

Republic of the Philippines  
Province of Cagayan  
**TUGUEGARAO CITY**

**NINTH CITY COUNCIL**

**COMMITTEE REPORT**

June 27, 2024

**COMMITTEE ON APPROPRIATIONS AND WAYS AND MEANS**

**PRESENT:**

|                                 |                                     |
|---------------------------------|-------------------------------------|
| HON. JUDE T. BAYONA             | - Chairman                          |
| HON. MARIA ROSARIO B. SORIANO   | - Vice Chairman ( <i>via zoom</i> ) |
| HON. ARNEL T. ARUGAY            | - Member                            |
| HON. MARC ALDOUS C. BACCAY      | - Member ( <i>via zoom</i> )        |
| HON. IMOGEN CLAIRE M. CALLANGAN | - Member ( <i>via zoom</i> )        |

**RESOURCE PERSON:**

|                             |                  |
|-----------------------------|------------------|
| MR. BUENAVENTURA F. LAGUNDI | - City Treasurer |
|-----------------------------|------------------|

**FOR THE PRESIDING OFFICER:**

The committee met and deliberated on the referral:

**COMMITTEE REPORT NO. 209-2024**

**SUBJECT:**

Indorsement of the City Mayor, Hon. Maila Rosario S. Ting-Que, on the letter of the City Treasurer, Mr. Buenaventura F. Lagundi, relative to the adoption of a corresponding legislative action regarding the Department of Finance Local Finance Circular No. 001-2022 "Guidelines in the Imposition of Local Business Tax, Fees and Charges to Service Contractors".

**FINDINGS:**

1. Hon. Maila Rosario S. Ting-Que indorsed to the Ninth City Council the letter of the City Treasurer, Mr. Buenaventura F. Lagundi, relative to the adoption of a corresponding legislative action regarding the Department of Finance Local Finance Circular No. 001-2022 "Guidelines in the Imposition of Local Business Tax, Fees and Charges to Service Contractors".
2. The City Treasurer, Mr. Buenaventura Lagundi informed the Committee that there are still some businesses specifically the so-called "Service Contractors" here in Tuguegarao City of which our local government cannot collect from them their local tax, fees and charges for there is no local ordinance yet provided by Tuguegarao City as a guide to collect same.
3. The following shall be incorporated to the Draft Ordinance based from the BLGF Memorandum Circular No. 2022-029, dated 06 October 2022:

- a. The title of the Ordinance shall be *“Draft Ordinance Prescribing the Guidelines in the Imposition of Local Business Tax, Fees and Charges to Service Contractors”*;
- b. Site the legal basis under the Local Government Code;
- c. **Section 4, The Definition of Terms** shall be **Section 1**;
- d. **Section 5, The Guidelines on the imposition of Local Business Tax, Fees and Charges to a Service Contractor** shall be **Section 2** and all other underlying provisions in section 5 shall also be included;
- e. **Section 3** of the Draft Ordinance will be the Rates of tax, fees and charges which will be subject to text and style on the imposition of the business tax prescribed under Section 2 and .02 of the Local Revenue Code of Tuguegarao City.
- f. **Section 4** of the Draft Ordinance will be the Separability Clause; and
- g. **Section 5** of the Draft Ordinance will be the Repealing Clause.


**RECOMMENDATIONS:**

Finding the subject to be in order and meritorious, the committee favorably recommends the adoption of the BLGF Memorandum Circular No. 2022-029 through the passage of an ordinance titled *“Prescribing the Guidelines in the Imposition of Local Business Tax, Fees and Charges to Service Contractors”*.

