

Instructions on the Enforcement
of
THE NEW MUNICIPAL AUTONOMY LAW
(Commonwealth Act No. 472)

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Commonwealth of the Philippines
Department of Finance
PROVINCIAL CIRCULAR)
No. 12)

June 30, 1939

SUBJECT: Commonwealth Act No. 472 Revising the General Authority of Municipal Councils and Municipal District Councils to Levy and Collect Taxes, Charges, and Fees, Subject to Certain Limitations—Instructions on Enforcement of—Necessary Ordinances—
I. General Scope of Authority

Commonwealth Act No. 472, which went into effect on June 16, 1939, has revised the general authority conferred by Act No. 3422, as amended, upon municipal councils and municipal district councils to levy and collect taxes, charges, and fees.

Under section 1 of the said Commonwealth Act, a municipal council or municipal district council is authorized

1. To impose municipal license taxes upon persons engaged in any occupation or business or exercising privileges in the municipality or municipal district;

2. To collect fees and charges for services rendered by the municipality or municipal district; and

3. To levy for public local purposes just and uniform taxes.

II. Prohibitions

In the exercise of the above powers, the municipal council or municipal district council shall observe three distinct prohibitions. It cannot authorize the collection of

1. Percentage taxes;

2. Taxes on specified articles; nor

3. Any of the taxes, charges, or fees, enumerated in section 3 of Commonwealth Act No. 472.

III. Limitations

Section 4 of Commonwealth Act No. 472 further qualifies and limits the

powers granted municipal councils and municipal district councils under section 1 thereof. The said Commonwealth Act having added a new limitation to those imposed under the old law, these limitations are now of three kinds—

1. The rates of municipal license taxes which may be fixed or imposed by ordinance of the municipal council or municipal district council shall not exceed the rates of fixed internal-revenue privilege taxes regularly imposed by the National Government upon the same businesses or occupations, except on hotels, restaurants, cafés, refreshment parlors, race tracks, and retail dealers in vino, liquors and fermented liquors, and any tax or fee on livery stables, garages, and other places or establishments where public vehicles and other conveyances are kept for hire;

2. The rates of municipal license taxes which the municipal council or municipal district council may impose on businesses not covered in the preceding subparagraph, and subject to the fixed annual tax imposed in section 182 of the National Internal Revenue Code, shall not exceed ₱50 per annum; and

3. Any existing municipal license tax on any business, occupation, or privilege the rate of which is not limited above (1 and 2) may not be increased by the municipal council or municipal district council by more than fifty per cent at a time.

The above limitations may, however, be exceeded with the approval of the Secretary of Finance in accordance with section 4 of Commonwealth Act No. 472.

IV. Fees and Charges Collectible

The fees and charges referred to in paragraph 2 of heading No. I, above, are those collected for services rendered by the municipality or municipal district not required by law to be ren-

dered without charge or not otherwise limited by law.

V. *Levy of Special Assessments*

In the exercise of the power mentioned in subparagraph 3 of Heading No. 1, above, the municipal council may, according to an opinion of the Attorney-General, levy special assessments upon real estate. Inasmuch, however, as Commonwealth Act No. 470, known as the Assessment Law, expressly authorizes such levy by municipal councils and prescribes in detail the procedure to be followed by municipal councils in the levying of such special assessments, municipal councils are hereby enjoined to levy such assessments, whenever desired, under the provisions of the latter law and to follow the procedure therein prescribed.

VI. *Changes in the Law*

The important changes in the law are as follows:

1. *Increase of maximum rates which the municipal council or municipal district council may impose without the approval of the Secretary of Finance.*

—The maximum rates of municipal license taxes that may be imposed by municipal councils and municipal district councils without the approval of the Secretary of Finance have been increased from 50 per cent to 100 per cent of the rates of fixed national internal revenue privilege taxes, in the case of businesses and occupations subject to such internal-revenue privilege taxes under sections 193 and 201 of the National Internal Revenue Code, Commonwealth Act No. 466 (formerly under section 1464 of the Administrative Code), and from ₱25 to ₱50 per annum, in the case of businesses subject to the fixed annual tax imposed in section 182 of the National Internal Revenue Code (formerly under section 1457 of the Administrative Code).

