
INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

Local governance is the key to true national development. Through the strengthening and empowerment of local government units, Filipinos will have a more direct and more meaningful participation in charting the course of their progress and development.

Thus, this bill endeavors to institute a new local government code that would further strengthen the existing political framework for local autonomy.

The salient features of this proposed measures are as follows:

1. The creation of **regional governments** for regional administration.
2. The creation of a **Local Government Bank** which shall provide efficient and responsive general banking services to local governments.
3. The proposal to exempt **Local Government Bonds** from all taxes in order to make it attractive for the citizens to patronize and at the same time initiate a worthy tradition and the institutionalization of bond flotation among local authorities.
4. The institution of **an autonomous local government salary administration** based on the principle of affordability with certain limitations of the frequency of salary increases among local governments.
5. **Transfer of administrative and technical supervision of real property tax assessment and collection to the proposed Regional Governments.** The intention of this proposal is to free real property tax administration at the local level from undue political pressures.
6. Mandatory Formulation of Performance Standards for Local Governments.
7. Measures to enhance fiscal autonomy at the local level thru improved revenue generation and allocation and more efficient, transparent and responsive fiscal management.

Premises considered, the approval of this urgent measure is earnestly sought.


JINGGOY EJERCITO ESTRADA
Senator

SENATE

Senate Bill No. 436

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

AN ACT PROVIDING FOR A NEW LOCAL GOVERNMENT CODE
OF THE PHILIPPINES

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

TITLE ONE-

BASIC PRINCIPLES

Chapter 1
The Code: Policy and Application

SECTION 1. *Local Government Code of the Philippines.* This Act shall be known and cited as the New Local Government Code of the Philippines.

SEC. 2. *Declaration of Policies.* (a) It is hereby declared the policy of the State that the territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more responsive and accountable local governments shall be given more powers, authority, responsibilities, and resources.

(b) It is also the policy of the State to ensure the accountability of local governments through the institution of effective mechanisms of recall, initiative and referendum.

(c) It is likewise the policy of the State to require all national agencies and offices to conduct periodic consultations with appropriate local government, non-governmental and people's organizations, and other concerned sectors of the community before any project or program is implemented in their respective jurisdictions.

SEC. 3. *Operative Principles.* The formulation and implementation of policies and measures on local autonomy shall be guided by the following operative principles:

- (a) There shall be an effective allocation among the different local governments of their respective powers, functions, responsibilities, and resources;
- (b) There shall be established in every local government an accountable, efficient and dynamic organizational structure and operating mechanism that will meet the priority needs and service requirements of its communities;
- (c) Subject to civil service law, rules and regulations, local officials and employees paid wholly or mainly from local funds shall be appointed or removed, according to merit and fitness by the appropriate authority;
- (d) The functions, responsibility, and accountability vested in local governments shall be accompanied with provision for reasonable adequate resources to discharge their powers and effectively carry out their functions, hence, they shall have the power to create and broaden their own sources of revenue and the right to a just share in national taxes and an equitable share in the proceeds of the utilization and development of the natural wealth within their respective areas;
- (e) Provinces with respect to component cities and municipalities, and cities and municipalities with respect to component barangays, shall ensure that the acts of their component units are within the scope of their prescribed powers and functions;
- (f) Local governments may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them;
- (g) The capabilities of local governments, especially the municipalities and barangays, shall be enhanced by providing them with opportunities to participate actively in the implementation of national programs and projects;
- (h) There shall be a continuing mechanism to enhance local autonomy not only by legislative enabling acts but also by administrative and organizational reforms;
- (i) Local governments shall share with the national government the responsibility in the management and maintenance of ecological balance within their territorial jurisdiction subject to the provisions of this Code and national policies;
- (j) Effective mechanisms for ensuring the accountability of local governments to their respective constituents shall be strengthened in order to upgrade continually the quality of local leadership;
- (k) The realization of local autonomy shall be facilitated through improved coordination of national government policies and programs and extension of adequate technical and material assistance to less developed and deserving local governments;
- (l) The participation of the private sector in local governance, particularly in the delivery of basic services, shall be encouraged to ensure the viability of local autonomy as an alternative strategy for sustainable development; and

- (m) The national government shall ensure that decentralization contributes to the continuing improvement of the performance of local governments and the quality of community life.

SEC. 4. *Scope of Application.* This Code shall apply to all provinces, cities, municipalities, barangays and other political subdivisions as may be created by law, and, to the extent herein provided, to officials, offices, or agencies of the national government.