**Respectfully submitted:**



**HON. JUDE T. BAYONA**  
Chairman

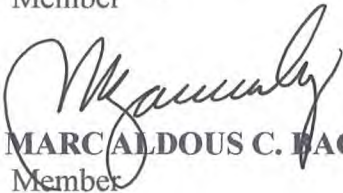


**HON. MARIA ROSARIO B. SORIANO**  
Vice Chairman

<sup>85</sup>  
  
**HON. IMOGEN CLAIRE M. CALLANGAN**  
Member



**HON. ARNEL T. ARUGAY**  
Member

<sup>86</sup>  
  
**HON. MARC ALDOUS C. BACCAY**  
Member

## **AN ORDINANCE PRESCRIBING THE GUIDELINES ON THE IMPOSITION OF LOCAL BUSINESS TAX, FEES AND CHARGES TO SERVICE CONTRACTORS**

**WHEREAS**, Sections 147 and 151 of Republic Act (RA) No. 7160, or the Local Government Code of 1991 (LGC), as implemented by Articles 233 and 244 of the Implementing Rules and Regulations (IRR) of the LGC, respectively, provide that municipalities and cities may collect such reasonable fees and charges on business and occupations, which should be commensurate to the cost of issuing the license or permit and the expenses incurred in the conduct of the necessary inspection or surveillance;

**WHEREAS**, Section 150 (a) of the LGC, as implemented by Article 243 (b) of its IRR, provide that businesses maintaining a branch or sales office elsewhere shall record the sales made in the branch or sales office in the LGU where the said branch or sales offices is located. In the absence of any branch or sales office in the LGU where the sale or transaction is made, the sale shall be recorded in the principal office and taxes due thereon shall accrue and shall be paid to such LGU where the principal office is located; and

**WHEREAS**, Article 287 of the IRR of the LGC authorizes the Secretary of Finance to formulate and prescribe procedures and guidelines under Rule XXX (Local Taxation), and Section 2, paragraph 3 of Executive Order (EO) No. 292, s. 1987 mandates the Department of Finance to supervise the revenue operations of all LGUs.

**WHEREAS**, City Mayor, Hon. Maila Rosario S. Ting-Que, indorsed to the Ninth City Council the of the City Treasurer, Mr. Buenaventura F. Lagundi, relative to the adoption of a corresponding legislative action regarding the Department of Finance Local Finance Circular No. 001-2022 "Guidelines on the Imposition of Local Business Tax, Fees and Charges to Service Contractors".

**WHEREAS**, the City Treasurer, Mr. Buenaventura F. Lagundi, informed the Committee that there still some businesses specifically the so-called "Service Contractors" in Tuguegarao City of which our local government cannot collect from them their local tax, fees and charges for there is no local ordinance yet provided by Tuguegarao City as a guide to collect same;

**NOW, THEREFORE**, be it **ORDAINED**, as it is **ORDAINED** by the Ninth City Council of Tuguegarao City in session assembled, to enact:

**SECTION 1. Definition of Terms.** For purposes of this ORDINANCE, the following terms shall mean as follows:

1.1 Administrative Office refers to offices that house office departments such as, but not limited to, treasury, internal audit, administration, purchasing, and finance. It is neither a branch, sales, or project office and does not operate any aspect of its business primary purposes nor does it handle the invoices or records of sales to its customers, nor are there any transactions or sales made thereat;

1.2 Branch or Sales Office refers to a fixed place in a locality that conducts operations of the business as an extension of the principal office. A warehouse, which accepts orders and/or issues sales invoices independent of a branch with a sales office shall be considered as a sales office;

1.3 Charge 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 government;

1.4 Fee refers to a charge fixed by law or ordinance for the regulation or inspection of a business or activity;

1.5 Principal Office refers to the head or main office of the business appearing in the pertinent documents submitted to the Securities and Exchange Commission, or the Department of Trade and Industry, or other appropriate agencies, as the case may be;

1.6 Project office refers to an office used in administering the project or construction being undertaken in pursuit of the business which may not be a fixed place but one that may be transferred from one project site to another;

1.7 Service Contractor refers to persons, natural or juridical, not subject to professional tax under Section 139 of the LGC, whose activity consists essentially of all kinds of services for a fee, regardless of whether or not the performance of the service calls for the exercise or use of the physical or mental faculties of such

