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Rosario G. Manasan

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REVENUE MOBILIZATION IN LOCAL GOVERNMENT UNITS: THE EARLY YEARS OF LOCAL GOVERNMENT CODE IMPLEMENTATION

Rosario G. Manasan

1. INTRODUCTION

Revenue mobilization at the local government level is a function of a myriad of factors, some of which are outside the range of control of local government units (LGUs). Given the level of LGU tax administration capability, policy makers can essentially work with two variables, namely the tax base (B) and the tax rate (t), to influence the amount of revenue they collect. Overall the tax base is determined by changes in the level of economic activity which may conceptually be divided into changes in population, incomes and prices. These factors are largely outside the influence of local governments. At the same time, the tax base is also determined by the relation between the economic base and the statutory tax base. LGUs are able to exert some control on their tax base to the extent that they are able to select the appropriate mix of taxes, i.e., one that optimizes the potential revenue from the economic base at their disposal. Even here, their flexibility may be impaired by central government limitations on the kind of taxes they may impose. Similarly, the statutory tax rate is usually set by the local government units (LGUs) themselves within the parameters established by the central government. Needless to say, the success of LGU officials in using these tax handles to increase local revenue is dependent on LGU tax administration practices which determines the collection rate, i.e., the proportion of the actual tax collection to the legal tax liability. However, tax collection efficiency may likewise be influenced by the level and structure of intergovernmental transfers.

The objective of this paper is to review and analyze the revenue performance of local government units (LGUs) between 1981 and 1993 looking at the various factors described above. First, the study reviews the changing legal framework that governs local taxation (Section 2). Second, it documents the trend and pattern of local government income (Section 3). Third, it provides estimates of various measures of revenue performance: buoyancy of local source revenue (total as well as its components), collection rate, tax intensity (per capita tax revenue) in Section 4. That section also focuses on the determinants of these various measures of performance. Section 5 attempts to determine the relative importance of expanding the taxing powers of LGUs (i.e., increasing local taxable capacity) and improved local tax administration (i.e., tax effort) in increasing LGU revenue. Section 6 reviews the existing problems in LGU tax administration and suggests ways of improving them. Finally, Section 7 evaluates LGUs' experience in managing local public enterprises.

2. LEGAL FRAMEWORK

This Section focuses in greater detail on the changing policy regime that defines the revenue structure of local governments for the period under study.

To a large extent, various types of taxes are assigned exclusively to different levels of governments. However, there are instances where different levels of governments are empowered to impose the same type of tax.

The central government levies and collects most of the more revenue productive type of taxes. Tariffs on imports, the value added tax (VAT), tax on incomes of individuals and corporations, excise taxes on alcoholic, tobacco and petroleum products, taxes on the gross receipts of transportation contractors and common carriers, taxes on estates, inheritance, and gifts, and the documentary stamp tax are absolutely restricted for central government use. In addition, the central government also imposes taxes like the franchise tax that LGUs may themselves levy.

On the other hand, the bulk of local government taxes are derived from the real property tax (RPT) and the local business tax (LBT) although there is a plethora of other taxes and fees that LGUs are authorized to levy. The base of each of these taxes is defined by central legislation which also sets limits (floors and/or ceilings) on the tax rates that LGUs may impose. The Local Government Code (the Code or LGC) of 1991 expanded the tax base of LGUs to include activities and sectors (income of banks and financial institutions, agricultural products except when sold by marginal farmers and fishermen, forest concessions and forest product when sold domestically by the concessionaire himself, and mining operations and mineral products when sold domestically by the operator) that used to be outside the reach of local taxation. At the same time, the Code increased the maximum allowable rates for most local taxes. However, to a large extent, the taxing powers of LGUs remained circumscribed by central legislation.

2.1. Real Property Tax

Basic Rate

The real property tax is reserved solely for local governments. Under the 1991 LGC, provinces may tax real property at a basic rate that is not greater than 1 percent of its assessed value while cities and Metro Manila (MM) municipalities may impose a tax not greater than 2 percent. In contrast, prior to the enactment of the 1991, Presidential Decree (PD) 464¹ authorized provinces and their constituent municipalities to separately tax real property at rates not exceeding 1/2 of 1 percent. PD 464 likewise allowed cities to levy RPT at rates not higher than 2 percent and not lower than 1/2 of 1 percent. Thus, the LGC did not increase the ceilings

¹PD 464 or the Real Property Code of 1974 codified all provisions related to LGU real property taxation and was in force until the enactment of the 1991 LGC.

on the basic RPT rate that were originally set by PD 464. However, the Code abolished the floor rates for the basic RPT. Since most LGUs, with the exception of a number of cities, have already adopted the maximum allowable rate for basic RPT even before the enactment of the Code, it is expected that, if LGUs do decide to change the rate of imposition of the basic RPT, the adjustments in the basic RPT rate would be in the downward direction.

Special Levy on Real Property: Special Education Fund

The 1991 LGC allows provinces, cities and Metro Manila municipalities to levy and collect an annual tax equal to 1 percent of the assessed value of real property on top of the basic real property tax. The proceeds of this imposition accrue exclusively to the Special Education Fund (SEF). In contrast, PD 464, by itself, imposed an additional 1 percent tax on real property to accrue to the SEF. This implies that the SEF imposition under PD 464 was a central government tax. In contrast, under the 1991 LGC, the additional levy on real property for the SEF is a purely local tax.

Sharing of Proceeds

Under the new Code, 35 percent of the proceeds of the basic RPT imposed by the province goes to the province itself, 40 percent to the municipality and 25 percent to the barangay where the property is located. On the other hand, 70 percent of the RPT levied by the city remains with the city while the remaining 30 percent goes to all barangays in the city (with 50 percent of the total barangay share allotted to the barangay where the property is located and the remaining 50 percent being shared by all the barangays in the city on an equal basis). In contrast, under PD 464, 45 percent of the proceeds of the combined provincial/municipal RPT accrues to the province, 45 percent to the municipality and 10 percent to the barangay where the property is located while 90 percent of the proceeds of the RPT imposed by the city accrues to the city itself and 10 percent to the barangay where the property is situated (Table 1).

Under the 1991 LGC, the proceeds of the provincial SEF imposition is divided equally between the provincial and the municipal school boards while the entire proceeds of the cities' SEF levy goes to the city school board. On the other hand, PD 464 decreed that 55 percent of SEF tax collected in provinces accrue to the municipalities where the property is located, 25% to the province and 20 percent to the National Treasury while 80 percent of the cities' and MM municipalities' SEF collections were retained by these LGUs and the remaining 20 percent were remitted to the National Treasury (Table 1).

Other things being equal, the changes in the sharing formula of the proceeds of the RPT result in a small increase in the RPT revenue of provinces and barangays and some decline in that of cities and municipalities (Manasan 1992).

Assessment Levels

The taxable base of the RPT is the assessed value of the real property. In turn, the assessed value is computed as the product of the fair market value (as determined by the schedule of fair market values for RPT purposes) and the assessment level. The 1991 LGC provides that the assessment levels in any particular LGU should be legislated by its local sanggunian and should not exceed rates prescribed therein. In contrast, PD 464 by itself fixed the assessment levels for different kinds and classes of real properties (i.e., no local ordinance was necessary to effect the assessment levels).

In the case of lands, the maximum assessment levels established under the 1991 LGC is as follows: 20 percent for residential lands, 40 percent for agricultural lands, 50 percent for commercial, industrial or mineral lands and 20 percent for timberlands. In comparison, PD 464 fixed the assessment levels for land at rates equal to the ceiling rates allowed in the 1991 LGC with the exception of residential land which was then assessed at 30 percent. Note that the timberland category was non-existent under PD 464 (Table 2).

Relative to PD 464, the 1991 LGC cuts down the assessment level on agricultural machinery from a fixed rate of 60 percent to a maximum rate of 40 percent and that on residential machinery from a fixed rate of 70 percent to a maximum rate of 50 percent. Similarly, the assessment level on commercial and industrial machinery is reduced from a fixed rate of 80 percent to a maximum rate of 80 percent (Table 2).

Like PD 464, the 1991 LGC mandates that the assessment levels for buildings and other improvements follow a graduated schedule applicable to different brackets of fair market values. Compared to PD 464, the Code effectively reduced the assessment levels for residential buildings from a schedule in the 15 to 80 percent range to one in the 0 to 60 percent range at the maximum; from a schedule in the 40-80 percent range to one in the 25-50 percent range at the maximum for agricultural buildings; and from a schedule in the 50-80 percent range to one in the 30-80 percent range at the maximum for commercial/industrial buildings (Table 2).²

Manasan (1992) simulated the impact of the change in the assessment levels on the yield of RPT for a sample province, city and municipality. The results show that the change in the assessment levels, *ceteris paribus*, will result in a substantial diminution (approximately 20 percent decrease) in total RPT revenue (Table 3). The reduction in RPT in any particular LGU will depend on the relative weight of the various classes of land, buildings, other improvements and machinery in the total taxable assessed value of real properties in its jurisdiction. Needless to say, the potential reduction in the RPT tax liability will tend to be mitigated by the revision in the schedule of fair market values scheduled to take effect in 1994.

²Note that under the new Code residential buildings with fair market value below P175,000 are effectively exempted from the RPT because they are subject to zero assessment level.

PD 464 mandated a general revision of the schedule of fair market values of real property every three years. The schedule is prepared by local assessors and reviewed by the Department of Finance. The 1991 LGC likewise provides for triennial revision in the schedule of value but the review function is transferred to the Local Sanggunians who are required to legislate the new schedule. Many analysts have pointed out that this shift tends to politicize property assessment more than ever before.

2.2. Local Business Tax (LBT)

Under the 1991 LGC, municipalities and cities may levy and collect a tax on businesses on the basis of their gross receipts/sales at rates prescribed according to a graduated schedule.³ Different schedules are applicable to (1) manufacturers, assemblers, repackers and processors of all goods not otherwise classified as essential commodities including brewers, distillers and rectifiers of liquors, distilled spirits and wines; (2) wholesalers and dealers; (3) exporters and producers/wholesalers/retailers of essential commodities; (4) all other retailers; and (5) contractors. The provisions of PD 231 (Local Tax Code of 1973) on the local business tax were similar to those outlined above but the rates prescribed therein were maximum allowable rates with the ceilings differentiated according to the income class of a given municipality (Table 4). Moreover, the rates were lower than those under the LGC. Also, the top brackets (of gross receipts) were subject to unit rates rather than *ad valorem* rates. Moreover, the gross receipts of banks and financial institutions were then not subject to tax while under the new Code the same may be taxed at an *ad valorem* rate not exceeding 1/2 of 1 percent.

The increase in the local business tax rates implied by the 1991 LGC varies depending on the commodity/activity being taxed and the subject establishment's gross receipts bracket. For instance, under the new Code, the tax rate on manufacturers for the domestic market with gross receipts less than P6.5 million is 10 percent higher relative to the maximum allowable rate under PD 231 while the LBT on manufacturers with gross receipts of P10 million went up by 25 percent. Similarly, the LBT rate on wholesalers/dealers with gross receipts less than P1 million rose by 10 percent while the rate applicable to those with gross receipts of P3 million jumped by 50 percent (Table 4).

The impact of increasing the LBT rate on potential LBT revenue of municipalities and cities will depend on the relative importance of various taxable activities in their LBT base. Assuming that local sanggunians pass new revenue ordinances adopting the higher LBT rates allowed under the Code, the projected rate of increase in LBT revenue in poor agricultural municipalities is 65 percent while that in urban municipalities is 35 percent (Table 5). This example shows that rural/agricultural municipalities are better able to augment their LBT revenue in proportional terms via rate increases. However, note that their tax base might be so

³With the exception of the top bracket, all the brackets of each schedule are subject to fixed unit rates. The top bracket, however, is subject to a maximum allowable *ad valorem* rate. The top rate of the different rate schedules never exceeds 1 percent.

small that even if the proportional change is large, the absolute change in LBT revenue may not be significant.

It is also important to emphasize that the base of the LBT is essentially more mobile than those other types of taxes. This suggests that raising the tax rates beyond a certain level might be counterproductive as supply side effects begin to bite. Finally, the LBT is one area where macro-micro tension is strong. The taxes with significant rates of increase in the maximum allowable rates of imposition are those that are undesirable from the point of view of overall economic efficiency. One example is the tax on the gross receipts of exporters. Still another example is the gross receipts tax on banks. Note also that the tax on the gross receipts of manufacturers and wholesalers is a turnover tax that counteracts the efficiency gains from the introduction of the VAT at the national level.

In the medium term, the assignment of taxing authorities to various levels of government must be reviewed. At this point, existing theoretical guidance on tax assignments suggest that residence-based taxes like taxes on retail sales and taxes on immobile factors like real property are appropriate for local taxation. The taxation of business income by local governments is not an efficient tax because businesses are highly mobile. Moreover, such a tax tends to be counterproductive because it encourages tax competition among LGUs.

2.3. Other Taxes, Charges and Fees

Provinces are empowered to impose a tax on the transfer of ownership of real property, on franchises, on the business of printing or publication, on sand and gravel extraction, on professionals, on amusement places and on delivery vans. Under the 1991 LGC, provinces are authorized to levy a transfer tax at a rate not exceeding 1/2 of 1 percent of the total consideration involved in the transaction or the fair market value whichever is higher. This rate is double the ceiling rate provided in PD 231. Moreover, the statutory tax base in PD 231 (which was equal to either the actual monetary consideration involved in the transaction or the assessed value of the real property) is smaller.

The maximum allowable rate for the sand and gravel tax was increased from P0.75 per cubic meter of material extracted to 10 percent of its fair market value. The 1991 LGC also increased the rate of imposition of the professional tax from P50/P75 to P300 per year. However, the new Code limits the definition of professional for purposes of collecting this tax to individuals who practice profession requiring government examinations.

The 1991 LGC provides that provinces may levy an amusement tax not exceeding 30 percent of the admission price from a two-tiered (ceiling) rate of 20 percent when the admission price is P1 or less and 30 percent when the admission price is greater than P1. Similarly, the tax on delivery vans was increased from a maximum of P50/P75 to P500. However, the tax rates on the printing and publications and franchises was maintained at 1/2 of 1 percent of gross receipts.

The new Code also authorized all LGUs to impose reasonable fees and charges for services rendered in contrast to PD 231 which stipulated the amount of fees they may collect (ranging from P1 to P100 per annum) for specified services. Finally, the Code changed the sharing formula governing these taxes and fees.

The substantial rate increase applicable to most other local taxes (other than the RPT and the LBT) can have significant impact on LGU revenue depending on the share of these taxes in the aggregate of locally generated income. Assuming LGUs adopt the higher rates allowed under the 1991 LGC, revenue from the transfer tax may increase by 300 to 700 percent depending on the kind and class of property being transferred. Revenue from the sand and gravel tax may increase by some 400 percent. Those from professional tax may increase by 300 to 500 percent while those from delivery van tax may rise by 650 to 900 percent. The community tax revenue may go up by 400 percent. Table 6 show that the revenue from other taxes, fees and charges of our sample urban province may increase by 103 percent, those of our sample rural province by 31 percent, those of our urban municipality by 374 percent and those of our sample rural municipality by 223 percent if the rate increases authorized by the Code were legislated by local sanggunians. These results highlight the tendency of the provisions of the Code on other taxes, fees and charges to favor municipalities relative to provinces and to favor LGUs with more developed economies relative to those which are less urbanized and/or industrialized.

2.4. Summing Up

The analysis above indicates that the tax provisions of the 1991 LGC do not guarantee substantial increases in the revenue LGUs generate from local sources. The overall impact of the various provisions of the 1991 LGC on LGUs' local source revenue will depend on (1) changes in the statutory rates; (2) changes in the legal tax base; (3) changes in the sharing formula; (4) the extent to which LGUs exercise their taxing powers; (5) the composition of the tax base of LGUs; and the buoyancy of their tax bases. Table 7 shows that if LGUs adopt the maximum allowable RPT/LBT rates and assessment levels together with a 50 percent increase in their schedule of fair market values, then total local revenue (exclusive of SEF) of our urban (rural) province is projected to grow by 10 percent (16 percent) and that of our sample urban (rural) municipality by 38 percent (57 percent). Note that the increase in the total local source revenue net of SEF of our sample urban province is just equal to the 10 percent inflation rate assumed in these simulations while the growth in local source revenue of our sample rural province is just equal to the average trend growth rate of 15 percent. However, the projected increase in local source revenue of municipalities is quite substantial.

Thus, our results indicate wide variation in the possible effects of the 1991 LGC on the financial position of specific LGUs. It must be stressed that while the Code broadens the taxing powers of LGUs, it is simply an enabling act. In the final analysis, local sanggunians will have to decide what taxes to impose and at what rates. Furthermore, local sanggunians must decide on the changes in the schedule of fair market values of real properties.

