

LOCAL TAXATION

(Reference : Local Government Code of 1991 – R.A. 7160)

- **Fundamental principles in taxation**
 - Real property shall be appraised at its **current** and fair market value;
 - It shall be classified for assessment purposes based of its **actual use**;
 - It shall be assessed on the basis of a **uniform** classification within each local government unit;
 - The appraisal, assessment, levy and collection of real property tax shall **not be let** to any private person; and
 - The appraisal and assessment of real property shall be **equitable**.

- **Land classification** – residential, commercial, industrial and commercial, mineral, timber
 - Residential – principally devoted to habitation
 - Commercial – devoted principally for profit
 - Industrial – devoted principally for industrial activity as capital investment
 - Agricultural – devoted principally to the planting of trees, raising of crops, livestock, poultry and dairying, salt making, inland fishing and other agricultural activities
 - Mineral – land where minerals, metallic or non-metallic exist in sufficient quantity
 - Timberland – examples of forest – cannot be alienated
 - Special – land with schools, churches, research centers, etc.

- **Declaration of real property by the owner or administrator**

Sworn declaration should be **once every 3 years** from January 1 – June 30 commencing with the calendar year 1992 to the assessor’s office.

- **Duty of person acquiring real property or making improvement thereon**
Sworn declaration should be filed with the provincial, city or municipal assessor within **60 days** after acquisition or upon completion or occupancy whichever comes first.

- **Exemption from realty tax**
 - Real property owned by 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;
 - Charitable Institutions, churches, personage 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**;
 - 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 or electric power;
 - All real property owned by duly registered cooperatives as provided for R.A. 6938
 - Machinery and equipment used for pollution control and environmental protection.

- **General revision of assessment and property classification**
 - Within 2 years after the effectivity of this code (January 1, 1992) and every 3 years thereafter

- **Depreciation allowance for machinery**
 - Not to exceed **5%** of its original cost or its reproduction / replacement cost

- **Rates of tax**
 - Not to exceed 1% of the assessed value of property for provinces
 - Not to exceed 2% for properties situated in case of city or municipality within Metro Manila

- **Payment of realty tax**
 - In case of installments – can be paid in 4 equal payments
 - Deadline March 31, June 30, Sept. 30 and Dec. 31 of taxable year
 - In case of cash or outright payment
 - Discount of not exceeding 20% may be given if paid on or before Jan. 31

- **Payment under protest**
 - No protest shall be entertained unless taxpayer first pays the tax. There shall be annotation on the tax receipts the word “paid under protest”. It should be filed within **30 days** from the payment and it will be decided within **60 days** from receipt.

 - If there is an excessive collection due to illegal or erroneous computation, taxpayer may claim for refund within **2 years** from the date the taxpayer is entitled to such reduction. Refund shall be decided within **60 days**.

- **Interest on unpaid realty tax**
 - Interest of **2%** per month on the basic tax, but in no case shall exceed **36 months**

- **Distribution of proceeds of realty tax**
 - In case of provinces – province 35%; municipality 40%; barangay 25%
 - In case of cities – city 70%; 30% for the component barangays
 - Share of barangays on 30%
 - 50% for the barangay where property is located
 - 50% shall accrue equally to all components of barangays
 - Releases: Quarterly basis payable on or before the 5th of the following month after the end of each quarter to the barangay treasurer

- **Condonation or reduction of real property tax**
 - Thru ordinance with the recommendation of Local Disaster Coordinating Council due to calamity or failure of crops or substantial decrease in the price of agricultural products; or
 - Thru the order of the President of the Philippines when public interest so requires.

REMEDIES FOR THE COLLECTION OF REALTY TAX

- **Local government's lien**
 - The basic realty tax and any other tax levied constitute 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, enforceable by administrative or judicial action and maybe extinguished upon payment of the tax plus interest and other expenses.
- **Issuance of warrant of levy by provincial, municipality or city treasurer**
 - Shall be done within 1 year from the time the tax becomes delinquent