SEC. 5. *Rules of Interpretation.* In the interpretation of the provisions of this Code, the following rules shall apply

- (a) Any provision on a power of local government shall be liberally interpreted in its favor, and in case of doubt, any question thereon shall be resolved in favor of devolution of powers and of the lower local government. Any fair and reasonable doubt as to the existence of the power shall be interpreted in favor of the local government concerned;
- (b) In case of doubt, any tax ordinance or revenue measure shall be construed strictly against the local government enacting it, and liberally in favor of the taxpayer;
- (c) The general welfare provisions in this Code shall be liberally interpreted to give more powers to local governments in accelerating economic development and upgrading the quality of life for the people in the community;
- (d) In the resolution of controversies arising under this Code where no legal provision or jurisprudence applies, resort may be had to the customs and traditions in the place where the controversies take place.

Chapter 2

General Powers and Attributes of Local Governments

SEC. 6. *Authority to Create Local Governments.* A local government may created, divided, merged, abolished, or its boundaries substantially altered either by law enacted by Congress in the case of a province, city, municipality, or any other political subdivision, or by ordinance passed by the sangguniang panlalawigan or sangguniang panlungsod concerned in the case of a barangay located within its territorial jurisdiction.

SEC. 7. *Creation and Conversion.* As a general rule, the creation of a local government or its conversion from one level to another level shall be based on verifiable indicators of visibility and projected capacity to provided services, to wit;

- (c) Income – It must be sufficient, based on acceptable standards, to provide for all essential government facilities and services and special functions commensurate with the size of its populations, as expected of the local government concerned;
- (d) Population – It shall be determined as the total number of inhabitants within the territorial jurisdiction of the local government concerned; and

- (e) Land Area – It must be contiguous, unless it comprises two or more islands or is separated by a local government independent of the others; properly identified by metes and bounds with technical descriptions; and sufficient to provide for such basic services and facilities to meet the requirements of its populace.

Compliance with foregoing indicators shall be attested to by the Department of Finance (DOF), the National Statistics Office (NSO), and the Lands Management Bureau (LMB) of the Department of Environment and Natural Resources (DENR).

SEC. 8. *Division or Merger.* Division or merger of existing local governments shall comply with same requirements herein prescribed for their creation; *Provided however,* That such division shall not reduce the income, population, or land area of the local government(s) shall not fall below its current income classification prior to such division.

The income classification of local governments shall be updated within six months from the effectivity of this Code to reflect the changes in their financial positions resulting from the increased revenues as provided herein.

SEC. 9. *Abolition of Local Governments.* A local government may be abolished when its income, population, or land area has been irreversibly reduced to less than the minimum standards prescribed for its creation.

The law or ordinance abolishing a local government shall specify the province, city, municipality, or barangay with which the local government sought to be abolished will be incorporated or merged.

SEC. 10. *Plebiscite Requirement.* No creation, division, merger, abolition, or substantial alteration of boundaries of local governments shall take effect unless approved by a majority of the votes cast in a plebiscite called for the purpose in the political unit or units directly affected. Said plebiscite shall be conducted by the Commission on Elections (Comelec) within one hundred twenty (120) days from the date of effectivity of the law or ordinance effecting such action unless said law or ordinance fixes another date.

SEC. 11. *Naming of Local Governments and Public Places, Streets and Structures.* (a) The Sangguniang panlalawigan, sangguniang panlungsod, sanggunian bayan which ever is the case may, after conducting public hearing and in conclusion with the Philippine Historical Commission (PHC), change the name of the following within its territorial jurisdiction:

For Provinces:

- (1) Cities and municipalities, upon the recommendation of the sanggunian concerned;
- (2) Provincial roads, avenues, boulevards, thorough-fares, and bridges;
- (3) Public vocational or technical schools and other post-secondary and tertiary schools;

- (4) Provincial hospitals, health centers, and other health facilities; and
- (5) Any other public place or building owned by the provincial government.

For Cities:

- (1) Barangays, upon the recommendation of the sangguniang barangay concerned;
- (2) Roads, avenues, boulevards, thorough fares, and bridges;
- (3) Public elementary, secondary and vocational or technical schools, community colleges and non-chartered colleges;
- (4) Hospitals, health centers and other health facilities; and
- (5) Any other public place or building owned by the city government.

For Municipalities:

- (1) Barangays, upon recommendation of the sangguniang barangay concerned;
 - (2) Barangay roads, avenues, boulevards, thorough fares, and bridges;
 - (3) Public elementary, secondary and vocational or technical schools, post-secondary and other tertiary schools;
 - (4) Hospitals, health centers and other health facilities; and
- (b) Any other public place or building owned by the local government.