The business sector, particularly the Philippine Chamber of Commerce and Industry, has raised the specter of "exorbitant" LGU taxes under the 1991 Local Government Code. While it is true that a good number of LGUs passed new tax ordinances that failed to comply with the mandatory procedural requirements (like posting or publication of proposed ordinance, written notices of public hearings) under the law, it is not clear that the tax rates adopted by LGUs are generally high. For one, the maximum allowable tax rate on RPT and the local business tax are not high by international standards. For instance, Dillinger pointed out that the Philippine RPT rate is low compared to that of other countries if one takes into account the low assessment levels set by PD 464. Note that the 1991 Code generally reduced the assessment levels so that our effective RPT rate was cut down further. At the same time, the maximum allowable rate for the local business tax is 1 percent of gross receipts for retail establishments and less than 1 percent for other types of establishments. These rates are not high when compared to the 2 percent turnover tax imposed by the central government on small establishments. At the same time, the Rapid Field Appraisal conducted by the LDAP in 1993 covering all regions nationwide indicated that on the whole LGUs have been rather restrained in passing new tax ordinances than news reports suggest. Many local officials are concerned about the negative impact of high tax rates on their popularity. While it is true that some LGUs, many of them in urban areas, have tried to impose the ceiling rates, counter-examples also exist (e.g., Quezon City, for one). This is not to deny the sector-specific issues discussed earlier. Also, certain ambiguities in the Code need clarification in order to avoid unnecessary tension between the business sector and LGUs. An example is the imposition of the higher rates on contractors rather than the rates applicable to exporters on export-oriented electronics, semi-conductor and garments sub-contractors.

3. TREND AND PATTERN OF LGU INCOME

Public sector finance in recent Philippine history is largely concentrated at the center with local governments accounting for 5.8 percent of general government⁴ revenue from 1981-1991 (Table 8). Contrary to initial expectations, the share of LGUs in total general government revenue declined to 5.4 percent in 1992-1993, the early years of Code implementation. This occurred even as the revenue effort (i.e., the ratio of locally generated revenue to GNP) of local governments in the aggregate increased from 0.8 percent to 1.0 percent of GNP.

Total LGU receipts/income (equal to 1.7 percent of GNP on the average) is approximately double the level of total LGU local source revenue in 1981-1991 (Table 9.a). This is so because locally sourced and externally sourced revenue are roughly equal to each other during that period. However, the share of LGU income from external sources (largely derived from the internal revenue allotment or IRA and other inter-governmental transfers) increased markedly from an average of 49.3 percent in 1981-1991 to 59.9 percent in 1992-1993 (Table 9.b). This came about because LGU external source income was growing faster than LGU local source income. Thus, relative to GNP, LGU income from external sources doubled from 0.8 percent of GNP in 1981-1991 to 1.5 percent of GNP in 1992-1993 while LGU local

⁴General government is comprised of the central government and LGUs.

source income increased slightly from 0.8 percent to 1.0 percent of GNP (Table 9.a). Similarly, while real per capita LGU external source income rose by 85.7 percent from an average of P95 in 1981-1991 to an average of P168 in 1992-1993, real per capita LGU local source income increased by only 16.5 percent from P67 to P113 (Table 9.c).

There is some variation in the importance of externally sourced income in the total income of different levels of local governments. Provinces were largely dependent on non-local sources which comprised 64.0 percent of their total income in 1981-1991. On the other hand, externally sourced income contributed 49.1 percent of the total income of municipalities and 37.8 percent of the total income of cities in the same period (Table 9.b). In all cases, the contribution of externally sourced income to the total receipts of LGUs was magnified in 1992-1993 to 73.8 percent for provinces, 56.9 percent for municipalities, and 53.9 percent for cities. Moreover, the share of the IRA alone in total LGU income rose from 42.3 percent in 1991 to 72.6 percent in 1993 in the case of provinces, from 35.3 percent to 48.6 percent in the case of cities, and from 41.7 percent to 51.6 percent in the case of municipalities. At the same time, real per capita IRA of provinces more than doubled from P30 in 1991 to P72 in 1993, while that of cities rose from P119 to P264 and that of municipalities from P48 to P91 (Table 9.c).

The tax effort of all LGUs in the aggregate increased somewhat from 0.58 percent of GNP in 1981-1991 to 0.73 percent in 1992-1993 (Table 9.a). Tax revenue as a proportion of locally generated LGU income was 68.4 percent in 1981-1991 and expanded to 73.3 percent in 1992-1993 (Table 10).

Focusing on the different levels of local governments, the share of taxes in locally generated revenue has been consistently highest in cities and lowest in provinces in 1981-1993. Thus, taxes contributed 74.4 percent of all local source revenue of cities, 69.4 percent of that of municipalities, and 57.2 percent of that of provinces during the period (Table 10). Likewise, provinces have the lowest tax to GNP ratio at 0.09 percent, compared to the 0.23 percent of municipalities and 0.28 percent of cities (Table 9.a).

The real property tax is the single major source of locally generated LGU revenue, contributing 40.9 percent of local source LGU income in 1981-1993. However, its importance was weakened during the period, with its share in total LGU local source income dropping from 41.9 percent in 1981-1991 to 35.4 percent in 1992-1993 (Table 10). This trend is mirrored in the declining share of RPT revenue in total locally generated income of cities (from 42.3 percent to 36.9 percent) and municipalities (from 39.9 percent to 30.5 percent). The ratio of RPT revenue to local source revenue of provinces in provinces increased slightly from 45.4 percent to 46.7 percent.

On the other hand, the real property tax revenue to GNP ratio of all LGUs deteriorated almost imperceptibly from 0.35 percent of GNP in 1981-1991 to 0.34 percent in 1992-1993 (Table 9.a). The ratio of RPT revenue to GNP declined in cities (from 0.16 percent to 0.14 percent), was stable at 0.07 percent in provinces and increased (from 0.12 percent to 0.13 percent) in municipalities.

Meanwhile, revenue from other (or non-property) local taxes rose relative to total locally generated LGU revenue (from 26.5 percent in 1981-1991 to 37.9 percent in 1992-1993) and relative to GNP (from 0.22 percent to 0.39 percent of GNP). Also, non-property taxes accounted for an increasing share of local source income in all levels of local government: provinces (from 11.3 percent to 13.0 percent), cities (from 31.5 percent to 40.6 percent) and municipalities (from 26.7 percent to 43.8 percent).

In contrast, operating, service and miscellaneous revenue of all LGUs shrank from 30.2 percent of total local source LGU income (or 0.25 percent of GNP) 1981-1991 to 25.2 percent of total local source LGU income (or 0.24 percent of GNP) in 1992-1993. A similar trend is also observed for all levels of local government (Table 9.a and Table 10).

4. Measures of LGU Revenue Performance and its Determinants

4.1 Revenue Buoyancy

Because governments have to address the mounting demand for public services that is brought about by growing populations, rising prices and increasing incomes, the automatic growth of LGU revenue in response to expanding economic base is generally deemed desirable. The buoyancy/elasticity coefficient (defined as the percentage change in revenue to percentage change in income or tax base) measures the responsiveness of government revenue to changes in income or tax base.⁵

Table 11 presents the buoyancy coefficients of the major sources of locally generated LGU revenue. Local source income of all LGUs in the aggregate is mildly inelastic in the period 1983-1991 with a buoyancy coefficient of 0.97. The buoyancy coefficient of locally generated income of municipalities is lowest at 0.88 while that of cities is highest at 1.05.

The inelastic revenue structure of LGUs in 1983-1991 is largely traced to the inelasticity of the dominant revenue source: the real property tax. The elasticity of RPT revenue with respect to GNP of 0.88 for all LGUs during this period indicates that the real property tax did not keep pace with GNP growth.

Disaggregating the buoyancy estimate into its components show that the real property revaluation problem is the principal culprit in the poor performance of RPT. The elasticity of the assessed value of real property with respect to GNP (i.e., the base buoyance of RPT) is less than unity (0.72) in 1983-1991. This may be attributed to the numerous delays in implementing

⁵Technically, a buoyancy coefficient makes no distinction between changes in revenues due to discretionary changes in tax policy (e.g., an increase in the tax rate, a broadening of the statutory tax base) and changes due to growth in economic activity. In contrast, tax elasticity refers only to revenue changes brought about by economically-induced changes in the tax base. Empirically in the case of the Philippines, it is difficult to segregate discretionary from non-discretionary changes in revenues. Thus, this paper makes use of buoyancy estimates only and henceforth uses the two terms interchangeably.

the general revisions in the schedule of fair market value of real property during the 1980s. The problem was probably even worse than what the numbers suggest considering that an increasing number of LGUs have been tax mapped during the period which should have resulted in an expansion in the level of assessed value with the discovery of erstwhile unregistered properties and the gathering of more accurate information on the physical attributes of properties.

It should be pointed out that undervaluation of real property for RPT tax purposes is prevalent nationwide. Dillinger (1988) estimated the ratio of tax liability to fair market value on urban land at 0.75 percent and the ratio of tax liability to current market value at 0.15 percent, implying a true market value to fair market value ratio of 5. On the other hand, the results of Tan (1993) confirm the findings from key informant interviews (Manasan 1992) that the ratio of the "true" market value to the fair market value in the assessor's schedule vary from 3 to 5 (Table 12). If the degree of undervaluation remains unchanged over time, the base elasticity of RPT will also not change. Conversely, changes in the ratio of fair market value to true market value will be translated to changes in the base elasticity. Thus, the overall buoyancy of the RPT may be boosted by reducing the wedge between these two measures of market value.

On the other hand, the buoyancy of RPT revenue of all LGUs in the aggregate with respect to assessed value is equal to 1.22 in 1983-1991. Since there were no changes in the tax rate as well as in the assessment ratios during the period, this measure reflects improvements in collection efficiency. It should be pointed out that while the collection rate was increasing during this period it remained at a low level suggesting the potential for future improvements (Table 13).

At the same time, non-property tax revenue is inelastic with respect to GNP with a buoyancy estimate of 0.91 in 1983-1991. Note that the base of non-property taxes (non-agriculture GVA) has not quite kept abreast with the growth in GNP. Also, the specific character as well as the regressive rate structure of non-property taxes makes it inelastic relative to its base.

There were also significant variations across the different levels of local government in this regard. The buoyancy coefficients of cities' non-property taxes with respect to GNP and with respect to non-agricultural GVA are both greater than unity in 1983-1991. However, the corresponding coefficients for provinces and municipalities are below unity. These results indicate that there were improvements in the collection rate of cities while there was none for that of provinces and municipalities.

In contrast, non-tax revenue is elastic with respect to GNP for all LGUs in the aggregate in 1983-1991 with a buoyancy coefficient of 1.01. However, non-tax revenue does not account for a large enough portion of total local source LGU income nor is the positive relationship between non-tax revenue growth and GNP growth strong enough to offset the opposite trend in RPT and non-property tax revenue during the period.

Again, differences across levels of local governments were observed. The buoyancy estimates of non-tax revenue with respect to GNP in cities and provinces are greater than unity

while that of municipalities is less than unity. This implies that the former has taken advantage of their authority to increase user charges in line with inflation while the latter failed to do so during the period.

Looking more closely at the developments in 1992-1993, the extremely low growth in locally generated LGU revenue in 1992, the first year of Code implementation, and the consequent decline to 0.5 of the buoyancy coefficient for all local source revenue is rather alarming (Table 11). Note also that the overall buoyancy coefficient of RPT plummeted to 0.05 in 1992 largely because of the decline in the collection rate (Table 13). In contrast to the situation in 1983-1991, the assessed value of real property grew at a faster rate than GNP in 1992. As a result, the base buoyancy (or the elasticity of assessed value with respect to GNP) stood at 1.64 in that year. This was largely due to the revaluation of the schedule of fair market value which was implemented in a phased program during the early 1990s.

The negative buoyancy of RPT revenue with respect to GNP in cities and municipalities in 1992 may be explained by the reduced share of these levels of governments in the proceeds of the RPT under the 1991 LGC. This is further exacerbated by the worsening collection efficiency of these levels of government. Conversely, the increased share of provinces in the proceeds from RPT explains the rise in its buoyancy coefficient despite the decline in their collection rate in 1992.

At the same time, the buoyancy coefficient of non-tax revenue turned negative in 1992. Thus, the tripling of the buoyancy coefficient of non-property taxes was not enough to counteract these two opposing forces.

In contrast, the buoyancy coefficients of all the major sources of local source income of LGUs improved dramatically in 1993 relative to 1992. Thus, if one looks at the the period 1992-1993, the buoyancy coefficient for all major types of local source revenue went up significantly with the exception of non-tax revenue of provinces. One can only speculate that this is directly linked to the widespread adoption of higher local tax rates (as permitted by the 1991 LGC) in that year.

The analysis above shows wild gyrations in the buoyancy coefficients of local source revenue of LGUs in 1992-1993. There was a sharp decline in the elasticity of locally generated revenue in 1992. However, LGU revenue performance rebounded dramatically in 1993. Clearly, LGU behavior in the area of local taxation has been unsettled by the 1991 LGC. At this point, it is not clear that it has reached an equilibrium yet. The fluctuations we observed in LGU revenue mobilization in the early years of Code implementation seem to suggest that LGUs are experimenting with the various alternative options of organizing and operating in this area, thus, calling for close monitoring in the coming years.

4.2. Determinants of LGU Revenue Performance

Stimulative/Substitutive Effect of IRA

The issue of whether intergovernmental grants/transfers stimulate or substitute for local government revenue effort has nagged many analysts over the years (World Bank 1992). On the one hand, there has been some concern that central government transfers to LGUs may substitute for locally generated revenue when the allocation formula for grants does not explicitly take the level of LGU revenue performance into account and when grant levels are substantial. On the other hand, other analysts argue that intergovernmental grants may allow LGUs to breach the threshold income that is associated with the provision of more and higher quality services. In this case, higher allotments may encourage LGUs to generate more revenues locally to complement what they receive from the center.

To investigate this question in more systematic fashion, the study used three measures of LGU revenue performance: the RPT collection rate and per capita locally generated revenue. The analysis is carried out for various levels of governments. Furthermore, three years (1985, 1990, 1992 and 1993) were considered to be able to discern whether the changing policy environment with regards to the central government transfers to LGUs has a significant impact on LGU revenue effort. The year 1992 is an important year because it is the first year of implementation of the 1991 LGC with its higher mandated IRA levels. Moreover, all LGUs were net gainers in that year since the devolution of functions and responsibilities from national government agencies to LGUs was not yet completed. On the other hand, the devolution of functions mandated in the LGC was completed only in 1993. In contrast, 1985 and 1990 were years prior to the 1991 LGC. However, the IRA level in 1990 is significantly higher than that in previous years, reflective of the Aquino government's decentralization thrust.

First, the relationship between the collection rate for the current year's liabilities of the basic RPT and per capita IRA, holding per capita assessed value, and land area constant, was estimated. The results presented in Table 14 indicate that central government grants to LGUs do not have a positive incentive effect on LGUs' RPT collection efficiency. In the case of cities, their RPT collection rate exhibited a negative and significant (at the 10 percent level of significance) relationship with per capita IRA in 1990 and 1992 indicating that IRA substitutes for cities' RPT revenue in those years. (The relationship is negative but not significant for 1985.) On the other hand, while the results show that RPT collection rate of provinces and municipalities combined is also inversely related with per capita IRA in all three years, said relationship is not statistically significant.

The coefficient of land area is negative and statistically significant in all years under study for provinces and municipalities combined. This is suggestive of the increasing difficulty in collecting RPT as the LGUs' land area increases. Land area did not appear to be a significant explanatory variable for cities' RPT collection rate. Finally, the relationship between the RPT collection rate and per capita assessed value is positive and significant for all years in the

equations for provinces and municipalities combined and for 1990 and 1992 in the equations for cities.⁶

When LGU revenue performance is measured in terms of per capita locally generated revenue, the results shown in Table 15 once again suggest that the while intergovernmental transfers had a neutral effect on local revenue performance in 1985,⁷ it substituted for local tax revenue in all levels of local governments in 1992 and 1993.⁸ The coefficients of per capita IRA are negative and significant for all major types of local taxes (with the exception of provincial non-property tax) in provinces, cities and municipalities alike in 1992.⁹ Moreover, the per capita IRA coefficients in the equations for total locally generated revenue of cities and municipalities are also negative and significant in that year indicating that IRA substitutes for non-tax revenue in cities and municipalities in 1992. In contrast, the IRA coefficient for total locally generated revenue of provinces is positive and significant signifying that increased IRA tends to lead to higher per capita non-tax revenue for provinces in 1992. Roughly similar results were observed with regards to the regressions using 1993 data.

While the relationship between per capita local tax revenue and per capita IRA is weak for provinces (where a P1 increase in per capita IRA leads to a P0.01 reduction in per capita local tax revenue in 1992-1993), it is not negligible in the case of cities (where a P1 increase in per capita IRA is predicted to lead to a P0.43 decrease in per capita local tax revenue) and municipalities (where a P1 increase in per capita IRA results in a P0.09 decline in per capita local tax revenue). These results, thus, suggest the need to include a maintenance of tax effort factor directly and explicitly in the IRA distribution formula. One way of doing this is to set aside a specific proportion of IRA that will be distributed to specific LGUs on the basis of their tax effort.

The coefficients of per capita income are positive and significant for all major categories of per capita local source revenue and per capita income is positive and significant in all levels of local government in the three years under study with the exception of that for per capita non-property tax revenue in provinces in 1990 and in cities in 1992. However, the relationship is weak with the increase in per capita revenue never exceeding P2 for every P100 increase in per

⁶No regression based on this specification was run for 1993 because there was no data available on collection efficiency.

⁷The relationship between per capita IRA and per capita revenues of all major local tax is either negative and insignificant or positive and significant (with the exception of municipal RPT revenues) in 1985.

⁸The results for 1990 are mixed. Some types of local taxes exhibited a significant and negative relationship with per capita IRA while others did not.

⁹The level of significance is 10 percent for the equations relating to provinces and 5 percent for the equations relating to cities and municipalities.

capita income. This may be indicative of inability of LGUs to fully capture the revenue potential of their economic base.

