The Public Fiscal Administration in the Local Government Unit

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ABSTRACT

Local tax is used as source of funds to exercise and implement the projects and services of the local government unit. The City of Muntinlupa as envisions itself to become one of the leading investment hubs in the Philippines, made serious efforts to indeed attract local and international businesses to the city. This paper will discuss the benefits of local taxation that favorable and beneficial for the welfare of the people or the public that contributes to deliver basic services for education that benefitted scholars through financial assistance, free tuition fees and scholarships, health program that provides medical subsidy to citizens, livelihood and employment that conducted entrepreneurial trainings and business consultations, peace and order to decrease crime rates in the City, protection for the environment such as coastal and river-clean up drives activities, socialized housing, economic development that still growing through increasing number of business establishments from local to foreign companies and good local governance and administration under the rule of transparent, caring and accountable leadership.

Keywords: Local Government, Local Taxation, Good Governance, Public Fiscal Administration, Economic Development

INTRODUCTION

Local Government Unit (LGU) focuses in the program of good governance, economic development and public fiscal administration that is valuable and beneficial to the community, businesses and welfare of the people. The main tasks of the local and national government were the maintenance of law and order and the collection of taxes. The LGUs with respect to financial management, authorized to create income and were given the power to enhance their financial resources by allowing them to increase tax rates.

LGUs are authorized to exercise its power to create sources of income or revenue such as taxes, regulatory fees and charges subjected to the policy of local autonomy (Sec.129, LGC). Local Autonomy on the other hand is defined as a stage or phase of choice implemented or applied by the LGU in relation to the national government (Reyes, et.al, 2015: 382). There are 81 provinces, 145 cities, 1,489 municipalities and 42,036 barangays in the Philippines which imposed local taxes, regulatory and other fees and charges as authorized by law to support their own local projects and activities (DILG, 2015). By giving them the power to enhance their financial resources, their share of the Internal Revenue Allotment (IRA), represented by the shares of provinces, cities, municipalities, and barangays from the total collection of national taxes was increased on staggered basis from 20 to 40 percent, that is, 30 percent on the first year of the implementation of the LGC in 1992, 35 percent on the second year in 1993 and 40 percent on the succeeding year in 1994 and beyond (Bautista, et.al, 2003: 359).

Conducting studies, researches and training programs related to planning and implementing development programs, analyzing income and expenditure patterns and formulating fiscal plans and management are part of these development and democratization goals.

In addition, the paper aims to discuss and look into innovative reforms and practices that leads to financial stability. The discussion evolves on the public fiscal administration specifically on the local income and revenues collected by LGUs, fund management practices, government enterprise operations and best practices in revenue generation.

LOCAL INCOME AND REVENUES COLLECTED BY LOCAL GOVERNMENT UNITS

Internal revenue tax is used to be the primary source of revenue or income of the local government units that the national government gives proportional shares to be used as public funds (Reyes, et.al, 2015: 387). Tax is defined as obligatory shares or contributions...
coming from a persons or property impose by law to support the local and national government and for the public needs (De Vera, 2013). Business taxes are taxes enforced by LGU on the privilege of engaging in business, occupation and other activities within its territorial jurisdiction or control (Local Treasury Operations Manual [LTOM], 2007). Accordingly, the proceeds of these taxes accrue exclusively to the LGU that imposes them, or when the time given by law, may be shared with other LGUs (LTOM, 2007).

The province, municipality and city may impose a tax on the business of persons engaged in the printing and publication of books, cards, posters, leaflets, handbills, certificates, receipts, pamphlets, and others of similar nature, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year. In the case of a newly started business, the tax shall not exceed one-twentieth (1/20) of one percent (1%) of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year, or any fraction thereof, as provided herein. The receipts from the printing and/or publishing of books or other reading materials prescribed by the Department of Education, Culture and Sports as school texts or references shall be exempt from the tax herein imposed (Sec. 136, LGC).

