

PROVIDING FOR A NEW CLASSIFICATION OF PROVINCES, CITIES AND MUNICIPALITIES AND FIXING MAXIMUM AMOUNTS EXPENDABLE FOR SALARIES AND WAGES, AMENDING FOR THE PURPOSE REPUBLIC ACTS N...

PRESIDENTIAL DECREE NO. 465, May 20, 1974

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WHEREAS, pursuant to Section 2 of Republic Act No. 4477, provinces and cities shall be classified by the Secretary of Finance every four fiscal years on the basis of the average annual income of the local units as certified by the Auditor General (now the Chairman, Commission on Audit) ;

WHEREAS, the Secretary of Finance shall likewise classify all municipalities every four fiscal years pursuant to Section 4 of Republic Act No. 2368 and subclassify all first class municipalities under Section 2 of Republic Act No. 4358;

WHEREAS, the minimum annual income of P1.5 million fixed under Republic Act No. 4477 for first class provinces and cities; and the minimum annual income of P2.5 million fixed under Republic Act No. 4358 for first class-1 municipalities, as well as the maximum and minimum ranges fixed for the other classes are no longer in proportion to the present income of the local government;

WHEREAS, in view of new issuances and changes in fiscal policies, there has been a marked and significant increase in the collection of local revenues; and

WHEREAS, the classification of provinces, cities and municipalities serves, among other purposes, as basis for fixing the maximum tax ceilings imposable by the local governments under the Local Tax Code, as amended by Presidential Decree No. 426;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, in order to provide a more equitable system of classifying provinces, cities and municipalities that will be commensurate with their respective revenue-raising capacities, hereby adopt and fix, as it is hereby adopted and fixed, the following income classifications of provinces, cities and municipalities:

SECTION 1. Classification of Provinces and Cities.— Provinces and cities, except Manila and Quezon City, are divided into five main classes according to their average annual income during the last four fiscal years, as follows:

- First Class.—The provinces and cities that have obtained an average total revenue of three million pesos or more per annum;
- Second Class.—The provinces and cities that have obtained an average total revenue of one million five hundred thousand pesos or more but less than three million pesos per annum;
- Third Class.—The provinces and cities that have obtained an average total revenue of one million pesos or more but less than one million five hundred thousand pesos per annum;

- Fourth Class.—The provinces and cities that have obtained an average total revenue of five hundred thousand pesos or more but less than one million pesos per annum; and
- Fifth Class.—The provinces and cities that have obtained an average total revenue of less than five hundred thousand pesos per annum.

Revenue, as used herein, shall be interpreted to mean all income and receipts accruing to the province or city except unappropriated balances, proceeds from bond issues, proceeds from or repayment of loans, aid from National Government, private contributions or donations, return of advances to economic enterprises, sales of fixed assets, income from sale of real property, prior year's adjustment, and other receipts not regularly recurring each fiscal year.

SEC. 2. Classification under this Decree.—Upon the effectivity of this Decree, and for each period of four consecutive fiscal years thereafter, the Secretary of Finance shall classify all provinces and cities, except Manila and Quezon City, which shall remain as special class cities, on the basis of the average total revenues of each province or city derived during the last four consecutive fiscal years immediately preceding such classification according to the provisions of this Decree as certified by the Chairman, Commission on Audit: Provided, That the first classification shall take effect July first, nineteen hundred and seventy-four: Provided, further, That a province or city which has been in existence for a period of less than four full fiscal years immediately preceding the initial classification herein provided shall be classified on the basis of its average income during such lesser number of full fiscal years or year immediately following its organization as such province or city: And provided, finally, That no readjustment of classification shall be made oftener than once in four consecutive fiscal years after the first classification provided in this Decree, except in cases of diminishing revenues when the Secretary of Finance may order at any time the readjustment to the classification of any province or city in accordance with the foregoing schedule.

SEC. 3. Subclassification of first class provinces and cities.—Upon the effectivity of this Decree and after each period of two consecutive fiscal years thereafter, the Secretary of Finance shall subclassify all first class provinces and cities according to their average annual income actually realized from regular sources during the last two fiscal years immediately preceding the subclassification, as follows:

- First Class-A.—The provinces and cities that have obtained an average total revenue of seven million pesos or more per annum;
- First Class-B.—The provinces and cities that have obtained an average total revenue of five million pesos or more but less than seven million pesos per annum; and
- First Class-C.—The provinces and cities that have obtained an average total revenue of three million pesos or more but less than five million pesos per annum.