Impact of Level of Economic Development

Earlier studies have shown that LGU revenue performance is not only determined by the size of the economic base (usually measured by personal income) but also by other economic variables indicating the overall level of economic development like the degree of urbanization and the degree of industrialization (Bahl and Schroeder 1983). Following this tradition, we regressed various categories of per capita local source revenue against the following explanatory variables: per capita income, per capita IRA and the share of urban population to total population.¹⁰ Again, the analysis was done for different levels of local government and for the years 1985, 1990 and 1992. The results shown in Table 16 show a positive and significant relationship between all categories of per capita local source revenue (with the exception of non-property tax of provinces), on the one hand, and the degree of urbanization, on the other, for provinces and municipalities in all three years. Apparently, a higher degree of urbanization allows LGUs to derive more revenue from a given economic base. This may be due to the fact that the informal sector is smaller in more urbanized areas making it easier to collect taxes in those areas. Moreover, urbanization also tends to expand the LGU tax base as it leads to increases in real property values and growth in activities that are subject to the local business tax. In contrast, the coefficients of the urbanization variable was not significant in the regressions for per capita local source revenue of cities.

The coefficients for per capita IRA shown in Table 16 are generally consistent with earlier results. Intergovernmental grants exhibited either a stimulative effect (its coefficients are positive and significant in provinces) or a neutral effect (its coefficients are positive but not significant in the regressions for cities and municipalities) on per capita locally generated revenue in 1985. However, results indicate that IRA substituted for all types of local source revenue of all levels of local governments (with the exception of non-property tax revenue of provinces) in 1992. The coefficients of per capita IRA are negative and significant for all types of local source revenue in cities and municipalities while the coefficients for per capita IRA are negative and insignificant for RPT revenue of provinces. Note, however, IRA exhibited a significant and positive relationship with respect to non-property tax revenue and total local source revenue of provinces in the same year. Again, similar results were obtained in the regressions using 1993 data.

5. TAX CAPACITY AND TAX EFFORT

Section 3 documented the low level of LGU revenue performance (revenue measured relative to population or to income) while Section 4 showed that said performance is partly due

¹⁰The coefficients of the share of nonagriculture income are not significant except in some of the equations for the 1992 equations for cities and provinces.

to poor collection efficiency and to the inelasticity of the tax base with respect to income. On the other hand, Section 2 argued that LGU tax capacity (their ability to raise taxes) is significantly constrained by central government legislation in the sense that the former defines the types of taxes that LGUs may levy and their statutory base, and sets limits on the rate of imposition. In this section, we focus on the relative importance of fiscal capacity (or revenue potential) and tax effort in increasing LGU revenue performance.

The following accounting identity shows explicitly that LGU revenue depend on fiscal capacity or the economic base of the LGU as defined by its per capita income and population, on the relation between the economic base and the tax base, on the tax rate, and on collection rate (Bahl and Lin 1992).

$$R = \frac{R}{L} * \frac{L}{B} * \frac{B}{Y} * \frac{Y}{P} * P \quad (1)$$

$$R = c * t * b * y_p * P \quad (2)$$

where R = tax revenue,
 L = legal tax liability,
 B = tax base,
 Y = personal income,
 P = population,
 c = collection rate,
 t = legal tax rate,
 b = base to income ratio,
 y_p = per capita income.

In principle, different taxes of any given level of government as well as the same tax for varying levels of government will exhibit different values of c, t, and b. Thus, total LGU revenue also depend on the mix of taxes selected.

The economic base defines the limits to LGUs' tax capacity (i.e., their ability to raise tax revenue). It is largely outside the influence of both central and local governments. However, the tax bases assigned to LGUs are generally defined by central legislation and, to that extent, the central government determines the extent to which LGUs may derive revenue out of a given level of income. In contrast, the collection rate is a function of LGU tax administration practice. On the other hand, Section 2 shows that LGU have restricted discretion in setting their tax rates because central government legislation prescribes certain limitations on the same.

In this section, we attempt to determine the relative importance of various factors that influence the yield of local taxes, the real property tax, in particular.

A slight variation of Equation (1) may be written for the real property tax:

$$R = \left(\frac{R}{L}\right) * \left(\frac{L}{AV}\right) * \left(\frac{AV}{FMV}\right) * \left(\frac{FMV}{TMV}\right) * TMV \quad (3)$$

where R = tax revenue,
 L = tax liability,
 AV = assessed value,
 FMV = fair market value for RPT purposes,
 TMV = true market value, and
 Y = personal income.

Alternatively, it may be written as:

$$R = c * t * a * e * TMV \quad (4)$$

where c = the collection rate,
 t = the tax rate,
 a = the assessment ratio, and
 e = assessment efficiency.

The collection rate is fully under the control of LGUs. In the Philippines, prior to the 1991 LGC, the assessment ratio and the assessment efficiency were entirely determined by the central government. Under the Code, the assessment efficiency is put under the control of LGUs while some discretion is given to LGUs in the determination of the assessment ratio as well as the tax rate.

In 1992, the collection rate for all LGUs computed on the basis of current revenue in relation to current billings was 0.5 and the average statutory tax rate was 1.2 percent. The average assessment ratio is assumed to be 0.25 and the assessment efficiency is assumed to be 0.33 (based on the findings of Manasan, 1992 and Tan, 1993). Counterfactual simulation shows that if the collection rate is increased to 1 while other variables are held constant, RPT revenue for the current year will increase by 100 percent or by P2.2 billion (8 percent of total LGU expenditures or 20 percent of LGU local source revenue) in 1992. Doubling the statutory tax rate will yield the same amount of revenue as raising the collection rate to 1. On the other hand, if, *ceteris paribus*, the assessment efficiency is increased to 1, RPT revenue for the current year will increase by 200 percent or P4.3 billion (16 percent of total LGU expenditures

or 39 percent of LGU local source revenue) in 1992. If both the collection rate and the assessment efficiency are raised to 1, RPT revenue will increase by 500 percent or P10.8 billion. This amount is equivalent to 41 percent of total LGU expenditures, 98 percent of LGU local source revenue and 70 percent of the IRA level in 1992.

These numbers show (i) that correction of the undervaluation problem by adjusting the schedule of fair market values to the level of the true market values has the greatest potential in increasing RPT revenue; (ii) that improvements in collection efficiency will lead to substantial growth in RPT revenue quite independently of the undervaluation problem; and (iii) that the RPT tax capacity, given present tax rates and assessment levels, is not negligible. Needless to say, any improvement in the assessment efficiency will not yield its full potential if there is no accompanying improvement in collection efficiency. Conversely, the revenue gains from improvements in collection efficiency are magnified if assessment efficiency is enhanced at the same time. These two improvements are reinforcing and should not be viewed as mutually inclusive.

There is no direct measure of the tax base for the local business tax, the most important non-property tax. Thus, tax liability and, consequently, collection efficiency cannot be established accurately for the said tax. If one abstracts from under-reporting of gross receipts, the collection rate is presumably quite good. However, if one corrects for under-reporting, then collection rate is likely to be low.

6. TAX ADMINISTRATION PRACTICES IN LGUS

6.1 RPT ADMINISTRATION

As indicated earlier, the importance of addressing the undervaluation problem in real property tax administration cannot be over-emphasized. In principle, under-assessment arise from two sources: infrequent revaluations and conscious under-assessment even in years when revaluation is carried out. In the Philippines, infrequent revaluations has been the norm in the past decade even if the law mandated a general revision in the schedule of fair market values once every three years. Because of the repeated suspensions in the general revision, it is now more difficult to bring up the values in the schedule currently in force (based on 1981 data) to their 1992 levels. This is so because the requisite adjustment in the schedule of fair market values is so huge that it has become even more unpalatable to most politicians who now have to legislate the new schedule under the 1991 LGC. In view of this problem, automatic adjustment with respect to inflation of the schedule of fair market value in between general revisions should be considered.¹¹ Such a move will protect the RPT base from being eroded by inflation during the years when no general revision is undertaken. By avoiding the need to make lumpy adjustments in the schedule of fair market values, it will also make it easier to

¹¹Even with indexation, a general revision would still be desirable to correct mis-alignments in the values of different kinds and classes of real property that is likely to occur when one or two rates of inflation are applied across the board in the years between general revaluations.

narrow the gap between the "official" schedule of fair market values and true market values of real property in the medium term.

At the same time, interviews with the local assessors indicate that many of them do not value property at its true market value even when a general revision of the schedule of values is undertaken. Guidelines from the Department of Finance delineate that the local assessor may use (i) sales data from the Register of Deeds, (ii) sworn statements of real property owners filed every time a general revaluation is undertaken or when a transfer or construction are made; (3) opinions of real estate agents. The first two of these data sources are inherently subject to under-estimation. However, local assessors continue to rely on them, often to the exclusion of the third, because somehow the latter is viewed as being "unofficial" and, therefore, indefensible if challenged either by local taxpayers and/or local elected officials themselves. In this regard, the use of the zonal values of real property (on which the BIR bases its assessment of estate taxes imposed by the central government) should be considered as an alternative source of information in computing the fair market value for RPT purposes. Some areas in Metro Manila are already doing this.

The system governing interim revisions in the property records is another problematic area. "It relies, at its peril, on other agencies of government (Register of Deeds for subdivisions and Engineers Office for new construction) and on the cooperation of taxpayers.... It is therefore likely that gaps in geographical coverage and obsolescence in building and ownership data will re-emerge in RPTA jurisdictions" (Dillinger 1988). The 1991 LGC mandates that Registers of Deeds and notaries public furnish local assessors with copies of all contracts involving the sale, transfer, leasing or mortgaging of real properties that they have received. However, such a mandate is not enough to ensure the maintenance of good records. Local assessors should be trained to aggressively seek the required information themselves on a regular basis and systematically update their records accordingly.

Despite sufficient powers under the law to enforce delinquent accounts, the collection rate for (current revenue relative to current billings) for RPT has never exceeded 60 percent in the period between 1983 and 1992.¹² Interviews with local treasurers suggest that a good deal of reluctance on the part of local treasurers and/or local elected officials to use said legal remedies. However, the high collection efficiency of LGUs (e.g., Antique and other provinces in Region VI) whose local treasurers and local elected officials have shown the political will to auction off delinquent real properties indicate that these remedies, when put to use, can be an effective deterrent to tax evasion.

However, the prevalence of delinquent accounts is also partly due to the lack of systematic procedures in monitoring RPT payments with the end in view of identifying delinquent accounts and making the appropriate collection follow-up. Computerization will

¹²In addition to interest surcharges on delinquent accounts, there are three legal remedies that LGUs may resort to collect past due taxes: distraint of personal property, public auction of delinquent property, and civil action.

greatly enhance the performance of this function but it is not really a critical element particularly in small LGUs where good manual monitoring system is conceivable. Experience in some LGUs indicate that regular and personalized follow up can be effective. However, such an approach will tend to increase the staffing requirement of Local Treasurer's Offices. In this regard, barangay treasurers can be used more intensively in local tax collection. (The 1991 LGC allows local treasurers to deputize barangay treasurers to collect local taxes, fees and charges.) Installing an effective monitoring and collection follow-up system means that LGUs move away from the present practice whereby LGUs rely on voluntary compliance in collecting RPT.

6.2. Non-Property Tax Administration

The major difficulty with regards to the collection of the business license tax is the determination of the gross receipts which is the statutory tax base. The practice in most LGUs is to accept establishments' sworn statement wherein they declare their gross receipts in the previous year on faith. At best, local treasurers negotiate with the each taxpayer to establish the appropriate level of gross receipts. However, such a procedure is time consuming and can lead to considerable inequity in the system. Moreover, such an approach may encourage corruption by giving local treasurers substantial discretion in tax assessment.

There is, thus, a need to establish a systematic procedure in ascertaining the accurate level of gross receipts. Requiring taxpayers to submit income tax returns (ITRs) filed with the Bureau of Internal Revenue (BIR) is perhaps the most direct way of obtaining information. There are some timing difficulties involved here because of the unsynchronized tax calendar of the BIR and LGUs. However, these problems can easily be addressed either by introducing changes in the LGU tax calendar (i.e., move back the payment of local business taxes from January 20 to April 30 of each year) or by making use of the previous year's ITR. In our view, the latter option is easier to implement. Since most establishments pay the local business tax quarterly, the initial assessment made on the basis of the previous year's ITR may be adjusted later during the year. In addition to the ITRs, local treasurers may require large establishments to submit supplementary accounting records. In large and/or urban LGUs, local treasurers should be trained in the conduct of field examination to check the veracity of reported gross receipts of local businesses. The use of presumptive income levels (PILs), particularly for small establishments should be explored. PILs may be established through various techniques: estimation of daily sales; and use of indicators such as the payroll value, electricity and water bills, rental (ARD 1992). Initial discussion with the business sector indicates that presumptive taxation per se is not acceptable to them. Thus, the PILs should really be viewed as an audit aid rather than as a surrogate tax base.

In terms of collection, LGUs again rely on voluntary compliance. In this case, since the payment of the local business tax is a requirement in obtaining the mayor's permit to operate business in the jurisdiction, the tax is essentially self-enforcing. However, 3 to 4 quarter delays in the payment of the tax is common as firms pay their balance (of the previous year's tax liability) just in time to get their business permits at the start of the year.

For other types of non-property taxes, poor LGU tax administration can be traced to the inadequate systems and procedures that currently govern assessment, collection and enforcement. ARD (1992) noted that the required improvements are simple. They only need consistency in practice. These include: (i) the establishment of a tax roll for each type of tax that the LGU administers (the conduct of a tax census and the development of a revenue data bank are key steps in this regard); (ii) maintenance of systematic and organized records where payments of all taxpayers are automatically entered as they occur; (iii) the sending of tax bills; (iv) conscientious monitoring of payments of taxpayers and identification and collection of tax delinquencies; (v) strict implementation of sanctions and penalties on erring taxpayers.

6.3. Cost of Collecting Local Taxes

The cost of collecting LGU tax revenue appear to be inordinately high when compared to that of the BIR. In 1992, the ratio of BIR revenue to BIR expenditures was 85, i.e., the BIR collects approximately P85 per peso spent in collection activities. The comparable figure for all LGUs in the aggregate was 4.9.¹³ Moreover, these aggregate figure tends to hide more problems at the LGU level. For instance, the cost of collecting the RPT in 11 out of 14 poor provinces was even higher than the tax yield (Table 17). The discussion above noted that the revaluation of real property has the biggest potential in increasing tax revenue. However, LGU tax practitioners point out that cost cutting measures in the conduct of the general revision of real property assessment should be adopted to ensure that the tax remains cost effective. The use of computers is suggested to replace the numerous documents that have to be changed every time a general revision is conducted. Moreover, if the proposed yearly automatic adjustment of the schedule of fair market values in line with inflation is implemented, the number of years between general revisions may be increased to five (for example) to save on the tedious and time consuming work involved in said task.

7. USER CHARGES IN LGU BUSINESS ENTERPRISE

Recent evidence shows that the gross receipts from most LGU public enterprises in the aggregate are less than their current operating costs (Table 18). Only markets and slaughterhouses showed some profit with a gross receipts to operating cost ratio of 1.15 in 1992. All other types of LGU enterprises were losing propositions, except for city-operated cemeteries which posted some profits.

¹³LGU expenditures for tax collection is computed as follows. Fifty percent of total expenditures of the Treasurer's Office was assumed to be allocated to tax collections. (The remaining 50 percent is implicitly attributed to its cashiering and other functions.) This figure is then is pro-rated to the various types of taxes in accordance to the proportional contribution of said taxes to total taxes. Thus, total expenditures in collecting total taxes is computed as the sum of the Assessor's Office budget and the portion of the Treasurer's Office budget which is devoted to tax collection. The cost of collecting RPT is the sum of the Assessor's Office budget and the portion of the Treasurer's Office budget devoted to RPT collections.

Note, however, that it is unlikely that markets and slaughterhouses would be seen as profitable once capital costs are taken into account. It has also been pointed out that the cost figures does not include outlays for security and engineering services provided by other LGU departments. Moreover, dilapidated state of a good number of public markets and slaughterhouses indicate that actual levels of maintenance and operating expenditure are sub-optimal. Finally, the gross receipts to operating costs ratio of LGU markets and slaughterhouses (1.15) in 1992 compares unfavorably with that of the private sector (1.85) indicating that LGU markets and slaughterhouses can do better financially.

The poor financial performance of LGU public enterprises has been traced to the high level of subsidy implicit in the pricing of their services. This is partly due to the fact PD 231 (which has been repealed by the new Local Government Code) restricted the rates LGUs can charge for the services of some of these facilities. In turn, this is caused by the fragmentation of management responsibilities in the operation of LGU public enterprises. Thus, it is often the case that the Local Treasurer is responsible for collecting the fees from these enterprises while repairs, maintenance, and security are undertaken by other departments in the local government with no single person being accountable for the operation of the LGU business enterprise as such. At the same time, cost data is poor and user fees are not systematically related to cost (PADCO/PHILNOR 1992).

The problem is also partly attributable to the political orientation of local officials that deters them from adopting cost-based pricing. While the 1991 LGC effectively removes the limits on the levels of fees that LGUs may charge for public enterprise services, the political will to actually adopt cost-based pricing continues to be a major stumbling block to increased revenue generation from user charges. Despite elected officials protestations to the contrary, willingness to pay on the part of beneficiaries is not the real problem. Many stall holders in public markets report subletting their stores to others at rates that are double or triple official rates. To get out of the political bind involved in raising user charges for LGU facilities some progressive minded governors and mayors are exploring alternative arrangements in operating LGU public enterprises. One such approach is privatization through management contract or lease. For instance, the market vendors cooperative in one municipality in Davao del Norte is negotiating with the municipal government for the lease of the public market there.

