

Local Tax Compliance

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OUTLINE



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- Tax Base
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- Claiming LBT Refund

3. Salient Features of the Real Property Valuation Bill

Source of Local Tax Powers



Section 5, Article X of the Philippine Constitution



Section 3, Article X of the Philippine Constitution



Local Government Code of 1991
(Republic Act No. 7160)

Source of Local Tax Powers



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Local taxation, like national taxation, is legislative in nature. A revenue measure may only be imposed through an appropriate ordinance (Sec. 132, LGC).



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The power of LGUs to impose local taxes is exercised through the appropriate ordinance enacted by the Sanggunian.

Source of Local Tax Powers

Ordinance vs Resolution

Spouses Yusay vs. City Council of Mandaluyong, Supreme Court GR No. 156684

Ordinance	Resolution
Law	A declaration of the sentiment or opinion of a lawmaking body
Possesses a general and permanent character	Temporary in nature.
Third reading is necessary for its enactment	Not required
Public hearing/publication is required	Not required

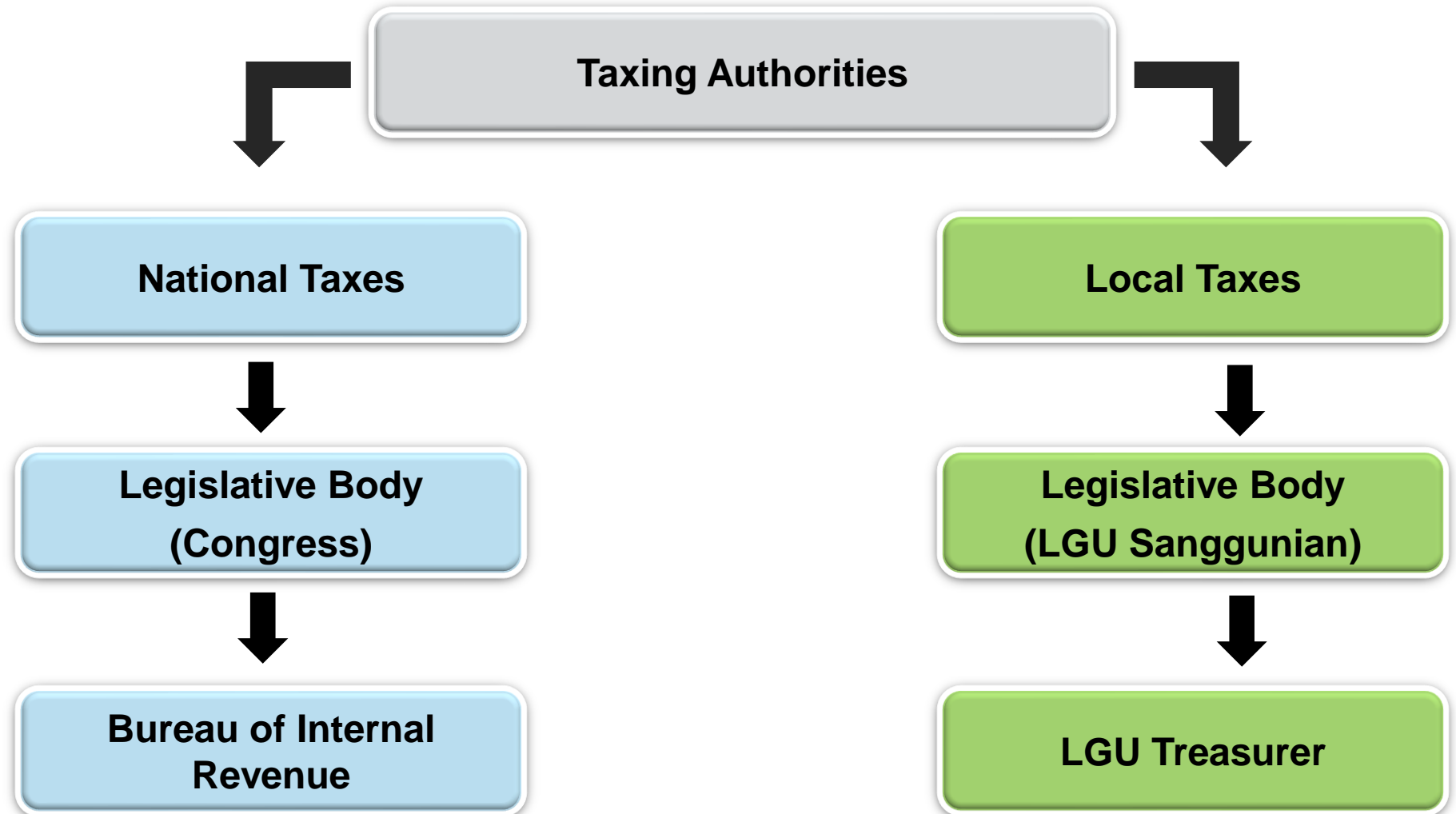
Source of Local Tax Powers

BLGF Rulings

BLGF is created merely to provide consultative services and technical assistance to LGUs on local taxation (*PLDT vs City of Davao, Aug. 22, 2001*).



Source of Tax Powers



Common Problem Areas in Local Taxation

Tax Base