(1) None of the foregoing local governments, institutions, places, or buildings shall be named after a living person, nor may a change of name be made unless for a justifiable reason and, in any case, not oftener than once every ten years. The name of a local government or a public place, street or structure with historical, cultural, or ethnic significance shall not be changed, unless by a unanimous vote of the sanggunian concerned and in consultation with the PHC.

(2) A change of name of a public school shall be made only upon the recommendation of the local school board concerned.

(3) A change of name of public hospitals, health centers, and other health facilities shall be made only upon recommendation of the local health board concerned.

(c) Changes of names of local government

(1) The change of name of any local government shall be effective only upon ratification in a plebiscite conducted for the purpose in the political unit directly affected.

- (2) In any change of name, the Office of the President, Regional Government and the National Census and Statistics Office, the representative of the legislative district concerned, and the Bureau of Posts shall be notified.

SEC. 12. *Commencement Corporate Existence.* When a new local government is created, its corporate existence shall commence upon the election and qualification of its chief executive and a majority of the members of its *sanggunian*, unless some other time is fixed therefore by the law or ordinance creating it.

SEC. 13. *Political and Corporate Nature of Local Governments.* Every local government created or recognized under this Code is a body politic and corporate endowed with powers to be exercised by it in conformity with law. As such, it shall exercise powers as a political subdivision of the national government and as a corporate entity representing the inhabitants of its territory.

SEC. 14. *General Welfare Clause.* Every local government shall exercise the powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate or incidental for it is efficient and effective governance, and those which are essential to the promotion of the general welfare. Within their respective territorial jurisdiction, local governments shall ensure and support, among other things, the preservation and enrichment of culture, promote healthy and safety, enhance the right of the people to a balanced ecology, encourage and support the development of appropriate and self-reliant scientific and technological capabilities, improved public morals, enhance economic prosperity and social justice, promote full employment among their residents, maintain peace and order, and preserve the comfort and convenience of their inhabitants.

SEC. 15. *Basic Guidelines in the Delivery of Basic Services and Facilities.*

(a) Local governments shall endeavor to be self-reliant and shall continue exercising the powers and discharging the functions currently vested upon them including those devolved to them.

(b) Local governments shall involve the active participation of the civil society, and business including other sectors such as NGO's and people's organization.

SEC. 16. *Power of Eminent Domain.* A local government may, through its chief executive and acting pursuant to an ordinance, exercise the power of eminent domain for public use, or purpose, or welfare for the benefit of the poor and the landless, upon payment of just compensation, pursuant to the provisions of the Constitution and pertinent laws: *Provided however*, that the power of eminent domain may not be exercised unless a valid and definite offer has been previously made to the owner, and such offer was not accepted: *Provided, further*, That the local government may immediately take possession of the property upon the filling of the expropriation proceedings an upon making a deposit with the proper court of at least fifteen percent (15%) of the fair market value of the property based on the current tax declaration of the property to be expropriated: *Provided finally*, that the amount to be paid for the expropriated

property shall be determined by the proper court, based on the fair market value at the time of the taking of the property.

SEC. 17. Local Taxation. Local governments shall have the power to create its own sources of revenue and levy taxes or imposed charges or fees.

SEC. 18. Reclassification of Lands. (a) A city or municipality may through an ordinance passed by the sanggunian after conducting public hearings for the purpose, authorize the reclassification of agricultural lands and provide for the manner of their utilization or disposition in the following cases: (1) when the land ceases to be economically feasible and sound for agricultural purposes as determined by the Department of Agriculture or (2) where the land shall have substantially greater economic value for residential, commercial, or industrial purposes, as determined by the sanggunian concerned: *Provided*, that such reclassification shall be limited to the following percentage of the total agricultural land area at the time of the passage of the ordinance:

- (1) Highly urbanized and independent component cities, fifteen percent (15%);
 - (2) For the component cities and first to third class municipalities, ten percent (10%); and
 - (3) For the fourth to sixth class municipalities, five percent (5%) ; *Provided, further*, That agricultural lands distributed to agrarian reform beneficiaries pursuant to republic Act Numbered Sixty-six hundred fifty-seven (R.A. No. 6657), otherwise known as "The Comprehensive Agrarian Reform Law", shall not be affected by the said reclassification and the conversion of such lands into other purposes.
- (b) The President may, when public interest so requires and upon recommendation by the National Economic and Development Authority, authorize a city or municipality to reclassify lands in excess of the limits set in the next preceding paragraph.
- (c) The local governments shall, in conformity with existing laws, continue to prepare their respective comprehensive land use plans enacted through zoning ordinances which shall be the primary and dominant bases for the future use of land resources: *Provided*, That the requirements for food production, human settlements, and industrial expansion shall be taken into consideration in the preparation of such plans.
- (d) Where approval by a national agency is required for classification, such
- (e) approval shall not be unreasonably withheld. Failure to act on a proper and complete application for reclassification within three (3) months from receipt of the same shall be deemed as approval thereof.
- (f) Nothing in this Section shall be construed as repealing, amending, or modifying in any manner the provisions of R.A. No. 6657.

