

GUIDELINES AND PROCEDURES ON THE RELEASE OF THE SHARE OF LOCAL GOVERNMENT UNITS (LGUs) FROM THE GROSS INCOME EARNED BY ALL BUSINESSES WITHIN THE CAGAYAN SPECIAL ECONOMIC ZONE

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TO :

ALL CONCERNED OFFICIALS OF THE DEPARTMENT OF BUDGET AND MANAGEMENT (DBM) AND THE DEPARTMENT OF FINANCE (DOF)

SUBJECT :

GUIDELINES AND PROCEDURES ON THE RELEASE OF THE SHARE OF LOCAL GOVERNMENT UNITS (LGUs) FROM THE GROSS INCOME EARNED BY ALL BUSINESSES WITHIN THE CAGAYAN SPECIAL ECONOMIC ZONE

1.0

Purpose

This circular is issued to implement Special Provision No. 4 of Section 1, Item XXXVI, Allocations to Local Government Units, of Republic Act No. 10147 or the FY 2011 General Appropriations Act, providing for the "Allocation and Release of LGU share in Gross Income Tax Paid by all Businesses and Enterprises within the Economic Zone".

Specifically, the objectives are as follows:

1.1

To provide procedural guidelines on the release of funds to Local Government Units (LGUs) which are collectively entitled to the one and one-half percent (1 1/2%) share in the gross income earned by all businesses within the Cagayan Special Economic Zone (CSEZ) pursuant to Republic Act No. 7922 entitled "An Act

Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other Purposes"; and

1.2

To delineate the responsibilities of the Department of Budget and Management (DBM) and the Department of Finance (DOF) in the allocation and release of the funds to the LGUs.

2.0

Guidelines

2.1

All registered enterprises which conduct their business activities inside the CSEZ shall, lieu of paying local and national taxes, pay to the BIR five percent (5%) final tax on their Gross Income Earned (GIE). GIE refers to the gross sales or gross revenues derived from registered business activities within the CSEZ, net of sales discounts, sales return and allowances and minus cost of sales, cost of production or direct costs of services (depending on the nature of business) but before any deduction is made for administrative, selling, and other expenses or incidental losses during a given taxable period.

2.2

The following LGUs shall be entitled to their respective shares out of the 5% final tax on GIE, to wit:

2.2.1

One percent (1%) of the 5% final tax which is equivalent to twenty percent (20%) of the total collected, to the Province of Cagayan; and

2.2.2

One-half percent (1/2 %) of the 5% final tax which is equivalent to ten percent (10%) of the total tax collected, to be shared by the municipalities affected by the declaration of the CSEZ in proportion to their income from

business activities within the CSEZ.

3.0

Roles and Responsibilities

3.1

Department of Finance - Bureau of Internal Revenue (BIR) shall:

3.1.1

Prepare on or before March 15 of each year, a certification on the total computed LGU share based on the revenue collections corresponding to thirty percent (30%) of the total final tax collected on GIE for the base year, which is two years preceding the current year;

3.1.2

Transmit the certification to the Bureau of the Treasury (BTr) for validation;

3.1.3

Include the amount reflected in the aforesaid certification as one of the authorized deductions in the computation of the Internal Revenue Tax Collection Base (IRTCB); and

3.1.4

Submit to the DBM the validated BIR certification on or before May 15.

3.2

Department of Finance-Bureau of the Treasury (BTr) shall:

3.2.1

Validate the certification on remittances/statement of deposited collections transmitted by BIR. This shall be based from the reports submitted by the BTr Regional Offices and Authorized Government/ Agent Depository Banks; and

3.2.2

Transmit to the BIR the above duly validated certification within thirty (30) days after receipt from the BIR.

3.3

The Department of Budget and Management shall:

3.3.1

Include under the Special Purpose Fund-Assistance to Local Government Units of the General Appropriations Act, the amount certified by the BIR and BTr, as the total share of the LGUs affected by the declaration of the CSEZ; and

3.3.2

Issue the necessary release documents corresponding to the one and one half percent (1 1/2%) share of the LGUs from the GIE which is equivalent to thirty percent (30%) of the final tax collected by BIR based on the certification issued by the BIR and BTr.

4.

Effectivity

This Circular shall take effect immediately

(Sgd.) FLORENCIO B. ABAD

Secretary

Department of Budget and Management

(Sgd.) CESAR V. PURISIMA
Secretary
Department of Finance

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