The municipality may impose the taxes on the following businesses operating within its jurisdiction: 1) Manufacturers, assemblers, repackers, processors, brewers, distillers, rectifiers, and compounders of liquors, distilled spirits, and wines or manufacturers of any article of commerce of whatever kind or nature (Sec. 143 (a), LGC); 2) Wholesalers, distributors, or dealers in any article of commerce of whatever kind of nature (Sec. 143 (b), LGC); 3) Exporters, and on manufacturer, millers, producers, wholesalers, distributors, dealers, or retailers of essential commodities (Sec. 143 (c), LGC); 4) Retailers (Sec. 143 (d), LGC); 5) Contractors and other independent contractors (Sec. 143 (e), LGC); 6) Banks and other financial institutions (Sec. 143, LGC); 7) Peddlers engaged in the sale of any merchandise or article of commerce (Sec. 143 (g), LGC); 8) Any business not otherwise specified in the above enumeration (Sec. 143 (h), LGC).

Except as otherwise provided in LGC of 1991, the city may levy taxes, fees, and charges which the province or municipality may impose: Provided however, that the taxes, fees, and charges levied and collected by highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of LGC of 1991.

The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement tax. The city may levy and collect a percentage tax on any business not otherwise specified under paragraphs (a) to (g) of Section 143 of LGC at rates not exceeding three percent (3%) of the gross sales or receipts of the preceding calendar year (Art. 237, IRR implementing Sec. 151, LGC). Taxes on stores or retailers with fixed business establishments with gross sales or receipts of the preceding calendar year of Fifty Thousand Pesos (Php 50,000.00) or less, in the case of a barangay within a city and Thirty Thousand Pesos (Php 30,000.00) or less, in the case of a barangay within a municipality at rates not exceeding one percent (1%) on such gross sales or receipts (Arts. 232 (d) and 240, IRR implementing Secs. 143 (d) and 152, LGC, respectively).

The taxes imposed under Section 143 of LGC shall be payable for every separate or distinct establishment or place where business subject to tax is conducted and one line of business does not become exempt by being conducted with some other businesses for which such tax has been paid. The tax on business must be paid by the person conducting the same (Sec. 146, LGC). The conduct or operation of two or more related businesses by any one person, natural or juridical, shall require the issuance of a separate permit or license to each business (Art. 242 (a), IRR implementing Sec. 146 (a), LGC).

FUND MANAGEMENT PRACTICES

Pursuant to good governance of local funds, it is mandatory upon the Local Fiscal Managers or other Fiscal Officers to embrace and apply effective fund management practices benchmarked from the private sectors or industries in the daily operations of LGUs. Good governance is viewed as the exercise of economic, political and administrative authority to manage a country’s local government’s affairs at all levels that comprises mechanisms, processes and institutions which citizens and groups articulate their interests, exercise their rights, meet their obligations and intervene their differences (LTOM, 2007).

Good Governance is about efficiency in the administration of public funds, with demanding high standards of integrity, transparency and accountability. The Local Fiscal Managers or Local Treasurers need continuously update their knowledge and skills on their specific area of good governance which is fund or cash management. Cash Management is very important for the Local Fiscal Managers or Local Treasurers such that cash is available when it is needed for payment of obligations and at the same time optimize its utilization, ensure that released allotments are adequately covered by available cash and/or future collections and provide information to facilitate the control of expenditures (LTOM, 2007).

An effective cash management may be achieved through the following: 1) Forecasting cash requirements based on the overall local development plans; 2) Determining all the possible sources of cash and the cost involved; 3) Accelerating the collection of
receivables; 4) Instituting control measures over cash receipts; 5) Instituting control measures over cash disbursements thereby being assured that only legitimate obligations are paid; and 6) Investing temporarily idle cash in temporary investments to reduce the opportunity cost of capital (LTOM, 2007).