It is estimated that some P73 million can be generated yearly if user charges are increased in all LGU public enterprises so that said enterprises break even. On the other hand, some P614 million can be mobilized if LGU enterprises set their rates so that they become as profitable as their private sector counterpart.

Along the same vein, much has been said and written about the fiscal burden imposed on provincial governments by the devolution of DOH provincial and district hospitals. The cost to operate the devolved hospitals was P3.3 billion in 1993. However, it has been shown that on the average public tertiary hospitals recover only about 5 percent of their expenditures (SGV Consulting 1991). Thus, if another 10 percent of their expenditures are recovered from user fees, an additional P330 million could be generated by LGUs.

There appears to be some scope for increasing user charges in government hospitals without hurting the poor if the government puts in place a well-managed socialized pricing program. While the utilization of government hospitals is progressive (with the proportion of households using government hospitals increasing with the level of income), some 30-50 percent of current users are above the poverty line (Manasan and Llanto 1994).

In contrast to current practice, cost-based pricing should be adopted in LGU hospitals. In addition to this innovation on the technical side, local sanggunians need to pass legislation that will remove restrictions on the retention of income generated by these hospitals. It has been found that said restrictions discourage hospital personnel from collecting user fees.

8. RECOMMENDATIONS

Analysis of the revenue structure of LGUs suggests that the LGU revenue performance is generally poor. The need to improve the ability of local governments to mobilize more resources is further highlighted by the devolution of substantial expenditure responsibilities to LGUs.

Perhaps one of the more important finding of this study is the substitutive effect of IRA under the new regime defined by the 1991 LGC. To counteract this tendency, we recommend that tax effort be taken into account explicitly in the IRA allocation formula. South Korea, India and Nigeria follow such an approach. One way of doing this is to set aside a certain proportion of the aggregate IRA level, say 20 percent, and to distribute it to the various LGUs within a given level of government in a manner that rewards tax effort.

The share of LGU i in the tax effort portion of the IRA may be computed as:

$$G_i = K \left[\frac{(T_i - T_i^{ave}) + F}{\sum_{i=1}^n (T_i - T_i^{ave}) + nF} \right] \quad (5)$$

- where G_i = share of LGU i in tax effort portion of IRA;
 K = tax effort portion of IRA which is computed as $K = k \text{ IRA}$;
 T_i = actual local tax revenue of LGU i ;
 T_i^{ave} = taxable capacity of LGU i which is estimated by applying the average national effective tax rate to total personal income of LGU i ;
 F = absolute value of the $(T_i - T_i^{ave})$ of the LGU with the lowest tax effort, i.e., absolute value of $(T_i - T_i^{ave})$ with the smallest (algebraic) value.

Doing this procedure implies that all LGUs will receive some amount from the tax effort incentive kitty in direct proportion to how well they perform with respect to the national average in raising local taxes.

Our analysis also shows that (i) correction of the undervaluation problem by adjusting the schedule of fair market values to the level of the true market values has the greatest potential in increasing RPT revenue; (ii) that improvements in collection efficiency will lead to substantial growth in RPT revenue quite independently of the undervaluation problem; and (iii) that the RPT tax capacity, given present tax rates and assessment levels, is not negligible. Needless to say, any improvement in the assessment efficiency will not yield its full potential if there is no accompanying improvement in collection efficiency. Conversely, the revenue gains from improvements in collection efficiency are magnified if assessment efficiency is enhanced at the same time. These two improvements are reinforcing and should not be viewed as mutually inclusive.

In this regard, we recommend the automatic adjustment with respect to inflation of the schedule of fair market value in between general revisions. Such a move will protect the RPT base from being eroded by inflation during the years when no general revision is undertaken. By avoiding the need to make lumpy adjustments in the schedule of fair market values, it will also make it easier to narrow the gap between the "official" schedule of fair market values and true market values of real property in the medium term.

To counter the tendency of local assessors to value real property below its true market value we recommend that the use of the zonal values of real property (on which the BIR bases its assessment of estate taxes imposed by the central government) should be considered as an alternative source of information in computing the fair market value for RPT purposes.

To improve RPT collection efficiency, we recommend that local treasurers and local elected officials be sensitized to the gains from making use of the legal remedies available under the Code to enforce its collection. The public auction of delinquent properties has been effective in the LGUs which have used it.

There is also a need for systematic procedures in monitoring RPT payments with the end in view of identifying delinquent accounts and making the appropriate collection follow-up. Computerization will greatly enhance the performance of this function but it is not really a critical element particularly in small LGUs where good manual monitoring system is conceivable. Regular and personalized follow-up has been proven effective in many LGUs. In this regard, barangay treasurers can be used more intensively in local tax collection.

Cost cutting measures in the conduct of the general revision of real property assessment should be adopted to ensure that the tax remains cost effective. The use of computers is suggested to replace the numerous documents that have to be changed every time a general revision is conducted. Moreover, if the proposed yearly automatic adjustment of the schedule of fair market values in line with inflation is implemented, the number of years between general

revisions may be increased to five (for example) to save on the tedious and time consuming work involved in said task.

The biggest problem with regards to the local business tax is the under-reporting of the gross receipts of business establishments. Requiring taxpayers to submit income tax returns (ITRs) filed with the Bureau of Internal Revenue (BIR) is perhaps the most direct way of obtaining information. Given the present tax calendar of LGUs, this implies that the local business tax is initially assessed on the basis of the previous year's ITR subject to final adjustment later in the year as the current ITR becomes available. In addition to the ITRs, local treasurers may require large establishments to submit supplementary accounting records. In large and/or urban LGUs, local treasurers should be trained in the conduct of field examination to check the veracity of reported gross receipts of local businesses. The use of presumptive income levels (PILs), particularly for small establishments should be explored. Initial discussion with the business sector indicates that presumptive taxation per se is not acceptable to them. Thus, the PILs should really be viewed as an audit aid rather than as a surrogate tax base.

For other types of non-property taxes, poor LGU tax administration can be traced to the inadequate systems and procedures that currently govern assessment, collection and enforcement. ARD (1992) noted that the required improvements are simple. They only need consistency in practice. These include: (i) the establishment of a tax roll for each type of tax that the LGU administers (the conduct of a tax census and the development of a revenue data bank are key steps in this regard); (ii) maintenance of systematic and organized records where payments of all taxpayers are automatically entered as they occur; (iii) the sending of tax bills; (iv) conscientious monitoring of payments of taxpayers and identification and collection of tax delinquencies; (v) strict implementation of sanctions and penalties on erring taxpayers.

Finally, the poor financial performance of LGU public enterprises may partly be addressed by installing a central unit for operating and managing local public enterprises (PADCO/PHILNOR 1992). Privatization either through the outright sale of government equity or through management contracts/lease should also be explored.

There appears to be some scope for increasing user charges in government hospitals without hurting the poor if the government puts in place a well-managed socialized pricing program. While the utilization of government hospitals is progressive (with the proportion of households using government hospitals increasing with the level of income), some 30-50 percent of current users are above the poverty line (Manasan and Llanto 1994).

In contrast to current practice, cost-based pricing should be adopted in LGU hospitals. In addition to this innovation on the technical side, local sanggunians need to pass legislation that will remove restrictions on the retention of income generated by these hospitals. It has been found that said restrictions discourage hospital personnel from collecting user fees.

Some of the taxes that LGUs are allowed to collect at present are considered undesirable from the point of view of overall economic efficiency. One example is the tax on the gross

receipts of exporters. Still another example is the gross receipts tax on banks. Note also that the tax on the gross receipts of manufacturers and wholesalers is a turnover tax that counteracts the efficiency gains from the introduction of the VAT at the national level.

In the medium term, the assignment of taxing authorities to various levels of government must be reviewed. At this point, existing theoretical guidance on tax assignments suggest that residence-based taxes like taxes on retail sales and taxes on immobile factors like real property are appropriate for local taxation. (However, local tax on retail sales may be difficult to administer in less developed LGUs with a large informal sector and with its many small establishments.) The taxation of business income by local governments is not an efficient tax because businesses are highly mobile. Moreover, such a tax tends to be counterproductive because it encourages tax competition among LGUs.

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TABLE 1
SHARING OR PROCEEDS FROM BASIC RPT AND SEF

	Shares		Percentage Change
Basic RPT	PD 464	1991 LGC	
Province	45%	35%	-22.22
Municipality	45	40	-11.11
City	90	70	-22.22
Barangay	10	25/30*	150.00/200.00
SEF			
Province	25%	50%	100.00
Municipality	55	50	-9.09
City	80	100	25.00
National Treasury	20		-100.00

* / 25% for municipal barangays and
30% for city barangays

fn: LGUWB1.wk1
06-05-95

TABLE 2.a
COMPARISON OF THE ASSESSMENT LEVELS
PRESCRIBED IN PD 464 AND THE 1991 LGC

A. Lands	Assessment Level	
	PD 464	1991 LGC
Residential	30	20
Agricultural	40	40
Commercial	50	50
Industrial	50	50
Mineral	50	50
Timberland		20

B. Machineries	Assessment Level	
	PD 464	1991 LGC
Residential	70	50
Agricultural	60	40
Commercial	80	80
Industrial	80	80

C. Buildings and other improvements

C.1 Residential

Fair market value	Assessment Level	
	PD 464	1991 LGC
P30,000 or less	15	0
30,000-50,000	20	0
50,000-75,000	25	0
75,000-125,000	35	0
125,000-175,000	45	0
175,000-250,000	55	10
250,000-300,000	65	10
300,000-350,000	65	20
350,000-500,000	75	20
500,000-750,000	80	25
750,000-1,000,000	80	30
1,000,000-2,000,000	80	35
2,000,000-5,000,000	80	40
5,000,000-10,000,000	80	50
more than 10,000,000	80	60

TABLE 2.b
COMPARISON OF THE ASSESSMENT LEVELS
PRESCRIBED IN PD 464 AND THE 1991 LGC

C.2 Agricultural

Fair market value	Assessment Level	
	PD 464	1991 LGC
P30,000 or less	40	25
30,000-50,000	45	25
50,000-75,000	50	25
75,000-125,000	55	25
125,000-175,000	60	25
175,000-250,000	65	25
250,000-300,000	65	25
300,000-350,000	70	30
350,000-500,000	75	30
500,000-750,000	80	35
750,000-1,000,000	80	40
1,000,000-2,000,000	80	45
more than 2,000,000	80	50

C.3 Commercial/Industrial

Fair market value	Assessment Level	
	PD 464	1991 LGC
P30,000 or less	50	30
30,000-50,000	55	30
50,000-75,000	60	30
75,000-125,000	65	30
125,000-175,000	70	30
175,000-250,000	75	30
250,000-300,000	80	30
300,000-350,000	80	35
350,000-500,000	80	35
500,000-750,000	80	40
750,000-1,000,000	80	50
1,000,000-2,000,000	80	60
2,000,000-5,000,000	80	70
5,000,000-10,000,000	80	75
more than 10,000,000	80	80

Table 3
RPT COLLECTIONS AND THE CHANGE IN THE
ASSESSMENT LEVELS: SOME ILLUSTRATIONS

	Urban/ Industrial Province	Rural/ Agric. Province	Urban/ Industrial Muni.	Rural/ Agric. Muni	City A	City B
Levels in thousand pesos						
1991						
Basic						
a. current	13637.75	3334.57	1814.26	75.22	3436.80	3436.80
b. previous year	2609.91	415.215	80.08	2.70	1181.29	1181.29
c. penalties	741.65	349.788	45.55	2.24	696.16	696.16
d. Total	16989.31	4099.58	1939.89	80.16	5314.25	5314.25
SEF						
a. current	2294.55	571.73	503.96	91.94	509.16	509.16
b. previous year	436.13	65.719	21.96	40.10	105.00	105.00
c. penalties	130.36	49.43	12.59	4.62	61.88	61.88
d. Total	2861.04	686.88	538.51	136.66	676.04	676.04
Total	19850.35	4786.46	2478.40	216.82	5990.29	5990.29
1992A						
50% of res. bldg. exempt; new sharing formula; provinces set RPT rate at 1%; LGUs impose additional 1% tax of SEF						
Basic						
a. current	8532.93	2180.72	1475.82	58.72	2100.37	2517.32
b. previous year	2029.93	322.95	71.18	2.40	918.78	918.78
c. penalties	576.84	272.06	40.49	1.99	541.46	541.46
d. Total	11139.70	2775.72	1587.49	63.11	3560.61	3977.56
SEF						
a. current	3691.71	961.45	419.26	73.40	500.09	599.36
b. previous year	872.25	131.44	19.96	36.45	131.25	131.25
c. penalties	260.72	98.86	11.45	4.20	77.35	77.35
d. Total	4824.68	1191.75	450.67	114.05	708.69	807.97
Total	15964.39	3967.47	2038.16	177.16	4269.30	4785.53

fn: LGUWB3.wk1
06-05-95

**Table 3
RPT COLLECTIONS AND THE CHANGE IN THE
ASSESSMENT LEVELS: SOME ILLUSTRATIONS**

	Urban/ Industrial Province	Rural/ Agric. Province	Urban/ Industrial Muni.	Rural/ Agric. Muni.	City A	City B
Levels in thousand pesos						
1992B						
80% of res. bldg. exempt; new sharing formula; provinces set RPT rate at 1%; LGUs impose additional 1% tax for SEF						
Basic						
a. current	8306.74	2146.37	1473.45	58.08	2044.69	2507.04
b. previous year	2029.93	322.95	71.18	2.40	918.78	918.78
c. penalties	576.84	272.06	40.49	1.99	541.46	541.46
d. Total	10913.51	2741.37	1585.12	62.48	3504.94	3967.28
SEF						
a. current	3593.85	946.31	418.59	72.61	486.83	596.91
b. previous year	872.25	131.44	19.96	36.45	131.25	131.25
c. penalties	260.72	98.86	11.45	4.20	77.35	77.35
d. Total	4726.83	1176.60	450.00	113.26	695.44	805.52
Total	15640.34	3917.97	2035.12	175.73	4200.37	4772.80
Percentage Change						
1992A/1991						
Basic						
a. current	-37.43	-34.60	-18.65	-21.94	-38.89	-26.75
b. previous year	-22.22	-22.22	-11.11	-11.11	-22.22	-22.22
c. penalties	-22.22	-22.22	-11.11	-11.11	-22.22	-22.22
d. Total	-34.43	-32.29	-18.17	-21.27	-33.00	-25.15
SEF						
a. current year	60.89	68.16	-16.81	-20.17	-1.78	17.72
b. previous years	100.00	100.00	-9.09	-9.09	25.00	25.00
c. penalties	100.00	100.00	-9.09	-9.09	25.00	25.00
d. Total	68.63	73.50	-16.31	-16.54	4.83	19.51
Total	-19.58	-17.11	-17.76	-18.29	-28.73	-20.11
1992B/1991						
Basic						
a. current	-39.09	-35.63	-18.79	-22.78	-40.51	-27.05
b. previous year	-22.22	-22.22	-11.11	-11.11	-22.22	-22.22
c. penalties	-22.22	-22.22	-11.11	-11.11	-22.22	-22.22
d. Total	-35.76	-33.13	-18.29	-22.06	-34.05	-25.35
SEF						
a. current year	56.63	65.52	-16.94	-21.03	-4.38	17.24
b. previous years	100.00	100.00	-9.09	-9.09	25.00	25.00
c. penalties	100.00	100.00	-9.09	-9.09	25.00	25.00
d. Total	65.21	71.30	-16.44	-17.12	2.87	19.15
Total	-21.21	-18.14	-17.89	-18.95	-29.88	-20.32

Table 4
COMPARISON OF BUSINESS TAX PROVISION IN PD 231 AND 1991 LGC

l. *On 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, in accordance with the following schedule:*

With gross sales or receipts for the preceding calendar year in the amount of:	Amount of Tax per annum		Percentage Change
	PD 231	1991 LGC	
Less than P10,000.00	P 150.00	P 165.00	10.00
10,000.00 or more but less than P 15,000.00	200.00	220.00	10.00
15,000.00 or more but less than 20,000.00	275.00	302.00	10.00
20,000.00 or more but less than 30,000.00	400.00	440.00	10.00
30,000.00 or more but less than 40,000.00	600.00	660.00	10.00
40,000.00 or more but less than 50,000.00	750.00	825.00	10.00
50,000.00 or more but less than 75,000.00	1,200.00	1,320.00	10.00
75,000.00 or more but less than 100,000.00	1,500.00	1,650.00	10.00
100,000.00 or more but less than 150,000.00	2,000.00	2,200.00	10.00
150,000.00 or more but less than 200,000.00	2,500.00	2,750.00	10.00
200,000.00 or more but less than 300,000.00	3,500.00	3,850.00	10.00
300,000.00 or more but less than 500,000.00	5,000.00	5,500.00	10.00
500,000.00 or more but less than 750,000.00	7,500.00	8,000.00	10.00
750,000.00 or more but less than 1,000,000.00	10,000.00	10,000.00	10.00
1,000,000.00 or more but less than 2,000,000.00	12,500.00	13,750.00	10.00
2,000,000.00 or more but less than 3,000,000.00	15,000.00	16,500.00	10.00
3,000,000.00 or more but less than 4,000,000.00	18,000.00	19,800.00	10.00
4,000,000.00 or more but less than 5,000,000.00	21,000.00	23,100.00	10.00
5,000,000.00 or more but less than 6,500,000.00	24,000.00	24,375.00	1.56
6,500,000.00 or more but less than 7,000,000.00	24,000.00	37.5% of 1%	1.72 to 9.37
7,000,000.00 or more but less than 9,000,000.00	27,000.00	37.5% of 1%	(1.39) to 24.99
9,000,000.00 or more but less than 12,000,000.00	30,000.00	37.5% of 1%	2.27 to 49.99
12,000,000.00 or more but less than 15,000,000.00	33,000.00	37.5% of 1%	37.50 to 70.45
15,000,000.00 or more but less than 18,000,000.00	36,000.00	37.5% of 1%	56.25 to 87.49
18,000,000.00 or more but less than 20,000,000.00	40,000.00	37.5% of 1%	68.75 to 87.49
For every P500,000.00 in excess of P20,000,000.00 but not more than P50,000,000.00	500.00	37.5% of 1%	at least 85.19
For every P500,000.00 in excess of P50,000,000.00	250.00	37.5% of 1%	