Common Problem Areas in Local Taxation

Tax Base

- Gross Sales/Receipts of the Preceding CY
- Gross receipts include money or its equivalent actually or constructively received.



Common Problem Areas in Local Business Taxation

Tax Base

There is constructive receipt when the consideration for the articles sold, exchanged or leased, or the services rendered has already been placed under the control of the person who sold the goods or rendered the services without any restriction by the payor (*Ericsson Telecom vs. City of Pasig, Supreme Court, Nov. 22, 2007*).



Common Problem Areas in Local Business Taxation

Tax Base

Exclusion from gross sales/receipts:

- ✓ Discounts
- ✓ Sales returns
- ✓ Excise tax
- ✓ VAT



Common Problem Areas in Local Business Taxation

Use of PILAA as tax base of LBT

Presumptive Income Level of Assessment Approach (PILAA) may be used only if the **taxpayer is unable to provide proof of its income**. The use of PILAA should **be authorized by an ordinance**, otherwise, its use is illegal (*First Planters Pawnshop, Inc. vs. City Treasurer of Pasay, CTA Case No. EB 501; Se Circular 001-20*).



Common Problem Areas in Local Business Taxation

Situs of Local Taxation



Common Problem Areas in Local Business Taxation

Situs of Local Taxation

Company Sales	Sales recorded in Principal Office	30% - principal office		
		70% - factory, project office, plant or site	60% - factory	Pro-rata
				Pro-rata
			40% - plant or plantation	Pro-rata
	Sales of Branches or Sales Outlets	100% - place where the branch or sales outlet is located		