SEC. 19. Closure and opening of Roads. (a) Local government may pursuant to an ordinance, permanently or temporarily close or open any local road, alley, park, or square falling within its jurisdiction: *Provided* however, That in case of, permanent closure, such ordinance must be approved by at least two-thirds (2/3) of all the members of the sanggunian, and when necessary, an adequate substitute for the public facility that is subject to closure is provided.

(b) No such way or place or any part thereof shall be permanently closed without making provisions for the maintenance of public safety therein. A property thus permanently withdrawn from public use may be used or conveyed for any purpose for which other real property belonging to the local government concerned may be lawfully used or conveyed: *Provided, however,* That no freedom park shall be closed permanently without provision for its transfer or relocation to a new site.

(c) Any national or local road, alley, park, or square may be temporarily closed during an actual emergency, or fiesta celebration, public rallies, agricultural or industries fairs, or an undertaking of public works and highways, telecommunications, and waterworks projects, the duration of which shall be specified by the local chief executive concerned in a written order: *Provided, however;* That no national or local road, alley, park, or square shall set temporarily closed for athletic, cultural, or civic activities not officially sponsored, recognized, or approved by the local government concerned.

(d) Any city, municipality, or barangay may, by a duty enacted close and regulate the use of any local ordinance, temporarily street, road, thoroughfare, or any other public place where shopping malls, Sunday, flea or night markets, or shopping areas may be established and where goods, merchandise, foodstuffs, commodities, or articles of commerce may be sold and dispensed to the general public.

SEC. 20. Corporate Powers. (a) Every local government, as a corporation, shall have the following powers:

(1) To have continuous succession in its corporate name;

(2) To sue and be sued;

(3) To have and use a corporate seal;

(4) To acquire and convey real or personal property;

(5) To enter into contact; and

(6) To exercise such other powers as are granted to corporations, subject to the limitations provided in this Code and other laws.

(b) Local governments may continue using, modify, or change their existing corporate seals: *Provided,* That newly established local governments or those without corporate seals may create their own corporate seals which shall be registered with the Department of the Interior and Local Government and the National Historical Institute; *Provided, further,* That any change of corporate seal shall also be registered as provided herein.

- (c) Unless otherwise provided in this Code, the local chief executive in behalf of the local government may enter into contract without prior authorization by the sanggunian concerned. A legible copy of such contract shall be posted at conspicuous places in the provincial capitol or the city, municipal or barangay halls.
- (e) Local governments shall enjoy full autonomy in the exercise of their propriety functions and in the management of their economic enterprises subject to the limitations provide in this Code and other applicable laws.

SEC. 21. *Authority to Negotiate and Secure Grants.* Local chief executive may, upon authority of the sanggunian, negotiate and secure financial grants or donations in kind, from all legal sources including countries with which the Philippines has diplomatic relations in support of the basic services and facilities, however, that project financed by such grants or assistance with national security implications shall be given clearance by the national agency concerned.

SEC. 22. *Liability for Damages.* Local governments and their officials are not exempt from liability for death or injury to persons or damage to property.

TITLE TWO-

INTERGOVERNMENTAL RELATIONS

Chapter 1

National Government and Local Governments

SEC. 23. *National Supervision Over Local Governments.* Consistent with the policy on local autonomy, the President of the Philippines shall, through either the appropriate executive department or Regional Government, exercise general supervision over local governments to ensure that their acts are within the scope of their prescribed powers and functions.

Chapter 2

Relations with the Philippine National Police

SEC. 23. *Powers of Local Chief Executives Over the Units of the Philippine National Police.* The extent of operational supervision and control of local chief executives over the police force, fire protection unit, and jail management personnel assigned in their respective jurisdictions shall be governed by the provisions of Republic Act Numbered Sixty-nine seventy-five (R.A. No. 6975), as amended by Republic Act 8551. in addition to the powers hereinafter provided, the city or municipal mayor shall have the power to choose the chief of police, recommend the transfer, reassignment or detail of members of the Philippine National Police. He shall also exercise control and supervision over anti-gambling activities.