Table 4
COMPARISON OF BUSINESS TAX PROVISION IN PD 231 AND 1991 LGC

B. On wholesalers, distributors, or dealers in any article of commerce of whatever kind or nature in accordance with the following schedule:

With gross sales or receipts for the preceding calendar year in the amount of:	Amount of Tax per annum		Percentage Change
	PD 231	1991 LGC	
Less than P1,000.00	P 15.00	P 18.00	20.00
1,000.00 or more but less than P 2,000.00	30.00	33.00	10.00
2,000.00 or more but less than 3,000.00	45.00	50.00	11.11
3,000.00 or more but less than 4,000.00	65.00	72.00	10.77
4,000.00 or more but less than 5,000.00	90.00	100.00	11.11
5,000.00 or more but less than 6,000.00	110.00	121.00	10.00
6,000.00 or more but less than 7,000.00	130.00	143.00	10.00
7,000.00 or more but less than 8,000.00	150.00	165.00	10.00
8,000.00 or more but less than 10,000.00	170.00	187.00	10.00
10,000.00 or more but less than 15,000.00	200.00	220.00	10.00
15,000.00 or more but less than 20,000.00	250.00	275.00	10.00
20,000.00 or more but less than 30,000.00	300.00	330.00	10.00
30,000.00 or more but less than 40,000.00	400.00	440.00	10.00
40,000.00 or more but less than 50,000.00	600.00	660.00	10.00
50,000.00 or more but less than 75,000.00	900.00	990.00	10.00
75,000.00 or more but less than 100,000.00	1,200.00	1,320.00	10.00
100,000.00 or more but less than 150,000.00	1,700.00	1,870.00	10.00
150,000.00 or more but less than 200,000.00	2,200.00	2,420.00	10.00
200,000.00 or more but less than 300,000.00	3,000.00	3,300.00	10.00
300,000.00 or more but less than 500,000.00	4,000.00	4,400.00	10.00
500,000.00 or more but less than 750,000.00	6,000.00	6,600.00	10.00
750,000.00 or more but less than 1,000,000.00	8,000.00	8,800.00	10.00
1,000,000.00 or more but less than 2,000,000.00	8,100 - 9,000	10,000.00	11.11 to 23.45
2,000,000.00 or more	9,000 + 100 for every P100,000 in excess of 2,000,000	50% of 1%	at least 15.38

Table 4
COMPARISON OF BUSINESS TAX PROVISION IN PD 231 AND 1991 LGC

C. On all exporters in accordance with the following schedule:

With gross sales or receipts for the preceding calendar year in the amount of:	Amount of Tax per annum		Percentage Change
	PD 231	1991 LGC	
Less than P10,000.00		P 82.50	(91.75)
10,000.00 or more but less than P 15,000.00	P 1,000.00	110.00	(89.00)
15,000.00 or more but less than 20,000.00	1,000.00	151.00	(84.50)
20,000.00 or more but less than 30,000.00	1,000.00	220.00	(78.00)
30,000.00 or more but less than 40,000.00	1,000.00	330.00	(67.00)
40,000.00 or more but less than 50,000.00	1,000.00	412.50	(58.75)
50,000.00 or more but less than 75,000.00	1,000.00	660.00	(34.00)
75,000.00 or more but less than 100,000.00	1,000.00	825.00	(17.25)
100,000.00 or more but less than 150,000.00	1,000.00	1,100.00	10.00
150,000.00 or more but less than 200,000.00	1,000.00	1,375.00	37.50
200,000.00 or more but less than 300,000.00	1,000.00	1,925.00	92.50
300,000.00 or more but less than 500,000.00	1,000.00	2,750.00	175.00
500,000.00 or more but less than 750,000.00	1,000.00	4,000.00	300.00
750,000.00 or more but less than 1,000,000.00	1,000.00	5,000.00	400.00
1,000,000.00 or more but less than 2,000,000.00	2,000.00	6,875.00	273.75
2,000,000.00 or more but less than 3,000,000.00	2,000.00	8,250.00	312.50
3,000,000.00 or more but less than 4,000,000.00	2,000.00	9,900.00	395.00
4,000,000.00 or more but less than 5,000,000.00	2,000.00	11,550.00	477.50
5,000,000.00 or more but less than 6,500,000.00	3,000.00	12,187.50	306.25
6,500,000.00 or more but less than 10,000,000.00	3,000.00	18.75% of 1%	
10,000,000.00 or more but less than 20,000,000.00	5,000.00	18.75% of 1%	at least 306.87
20,000,000.00 or more but less than 30,000,000.00	7,000.00	18.75% of 1%	
30,000,000.00 or more but less than 50,000,000.00	10,000.00	18.75% of 1%	
50,000,000.00 or more but less than 75,000,000.00	15,000.00		
75,000,000.00 or more but less than 100,000,000.00	20,000.00		
over 100 million	20,000.00 + P200 for every P 1 M		

Table 4
COMPARISON OF BUSINESS TAX PROVISION IN PD 231 AND 1991 LGC

D. On retailers in accordance with the following schedules:

With gross sales or receipts for the preceding calendar year in the amount of:		Amount of Tax per annum		Percentage Change
		PD 231	1991 LGC	
Less than P1,000.00		P 15.00	20%	33.33
1,000.00 or more but less than	P 2,000.00	30.00	20%	(33.27) to 33.27
2,000.00 or more but less than	3,000.00	45.00	20%	(11.07) to 33.28
3,000.00 or more but less than	4,000.00	65.00	20%	(7.66) to 23.05
4,000.00 or more but less than	5,000.00	90.00	20%	(11.09) to 11.09
5,000.00 or more but less than	6,000.00	110.00	20%	(9.07) to 9.07
6,000.00 or more but less than	7,000.00	130.00	20%	(7.68) to 7.68
7,000.00 or more but less than	8,000.00	150.00	20%	(6.65) to 6.65
8,000.00 or more but less than	10,000.00	170.00	20%	(5.87) to 17.63
10,000.00 or more but less than	15,000.00	200.00	20%	0.00 to 49.99
15,000.00 or more but less than	20,000.00	250.00	20%	20.00 to 59.99
20,000.00 or more but less than	30,000.00	300.00	20%	33.34 to 99.99
30,000.00 or more but less than	40,000.00	400.00	20%	50.00 to 99.99
40,000.00 or more but less than	50,000.00	600.00	20%	33.33 to 66.66
50,000.00 or more but less than	75,000.00	900.00	20%	11.11 to 66.66
75,000.00 or more but less than	100,000.00	1,200.00	20%	25.00 to 66.66
100,000.00 or more but less than	150,000.00	1,700.00	20%	17.65 to 76.47
150,000.00 or more but less than	200,000.00	2,200.00	20%	36.36 to 81.82
200,000.00 or more but less than	300,000.00	3,000.00	20%	33.33 to 99.99
300,000.00 or more but less than	400,000.00	4,000.00	2%	50.00 to 99.99
400,000.00 or more but less than	500,000.00	4,000.00	1%	0.00 to 25.00
500,000.00 or more but less than	750,000.00	6,000.00	1%	(16.67) to 24.99
750,000.00 or more but less than	1,000,000.00	8,000.00	1%	(6.25) to 25.00
For every P100,000.00 in excess of P1 million		100.00	1%	at least 35.00

TABLE 5
LICENSE AND BUSINESS TAX
AND CHANGES IN THE ALLOWABLE TAX RATES

	Urban/ Industrial Municipality	Rural/ Agricultural Municipality
Levels (P 1000)		
1992	3688.37	61.53
1993A		
Local Sanggunian passes max. rates for LBT	5001.44	101.51
1993B		
Local Sanggunian does not pass new LBT ord.	4167.86	69.53
Percentage Change		
1993A/1992	35.60	64.98
1993B/1992	13.00	13.00
Memo Items:		
Share of retail	0.20	0.90
Share of others	0.80	0.10
% change in retail tax	0.40	0.50
% change in other tax	0.15	0.10
Trend growth	0.13	0.13

**TABLE 6
OTHER TAXES, FEES AND CHARGES
AND CHANGES IN THE ALLOWABLE TAX RATES**

2/1

	Urban/ Industrial Province	Rural Agricultural Province	Urban/ Industrial Municipality	Rural Agricultural Municipality
Levels (P 1000)				
1992				
Transfer tax	903.94	37.27	0.00	0.00
Tax on printing	3.82	2.91	0.00	0.00
Franchise tax	24.98	5.17	0.00	0.00
Sand and gravel tax	40.31	79.96	0.16	0.31
Amusement tax	310.43	67.59	0.00	0.00
Tax on delivery vans	20.77	11.21	0.00	0.00
Professional tax	91.44	24.85	34.38	0.27
Community tax	1234.73	310.47	145.24	10.59
Other fees and charges	254.58	68.99	246.14	44.92
Total	2885.01	608.42	425.92	56.08
1993A (with new ordinances)				
Transfer tax	4338.89	178.92	0.00	0.00
Tax on printing	4.40	3.35	0.00	0.00
Franchise tax	49.13	10.17	0.00	0.00
Sand and gravel tax	95.77	189.96	0.91	1.72
Amusement tax	172.29	37.51	86.15	0.00
Tax on delivery vans	191.12	103.09	0.00	0.00
Professional tax	652.09	177.21	0.00	0.00
Community tax	0.00	0.00	1577.83	114.99
Other fees and charges	366.60	99.34	354.44	64.68
Total	5870.28	799.55	2019.33	181.39
1993B (without new ordinances)				
Transfer tax	1084.72	44.73	0.00	0.00
Tax on printing	4.40	3.35	0.00	0.00
Franchise tax	49.13	10.17	0.00	0.00
Sand and gravel tax	17.97	35.64	0.17	0.32
Amusement tax	172.29	37.51	86.15	0.00
Tax on delivery vans	23.89	12.89	0.00	0.00
Professional tax	135.85	36.92	0.00	0.00
Community tax	0.00	0.00	350.63	25.55
Other fees and charges	305.50	82.78	295.37	53.90
Total	1793.74	263.99	732.31	79.78

TABLE 6
OTHER TAXES, FEES AND CHARGES
AND CHANGES IN THE ALLOWABLE TAX RATES

	Urban/ Industrial Province	Rural Agricultural Province	Urban/ Industrial Municipality	Rural Agricultural Municipality
Percentage Change				
<i>1993A/1992</i>				
Transfer tax	380.00	380.00		
Tax on printing	15.00	15.00		
Franchise tax	96.67	96.67		
Sand and gravel tax	137.57	137.57	454.32	454.32
Amusement tax	-44.50	-44.50		
Tax on delivery vans	820.00	820.00		
Professional tax	613.14	613.14	-100.00	-100.00
Community tax	-100.00	-100.00	986.35	986.35
Other fees and charges	44.00	44.00	44.00	44.00
Total	103.47	31.41	374.10	223.44
<i>1993B/1992 *</i>				
Transfer tax	20.00	20.00		
Tax on printing	15.00	15.00		
Franchise tax	96.67	96.67		
Sand and gravel tax	-55.43	-55.43	4.00	4.00
Amusement tax	-44.50	-44.50		
Tax on delivery vans	15.00	15.00		
Professional tax	48.57	48.57	-100.00	-100.00
Community tax	-100.00	-100.00	141.41	141.41
Other fees and charges	20.00	20.00	20.00	20.00
Total	-37.83	-56.61	71.93	42.25

* When no new ordinances are enacted, projected, change in revenues result from changes in sharing formula and trend growth in revenues.

TABLE 7
PROJECTED LOCAL REVENUES
OF LGUS WITH THE 1991 LGC

	Urban/ Industrial Province	Rural Agricultural Province	Urban/ Industrial Municipality	Rural Agricultural Municipality
Levels (P 1000)				
1992				
Real Property Tax				
Basic	18291.22	4110.89	2016.75	80.31
SEF	3080.08	688.82	559.86	136.84
Total	21371.30	4799.71	2576.61	217.15
License and Business Tax	0.00	0.00	3688.37	61.53
Other Taxes, Fees and Charges	2885.01	608.42	425.92	56.08
Income from Business Enterprise	429.22	2318.74	26200.82	266.17
Other Income	8747.17	3685.75	36.29	32.44
Total	33432.71	11412.62	32928.01	633.37
Total less SEF	30352.63	10723.80	32368.15	496.53
1993				
Max. RPT rates; max. LBT/other tax rates; 50% increase in schedule of values				
Real Property Tax				
Basic	16686.11	4136.51	2546.77	100.23
SEF	7224.30	1791.70	723.20	160.45
Total	23910.41	5928.21	3269.97	260.68
License and Business Tax	0.00	0.00	5001.44	101.51
Other Taxes, Fees and Charges	5870.28	799.55	2019.33	181.39
Income from Business Enterprise	576.88	3116.39	35213.90	357.73
Other Income	10496.61	4422.90	43.55	38.93
Total	40854.17	14267.04	45548.19	940.25
Total less SEF	33629.87	12475.34	44824.99	779.80
Percentage Change				
1993/1992				
Real Property Tax				
Basic	-8.78	0.62	26.28	24.80
SEF	134.55	160.11	29.18	17.25
Total	11.88	23.51	26.91	20.05
License and Business Tax			35.60	64.98
Other Taxes, Fees and Charges	103.48	31.41	374.11	223.45
Income from Business Enterprise	34.40	34.40	34.40	34.40
Other Income	20.00	20.00	20.00	20.00
Total	22.20	25.01	38.33	48.45
Total less SEF	10.80	16.33	38.48	57.05

Table 3
GENERAL GOVERNMENT REVENUES

	1981-81			1982-82			1981-82			1988			1989			1990			1991			1992			1993		
	TOTAL	NG	LG	TOTAL	NG	LG	TOTAL	NG	LG	TOTAL	NG	LOCAL	TOTAL	NG	LOCAL	TOTAL	NG	LOCAL	TOTAL	NG	LOCAL	TOTAL	NG	LOCAL			
National Levels (in m.Non-pasco)																											
Total	106,021	90,647	8,495	885,924	851,880	14,265	129,784	122,933	6,851	118,398	112,891	5,526	160,178	152,410	7,768	180,170	180,902	9,268	231,320	220,787	10,533	283,787	242,714	11,043	278,091	280,405	17,686
Total Tax Revenues	80,839	63,180	5,889	230,098	213,438	16,661	108,879	104,117	4,762	94,202	90,352	3,850	127,130	122,482	4,648	187,719	181,700	6,019	189,235	182,275	6,960	216,382	209,708	7,877	243,818	230,170	13,648
Non-Tax	18,182	16,397	1,795	39,824	38,122	3,704	20,906	18,816	2,089	24,193	22,539	1,676	33,048	29,928	3,120	32,451	29,202	3,249	42,085	38,512	3,573	37,378	34,009	3,369	34,273	50,235	4,041
Ratio to GNP (in percent)																											
Total	14.23	14.08	0.84	18.31	17.32	0.98	13.45	14.38	0.88	14.86	14.28	0.70	17.54	18.71	0.85	17.87	18.71	0.86	18.27	17.44	0.83	18.31	17.82	0.80	18.20	17.19	1.18
Total Tax Revenues	12.47	11.80	0.88	18.83	18.10	0.73	12.39	13.29	0.80	11.89	11.41	0.48	12.94	13.43	0.51	14.57	14.01	0.56	14.95	14.40	0.55	16.62	16.08	0.59	16.04	15.14	0.90
Non-Tax	2.48	2.19	0.27	2.48	2.22	0.25	2.48	2.19	0.28	3.05	2.87	0.21	3.82	3.28	0.34	3.30	2.70	0.30	3.32	3.04	0.28	2.70	2.46	0.24	2.20	1.89	0.27
Percent Distribution																											
Total	100.00	84.24	8.70	100.00	94.64	8.38	100.00	94.20	8.70	100.00	95.33	4.87	100.00	95.15	4.85	100.00	95.13	4.87	100.00	85.43	4.55	100.00	95.65	4.35	100.00	93.84	5.38
Total Tax Revenues	100.00	95.20	4.70	100.00	95.43	4.27	100.00	95.32	4.88	100.00	95.81	4.89	100.00	96.23	3.67	100.00	96.19	3.81	100.00	96.21	3.89	100.00	96.43	3.55	100.00	94.40	5.60
Non-Tax	100.00	88.28	11.74	100.00	89.60	10.40	100.00	88.48	11.54	100.00	93.04	6.88	100.00	90.83	9.37	100.00	89.86	10.04	100.00	81.55	3.45	100.00	90.89	8.01	100.00	89.21	11.79

REVENUE STRUCTURE OF LOCAL GOVERNMENTS: 1981-1993 (RATIO TO GNP in %)