2. *New limitation on power of council to increase any existing municipal license tax.*—Section 4 (3) of Commonwealth Act No. 472 prescribes the new requirement that, whenever the rate of municipal license tax on any business, occupation or privilege not subject to the limitations mentioned in

the preceding subparagraph is increased by more than 50 per cent, the approval of the Secretary of Finance shall be secured.

3. *Elimination from the field of national taxation of certain businesses.*—Certain businesses formerly taxed by both the National and the municipal governments have been eliminated from the field of national taxation and placed under the exclusive jurisdiction of municipal authority. While retail dealers in tuba, basi, and tapuy; proprietors of cockpits; cockfights; proprietors of theaters, museums, cinematographs, and concert halls; proprietors of circuses giving exhibitions in one or more places or provinces; proprietors of billiard rooms; and pawnbrokers were taxed under section 1464 of the former Internal Revenue Law, the revenues derived therefrom accrued, in accordance with section 486 of the Administrative Code, exclusively to the municipal governments, in addition to the municipal license taxes levied thereon and directly collected by the municipalities and municipal districts. These businesses are now placed under the exclusive authority of the local governments for taxation purposes, but pending action by the municipal councils and municipal district councils, section 2 of Commonwealth Act No. 472 has fixed the minimum rates that shall be collected from the said businesses, which were the rates formerly fixed by the National Government, except that of the annual tax on retail dealers in tuba, basi, and tapuy, which has been reduced from ₱10 to ₱5. Said section 2 of Commonwealth Act No. 472 had the effect of rendering inoperative, from and after June 16, 1939, all existing ordinances of municipalities and municipal districts, in so far as said businesses are concerned, whether the rates therein fixed were lower or higher than those fixed in the law. As a result, municipalities would be losing in revenue if they do not (or have not done so since June 16, 1939) fixed a rate of municipal license tax on each of the said businesses equivalent to at least the combined (former) national

rate and the existing municipal rate.

Under section 2 of Act No. 2984, as amended by Act No. 3865, sparring or boxing exhibitions are taxed by the National Government at the rates therein fixed, in addition to such tax as each municipality may fix by ordinance. In accordance with section 369 (b) of the National Internal Revenue Code, the said section 2 of Act No. 2984, as amended, shall be considered repealed after the cities and municipalities shall have lawfully taxed the said business at not less than the National rates fixed in section 2 of Act No. 2984, as amended. The transfer of this business from the field of national taxation to the exclusive jurisdiction of the local governments is therefore conditioned upon the latter's taxing the same at not less than the national rates. It will be noted that the imposition of the combined national and municipal rates of tax on the said business will not mean any additional burden on the part of the taxpayers concerned but would, on the other hand, give an additional revenue to the local governments.

Proprietors, lessees, or concessionaires of cabarets had been taxed by the National Government at ₱50 per annum since the enactment, on November 21, 1936, of Commonwealth Act No. 215 which added a new subsection to section 1464 of the Administrative Code. This business is no longer taxed by the National Government under the National Internal Revenue Code. With the elimination from the field of national taxation of this business which has always been taxable by the municipalities and municipal districts, the imposition thereon of a rate of municipal tax equivalent to at least the combined (former) national rate of ₱50 and the existing municipal rate will not mean any additional burden on the part of the taxpayers but would rather give an additional revenue to the municipalities and municipal districts so taxing it.

4. *Businesses and occupations newly made subject to local taxation.*—Sugar centrals, rice mills, coconut oil facto-

ries, tanning industries, hemp-grading establishments, embalmers, piano tuners, and piano repairers who do not carry on their trade in their own shops or establishments, which were formerly exempt from municipal taxation under section 1 of Act 3422, as amended, have now been eliminated from the exempt class of businesses and occupations under section 3 of Commonwealth Act No. 472. These businesses and occupations may now therefore be lawfully taxed by the municipal councils or municipal district councils under the powers conferred upon them in section 1 of Commonwealth Act No. 472.

In order to maintain at least the combined rates of national and municipal levy on the businesses mentioned in subparagraph 3, above, namely, businesses eliminated from the domain of national taxation, each municipal council and municipal district council (unless, in the case of the businesses mentioned in Nos. 1 to 6, below, it has already done so after June 16, 1939) should approve appropriate ordinances imposing municipal license taxes equivalent to at least the combined national and municipal rates upon:

1. Retail dealers in tuba, basi and tapuy ₱ 10.00+
2. Proprietors of cockpits ... 200.00+
[Each cockfight (soltada)25]
3. Proprietors of
 - (a) Theaters 100.00+
[By the month 10.00]
 - (b) Museums 100.00+
[By the month 10.00]
 - (c) Cinematographs 100.00+
[By the month 10.00]
 - (d) Concert halls 100.00+
[By the month 10.00]
4. Proprietors of circuses giving exhibitions in one or more places or provinces 200.00+
[By the month 20.00]
5. Proprietors of billiard rooms
For each table 10.00+
6. Pawnbrokers 400.00+
7. Sparring or boxing exhibitions:

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Instructions . . .