Situs of Tax

The City of Makati vs The Municipality of Bakun and Luzon Hydro Corporation

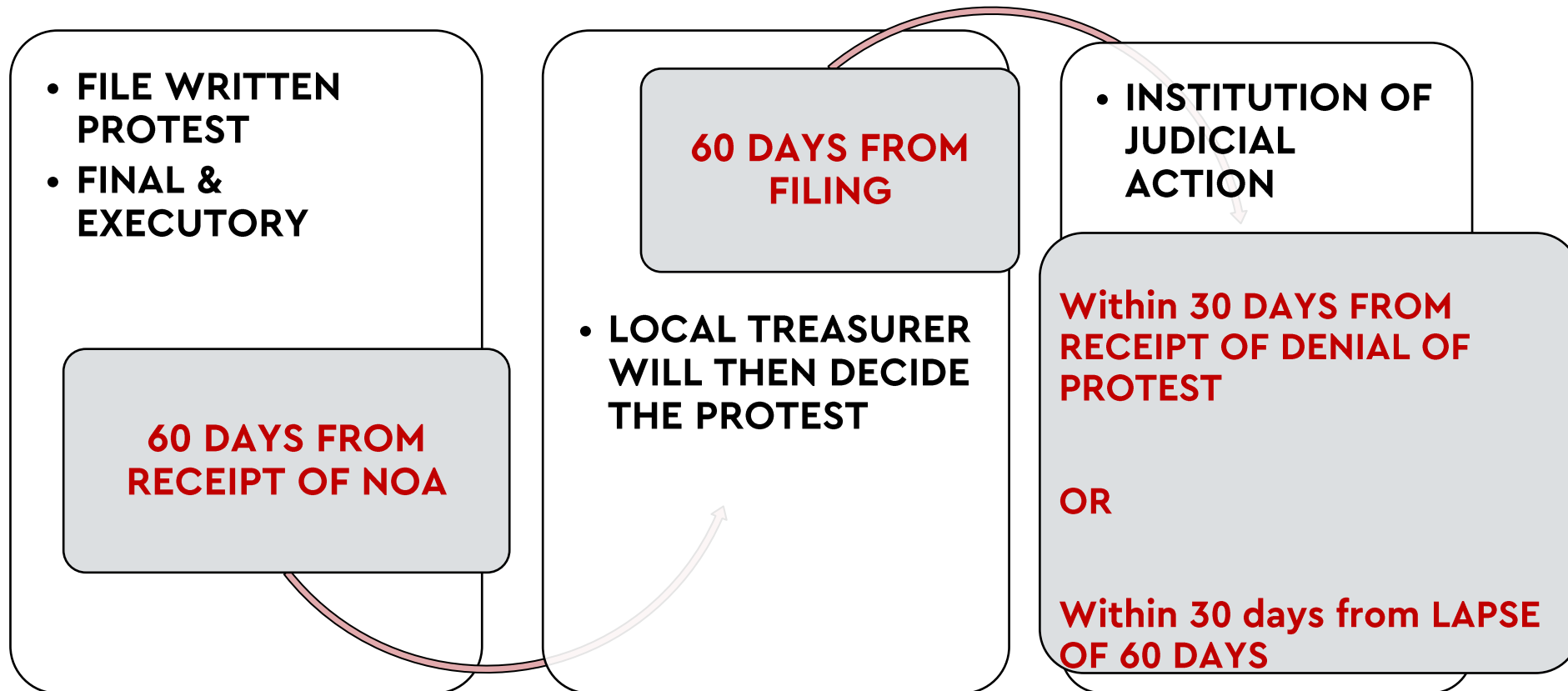
CTA EB Case No. 1179 (CTA AC No. 100)

January 14, 2016

“To be considered as a branch or sales office, it is not enough that the branch or sales office conducts operations of the business as an extension of the principal office. The branch or sales office shall likewise record 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.”

Protesting LBT assessment,
(Section 195, LGC)

**Common
Problem
Areas in
Local
Taxation**



Common Problem Areas in Local Taxation

Assessment under Section 195, LGC

- ✓ Be issued by the local treasurer or his duly authorized representative.
- ✓ State the nature of the tax, fee, or charge.
- ✓ State the amount of deficiency, the surcharges, interests, and penalties.

Common Problem Areas in Local Taxation

Assessment under Section 195, LGC

Are Billing Assessments considered as
Assessment under Section 195 of the LGC?



**Billing
Assessment
vis-à-vis
Notice of
Assessment**

**Lafarge
Holdings
(Philippines),
Inc. v. City of
Taguig**

**CTA AC 227
February 2021**

"Billing Statement" issued by Business Licensing Division pursuant to the taxpayer's application for renewal of business permit, is not a Notice of Assessment contemplated under Section 195 of the LGC of 1991.



**Billing
Assessment
vis-à-vis
Notice of
Assessment**

**Casas+
Architects v.
City of
Makati**

**CTA AC 259
November
2022**

The issuance of **Billing Assessment** must be triggered or preceded by a finding of deficiency or incorrect tax payments by the local treasurer **after the examination of the taxpayer's books of accounts.**



**Billing
Assessment
vis-à-vis
Notice of
Assessment**

**Metro Pacific
Tollways
Corporation v.
Makati City
and Hon.
Jesusa Cuneta**

**CTA EB 2217
June 2021**

The billing assessment issued by BPLO was considered as Notice of Assessment under Section 195 of the LGC as it was judicially admitted by the taxpayer.



**Common
Problem
Areas in
Local
Business
Taxation**

Payment under protest rule



Payment under protest rule

Payment under protest is not necessary.