GOVERNMENT ENTERPRISE OPERATIONS

LGUs shall enjoy full autonomy in the exercise of their proprietary functions and in the management of their economic enterprise, subject to the limitations provided in the LGC of 1991 and other applicable laws (LTOM, 2007). Every LGU created or recognized under RA 7160, is a body of politic and corporate endowed with powers to be exercised by it in conformity with law. As such, it shall exercise powers as a political subdivision of the National Government and as a corporate entity representing the inhabitants of its territory (Sec. 15, LGC).

Among the government enterprises known to have been established and operated by LGUs are the following: a) Beach Houses; b) Coliseums; c) Cold Storage Plants; d) Communication and Transportation Facilities; e) Cultural Centers; f) Electric Power Plants; g) Ferries; h) Food Terminal Markets; i) Health Resorts; j) Hospitals; k) Irrigation Systems; l) Lease of Equipment and Machinery; m) Low-Cost Housing and Other Dwelling Projects; n) Markets; o) Multi-Purpose Hall, Multi-Purpose Pavements and Plazas; p) Public Cemeteries; q) Radio Stations; r) Sports Complexes and Sports Facilities; s) Telephone Systems; t) Toll Roads and Bridges; u) Tourism Facilities and Other Tourist Attractions; v) Waterworks Systems; w) Wharves; and x) Water Supply Systems (Sec. 270, LTOM).

The participation of the private sector in local governance, particularly in the delivery of basic services, shall be encouraged to ensure the viability of local autonomy as an alternative strategy for sustainable development (Sec. 3 (l), LGC).

To ensure the active participation of the private sector in local governance, LGUs may, by ordinance, sell, lease, encumber or otherwise dispose of public economic enterprises owned by them in their proprietary capacity (Sec. 17 (j), LGC).

BEST PRACTICES IN REVENUE GENERATION

The devolution of powers has made the LGUs more responsible and accountable in their public financial management and during this transition period LGUs became more operative and able to operate on their own through innovation in financial opportunities based on the new legislation that created (LTOM, 2007).

The Business Permit and Licensing Office or otherwise known as BPLO is a department in a local government unit that is responsible in regulating the granting of licenses and permits in doing business activities in the City or Municipality.

BPLO in Muntinlupa is known for its Single-Window Transaction (SWiT) - Modified Business One-Stop Shop (MBOSS) program from twelve (12) steps to six (6) steps down to three (3) steps to single (1) step. The City Government of Muntinlupa keeps in doing business more convenient, more efficient, simpler and faster.

Source: Muntinlupa Business Permits and Licensing Office, Answering the Call to Streamline Processes thru Innovation, 2016, Single-Window Transaction (SWiT) - Modified Business One-Stop Shop (MBOSS) Program
Prior to this new program, registering a business in Muntinlupa was a time-consuming process and effort due to few steps and procedures for obtaining a permit and license. Going to different departments at the City Hall of Muntinupa from first floor to second floor and going back to another building where the taxpayer need to transact to different offices made unpleasant and unlikable for the taxpayer.

In Muntinlupa City, the previous procedure for securing a business permit composed of twelve (12) steps with required several signatories and took two (2) weeks before getting your permit and license (BPLO, 2015). The taxpayer had to take a tour within the City Hall for their business permit or application to be processed. Due to this long and time-consuming process, the City Government of Muntinlupa then piloted the Business One-Stop Shop or BOSS in the late 1990’s during the business permit renewal in January together with BPLO, City Treasurer’s Office, Zoning Office, Building

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### TAX PAYER
With Filled-up Application & Complete Requirements

1. **BPLO - EXAMINER**
   Examination of Application, Declared Gross Receipts Sales and Supporting Documents

