ibid

¹⁸ **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.



6.3.1.2.3 other regular services rendered to the applicants.

6.3.1.3 The DOF, through the BLGF, shall issue within thirty (30) days the LFC Toolkit and issue the necessary amendments thereto.

6.3.2 Other Considerations:

6.3.2.1 In the succeeding revision of the rates, LGUs may have an option to adjust the rate of imposition or last revision of the subject rates of fees and charges by indexing approach: Provided, that there are no changes in the variables used in the computation and subject to the guidelines to be issued by the DOF, through the BLGF.

6.3.2.2 Subsequent to the adjustment of the rate of imposition, such revision shall be as much as possible, be uniform for similar or comparable services and functions offered by LGUs.

6.3.2.3 The revised rates shall be imposed through the issuance of an appropriate ordinance and compliance to all legal requirements including the conduct of a public hearing and publications.

6.4 Creation of an Oversight Committee on the Revision of Fees and Charges

6.4.1 Within three (3) months after the effectivity of this Joint Memorandum Circular (JMC), LCEs are advised to issue an Executive Order creating an oversight committee on the revision of fees and charges composed of the following:

6.4.1.1 Composition

6.4.1.1.1 For Provinces:

Chairperson:	Local Chief Executive
Co-Chairperson	Provincial Treasurer
Members:	Provincial Budget Officer Provincial Planning and Development Coordinator Provincial Accountant Sanggunian Secretary

Additional members may be identified depending on the type of fees and charges being reviewed and the department/office in-charge of the service e.g., Assessor, Environment Officer, Health Officer, etc.

6.4.1.1.2 For Cities and Municipalities:

Chairperson:	Local Chief Executive
Co-Chairperson	City/Municipal Treasurer
Members:	City/Municipal Budget Officer City/Municipal Planning and Development Coordinator City/Municipal Accounting Sanggunian Secretary Liga ng mga Barangay Representative

Additional Members may be identified depending on the type of fees and charges being reviewed and the department/office in-charge of the service e.g., Assessor, Business Permits and Licensing Officer (BPLO), Building Official, Environment Officer, Sanitary Officer, Zoning Officer, etc.

6.4.2 Functions and Responsibilities

6.4.2.1 The Committee on Revision of Fees and Charges shall have the following functions and responsibilities:

6.4.2.1.1 Ensure that the guiding principles as prescribed under the LGC and this JMC are observed;

6.4.2.1.2 Review the rationale for fees and user charges imposed by the LGU and methodology for determination of the fee schedule or rates;

6.4.2.1.3 Gather data on the cost of delivering regulatory, service fees and charges, in order to compute the appropriate rates that will recover the cost, using the LFC Toolkit;

6.4.2.1.4 Submit to the LCE and the sanggunian the recommended proposed local revenue ordinance including a program of action to institute reforms.

6.5 Roles and Responsibilities of Oversight Agencies and Local Government Units

6.5.1 Local Government Units (LGUs)

6.5.1.1 The LCE shall call for the immediate review and appropriate updating of their respective Local Revenue Code (LRC). Furthermore, LCE shall ensure that their LRCs, schedule of fees and charges and result of the review of such via the LFC Toolkit are published online in their website and/or in three (3) conspicuous places in their localities.

6.5.1.2 In the case of municipalities and cities, once approved by the sangguniang bayan or panlungsod, the recommended proposed local revenue ordinance shall be submitted to the sangguniang panlalawigan concerned. If the sangguniang panlalawigan finds that such an ordinance or resolution is beyond the power conferred upon the sangguniang panlungsod or sangguniang bayan concerned, it shall declare such ordinance or resolution invalid in whole or in part.

6.5.1.3 The sanggunian panlalawigan shall review the revenue codes/ordinances passed in their jurisdiction in connection with the imposition of fees and charges of their component cities and municipalities.

6.5.1.4 In the case of barangays, once approved by the sanggunian members, the recommended proposed local

revenue ordinance shall be submitted to the sangguniang bayan or sanggunian panlungsod concerned.