Contractor or his employees, which includes, but it is not limited to housekeeping, janitorial, messengerial, mailing, custodial management services, plant operations and maintenance management services, clinical equipment, repair and maintenance services, laundry and linen distribution management services, grounds care management services, security services, transportation services, electrical, plumbing and mechanical services;

1.8 Telecommuting refers to a work form an alternative workplace with the use of telecommunications and/or computer technologies;

1.9 Temporary refers to that which is to last for a limited time only, as distinguished from that which is perpetual, or indefinite, in its duration;

1.10 Outsourced means to procure something, such as some goods services needed by a business or organization from outside sources and especially from foreign or nonunion suppliers, or to contract for work, jobs, etc., to be done by outside or foreign workers;

1.11 Work-from-home (WFH) refers to an output-oriented work arrangement that authorizes the worker to produce outputs/results and accomplishments outside of the office.

## **SECTION 2. Guidelines on the Imposition of Local Business Tax, Fees and Charges to a Service Contractor**

### **2.1 Local Business Tax (LBT)**

2.1.1 All sales or transactions made by a service contractor in Tuguegarao City where there is no branch or sales office shall be recorded in its principal office, and the LBT due thereon shall be paid to Tuguegarao City where its principal office is located;

2.1.2 All sales or transactions made by a service contractor in Tuguegarao City where it has branch shall be recorded in the said branch or sales office, and the LBT due thereon shall be paid to the Tuguegarao City where such branch or sales office is located;

2.1.3 Personnel deployed by a service contractor to its client shall not be liable to pay LBT to Tuguegarao City where it is being deployed; and

2.1.4 Employees who are telecommuting or in a WHF arrangement shall not be liable to pay LBT to Tuguegarao City where it is telecommuting or working-from-home.

### **2.2 Mayor's Business Permit Fee**

2.2.1 Imposition of Mayor's or Business Permit Fee. Service contractor maintaining a principal office, branch or sales office, project office, administrative office, and other similar offices in relation to its business shall be liable to pay the Mayor's or Business Permit fee, as provided under a duly enacted ordinance of Tuguegarao City.

2.2.2 Mayor's or Business Permit Fee. Service contractor providing temporary and outsourced personnel, including personnel who are in a telecommuting or in a WFH arrangement, for its client in Tuguegarao City where it does not maintain any office, shall not be liable to pay Mayor's or Business Permit Fee.

- 2.3 Occupation Permit Fees. Cities or Municipality, where temporary and outsourced personnel are deployed by the service contractor, may impose and collect occupation fees on every personnel who will be engaged in the practice of the occupation or calling not requiring government examination. The concerned service contractor shall annually submit the list of outsourced personnel deployed in Tuguegarao City for purposes of collecting occupation permit fees.

While temporary and outsourced personnel who are in a telecommuting or in a WFH arrangement may be subject to occupation fees where its principal or branch office is located.

However, individuals who already paid their professional tax in their respective principal offices, as provided in section 139 of the LGC, are exempted from the imposition and collections of occupation fees.

- 2.4 Other Fees and Charges. The principal office, branch or sales office, project office and administrative office of a service contractor are subject to the regulation and imposition of fees and charges by the Tuguegarao City where such offices are located to recover the cost of services that Tuguegarao City may render as a function of regulation and/or service provision.

**SECTION 3. Rates of Tax, Fees and Charges.** The imposition of the taxes, fees and charges shall be in accordance with the Tuguegarao City Revenue Code.

**SECTION 4. Separability Clause.** If any provision, section or part of this Ordinance shall be suspended, revoked or declared invalid by a competent authority, all other provisions, sections, or parts hereof not affected thereby shall continue to be in full force and effect.

**SECTION 5. Repealing Clause.** All opinions, rulings and issuances that are contrary to or inconsistent herewith are hereby repealed modified accordingly.

**SECTION 6. Effectivity.** This ordinance shall take effect upon its approval.