I. ALL LGUs	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	0.84	0.96	0.86	1.02	1.00	0.97	0.76	0.76	0.77	0.73	0.70	0.85	0.86	0.83	0.80	1.16
I. Tax Revenues	0.58	0.73	0.60	0.75	0.71	0.67	0.52	0.52	0.55	0.51	0.49	0.51	0.56	0.55	0.55	0.90
1. Real Property Taxes	0.35	0.34	0.35	0.46	0.44	0.41	0.32	0.32	0.35	0.32	0.29	0.30	0.35	0.34	0.31	0.37
2. Others	0.22	0.39	0.25	0.29	0.27	0.26	0.20	0.21	0.20	0.19	0.20	0.21	0.21	0.21	0.24	0.53
II. Operating & Misc. Revenues	0.26	0.24	0.25	0.27	0.28	0.29	0.24	0.26	0.22	0.22	0.21	0.27	0.28	0.28	0.22	0.26
III. Capital	0.01	0.01	0.01	*	*	*	*	*	*	*	*	0.07	0.02	0.02	0.02	*
B. EXTERNAL SOURCES	0.82	1.46	0.92	0.80	0.89	0.88	0.68	0.75	0.68	0.60	0.99	0.82	0.91	1.06	1.16	1.74
1. Shares from National Taxes	0.61	1.36	0.72	0.61	0.72	0.71	0.55	0.59	0.54	0.50	0.53	0.55	0.65	0.75	1.11	1.60
2. Grants in Aids	0.19	0.04	0.17	0.15	0.15	0.12	0.10	0.13	0.12	0.09	0.46	0.27	0.25	0.27	0.04	0.04
3. Inter-local Government Transact	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
4. Borrowings	0.02	0.06	0.02	0.04	0.02	0.03	0.03	0.01	0.01	*	*	0.01	0.01	0.04	0.03	0.09
5. Others	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	1.67	2.44	1.79	1.82	1.89	1.84	1.45	1.53	1.45	1.33	1.69	1.67	1.77	1.89	1.96	2.91
I. ALL PROVINCES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	0.17	0.15	0.16	0.19	0.17	0.20	0.15	0.15	0.14	0.13	0.12	0.23	0.17	0.15	0.13	0.16
I. Tax Revenues	0.09	0.09	0.09	0.12	0.11	0.11	0.09	0.08	0.09	0.08	0.08	0.09	0.08	0.07	0.07	0.11
1. Real Property Taxes	0.07	0.07	0.07	0.10	0.09	0.09	0.07	0.06	0.06	0.07	0.06	0.07	0.06	0.06	0.06	0.08
2. Others	0.02	0.02	0.02	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.03
II. Operating & Misc. Revenues	0.07	0.05	0.06	0.07	0.06	0.06	0.06	0.07	0.05	0.04	0.04	0.08	0.09	0.08	0.04	0.06
III. Capital	0.01	0.01	0.01	*	*	*	*	*	*	*	*	0.07	*	*	0.02	*
B. EXTERNAL SOURCES	0.29	0.43	0.31	0.30	0.32	0.32	0.25	0.29	0.26	0.22	0.39	0.28	0.27	0.34	0.34	0.52
1. Shares from National Taxes	0.18	0.40	0.21	0.16	0.21	0.21	0.16	0.18	0.17	0.16	0.15	0.15	0.18	0.21	0.31	0.49
2. Grants in Aids	0.11	0.02	0.09	0.11	0.10	0.09	0.07	0.10	0.09	0.06	0.24	0.12	0.08	0.11	0.02	0.02
3. Inter-local Government Transact	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
4. Borrowings	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	*	*	*	*	*	*	*	*
5. Others	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	0.46	0.58	0.48	0.50	0.51	0.51	0.39	0.44	0.40	0.35	0.51	0.51	0.44	0.49	0.47	0.68
II. ALL CITIES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	0.37	0.38	0.38	0.47	0.46	0.44	0.35	0.35	0.35	0.33	0.31	0.33	0.37	0.36	0.33	0.44
I. Tax Revenues	0.28	0.30	0.28	0.36	0.36	0.33	0.26	0.25	0.26	0.24	0.23	0.24	0.26	0.25	0.25	0.35
1. Real Property Taxes	0.16	0.14	0.16	0.22	0.21	0.19	0.15	0.14	0.15	0.14	0.13	0.13	0.15	0.15	0.13	0.15
2. Others	0.12	0.16	0.12	0.16	0.15	0.14	0.11	0.11	0.11	0.10	0.10	0.11	0.11	0.11	0.12	0.2
II. Operating & Misc. Revenues	0.09	0.08	0.09	0.10	0.10	0.11	0.09	0.11	0.09	0.08	0.08	0.09	0.09	0.09	0.08	0.09
III. Capital	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
B. EXTERNAL SOURCES	0.23	0.46	0.26	0.25	0.29	0.28	0.22	0.23	0.19	0.18	0.20	0.21	0.23	0.26	0.35	0.57
1. Shares from National Taxes	0.20	0.40	0.23	0.22	0.27	0.25	0.19	0.21	0.17	0.15	0.16	0.17	0.20	0.22	0.33	0.48
2. Grants in Aids	0.02	*	0.02	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.03	0.03	0.03	0.03	*	*
3. Inter-local Government Transact	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
4. Borrowings	0.01	0.05	0.01	0.02	0.01	0.02	0.02	0.01	0.01	*	*	*	0.01	0.01	0.02	0.07
5. Others	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	0.60	0.84	0.64	0.73	0.75	0.72	0.57	0.59	0.54	0.49	0.51	0.54	0.60	0.61	0.68	1.003
IV. ALL MUNICIPALITIES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	0.30	0.45	0.33	0.36	0.34	0.33	0.26	0.27	0.29	0.27	0.27	0.29	0.33	0.32	0.33	0.56
I. Tax Revenues	0.21	0.34	0.23	0.25	0.24	0.23	0.18	0.19	0.20	0.18	0.17	0.18	0.23	0.22	0.23	0.44
1. Real Property Taxes	0.12	0.13	0.12	0.15	0.14	0.13	0.11	0.11	0.12	0.11	0.09	0.10	0.14	0.13	0.12	0.15
2. Others	0.09	0.21	0.11	0.10	0.10	0.10	0.08	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.12	0.3
II. Operating & Misc. Revenues	0.09	0.11	0.10	0.10	0.10	0.10	0.08	0.08	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.12
III. Capital	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
B. EXTERNAL SOURCES	0.30	0.58	0.34	0.24	0.29	0.28	0.22	0.23	0.23	0.21	0.41	0.34	0.41	0.46	0.50	0.68
1. Shares from National Taxes	0.23	0.56	0.28	0.21	0.25	0.25	0.20	0.21	0.20	0.19	0.22	0.23	0.27	0.33	0.47	0.62
2. Grants in Aids	0.07	0.02	0.06	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.19	0.11	0.14	0.13	0.02	0.02
3. Inter-local Government Transact	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
4. Borrowings	*	0.01	*	*	*	*	*	*	*	*	*	*	*	*	0.01	0.01
5. Others	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	0.60	1.03	0.67	0.59	0.63	0.61	0.49	0.50	0.51	0.49	0.67	0.63	0.73	0.79	0.83	1.22

* Less than .01 %.

Table 9.b

REVENUE STRUCTURE OF ALL LOCAL GOVERNMENTS: 1981-1992 (RATIO TO TOTAL INCOME in %)

I. ALL LGUs	1981-91	1992-93	1981-93	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	average	average	average													
A. LOCAL SOURCES	50.73	40.13	49.10	56.17	52.69	52.46	52.74	51.09	53.30	54.79	41.32	50.82	48.82	44.07	40.26	40.00
I. Tax Revenues	34.76	29.42	33.94	41.28	37.70	36.57	36.28	34.10	37.96	38.41	28.75	30.55	31.53	29.21	27.98	30.86
1. Real Property Taxes	21.31	14.21	20.22	25.39	23.45	22.45	22.28	20.61	24.02	23.82	16.99	17.91	19.58	17.96	15.72	12.71
2. Others	13.45	15.21	13.72	15.90	14.25	14.12	14.00	13.49	13.95	14.59	11.76	12.64	11.97	11.24	12.27	18.15
II. Operating & Misc. Revenues	15.30	10.10	14.50	14.74	14.83	15.71	16.39	16.81	15.27	16.28	12.47	16.00	15.94	13.85	11.13	9.07
III. Capital	0.68	0.60	0.66	0.14	0.16	0.18	0.07	0.18	0.06	0.10	0.11	4.28	1.15	1.02	1.14	0.07
B. EXTERNAL SOURCES	49.27	59.87	50.90	43.83	47.31	47.54	47.26	48.91	46.70	45.21	58.68	49.18	51.38	55.93	59.74	60.00
1. Shares from National Taxes	36.58	55.82	39.54	33.29	38.22	38.86	37.94	38.73	37.51	37.62	31.37	32.63	36.69	39.77	56.06	55.46
2. Grants in Aids	11.42	1.72	9.93	8.31	7.75	6.75	7.14	8.79	8.48	7.10	26.91	16.08	14.12	14.21	1.98	1.46
3. Inter-local Government Transacti	0.06	0.02	0.05	0.02	0.02	0.12	0.07	0.06	0.07	0.14	0.05	0.05	0.01	0.01	0.02	0.02
4. Borrowings	1.06	2.29	0.25	2.04	1.14	1.90	2.03	0.93	0.57	0.15	0.25	0.31	0.51	1.88	1.53	3.04
5. Others	0.14	0.03	0.12	0.16	0.18	0.12	0.08	0.39	0.07	0.20	0.10	0.11	0.04	0.06	0.04	0.02
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. ALL PROVINCES	1981-91	1992-93	1981-93	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	average	average	average													
A. LOCAL SOURCES	36.02	26.18	34.51	38.76	37.47	38.30	37.34	34.66	34.67	35.36	23.16	45.74	38.69	31.11	28.54	23.82
I. Tax Revenues	20.15	15.49	19.49	24.80	22.34	22.10	21.70	18.75	22.73	24.21	15.82	16.98	17.31	14.93	15.32	15.66
1. Real Property Taxes	16.11	12.21	15.51	19.31	18.23	17.20	16.97	14.71	18.81	19.79	12.78	13.62	13.93	11.92	13.16	11.26
2. Others	4.04	3.28	3.92	5.49	4.11	4.91	4.73	4.04	3.91	4.42	3.06	3.37	3.38	3.01	2.16	4.40
II. Operating & Misc. Revenues	14.48	8.58	13.57	13.61	15.03	16.00	15.52	15.43	11.88	12.01	7.24	15.90	20.97	15.67	9.06	8.09
III. Capital	1.39	2.11	1.50	0.34	0.11	0.20	0.12	0.48	0.07	0.14	0.09	12.86	0.41	0.51	4.15	0.07
B. EXTERNAL SOURCES	63.98	73.82	65.49	61.24	62.53	61.70	62.66	65.34	65.33	63.64	76.84	54.26	61.31	68.89	71.46	76.16
1. Shares from National Taxes	39.35	69.49	43.99	36.31	41.17	41.28	41.66	40.35	43.06	46.31	29.32	29.36	41.73	42.30	66.35	72.61
2. Grants in Aids	22.80	3.33	19.81	22.68	19.21	17.14	18.42	23.42	21.99	16.04	47.11	24.23	19.25	21.33	4.24	2.42
3. Inter-local Government Transacti	0.16	0.02	0.14	0.09	0.06	0.43	0.22	0.00	0.19	0.46	0.15	0.11	0.03	0.04	0.03	0.01
4. Borrowings	1.42	0.95	1.35	1.96	1.57	2.52	2.11	1.24	0.02	0.36	0.05	0.45	0.17	5.22	0.79	1.11
5. Others	0.24	0.03	0.21	0.21	0.52	0.32	0.25	0.33	0.07	0.48	0.21	0.11	0.13	0.01	0.03	0.03
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. ALL CITIES	1981-91	1992-93	1981-93	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	average	average	average													
A. LOCAL SOURCES	62.21	46.09	59.73	65.09	61.58	61.42	61.88	60.80	65.01	66.60	61.33	61.69	61.09	57.98	48.59	43.59
I. Tax Revenues	45.95	35.68	44.37	51.74	47.80	46.42	45.24	42.51	48.17	49.33	45.42	44.59	42.84	41.43	36.75	34.60
1. Real Property Taxes	26.36	17.08	24.93	30.12	28.03	26.94	26.25	23.90	27.99	28.53	25.03	24.32	24.88	23.96	19.45	14.72
2. Others	19.59	18.59	19.44	21.62	19.77	19.48	18.99	18.61	20.18	20.80	20.40	20.27	17.95	17.47	17.31	19.88
II. Operating & Misc. Revenues	15.85	10.27	14.82	13.33	13.67	14.86	16.60	18.04	16.81	17.22	15.79	16.28	15.41	14.19	11.65	8.90
III. Capital	0.60	0.14	0.53	0.01	0.11	0.14	0.04	0.06	0.03	0.05	0.13	0.84	2.84	2.36	0.19	0.09
B. EXTERNAL SOURCES	37.79	53.91	40.27	34.91	38.42	38.58	38.12	39.40	34.99	33.40	38.67	38.31	38.91	42.02	51.41	56.41
1. Shares from National Taxes	32.85	48.27	35.22	29.81	35.42	34.69	33.94	35.09	31.36	30.39	31.83	31.43	32.71	35.30	47.89	48.57
2. Grants in Aids	3.39	0.44	2.93	1.73	2.05	1.73	1.45	1.95	2.55	2.77	6.11	6.29	5.08	5.57	0.30	0.57
3. Inter-local Government Transacti	0.02	0.01	0.01	*	*	*	0.01	0.17					*	*	0.01	0.01
4. Borrowings	1.39	5.19	1.98	3.21	0.86	2.10	3.90	1.46	1.02	0.08	0.65	0.42	1.11	1.12	3.10	7.27
5. Others	0.14	0.01	0.12	0.17	0.09	0.06	0.01	0.73	0.05	0.17	0.08	0.16	0.00	0.03	0.02	*
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. ALL MUNICIPALITIES	1981-91	1992-93	1981-93	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	average	average	average													
A. LOCAL SOURCES	50.87	43.08	49.67	59.75	54.42	53.76	54.49	54.42	55.50	56.13	39.74	45.64	44.36	41.34	40.07	46.10
I. Tax Revenues	34.93	32.13	34.50	42.20	38.10	37.10	37.57	37.77	39.12	37.64	25.77	29.57	30.75	28.61	27.98	36.28
1. Real Property Taxes	20.35	12.99	19.21	24.65	22.22	21.58	21.92	21.95	23.90	21.99	14.06	15.90	18.55	17.07	14.12	11.87
2. Others	14.58	19.14	15.28	17.55	15.88	15.52	15.65	15.81	15.23	15.65	11.71	13.67	12.20	11.54	13.86	24.42
II. Operating & Misc. Revenues	15.78	10.82	15.02	17.42	16.04	16.46	16.86	16.59	16.30	18.38	13.86	15.85	13.40	12.45	11.88	9.76
III. Capital	0.16	0.13	0.15	0.13	0.28	0.19	0.06	0.06	0.07	0.11	0.10	0.23	0.21	0.28	0.21	0.06
B. EXTERNAL SOURCES	49.13	56.92	50.33	40.25	45.58	46.24	45.51	45.58	44.50	43.87	60.20	54.36	55.64	58.66	59.93	53.90
1. Shares from National Taxes	38.45	54.32	40.90	35.03	39.16	41.13	40.31	41.56	39.65	38.65	32.56	36.32	36.95	41.68	56.91	51.55
2. Grants in Aids	10.17	1.86	8.89	4.42	5.27	3.95	4.70	3.93	4.18	5.06	27.55	17.83	18.45	16.50	2.08	1.85
3. Inter-local Government Transacti	0.02	0.03	0.02	*	*	*	0.01	*	0.06	0.05	*	0.03	0.01	0.01	0.02	0.04
4. Borrowings	0.44	0.66	0.48	0.68	1.13	1.14	0.48	0.04	0.54	0.07	0.10	0.11	0.22	0.37	0.68	0.64
5. Others	0.05	0.04	0.05	0.12	0.02	0.02	0.02	0.05	0.07	0.04	0.05	0.07	0.01	0.11	0.07	0.02
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 9.c
REVENUE STRUCTURE OF ALL LOCAL GOVERNMENTS: 1981-1993 (REAL PERCAPITA IN 1985 PRICES)

I. ALL LGUs	1991-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	97.51	112.78	99.85	129.56	126.76	121.91	85.45	79.54	80.05	78.90	77.88	97.85	100.90	96.18	91.50	134.09
I. Tax Revenues	66.67	63.51	69.43	95.23	90.71	84.99	56.78	53.08	57.03	53.92	54.03	58.70	65.43	63.74	63.81	103.45
1. Real Property Taxes	41.00	39.15	40.71	58.56	56.42	52.18	36.10	32.08	36.06	33.43	31.93	34.41	40.59	39.20	35.73	42.60
2. Others	25.68	44.36	26.72	36.67	34.29	32.81	22.68	21.00	20.85	20.48	22.09	24.29	24.84	24.53	27.68	60.85
II. Operating & Misc. Revenues	29.29	27.85	29.07	34.01	35.88	36.51	29.58	28.17	22.94	22.85	23.43	30.73	33.08	30.23	25.30	30.40
III. Capital	1.34	1.41	1.35	0.33	0.40	0.41	0.11	0.28	0.09	0.13	0.20	8.22	2.38	2.22	2.59	0.23
B. EXTERNAL SOURCES	95.01	166.41	106.31	101.11	113.84	110.49	78.56	76.13	70.15	63.48	110.28	94.50	106.63	122.05	135.80	201.12
1. Shares from National Taxes	70.37	155.95	83.49	78.79	81.97	89.85	61.46	60.30	56.35	52.80	58.96	62.69	76.15	86.78	127.42	163.97
2. Grants in Aids	22.11	4.70	18.43	19.18	18.85	15.88	11.57	13.68	12.73	9.97	50.57	30.90	29.31	31.01	4.51	4.89
3. Inter-local Government Transact	0.10	0.05	0.09	0.06	0.04	0.28	0.11	0.10	0.11	0.20	0.09	0.09	0.03	0.03	0.04	0.08
4. Borrowings	2.17	8.83	2.89	4.71	2.75	4.41	3.29	1.45	0.88	0.21	0.47	0.60	1.06	4.09	3.49	10.18
5. Others	0.28	0.08	0.23	0.36	0.44	0.28	0.13	0.61	0.10	0.28	0.20	0.22	0.08	0.13	0.10	0.08
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	192.52	281.17	206.16	230.67	240.63	232.40	162.01	155.67	150.21	140.36	187.94	192.15	207.52	218.23	227.30	335.21