6.5.1.5 The sangguniang panlungsod and sangguniang bayan, shall review the revenue codes/ordinances passed in their jurisdiction in connection with the imposition of fees and charges of their component barangays. If the sangguniang panlungsod or sangguniang bayan, as the case may be, finds the barangay ordinances inconsistent with law or city or municipal ordinances, the sanggunian concerned shall, within thirty (30) days from receipt thereof, return the same with its comments and recommendations to the sangguniang barangay concerned for adjustment, amendment, or modification; in which case, the effectivity of the barangay ordinance is suspended until such time as the revision called for is effected.

6.5.1.6 The concerned city and municipal treasurers shall guide and assist the component barangays in determining and setting of the rates of fees and charges within their respective jurisdictions to ensure uniformity and compliance with the law and this Joint Memorandum Circular (JMC).

6.5.2 Department of the Interior and Local Government (DILG)

6.5.2.1 The DILG shall advocate with the LGUs, through the leagues, the importance of the utilization of the LFC Toolkit in updating their revenue ordinances and/or codes.

6.5.2.2 The DILG shall take the necessary measures and institutionalize a monitoring system to ensure compliance of LGUs.

6.5.2.3 Through their Regional Offices, disseminate this Joint Memorandum Circular (JMC) to all LGUs and others concerned.

6.5.3 Department of Finance (DOF)

6.5.3.1 The DOF, through the BLGF, shall prepare, update and issue the necessary guidelines and/or advisories on the LFC Toolkit for LGUs containing the cost accounting framework in the determination of the reasonable rate of fees and charges and for the primary purpose of analyzing the efficient cost-recovery of the LGUs. The LFC Toolkit shall be available in two modes: 1) Excel-based template; and 2) Local Fees and Charges Estimation System (LFCES) incorporated in the LGU Integrated Financial Tools (LIFT) System.

6.5.3.2 The DOF, through the BLGF and the Philippine Tax Academy (PTA), in coordination with the DILG, shall conduct capacity building, training, and technical assistance programs for concerned personnel relative to the review, setting, and/or adoption of reasonable regulatory fees and charges by using the LFC Toolkit in revising their fees and charges.

- 6.5.3.3 The DOF, through the BLGF, shall regularly monitor the fees and charges imposed by LGUs through the DOF-BLGF online portal, and shall ensure that the schedule of rates and analysis of such are regularly published online and readily available to the different stakeholders and the general public.
- 6.5.3.4 The DOF, through the BLGF, shall coordinate with the DILG in monitoring the compliance of the LGUs in the implementation of this Joint Memorandum Circular (JMC).
- 6.5.3.5 The DOF, through the BLGF Regional Offices, hereby instructs to disseminate this Joint Memorandum Circular (JMC) to all local treasurers and others concerned for their information and guidance.

7.0 Repealing Clause

- 7.1 All rules, regulations, orders, and/or Circulars previously issued by the DILG and DOF that are contrary to, or inconsistent with the provisions of this Joint Memorandum Circular (JMC) are hereby repealed or modified accordingly.

8.0 References

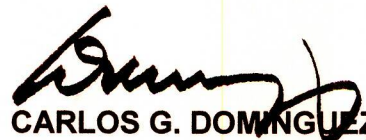
- 8.1 RA No. 7160: Local Government Code of 1991
- 8.2 RA No. 11032: Ease of Doing Business and Efficient Government Service Delivery (EODB EGSD) Act of 2018

9.0 Effectivity

- 9.1 This Joint Memorandum Circular (JMC) shall take effect immediately.

10.0 Approving Authority


EDUARDO M. AÑO
Secretary, DILG


CARLOS G. DOMINGUEZ
Secretary, DOF
MAY 17 2019



11.0 Feedback

- 11.1 For related queries, kindly contact the Office of the Bureau of Local Government Development (BLGD) through telephone nos. (02) 927-7852 or (02) 925-0356 or at email address: localfiscal.blgd@gmail.com or visit www.dilg.gov.ph and/or the BLGF through Tel. No. (02) 527-2790 or visit www.blgf.gov.ph.