In case the city or municipality police force is not adequate to meet or cope with the danger posed to public order or safety, the city or municipal mayor shall augment the same by constituting a special force unit in his jurisdiction, to be composed of persons who possess qualifications similar to those of regular

members of the police force, to be appointed by him and whose salaries and benefits shall be paid out of his discretionary fund or funds available in the local treasury.

As a deputy of the national police commission, the city or municipal mayor shall have administrative supervision and control over the special police force unit, which shall continue to be maintained until the cessation of the danger for which it was constituted or upon resumption of peace and order in the community.

Chapter 3

Inter-Local Government Relations

SEC. 25. *Provincial Relations with Component Cities and Municipalities.* The province, through the governor, shall ensure that every component city and municipality within its territorial jurisdiction acts within the scope of its prescribed powers and functions. Highly urbanized cities and independent component cities shall be independent of the province.

SEC. 26. *Submission of Municipal Questions to the Provincial Legal Officer.* In the absence of a municipal legal officer, the municipal government may secure the opinion of the provincial legal officer, and in the absence of the latter, that of the provincial prosecutor on any legal question affecting the municipality.

SEC. 27. *City and Municipal Supervision Over their Respective Barangays.* The city or municipality, through the city or municipal mayor concerned, shall exercise general supervision over component barangays to ensure that said barangays act within the scope of their prescribed functions and powers.

SEC. 28. *Corporate Undertakings Among Local Governments.* Local governments may, through appropriate ordinances, exercise their joint powers to group themselves, consolidate, or coordinate their efforts, services and resources for purposes commonly beneficial to them. In support of such undertakings, the local governments involved may, upon approval by the sanggunian concerned after a public hearing conducted for the purpose, contribute funds, real estate, equipment, and other kinds of property and appoint or assign personnel under such terms and conditions as may be agreed upon by the participating local units through memoranda of agreement.

TITLE THREE-

REGIONAL GOVERNMENTS

Chapter 1

Creation, Structure, and Members

SEC. 29. *Creation of Regional Government.* There shall be established in each administrative region except in the Autonomous Region in Muslim Mindanao, a Regional Government, which shall be a body politic and corporate,

comprising of all provinces, cities, municipalities, and barangays within each of the administrative region, subject to the approval of the majority votes cast in a plebiscite in all political units directly affected.

SEC. 30. *Organizational Structure.* The Regional Government shall have a legislative council, the chairman of which shall be elected from among its members. It shall also have a Regional Administrator and a Secretary to the Council. The regional administrator and the secretary to the council shall be appointed by the chairman of the Regional Government subject to the two-thirds (2/3) concurrent votes of the members of the legislative council.

The Regional Government shall create such other offices and positions, which it may deem necessary to perform its mandates based on the principles of economy, efficiency and simplicity. Its annual budgetary appropriation for personal services shall not exceed forty-five percent (45%) of its regular and recurring income.

SEC. 31. *Legislative Councils.* The legislative council of every Regional Government shall be composed of Members who are or shall be elected at large region-wide, the number of which shall be based on the congressional district representation existing within their geographic area of an administrative region as defined in Presidential Decree No. 1 and its subsequent amendments reorganizing other administrative regions in the country.

SEC. 32. *Presiding Officer.* The chairman shall preside over the sessions or meetings of the council and exercise supervision over the work of the Regional Administrator and those of other public officials of the Regional Government.

SEC. 33. *Terms of Office.* A member of the council shall have a term of office of three years and shall receive a salary in an amount no higher than the monthly salary of Members of the House of Representatives. He shall also be entitled to travel allowance in attending sessions of the regional legislative council.

SEC. 34. *Internal Rules and Regulations.* The chairman shall initiate the formulation and adoption of the internal rules and regulations governing the business of the regional legislative council.

Chapter 2

Functions and Powers

SEC. 35. *Functions and Powers.* The Regional Government shall have and through appropriate bodies exercise the following functions and powers:

- (a) Organize its administrative offices or services in support of the operations of the Regional Government;
- (b) Provide policy directions and program strategies in regional development administration;

- (c) Perform management responsibilities of region-wide public infrastructures;
- (d) Establish standard of performance as guide in local government organization;
- (e) Allocate the internal revenue allotments (IRA) to local governments;
- (f) Exercise taxing and revenue raising powers;
- (g) Promote regional investments;
- (h) Provide region-wide public services;
- (i) Review the valuation of lands or real properties for tax purpose as these are assessed by local governments;
- (j) Ensure that the acts of component provinces, highly urbanized and independent component cities are within their prescribed functions and powers including administrative questions involving their legality and constitutionality; and
- (k) Such powers and functions in the furtherance of local autonomy, inter-local and interregional cooperation, which shall include the power of the Regional Governments to enlist the assistance of the Regional Councils in planning the economic and social development of the regions.