This is because, local government taxation, **save in the case of real property tax**, does not expressly require "payment under protest" as a procedure prior to instituting the appropriate proceeding in court (*City Treasurer of Manila v. Philippine Beverage Partners, Inc.*, G.R. No. 233556, September 11, 2019)



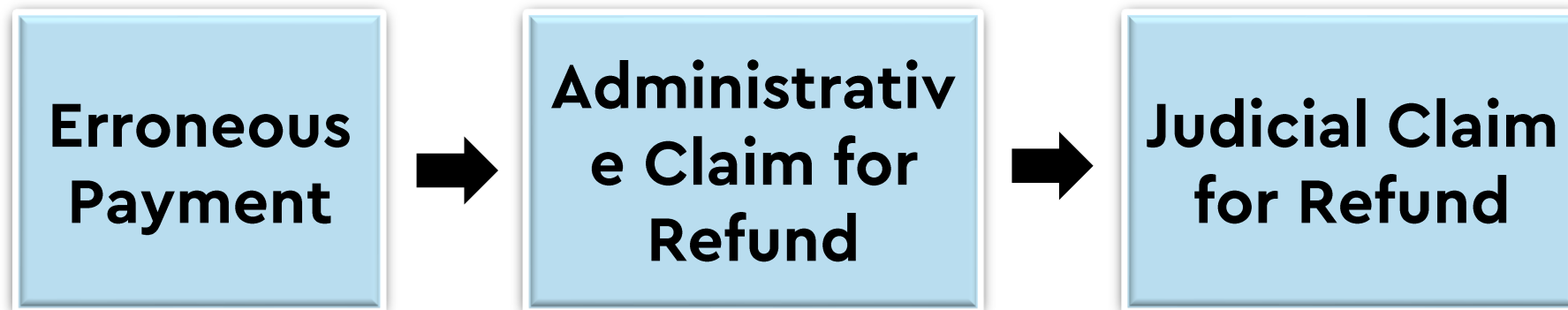
Payment under protest rule

- An ordinance requiring payment under protest in assailing the assessment of the local treasurer is *ultra vires*, hence, void.
- A void ordinance cannot legally exist, it cannot have binding force and effect (*Manila Electric Company v. City of Muntinlupa, G.R. No. 198529, February 9, 2021*).

Claiming LBT Refund

Section 196,
1991 LGC

TWO (2) YEAR PRESCRIPTIVE PERIOD



**Makati City,
et. al. vs.
Metro
Pacific
Tollways
Corporation**

**CTA EB No.
2217**

June 14, 2021

- Once an assessment is made or issued, the taxpayer cannot choose to pay the assessment and thereafter seek a refund at any time within the full period of 2 years from the date of payment.
- The taxpayer must administratively question the validity or correctness of the assessment within 60 days from receipt of the notice of assessment.

**City of
Manila and
Office of The
City
Treasurer of
Manila v.
Cosmos
Bottling
Corporation**

**G.R. No.
196681**

Conditions that must be satisfied in order to successfully prosecute an action for refund in case the taxpayer had received an assessment:

- ✓ Pay the tax and administratively assail the assessment and claim a refund before the local treasurer within 60 days from receipt of the assessment.
- ✓ Bring an action in court within thirty (30) days from decision or inaction by the local treasurer.

REAL PROPERTY VALUATION AND ASSESSMENT REFORM BILL



**REAL
PROPERTY
VALUATION
AND
ASSESSMENT
REFORM BILL**

Objectives

- ✓ To promote the development of a just, equitable, and efficient real property valuation system.
- ✓ Broaden the tax base used for property related taxes of the national and local governments.

**REAL
PROPERTY
VALUATION
AND
ASSESSMENT
REFORM BILL**

Salient Points

- ✓ Establishes a single valuation base for taxation, through the adoption of the Schedule of Market Values ("SMVs") of LGUs.
- ✓ Centralizes the approval of the SMVs from the local Sanggunian back to the Secretary of Finance, reviewed by the Bureau of Local Government Finance ("BLGF"), in coordination with the Bureau of Internal Revenue ("BIR").

**REAL
PROPERTY
VALUATION
AND
ASSESSMENT
REFORM BILL**

Salient Points

- ✓ The responsibility of preparing the Schedule of Market Values (SMVs) for the different classes of real property will be given to the local government assessors, subject to the valuation standards, rules, regulations and other specifications set by the DOF.

**REAL
PROPERTY
VALUATION
AND
ASSESSMENT
REFORM BILL**

Salient Points

- ✓ The proposed SMVs will undergo review by the BLGF regional office as well as the BLGF Executive Director and the BIR Commissioner but final approval rests on the shoulders of the Secretary of Finance.
- ✓ The approved SMVs shall be transmitted to the concerned LGU for the enactment of the appropriate ordinance setting the amended assessment levels and tax rates.

Thank you.