2. **ZONING OFFICE**
   Issuance of Zoning Clearance

3. **CITY BUILDING OFFICE**
   Endorsement with Tax Order of Payment

4. **CITY HEALTH OFFICE**
   Health and Sanitation Clearance

5. **FIRE DEPARTMENT**
   Fire Safety Clearance

6. **LAKE MANAGEMENT OFFICE**
   LMO Clearance

7. **PESO Clearance**
   S.S.S. Clearance

8. **B. P. L. O. Computer Billing Section**

9. **TREASURY**
   Issuance Community Tax Certificate And Official Receipts

10. **B. P. L. O. Chief**
    Recommending Approval

11. **MAYOR’S OFFICE**
    Mayor’s Approval

12. **B. P. L. O.**
    Releasing

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**Source:** Muntinlupa Business Permits and Licensing Office, Answering the Call to Streamline Processes thru Innovation, 2016, Business One-Stop Shop (BOSS) Initial Implementation

Office, Health Office and other offices housed together under one roof for convenience of taxpayers. By this initiative, Muntinlupa City awarded the 2017 Most Business-Friendly LGU Award from Philippine Chamber of Commerce and Industry under the leadership of Mayor Atty. Jaime R. Fresnedi. The advantages of doing or putting up a business in Muntinlupa is very advantageous compared to other cities specially in the prescribed low tax rates in the business taxes, real property taxes and franchise fees. Muntinlupa as awarded as Business-Friendly City is currently doing the MBOSS under the BPLO in transacting time efficient renewal and application of business permits and licenses.

In the year 2013, the BOSS system was trim into three steps. The steps were simplified in order to streamline the process which shortened the processing time to thirty (30) minutes only and to ensure the sustainability of the MBOSS, Executive Order No. 15 that was signed by Mayor Atty, Jaime R. Fresnedi on May 2, 2014 (BPLO, 2015). In 2015, from 3 steps down to 1, the City Government of Muntinlupa introduced MBOSS - SwiT, which is more convenient, more efficient, simpler and faster and awarded by various international and local agencies.
The SWiT-MBOSS is among the systems and processes of the City Government of Muntinlupa certified as compliant with the standards of ISO 9001:2008. This standard is also captured in Citizen’s Charter, as required by Republic Act (R.A.) 9485, also known as the Anti-Red Tape Act of 2007. SWiT was similarly institutionalized through Executive Order No. 14 which was executed on October 02, 2015.

The SWiT-MBOSS is a practice that has evolved over time to include innovative features, foremost foremost of which is the single-window component. As described earlier, the initial Business One-Stop Shop system adapted and implemented by the Muntinlupa City Government in the 1990s originally consisted of twelve (12) steps until it was eventually simplified to a mere three (3) in the year 2013.

With the SWiT innovative feature, the Business Permits and Licensing Office of the City of Muntinlupa has demonstrated that red tape can be reduced significantly down to a level where it is practically non-existent. The result is an efficient system that encourages business growth, and promotes transparency and good governance toward achieving better service delivery for the benefit of citizens.

The Business Permit and Licensing System (BPLS) of DILG streamlining of BPLS in Local Government Unit which adopts a unified form, reducing numbers of authorized signatories, limiting the number of steps in securing business permits and licenses, and reducing processing time through automation (DILG BPLS, 2015).

CONCLUSIONS

Administration is a world of deciding. In public organizations, what is efficient may in fact be defined in terms of both fairness and costs and benefits. Understanding that what is fair is often socially defined, and that cost-benefit calculations are difficult to conceptualize owing to bias in information processing may help to resolve debates about what is “efficient”.

The LGC of 1991 as important guidelines in every LGUs serve as a tool for effective mechanisms to strengthened and upgrade the quality of local governance, local leadership and public fiscal administration particularly in the purpose of delivering basic services for national development (Sec.3, LGC). The major changes in local governance and fiscal organization were instituted with the enactment of R.A. 7160. There is also a major shift in the relationship of the national government and local governments when this act was passed. The new framework for governance from powers, functions and responsibilities from the national government to local government units were transferred (LTOM, 2007).

The local taxation in LGU as benefit is favorable for the welfare of the people and as well as with the businesses. Paying taxes at the local level helps in maintaining the support given of the local government to its people for their needs. Local taxation is...
beneficial that contributes to deliver services for education, health, livelihood and employment, peace and order, environmental protection, socialized housing, economic development and as well as to local governance and administration.