Chapter 3

Sources of Revenues

SEC. 36. Share of National Government Taxes. The Regional Government shall be entitled to a five percent (5%) share of National Government taxes based on the collections of the third fiscal year preceding the current fiscal year; *Provided, however,* That the share of each Regional Government shall be determined on the bases of the following formula:

- (1) Population – Fifty percent (50%)
- (2) Land Area – Twenty-five percent (25%)
- (3) Equal Sharing – Twenty-five percent (25%)

Provided, finally, That the aforementioned five percent (5%) share shall be released automatically and without any unnecessary pre-release action, directly to the Regional Government on a quarterly basis within five (5) days after the end of each quarter, and shall not be subject to any lien or holdback that may be imposed by the National Government.

SEC. 37. Tax on Business. The Regional Governments are hereby empowered to impose tax on business at rates not exceeding one percent (1%) of the gross sales or receipt of the business concerned in the preceding Calendar

Year, subject to the provisions of Section 273 Article Four, Chapter 1, Title Nine of This Code.

SEC. 38. Real Property Tax. Subject to the provisions of Chapter 2, Title Nine of this Code, the Regional Governments may levy an annual ad *valorem* tax on real property such as land, building, machinery, and other improvements not specifically exempted, at a uniform basic tax rate applied to the Fair Market Value of the real property as follows:

Residential – ten percent (10%) of one percent (1%) to one percent (1%)

Commercial – twenty percent (20%) of one percent (1%) to two percent (2%)

Agricultural – ten percent (10%) of one percent (1%) to one percent (1%)

Others – ten percent (10%) of one percent (1%) to one percent (1%)

SEC. 39. Service Fees and Charges. Regional Governments may impose and collect reasonable fees and charges for the following:

- (a) Rendition of services in relation to its authorized functions;
- (b) Management and operation of joint ventures, cooperative programs, and similar undertaking with any of the component local governments;
- (c) Undertaking in behalf of, and by authority from, any of its component local governments, the administration and collection of tax and other revenues; development of local enterprises, including land use planning;
- (d) Initiating similar undertaking as the above, with a view to enhance the economic and social well-being of the communities within the region; and
- (e) Use of any public road, pier, or wharf, waterway, bridge, ferry or telecommunication system funded, constructed, and maintained by the Regional Government concerned; *Provided*, That no charges or toll fees shall be collected from government vehicles and vehicles exclusively carrying officers and enlisted men of the Armed Forces of the Philippines and member of the Philippine National Police, on mission, post office personnel delivering mail, physically handicapped, disabled persons and senior citizens.

SEC. 40. Effectivity. The share of national government taxes and the taxing and revenue-raising powers herein granted shall take effect upon approval of the Regional Government concerned in the plebiscite held for the purpose: *Provided, however*, That any revenue or income accruing to said Regional Government shall be held in trust for it by the Bureau of Treasury until the assumption to office of the Members of its Legislative Council.

Chapter 4

Plebiscite and Election of Legislative Council Members

SEC. 41. *Plebiscite.* The Commission on Elections (Comelec) shall initiate and supervise the conduct of the plebiscite herein provided in each administrative region, which shall be undertaken within one hundred twenty (120) days after the effectivity of this Act (New Code on Local Government).

In case the majority of the voters fail to approve the creation of the Regional Government in the plebiscite conducted, the Commission on Elections, may, upon petition of at least twenty-five percent (25%) of the registered voters in the region, conduct another plebiscite to consider the questions or proposition at any time within one year thereafter.

SEC. 42. *Election of Members.* The first election of Members of the Legislative Council to be conducted shall be synchronized with the presidential elections scheduled in the month of May Year 2007.

SEC. 43. *Beginning of Existence.* The Regional Government shall come into existence upon approval of its creation in the plebiscite conducted for the purpose and qualification of members of the Legislative Council.

TITLE FOUR

PROVINCIAL GOVERNMENTS

Chapter 1

Creation of the Province

SEC. 44. *Creation and Function of a Province.* The province is a territorial and political subdivision of the Philippines, comprising of several component cities and municipalities situated within its territorial limits. It serves as a general purpose government for the coordination and delivery of basic, province-wide services for the benefit of the inhabitants and for effective governance of the province.

SEC. 45. *Manner of Creation.* A province may be created, divided, merged, abolished, or its boundary substantially altered, only by an Act of Congress and subject to approval by a majority of the votes cast in a plebiscite to be conducted for the purpose in the local governments directly affected. The plebiscite shall be held within one hundred twenty (120) days from the date of effectivity of said Act, unless otherwise provided herein.