SEC. 4. Classification of municipalities.—Municipalities are divided into six main classes according to their average annual income during the last four fiscal years, as follows:

- First Class.—Municipalities that have obtained an average total revenue of one million five hundred thousand pesos or more per annum;
- Second Class.—Municipalities that have obtained an average total revenue of one million pesos or more but less than one million five hundred thousand pesos per annum;
- Third Class.—Municipalities that have obtained an average total revenue of five hundred thousand pesos or more but less than one million pesos per annum;

- Fourth Class.—Municipalities that have obtained an average total revenue of three hundred thousand pesos or more but less than five hundred thousand pesos per annum;
- Fifth Class.—Municipalities that have obtained an average total revenue of one hundred thousand pesos or more but less than three hundred thousand pesos per annum; and
- Sixth Class.—Municipalities that have obtained an average total revenue of less than one hundred thousand pesos per annum.

Revenue, as used herein, shall be interpreted to mean all income and receipts accruing to the municipality except unappropriated balances, proceeds from bond issues, proceeds from or repayment of loans, aids from the National Government, private contribution or donations, return of advances to economic enterprises, sales of fixed assets, income from sale of real property, prior year's adjustment, and other receipts not regularly recurring each fiscal year.

SEC. 5. Classification under this Decree by the Secretary of Finance.—Upon the effectivity of this Decree, and for each period of four consecutive fiscal years thereafter, the Secretary of Finance shall classify all municipalities on the basis of the average total revenue of each municipality during the last four consecutive fiscal years immediately preceding such classification according to the provisions of this Decree as certified by the Chairman, Commission on Audit; Provided, That the first classification shall take effect July first, nineteen hundred and seventy-four; Provided, further, That a municipality which has been in existence for a period of less than four full fiscal years immediately preceding the initial classification herein provided shall be classified on the basis of its average income during such lesser number of full fiscal years or year immediately following its organization as such municipality; And provided, finally, That no readjustment of classification shall be made oftener than once in four consecutive fiscal years after the first classification provided in this Decree, except in cases of diminishing revenues when the Secretary of Finance may order at any time the readjustment of the classification of any municipality in accordance with the foregoing schedule.

SEC. 6. Subclassification of first class municipalities.— Upon the effectivity. of this Decree and after each period of two consecutive fiscal years thereafter, the Secretary of Finance shall subclassify all first class municipalities according to their average annual income actually realized from regular sources during the last two fiscal years immediately preceding the subclassification, as follows:

- First Class—A.—Municipalities that have obtained an average total revenue of five million pesos or more per annum;
- First Class-B.—Municipalities that have obtained an average total revenue of three million five hundred thousand pesos or more but less than five million pesos per annum; and
- First Class-C.—Municipalities that have obtained an average total revenue of one million five hundred thousand pesos or more but less than three million five hundred thousand pesos per annum.

SEC. 7. Maximum Amount Expendable for Salaries and Wages.—That total annual appropriations for salaries and wages of provincial, city and municipal officials and employees for one fiscal year shall not exceed forty-five per cent (45%), in the case of all first and second class provinces, cities and municipalities, and fifty-five per cent (55%) in the case of those lower than second class, of the total annual income actually realized from regular sources during the next preceding fiscal year or the current fiscal year estimates from the same sources certified as collectible by the provincial or city treasurer concerned, which ever is lower. The appropriations for salaries and wages of officials and employees in the public schools, hospitals, health and agricultural services, public utilities, markets and slaughterhouses and other economic enterprises, owned, operated and maintained by the province,

city or municipality, as well as representation and emergency cost-of-living allowances, shall not be included in the computation of the maximum amount expendable for salaries and wages.

The Secretary of Finance, however, may authorize appropriations in excess of the percentages hereinabove fixed subject to such conditions as he may impose, but in no case shall the excess in appropriations for salaries and wages be more than twenty-five per cent (25%) of the maximum expendable amounts nor shall such exemption be granted in case of overdraft or imminence thereof.

SEC. 8. Fixing of the Maximum Annual Salary Rates of Local Elective and Appointive Officials.—Notwithstanding the new classification provided for in this decree, the annual salary rates of local elective and appointive officials shall be determined and fixed according to the maximum rates prescribed in the salary scales provided for in Republic Act No. 4477 in the case of provinces and cities and Republic Act No. 6414 in the case of municipalities on the basis of the official classification by the Secretary of Finance of provinces, cities and municipalities as of June 30, 1973.

SEC. 9. Repealing clause.—Section 5 of Republic Act No. 4477 and Section 4 of Republic Act No. 2368 are hereby expressly repealed.

This Decree shall form part of the laws of the land and all laws, executive orders, administrative orders, rules or regulations or parts thereof, contrary to or inconsistent with any of the provisions of this Decree are likewise hereby repealed and/or modified accordingly.

SEC. 10. Effectivity.—This Decree shall take effect on July 1, 1974.

Done in the City of Manila, this 20th day of May, in the year of Our Lord, nineteen hundred and seventy-four.

(Sgd.)

FERDINAND E. MARCOS

President of the Philippines

By the President:

(Sgd.)

ALEJANDRO MELCHOR

Executive Secretary

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