The SWiT of the City Government of Muntinlupa as procedure and process is favorable to business taxpayers, to attract more investors with the goals of excellent service, transparent government and strategic geographical location.

ABOUT THE AUTHOR

Prof. Erwin Padilla Vibora was born in Muntinlupa City, Philippines. He entered the government service in April 2014 as casual employee at the City Government of Muntinlupa under the Office of the City Treasurer for the position of Local Treasury Operations Officer (LTOO) I. Afterwards, he was promoted to LTOO III and passed the Career Service Examination - Professional given by Civil Service Commission with a grade of 89% in numerical reasoning. In the same year, he was again promoted as permanent employee for the plantilla position of LTOO IV and Head of Examination Division. In 2017, he was designated as Acting Assistant City Treasurer of Muntinlupa City, his hometown by Department of Finance Secretary Carlos Dominguez III under the administration of President Rodrigo Duterte. With his acumen in the work aspects and exemplary leadership and qualifications, he then appointed full-fledged Assistant City Treasurer and OIC-City Treasurer in the same City in 2018 and as one of the youngest local fiscal managers to be appointed in history.

Before joining the government, Prof. Vibora held a supervisory and managerial positions in the top local and multinational companies here in the Philippines like Globe Telecom, Inc. as Expert for Budget and Performance Review, JP Morgan Chase Bank as Team Leader (Assistant Process Manager) for Fund Accounting - Corporate Investment Bank (Treasury Securities Services), Pepsi-Cola Products Philippines, Inc. as Assistant Manager for Sales Office Operations and Finance. He also worked with San Miguel Corporation, Ericsson Telecommunications, Inc., and United Parcel Services as an accountant handling finance and accounting services.

As top university student and scholar, he was chosen to represent the Philippines and the University of the Philippines (UP), Diliman in the 2016 National Model United Nations held in United Nations Headquarters, New York City, USA and won Honorable Delegation Awards for UP and the Philippines which participated by almost 7,000 top university students worldwide. He also attended business seminars conducted by Prof. John Beshears at Harvard Business School, Harvard University in March 2016. In May 2016, his paper entitled, “The Benefits of Local Taxation in the City of Muntinlupa” was chosen as finalist in the 4th International Conference on Magsaysay Awardees: Good Governance and Transformative Leadership in Asia. He also sent to Europe as Head Delegate of the 2016 Emerging Markets Business Summit which led to a better understanding of mentality and culture of each of the participating nations, examines social problems and situation in the entire macro-region as sponsored by Warsaw School of Economics in June 2016 and held at Warsaw Stock Exchange, Warsaw, Poland.

In addition, Prof. Vibora is an adjunct faculty member at De La Salle University (DLSU) – Manila Ramon V. del Rosario College of Business teaching business and finance subjects. He is also the current President of UP Philippine Institute of Managers, the organization of post-graduate business students and alumni of UP. In college, he was elected and served as the National Vice-President for Academic Affairs of National Federation of Junior Philippine Institute of Accountants (NFJPIA), the national organization of Accountancy students in the Philippines and awarded as outstanding student leader.

Prof. Vibora finished his grade school as a consistent honor student at Muntinlupa Elementary School and high school as class salutatorian at Sacred Heart Institute. He obtained his Bachelor of Science in Accountancy degree, Dean's Lister from Philippine Christian University (PCU) - Manila in 2006. In 2015, he earned his Master's degree in Business Management, College Scholar, Dean's Lister with Cumulative General Weighted Average of 1.3541 equivalent to Magna Cum Laude from UP Manila. At present, Prof. Vibora is pursuing his Doctorate degree in Public Administration with concentration on Public Fiscal Administration and Local Governance at the UP National College of Public Administration and Governance (NCPAG) in Diliman, Quezon City as government scholar.

BIBLIOGRAPHY