I. ALL PROVINCES	1991-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	24.23	21.57	23.82	30.91	30.68	31.35	20.81	18.72	18.17	17.02	16.48	33.97	25.06	22.40	19.45	23.71
I. Tax Revenues	13.45	13.01	13.39	19.78	3.29	16.09	12.09	10.87	11.91	11.33	11.26	12.61	11.21	10.75	10.44	15.59
1. Real Property Taxes	10.74	10.09	10.64	15.40	14.93	14.07	9.48	8.37	9.86	9.26	9.08	10.11	9.03	8.58	8.97	11.21
2. Others	2.71	2.92	2.75	4.38	3.36	4.02	2.63	2.30	2.05	2.07	2.18	2.50	2.19	2.17	1.47	4.38
II. Operating & Misc. Revenues	9.76	7.11	9.35	10.65	12.31	13.09	8.65	8.78	6.22	5.62	5.15	11.81	13.58	11.28	8.17	8.06
III. Capital	1.02	1.45	1.09	0.27	0.09	0.17	0.07	0.27	0.04	0.07	0.07	9.55	0.27	0.37	2.83	0.06
B. EXTERNAL SOURCES	42.81	82.26	48.50	48.84	51.20	50.49	34.92	37.17	34.24	29.78	54.68	40.30	39.71	49.61	48.70	75.85
1. Shares from National Taxes	26.09	59.65	31.10	26.86	33.72	33.78	23.22	22.95	22.57	21.87	20.86	21.81	27.03	30.46	45.21	72.12
2. Grants in Aids	15.44	2.85	13.47	18.09	15.73	14.03	10.27	13.32	11.53	7.51	33.53	17.99	12.47	15.36	2.89	2.41
3. Inter-local Government Transact	0.10	0.01	0.09	0.07	0.05	0.35	0.12	0.00	0.10	0.21	0.11	0.08	0.02	0.03	0.02	0.01
4. Borrowings	1.02	0.82	0.99	1.56	1.28	2.06	1.18	0.71	0.01	0.17	0.04	0.34	0.11	3.76	0.54	1.10
5. Others	0.16	0.02	0.14	0.17	0.42	0.26	0.14	0.19	0.04	0.22	0.15	0.08	0.08	0.00	0.02	0.03
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	67.05	83.83	69.63	79.75	81.89	81.84	55.73	56.89	52.41	46.80	71.16	74.27	64.77	72.01	68.15	99.56

I. ALL CITIES	1991-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	205.70	210.03	206.37	263.94	281.40	262.80	186.05	170.53	171.11	162.95	165.13	180.31	203.45	195.12	180.01	240.18
I. Tax Revenues	152.78	163.33	154.41	225.74	218.45	198.61	136.02	118.81	126.78	120.89	122.29	130.33	142.67	139.43	136.14	190.67
1. Real Property Taxes	87.85	76.55	86.11	131.40	128.10	115.28	78.92	67.24	73.68	69.80	67.38	71.09	82.88	80.63	72.04	81.12
2. Others	64.93	86.80	68.29	94.34	90.35	83.33	57.09	52.37	53.10	50.99	54.91	59.23	59.79	58.80	64.11	109.55
II. Operating & Misc. Revenues	50.84	48.07	50.19	58.15	62.47	63.57	49.91	50.76	44.24	42.14	42.50	47.52	51.31	47.74	43.14	49.02
III. Capital	1.99	0.60	1.76	0.06	0.48	0.62	0.12	0.16	0.09	0.12	0.34	2.47	9.47	7.95	0.72	0.49
B. EXTERNAL SOURCES	125.39	250.57	144.65	152.31	175.57	185.06	114.60	110.87	92.09	81.73	104.10	111.97	129.59	141.40	190.43	310.86
1. Shares from National Taxes	109.23	220.41	126.33	130.06	161.84	148.43	100.24	98.74	82.53	74.36	85.71	91.87	108.95	118.80	177.40	263.56
2. Grants in Aids	10.74	2.13	9.42	7.53	9.39	7.39	4.36	5.49	6.72	6.77	16.44	18.39	16.91	18.75	1.13	3.14
3. Inter-local Government Transact	0.05	0.03	0.04	0.00	0.00	0.00	0.04	0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.03
4. Borrowings	4.93	25.76	8.14	13.99	3.94	8.99	9.91	4.10	2.87	0.20	1.75	1.24	3.71	3.76	11.50	40.04
5. Others	0.44	0.05	0.38	0.74	0.40	0.25	0.04	2.07	0.17	0.41	0.21	0.48	0.01	0.09	0.08	0.01
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	331.09	460.60	351.02	436.26	456.97	427.86	300.64	281.40	263.20	244.69	269.23	292.29	333.05	336.52	370.44	551.04

I. ALL MUNICIPALITIES	1991-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. LOCAL SOURCES	44.34	65.34	47.57	57.16	55.36	52.71	37.62	35.39	37.45	36.82	37.76	41.56	48.48	47.42	48.52	82.21
I. Tax Revenues	30.45	49.28	33.34	40.37	38.78	38.37	25.94	24.58	26.40	24.69	24.49	26.93	33.59	32.82	33.68	64.70
1. Real Property Taxes	17.73	19.13	17.94	23.58	22.60	21.16	15.14	14.28	15.12	14.43	13.38	14.48	20.27	19.58	17.10	21.16
2. Others	12.72	30.15	15.40	16.79	16.18	15.22	10.80	10.26	10.27	10.26	11.13	12.45	13.32	13.23	16.78	43.54
II. Operating & Misc. Revenues	13.74	15.69	14.07	16.67	16.32	16.14	11.84	10.79	11.00	12.06	13.17	14.44	14.64	14.28	14.39	17.40
III. Capital	0.15	0.16	0.15	0.13	0.29	0.19	0.04	0.04	0.05	0.07	0.10	0.21	0.23	0.32	0.25	0.10
B. EXTERNAL SOURCES	44.06	84.33	50.27	38.50	46.37	45.34	31.43	29.64	30.03	28.78	57.25	49.52	60.79	67.28	72.58	96.13
1. Shares from National Taxes	33.89	79.79	40.95	33.51	39.83	40.32	27.83	27.02	26.76	25.35	30.83	33.08	40.36	47.79	68.92	90.72
2. Grants in Aids	9.72	2.73	6.64	4.22	5.36	3.87	3.24	2.55	2.82	3.32	26.18	16.25	20.15	18.92	2.51	2.95
3. Inter-local Government Transact	0.01	0.04	0.02	0.00	0.00	0.00	0.00	0.00	0.04	0.03	0.00	0.03	0.01	0.01	0.02	0.06
4. Borrowings	0.41	0.98	0.50	0.85	1.15	1.11	0.33	0.03	0.38	0.05	0.09	0.10	0.24	0.42	0.82	1.15
5. Others	0.05	0.06	0.05	0.11	0.02	0.02	0.01	0.03	0.05	0.02	0.04	0.06	0.01	0.13	0.08	0.04
TOTAL INCOME & EXTRAORDINARY RECEIPTS & BORROWINGS (A+B)	84.42	149.87	97.84	95.66	101.73	98.04	69.05	65.03	67.46	65.59	95.01	91.09	109.24	114.70	121.10	178.34

Table 10

REVENUE STRUCTURE OF ALL LOCAL GOVERNMENTS: 1981-1993
(In percent)

I. ALL LGUs	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
LOCAL SOURCES	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Tax Revenues	68.40	73.33	69.16	73.50	71.54	69.72	68.79	66.74	71.24	70.11	69.57	60.11	64.85	66.27	69.52	77.15
1. Real Property Taxes	41.91	35.41	40.91	45.20	44.50	42.81	42.24	40.34	45.06	43.48	41.12	35.23	40.29	40.76	39.04	31.77
2. Others	26.50	37.93	28.26	28.30	27.05	26.91	26.54	26.40	26.17	26.64	28.45	24.88	24.62	25.51	30.47	45.38
II. Operating & Misc. Revenues	30.23	25.16	29.45	26.25	28.14	29.94	31.08	32.90	28.66	29.71	30.17	31.47	32.79	31.43	27.65	22.67
III. Capital	1.36	1.50	1.39	0.25	0.31	0.34	0.13	0.35	0.11	0.18	0.28	8.41	2.36	2.31	2.63	0.17
II. ALL PROVINCES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
LOCAL SOURCES	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Tax Revenues	56.71	59.72	57.18	64.00	59.61	57.71	58.11	54.10	65.55	66.56	68.33	37.13	44.74	47.98	53.70	65.74
1. Real Property Taxes	45.38	46.71	45.58	49.83	48.65	44.90	45.45	42.43	54.27	54.42	55.11	29.77	36.01	38.31	46.13	47.29
2. Others	11.33	13.01	11.59	14.17	10.96	12.81	12.66	11.66	11.28	12.16	13.22	7.36	8.73	9.67	7.56	18.46
II. Operating & Misc. Revenues	40.09	32.86	38.97	35.12	40.10	41.76	41.56	44.51	34.25	33.04	31.27	34.76	54.20	50.37	31.75	33.98
III. Capital	3.20	7.42	3.85	0.88	0.29	0.53	0.32	1.39	0.20	0.38	0.40	28.11	1.05	1.65	14.56	0.27
III. ALL CITIES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
LOCAL SOURCES	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Tax Revenues	73.82	77.51	74.39	79.50	77.63	75.57	73.11	70.14	74.09	74.07	74.06	72.28	70.12	71.46	75.63	79.39
1. Real Property Taxes	42.34	36.90	41.50	46.26	45.52	43.67	42.42	39.43	43.06	42.84	40.80	39.43	40.74	41.32	40.02	33.77
2. Others	31.48	40.61	32.89	33.22	32.11	31.71	30.69	30.71	31.03	31.23	33.25	32.85	29.39	30.14	35.61	45.61
II. Operating & Misc. Revenues	25.16	22.19	24.72	20.48	22.20	24.19	26.82	29.77	25.86	25.86	25.74	26.35	25.22	24.47	23.97	20.41
III. Capital	1.00	0.30	0.89	0.02	0.17	0.23	0.07	0.10	0.05	0.07	0.20	1.37	4.65	4.08	0.40	0.20
IV. ALL MUNICIPALITIES	1981-91 average	1992-93 average	1981-93 average	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
LOCAL SOURCES	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Tax Revenues	68.52	74.27	69.40	70.62	70.01	69.02	68.95	69.40	70.49	67.05	64.85	64.78	69.33	69.21	69.82	78.71
1. Real Property Taxes	39.85	30.49	38.41	41.25	40.83	40.14	40.23	40.35	43.06	39.18	35.38	34.83	41.83	41.30	35.24	25.74
2. Others	28.67	43.77	30.99	29.38	29.18	28.88	28.72	29.05	27.43	27.87	29.47	29.95	27.49	27.91	34.58	52.97
II. Operating & Misc. Revenues	31.16	25.41	30.28	29.16	29.48	30.63	30.94	30.49	29.38	32.75	34.89	34.73	30.20	30.12	29.65	21.17
III. Capital	0.32	0.32	0.32	0.22	0.52	0.36	0.11	0.11	0.13	0.20	0.26	0.49	0.47	0.65	0.52	0.12

Table 11
 BUOYANCY COEFFICIENT OF LOCALLY GENERATED
 LGU REVENUES, 1983-1993

	1983-1991 ^a			1992 ^b			1993 ^b			1992-93 ^b		
	Total ^c	Rate ^d	Base ^e	Total ^c	Rate ^d	Base ^e	Total ^c	Rate ^d	Base ^e	Total ^c	Rate ^d	Base ^e
All LGUs												
RPT	.88	1.22	.72	.05	.03	1.64	3.37			1.59		
Other Taxes	.91	.92	.99	2.63	3.35	.79	15.40	15.95	.97	10.22	11.77	.87
Tax Revenues	.89			1.04			8.64			4.91		
Non-Tax Revenues ^f	1.01			-.81			3.48			1.09		
Local Source Revenues	.97			.50			6.69			3.40		
Provinces												
RPT	.75	1.08	.70	1.59	.85	1.88	4.07			.96		
Other Taxes	.65	.66	.99	-2.63	-3.34	.79	25.07	25.98	.97	7.38	8.50	.87
Tax Revenues	.73			.74			7.03			3.85		
Non-Tax Revenues ^f	1.13			-4.14			4.75			-.71		
Local Source Revenues	1.0			-.45			3.70			1.42		
Cities												
RPT	1.03	1.46	.70	-.18	-.14	1.27	2.55			1.07		
Other Taxes	1.04	1.05	.99	2.08	2.65	.79	9.62	9.96	.97	6.36	7.33	.87
Tax Revenues	1.03			.78			5.88			3.30		
Non-Tax Revenues ^f	1.08			-.08			2.67			1.20		
Local Source Revenues	1.05			.16			5.07			2.48		
Municipalities												
RPT	.82	1.07	.74	-.39	-.21	1.88	3.92			1.56		
Other Taxes	.85	.86	.98	4.15	5.28	.79	20.42	21.15	.97	15.25	17.57	.87
Tax Revenues	.84			1.44			12.09			7.08		
Non-Tax Revenues ^f	.84			1.15			3.58			2.41		
Local Source Revenues	.88			1.34			9.47			5.60		

^a derived using regression approach

^b derived using simple growth rate

^c ratio of percentage change in revenue to percentage change in GNP

^d ratio of percentage change in revenue to percentage

change in tax base (assessed value for RPT and

non-agriculture GVA for Other Taxes)

^e ratio of percentage change in tax base to percentage change in GNP

^f excludes revenues from sales of assets

Table 12
ASSESSORS' MARKET VALUATION AND ADVERTISED MARKET PRICES
FOR SELECTED PRICES OF PROPERTY, 1992

	Assessors' Market Value (P/m ²)	Actual Market Value (P/m ²)	Assessors Valuation Market Price (%)
Diliman, Quezon City			
Commonwealth Avenue (Don Mariano Marcos Ave.)	1800/m ²	8000/m ²	22.5
Ayala Heights Subdivision	2000/m ²	6000/m ²	33.3
La Vista Subdivision	800/m ²	2900/m ²	27.6
Xavierville Subdivision	800/m ²	7000/m ²	11.4
Makati			
Forbes Park (Residential properties bounded by EDSA, Alm, McKinley, Pill, Tamarind, Buendia and Guingua	3500/m ²	15000/m ²	23.3
Pasay Road (Commercial properties from EDSA to Pasong Tamo)	8500/m ²	41000/m ²	20.7
Pasong Tamo (Vito Cruz to J.P. Rizal St.)	2800/m ²	9300/m ²	30.1
Makati Avenue (Commercial residential properties from Gen. Luna St. to J.P. Rizal St.)	4000/m ²	38000/m ²	10.5
Makati Avenue (Commercial properties from Pasay Rd. to Jupiter St.)	10500/m ²	64000/m ²	16.4
San Miguel Village	3000/m ²	50000/m ²	6.0
	Proposed Market Value (P/m ²)	Actual Market Value (P/m ²)	Assessors Valuation Market Price (%)
Agricultural Land			
Laguna			
Coconut Land	P18/m ²	P50/m ²	3.6
Fish Pond	P120/m ²	P421/m ²	28.5

Source: E. A. Tan, "Real Property Taxation and Its Potential As a Major Source of Local Revenue", in Poverty, Growth and the fiscal Crisis by De Dios et al.

Table 13
**COLLECTION RATE OF CURRENT YEAR
 AND BASIC RPT, 1983-1992**

	All LGUs	Provinces	Cities
1983	59.71	58.61	60.87
1984	54.24	50.78	58.76
1985	46.85	41.98	53.20
1986	51.26	49.59	53.36
1987	52.77	49.53	56.74
1988	54.30	49.39	60.67
1989	57.98	55.55	60.98
1990	57.75	53.55	63.30
1991	58.92	54.09	65.06
1992	49.71	44.29	56.41

Table 14
LINEAR REGRESSIONS ON RPT COLLECTION EFFICIENCY, 1985, 1990 AND 1992^a

	Independent Variables				R ²
	Constant	Per Capita IRA	Per Capita Assessed Value	Land Area	
Provinces and Municipalities combined					
1985	29.210 (0.000)	-0.027 (0.132)	0.001 (0.005)	-0.001 (0.018)	.17
1990	40.100 (0.000)	-0.017 (0.115)	0.0002 (0.023)	-0.001 (0.082)	.10
1992	39.252 (0.000)	-0.024 (0.130)	0.001 (0.100)	-0.003 (0.032)	.07
Cities					
1985	40.884 (0.000)	-0.013 (0.382)	0.0003 (0.365)		.09
1990	54.741 (0.000)	-0.029 (0.098)	0.001 (0.062)		.09
1992	52.940 (0.000)	-0.009 (0.086)	0.0004 (0.212)		.05

^a Level of significance shown in parentheses.