SEC. 46. *Requisites for Creation.* (a) In the creation of a province, Congress may be guided by the following:

- (1) An average annual income, as certified by the Department of Finance, of not less than two hundred million pesos (Php 200,000,000.00);
- (2) A contiguous territory of at least two thousand (2,000) square kilometers, as certified by the Lands Management Bureau; and

- (3) A population of not less than five hundred fifty thousand (550,000) inhabitants as certified by the National Statistics Office.

Provided, That, the creation thereof shall not reduce the land area, population, and income of the original unit or units at the time of said creation to less than the minimum requirements prescribed herein.

(b) The territory need not be contiguous if it comprises of two (2) or more islands or is separated by a city or cities, which do not contribute to the income of the province.

(c) The average annual income shall include the income accruing to the general fund. Exclusive of special funds, trust funds, transfers, and non-recurring income.

Chapter 2

Provincial Officials in General

SEC. 47. Officials of the Provincial Government. (a) There shall be in each province a governor, a vice-governor, members of the sangguniang panlalawigan, a secretary to the sangguniang panlalawigan, a provincial treasurer, a provincial assessor, a provincial accountant, a provincial engineer, a provincial budget officer, a provincial planning and development coordinator, a provincial social welfare and development officer, a provincial agriculturist, and a provincial veterinarian.

(b) In addition thereto, the governor may appoint other officials, which the provincial government may find necessary in the performance of its mandate, except those officials and employees of the sanggunian.

(c) The Sangguniang Panlalawigan may:

- (1) Maintain existing offices not mentioned in subsections 9a) and (b) hereof;
- (2) Create such other offices as may be necessary to carry out the purposes of the provincial government; or
- (3) Consolidate the functions of any office with those of another in the interest of efficiency, economy, and simplicity.

(d) Unless otherwise provided herein, heads of departments and offices shall be appointed by the governor with the concurrence of the majority of all the sangguniang panlalawigan members. The sangguniang panlalawigan shall act on the appointment *within fifteen (15) days* from the date of its submission, if no action is taken after expiration of period, it shall be deemed approved.

(e) Elective and appointive provincial officials shall receive such compensation, allowances, and other emoluments as may be determined by law or ordinance, *Provided, That, no increase in compensation shall take effect until after the expiration of the full term of all the elective officials approving such increase.*

SEC. 48. *Residence and Office.* During the incumbency of the governor, he shall have his official residence in the capital of the province. All elective and appointive provincial officials shall hold office in the provincial capital: *Provided*, That, upon resolution of the sangguniang panlalawigan, elective and appointive provincial officials may hold office in any component city or municipality within the province for a period of not more than seven (7) days for any given month.

Chapter 3

Sangguniang Panlalawigan

SEC. 49. *Composition.* (a) The sangguniang panlalawigan, the legislative body of the province, shall be composed of the provincial vice-governor as presiding officer, the regular sanggunian members, the president of the provincial chapter of the liga ng mga barangay, the president of the panlalawigang pederasyon ng mga sangguniang kabataan, the president of the provincial federation of sanggunian members of municipalities and component cities, and the sectoral representatives, as members.

(b) In addition thereto, there shall be three (3) sectoral representatives: one (1) from the women; and as shall be determined by the sanggunian concerned within ninety (90) days prior to the holding of the local elections, one (1) from the agricultural or industrial workers; and one (1) from the other sectors, including the urban poor, indigenous cultural communities, or disabled persons.

(c) The regular members of the sangguniang panlalawigan and the sectoral representatives shall be elected in the manner as may be provided for by law.

TITLE FIVE.

CITY GOVERNMENTS

Chapter 1

Role and Creation of the City

SEC. 50. *Creation and Function of the City.* The city, consisting of more urbanized and developed barangays, serves as a general-purpose government for the coordination and delivery of basic, city-wide services for the benefits of the inhabitants and for effective city governance.

SEC. 51. *Manner of Creation.* A city may be created, divided, merged, abolished, or its boundary substantially altered, only by an Act of Congress, subject to approval by a majority of the votes cast in a plebiscite to be conducted by the Comelec in the local government(s) directly affected. Except as may otherwise be provided in such Act, the plebiscite shall be held within one hundred twenty (120) days from the date of its effectivity.