- (a) In the capitals of Cebu, Iloilo, Zamboanga, and Davao 400.00+
 - (b) In first and second class municipalities 280.00+
 - (c) In third, fourth and fifth class municipalities 200.00+
8. Proprietors, lessees, or concessionaires of cabarets 50.00+

For example, if in municipality "X" the existing annual rate of municipal license tax on retail dealers in tuba, basi, and tapuy is ₱8, then the annual rate of municipal license tax to be fixed now for such business should be ₱10 plus ₱8 or ₱18 x x x

To repeat, the imposition of the combined national and municipal rates on the above business will not mean any additional burden on the part of the taxpayers concerned since, as already stated, the national taxes thereon have been or are being abolished. Provincial boards, provincial treasurers, and municipal and municipal district treasurers should therefore urge municipal councils and municipal district councils to act immediately in accordance with the above instructions. Should the combined rate x x x exceed by more than 50% the municipal license tax in force in the municipality or municipal district, such increase is hereby approved under the provisions of Section 4(3) of Commonwealth Act No. 472.

(To be continued)

Scope . . .

en manera alguna.

Se revoca la sentencia apelada, se declara válida la ordenanza No. 8 del Municipio de Tanauan, Leyte, y se absuelve al demandado de la condena de daños y perjuicios, sin especial pronunciamiento en cuanto a las costas.

Así se ordena.

RAMON AVANCEÑA

CONFORMES: *Antonio Villa-Real, Carlos A. Imperial, Anaclato Diaz, Jose P. Laurel, Pedro Concepcion, Manuel V. Morán.*

OUR LOCAL . . .

clerk (Spanish Army), Quartermaster, Cabanatuan, Nueva Ecija and San Fernando, Pampanga, 1898; special deputy, Provincial Treasury, San Isidro, Nueva Ecija, 1901; traveling deputy, Provincial Treasury, San Isidro, Nueva Ecija, 1902-'04; Municipal Treasurer and Deputy Provincial Treasurer, San Isidro, Nueva Ecija, 1904-'06; Deputy Treasurer, Provincial Treasury, San Isidro, Nueva Ecija, 1908-'09; senior clerk, District Auditor, San Isidro, Nueva Ecija, 1909-'10; chief clerk and deputy, Provincial Treasury, Bulacan, 1910-'12; Actg. Provincial Treasurer, Bulacan, 1912-'13; chief clerk and deputy treasurer, Provincial Treasury, Bulacan, 1913-'14; Actg. Provincial Treasurer, Bataan, 1914-'16; Provincial Treasurer and Agent, P.N.B., Surigao, 1916-'17; Provincial Treasurer, Bohol, 1917-'20; Provincial Treasurer, Rizal, 1920-'21; Provincial Treasurer of Laguna and President, Provincial Treasurers' Association, 1921-'33; Provincial Assessor, Laguna, 1925-'33; Agent, P.N.B., Laguna, 1921-'33; Provincial Treasurer, Provincial Assessor, and Agent, P.N.B., Rizal, 1933-'39; Provincial Treasurer, Provincial Assessor and Agent, P.N.B., Batangas, 1939-'44; Provincial Treasurer, Rizal, 1944; and Provincial Treasurer, Provincial Assessor and Agent, P.N.B., Laguna, 1945—.

Designations. — Member, Financial Survey Committee of the Department of the Interior and Labor, 1933; Member, Committee on Local Finance, in cooperation with the Constitutional Convention, 1934; Supervising Treasurer for the Third District (Rizal, Marinduque, Mindoro, Cavite, Bataan, Palawan and Manila), 1935; Member, Committee on Coordination of Collection Activities (Dept. of Finance), 1937; one of the judges of the Sweepstakes draw of 1937 and detailed in 1939 by the President of the Philippines to assist in the assessment work in the newly created Quezon City.