Table 15.a
**LINEAR REGRESSION ON PER CAPITA LOCALLY
GENERATED REVENUES OF PROVINCES, 1985, 1990, 1992 and 1993 ^a**

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues
1985				
Constant	-3.945 (0.056)	-4.044 (0.000)	-4.054 (0.000)	0.009 (0.036)
Per Capita IRA	0.112 (0.150)	-0.023 (0.304)	-0.023 (0.303)	0.0003 (0.091)
Per Capita Income	0.003 (0.000)	0.002 (0.000)	0.002 (0.000)	2.998E-07 (0.266)
R ²	.88	.93	.93	.16
1990				
Constant	-18.561 (0.052)	-12.365 (0.0005)	-12.515 (0.000)	-0.732 (0.130)
Per Capita IRA	0.134 (0.102)	-0.002 (0.474)	-0.009 (0.385)	0.026 (0.006)
Per Capita Income	0.006 (0.000)	0.003 (0.000)	0.003 (0.000)	-1.965E-05 (0.399)
R ²	.29	.58	.60	.11
1992				
Constant	-11.620 (0.051)	-8.675 (0.000)	-8.152 (0.000)	-0.617 (0.123)
Per Capita IRA	0.048 (0.016)	-0.009 (0.067)	-0.008 (0.094)	-0.0007 (0.412)
Per Capita Income	0.003 (0.000)	0.002 (0.000)	0.002 (0.000)	0.0001 (0.002)
R ²	.35	.69	.68	.13
1993				
Constant	-10.804 (0.065)	-10.616 (0.0)	-0.763 (0.0)	0.026 (0.358)
Per Capita IRA	0.023 (0.043)	-0.010 (0.014)	-10.010 (0.016)	-0.0003 (0.005)
Per Capita Income	0.004 (0.0)	0.003 (0.0)	0.003 (0.0)	3.462E-05 (0.00005)
R ²	.42	0.67	.67	.24

^a Level of significance shown in parentheses

FN: HSWBTB5.wk1 a, b, & c revised as of April 6, 1995

Table 15.b
**LINEAR REGRESSION ON PER CAPITA LOCALLY
GENERATED REVENUES OF CITIES, 1985, 1990, 1992 and 1993 ^a**

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues
1985				
Constant	-307.295 (0.238)	100.234 (0.277)	36.384 (0.383)	63.850 (0.108)
Per Capita IRA	0.645 (0.429)	-0.452 (0.376)	-0.120 (0.454)	-0.332 (0.219)
Per Capita Income	0.050 (0.006)	0.004 (0.278)	0.004 (0.235)	0.0004 (0.415)
R ²	.50	.08	.07	.10
1990				
Constant	94.059 (0.435)	397.465 (0.021)	284.358 (0.056)	113.107 (0.024)
Per Capita IRA	-1.370 (0.318)	-2.185 (0.013)	-1.579 (0.036)	-0.605 (0.018)
Per Capita Income	0.042 (0.043)	0.008 (0.119)	0.005 (0.192)	0.004 (0.046)
R ²	.32	.53	.46	.57
1992				
Constant	535.886 (0.026)	308.591 (0.016)	166.685 (0.044)	151.375 (0.006)
Per Capita IRA	-0.878 (0.050)	-0.580 (0.018)	-0.314 (0.051)	-0.271 (0.011)
Per Capita Income	0.003 (0.332)	0.002 (0.279)	0.002 (0.229)	-1.648E-05 (0.496)
R ²	.20	.30	.24	.30
1993				
Constant	605.67 (0.009)	325.25 (0.014)	141.73 (0.084)	183.52 (0.002)
Per Capita IRA	-0.512 (0.030)	-0.279 (0.038)	-0.084 (0.221)	-0.194 (0.003)
Per Capita Income	0.004 (0.267)	0.002 (0.305)	0.0008 (0.39)	0.001 (0.227)
R ²	.26	.23	.05	.45

^a Level of significance shown in parentheses

FN: HSWBTB15.wk1 a, b, & c revised as of April 6, 1995

Table 15.c
LINEAR REGRESSION ON PER CAPITA LOCALLY
GENERATED REVENUES OF MUNICIPALITIES (BY PROVINCE), 1985, 1990, 1992 and 1993 ^a

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues
1985				
Constant	-2.603 (0.261)	-4.666 (0.087)	3.719 (0.049)	-0.946 (0.220)
Per Capita IRA	-0.190 (0.139)	0.195 (0.093)	-0.133 (0.083)	-0.062 (0.122)
Per Capita Income	0.006 (0.000)	0.005 (0.000)	0.003 (0.000)	0.001 (0.000)
R ²	.87	.82	.83	.80
1990				
Constant	-54.954 (0.001)	-35.959 (0.0005)	-21.744 (0.001)	-14.215 (0.0005)
Per Capita IRA	-0.140 (0.1730)	-0.123 (0.139)	-0.106 (0.077)	-0.017 (0.345)
Per Capita Income	0.017 (0.000)	0.012 (0.000)	0.008 (0.000)	0.004 (0.000)
R ²	.59	.54	.54	.49
1992				
Constant	-43.584 (0.0005)	30.707 (0.001)	18.745 (0.0005)	-11.961 (0.003)
Per Capita IRA	-0.105 (0.027)	-0.103 (0.008)	-0.061 (0.008)	-0.041 (0.015)
Per Capita Income	0.013 (0.000)	0.008 (0.000)	0.005 (0.000)	0.003 (0.000)
R ²	.70	.60	.60	.55
1993				
Constant	68.60 (0.0006)	-35.43 (0.0002)	-7.517 (0.020)	-27.913 (0.0001)
Per Capita IRA	-0.107 (0.020)	-0.071 (0.002)	-0.024 (0.005)	-0.047 (0.005)
Per Capita Income	0.019 (0.0)	0.0096 (0.0)	0.0032 (0.0)	0.006 (0.0)
R ²	.64	.69	.63	.62

^a Level of significance shown in parentheses

FN: HSWBTB15.wk1 a, b, & c revised as of April 6, 1995

Table 16.a
**LINEAR REGRESSIONS OF PER CAPITA LOCALLY
GENERATED REVENUES ON URBANIZATION, INDUSTRIALIZATION
AND PER CAPITA INCOME, PROVINCES (1985, 1990, 1992, 1993)^a**

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues Revenues
1985				
Constant	18.245 (0.0)	-10.905 (0.0)	-10.915 (0.0)	0.009 (0.068)
% urban population to total population	0.4280 (0.0)	0.205 (0.0)	0.205 (0.0)	-0.000009 (0.480)
Per capita income	0.0027 (0.0)	0.002 (0.0)	0.0018 (0.0)	0.0000003 (0.156)
Per capita IRA	0.3446 (.0004)	0.089 (0.010)	0.0885 (0.01)	0.0003 (0.001)
R ²	.916	.962	.962	.242
1990				
Constant	-21.123 (0.004)	-12.203 (0.0)	-12.142 (0.0)	-1.236 (0.047)
% urban population to total population	0.423 (0.007)	0.1689 (0.0008)	0.166 (0.0007)	0.0183 (0.081)
Per capita income	0.0037 (0.003)	0.0024 (0.0)	0.0024 (0.0)	-0.00009 (0.158)
Per capita IRA	0.1836 (0.017)	0.017 (0.2542)	0.0096 (0.3526)	0.0337 (0.0024)
R ²	.336	.594	.608	.134
1992				
Constant	-19.154 (0.004)	-10.834 (0.0)	-10.339 (0.0)	-0.866 (0.022)
% urban population to total population	0.564 (0.002)	0.161 (0.0012)	0.164 (0.0008)	0.0019 (0.432)
Per capita income	0.002 (0.011)	0.0019 (0.0)	0.0018 (0.0)	0.0001 (0.0146)
Per capita IRA	0.072 (0.001)	-0.0023 (0.352)	-0.0009 (0.438)	0.002 (0.011)
R ²	.424	.730	.723	.154
1993				
Constant	-17.467 (0.009)	-12.957 (0.0)	-13.110 (0.0)	0.026 (0.366)
% urban population to total population	0.5006 (0.004)	0.176 (0.003)	0.176 (0.003)	-8.599E-06 (0.498)
Per capita income	0.003 (0.0002)	0.002 (0.0)	0.002 (0.0)	3.464E-05 (0.0002)
Per capita IRA	0.037 (0.005)	-0.006 (0.120)	-0.005 (0.131)	-0.0003 (0.008)
R ²	.48	.71	.71	.24

^a Level of significance shown in parentheses

Table 16.b
**LINEAR REGRESSIONS OF PER CAPITA LOCALLY
GENERATED REVENUES ON URBANIZATION, INDUSTRIALIZATION
AND PER CAPITA INCOME, CITIES (1985, 1990, 1992, 1993)^a**

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues
1985				
Constant	-196.37 (0.343)	12.025 (0.474)	-12.665 (0.463)	24.69 (0.306)
% urban population to total population	-1.055 (0.289)	0.839 (0.126)	0.467 (0.193)	0.372 (0.035)
Per capita income	0.055 (0.009)	0.0004 (0.480)	0.0016 (0.388)	-0.0012 (0.273)
Per capita IRA	-0.099 (0.490)	0.140 (0.463)	0.209 (0.426)	-0.069 (0.431)
R ²	.519	.196	.145	.360
1990				
Constant	-468.856 (0.290)	506.492 (0.038)	442.366 (0.021)	64.106 (0.205)
% urban population to total population	2.975 (0.182)	-0.576 (0.284)	-0.835 (0.137)	0.259 (0.191)
Per capita income	0.0415 (0.046)	0.008 (0.126)	0.0048 (0.187)	0.0037 (0.049)
Per capita IRA	0.769 (0.418)	-2.599 (0.022)	-2.180 (0.013)	-0.419 (0.115)
R ²	.378	.542	.527	.601
1992				
Constant	292.682 (0.206)	294.558 (0.055)	163.027 (0.092)	124.820 (0.063)
% Urban population to total population	0.629 (0.359)	-0.725 (0.206)	-0.651 (0.138)	0.075 (0.425)
Per capita income	0.0088 0.173	0.0068 (0.078)	0.0057 (0.0398)	0.0005 (0.396)
Per capita IRA	-0.5395 (0.198)	-0.588 (0.038)	-0.332 (0.066)	-0.234 (0.005)
R ²	.253	.376	.360	.307
1993				
Constant	704.268 (0.014)	458.71 (0.006)	245.12 (0.026)	213.59 (0.004)
% Urban population to total population	-0.922 (0.285)	-1.248 (0.089)	-0.967 (0.074)	-0.281 (0.238)
Per capita income	0.006 (0.224)	0.004 (0.177)	0.002 (0.232)	0.002 (0.178)
Per capita IRA	-0.6000 (0.031)	-0.398 (0.014)	-0.177 (0.081)	-0.221 (0.004)
R ²	.28	.30	.15	.46

^a Level of significance shown in parentheses

Table 16.c
**LINEAR REGRESSIONS OF PER CAPITA LOCALLY
GENERATED REVENUES ON URBANIZATION, INDUSTRIALIZATION
AND PER CAPITA INCOME, MUNICIPALITIES (1985, 1990, 1992, 1993)***

	Per Capita Total Locally Generated Revenues	Per Capita Total Local Tax Revenues	Per Capita Real Property Tax Revenues	Per Capita Non-Property Tax Revenues Revenues
1985				
Constant	-27.161 (0.0)	-25.256 (0.0)	-17.954 (0.0)	-7.302 (0.0)
% urban population to total population	0.800 (0.0)	0.671 (0.0)	0.464 (0.0)	0.207 (0.0)
Per capita income	0.005 (0.0)	0.0037 (0.0)	0.002 (0.0)	0.001 (0.0)
Per capita IRA	0.128 (0.194)	0.071 (0.282)	0.051 (0.257)	0.021 (0.333)
R ²	.916	.891	.903	.855
1990				
Constant	-66.1798 (0.0)	-51.188 (0.0)	-32.128 (0.0)	-19.061 (0.0)
% urban population to total population	0.864 (0.001)	0.650 (0.001)	0.443 (0.0008)	0.2069 (0.006)
Per capita income	0.0137 (0.0)	0.0092 (0.0)	0.0059 (0.0)	0.0033 (0.0)
Per capita IRA	0.0924 (0.278)	0.0512 (0.336)	0.0128 (0.435)	0.0384 (0.206)
R ²	.643	.594	.599	.539
1992				
Constant	-53.514 (0.0001)	-38.327 (0.0003)	-23.087 (.0005)	-15.24 (0.001)
% urban population to total population	0.455 (0.072)	0.349 (0.076)	0.199 (0.086)	0.150 (0.086)
Per capita income	0.0012 (0.0)	0.0071 (0.0)	0.004 (0.0)	0.0029 (0.0)
Per capita IRA	-0.062 (0.153)	-0.0702 (.0704)	-0.043 (0.067)	-0.028 (0.0999)
R ²	.711	.613	0.609	.564
1993				
Constant	-85.742 (0.0002)	-48.092 (0.0)	12.289 (0.001)	-35.803 (0.0)
% urban population to total population	0.783 (0.058)	0.578 (0.005)	.218 (0.006)	0.360 (0.019)
Per capita income	0.017 (0.0)	0.008 (0.0)	0.003 (0.0)	0.360 (0.0)
Per capita IRA	-0.065 (0.132)	-0.040 (0.06)	-0.0126 (0.104)	-0.028 (0.084)
R ²	.65	.71	.66	.65

* Level of significance shown in parentheses

Table 17
RATIO OF REVENUES TO COLLECTION COST FOR SELECTED PROVINCES, 1990

	Albay	Camarines Sur	Camarines Norte	Catanduanes	Sorsogon	Masbate	Zamboanga del Norte	Zamboanga del Sur	Sulu	Batanes	Cagayan	Isabela	Nueva Vizcaya	Quirino
Real Property Tax Revenue (RPT)	5,097,845	7,525,551	5,564,327	2,303,655	4,434,153	7,660,999	3,994,779	6,506,896	377,218	462,633	10,968,192	15,524,206	3,196,774	1,222,474
Total Local Tax Revenue	12,071,299	44,637,303	11,501,943	4,258,545	8,758,213	12,821,567	32,986,529	15,994,452	2,218,470	671,898	22,844,137	34,241,949	7,060,153	2,340,369
Cost of Collecting RPT	6,693,822	8,364,770	4,915,956	3,349,554	8,405,286	5,892,462	5,496,694	11,616,266	2,126,447	1,155,586	11,786,604	15,125,185	5,442,434	2,998,500
Cost of Collecting All Local Taxes	10,463,171	16,826,557	6,784,198	4,444,029	11,591,778	8,273,367	11,134,312	18,113,107	4,337,322	1,429,067	17,002,000	21,432,748	7,627,961	3,981,607
Revenue to Collection Cost Ratio (RPT)	0.76	0.90	1.13	0.69	0.53	1.30	0.73	0.56	0.18	0.40	0.93	1.03	0.59	0.41
Revenue to Collection Cost Ratio (All Local Taxes)	1.15	2.65	1.70	0.96	0.76	1.55	2.96	0.88	0.51	0.47	1.34	1.60	0.93	0.59

Table 18
COMPARISON OF PROFITABILITY OF LGU
PUBLIC ENTERPRISES AND COMPARABLE
PRIVATE SECTOR RUN FACILITIES (P1000), 1992

	LGU			Private Sector		
	Gross Receipts Operating Income	Operating Expense	Profit Ratio	Gross Receipts Operating Income	Operating Expense	Profit Ratio
All LGUs						
Waterworks/electricity/ light/power	144769	204768	.71	51,828	31,584	1.64
Telephone Facilities	21441	22631	.95	6,907,182	4,935,791	1.40
Transporation System	2282	14241	.16	3,131,026	2,433,936	1.29
Markets/Slaughterhouses	639831	553711	1.15	1,262,369	684,018	1.85
Cemeteries	15514	16374	.95	277,460	177,166	1.57
Provinces						
Waterworks/electricity/ light/power	59668	60988	.98	51,828	31,584	1.64
Telephone Facilities	20988	21493	.97	6,907,182	4,935,791	1.40
Transporation System	-	-	-	3,131,026	2,433,936	1.29
Markets/Slaughterhouses	3998	4123	.97	1,262,369	684,018	1.85
Cemeteries	-	-	-	277,460	177,166	1.57
Cities						
Waterworks/electricity/ light/power	20840	43953	.47	51,828	31,584	1.64
Telephone Facilities	402	1064	.37	6,907,182	4,935,791	1.40
Transporation System	609	8862	.07	3,131,026	2,433,936	1.29
Markets/Slaughterhouses	204938	200633	1.02	1,262,369	684,018	1.85
Cemeteries	2875	959	3.00	277,460	177,166	1.57
Municipalities						
Waterworks/electricity/ light/power	64262	99827	.64	51,828	31,584	1.64
Telephone Facilities	51	80	.64	6,907,182	4,935,791	1.40
Transporation System	1673	5379	.31	3,131,026	2,433,936	1.29
Markets/Slaughterhouses	430895	348953	1.23	1,262,369	684,018	1.85
Cemeteries	12640	15415	.82	277,460	177,166	1.57

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