SEC. 52. Requisites for Creation. (a) A municipality may be converted into a component city if it has a locally generated average annual income, of at least one hundred million pesos (Php 100,000,000.00) for the last two (2) consecutive years based on constant prices, as certified to by the Provincial Treasurer, an average real property tax collection efficiency of, at least, eighty percent (80%) to be based on the three (3) years collection immediately preceding the current calendar year and meets the following additional requirements:

- (1) A contiguous territory of at least one hundred (100) square kilometers as certified by the Lands Management bureau; or,
- (2) A population of not less than one hundred fifty thousand (150,000) inhabitants, as certified by the National Statistics Office;

Provided, That, the creation thereof shall not reduce the land area, population, and income of the original unit or units at the time of said creation to less than the minimum requirements prescribed herein.

(b) The territorial jurisdiction of a newly created city shall be properly identified by metes and bounds. The requirement on contiguous territory and land area shall not apply where the city propose to be created is composed of one (1) or more islands. The territory need not be contiguous if it comprises two (2) or more islands.

SEC. 53. Cities, Classified. A city may either be component or highly urbanized: *Provided, however, that the criteria established in this Code shall not affect the classification and corporate status of existing cities.*

Independent component cities are those component cities whose charters prohibit their voters from voting for provincial elective officials. Independent component cities shall be independent of the province.

SEC. 54. Highly Urbanized Cities. (a) Cities with a minimum population of two hundred fifty thousand (250,000) inhabitants, as certified by the National Statistics Office, and with the latest locally generated income of at least two hundred fifty million pesos (Php 250,000,000.00), as certified by the Department of Finance, and with a tax collection efficiency of 80% shall be classified as highly urbanized cities.

(b) Cities, which do not meet the above requirements, shall be considered component cities of the province in which they are geographically located. If a component city is located within the boundaries of two (2) or more provinces, such city shall be considered a component of the province of which it used to be a municipality.

(c) Qualified voters of highly urbanized cities shall remain excluded from voting for elective provincial officials.

Unless otherwise provided in the Constitution or this Code, qualified voters or independent component cities shall participate in the election of the provincial officials.

Qualified voters of cities who acquired the right to vote for elective provincial officials prior to the classification of said cities as highly urbanized after

the ratification of the Constitution and before the effectivity of this Code, shall continue to exercise such right.

SEC. 55. *Duty to Declare Highly Urbanized Status.* It shall be the duty of the Regional Government to declare a city as highly urbanized within thirty (30) days after it shall met the minimum requirements prescribed in the immediately preceding section, upon proper application therefore and ratification in a plebiscite by the qualified voters therein.

Chapter 2

City Officials in General

SEC. 56. *Officials of the City Government.* (a) There shall be in each city, a mayor, a vice-mayor; sangguniang panglungsod members, a secretary to the sangguniang panglungsod, a city treasurer, a city assessor, a city accountant, a city budget officer, a city planning and development coordinator, a city engineer, a city health officer, a city civil registrar, a city administrator, a city legal officer, a city veterinarian, a city social welfare and development officer, and a city general services officer.

(b) In addition thereto, the city mayor may appoint other officials, which a city government may find necessary in the performance its mandates except those officials and employees of the sanggunian.

(c) The sanggunian panlungsod may:

- (1) Create such other offices as may be necessary to carry out the purposes of the city government; or
- (2) Consolidate the functions of two or more offices in the interest of efficiency, economy and simplicity.

(d) Unless otherwise provided herein, heads of departments and offices shall be appointed by the city mayor subject to civil service law, rules and regulations. The sangguniang panlungsod shall act on the appointment within fifteen (15) days from the date of its submission, if no action is taken after the expiration of the period, concurrence therein shall be deemed made.

(e) Elective and appointive city officials shall receive such compensation, allowances, and other emoluments as may be determined by law or ordinance, subject to the budgetary limitations on personal services. *Provided*, That, no increase in compensation of the mayor, vice-mayor and sangguniang panlungsod members shall take effect until after the expiration of the full term of the said local officials approving such increase.

Chapter 3

The Sangguniang Panlungsod

SEC. 57. *Composition.* (a) The sangguniang panlungsod, the legislative body of the city, shall be composed of the city vice-mayor as presiding officer, the

regular sanggunian members, the president of the city chapter of the liga ng mga barangay, the president of the panlungsod ng pederasyon ng mga sangguniang kabataan, and the sectoral representatives, as members.

(b) In addition thereto, there shall be three (3) sectoral representatives: one (1) from the women; and, as shall be determined by the sanggunian concerned within ninety (90) days prior to the holding of the local elections, one (1) from the agricultural or industrial workers; and one (1) from the other sectors, including the urban poor, indigenous cultural communities, or disabled persons.

(c) The regular members of the sangguniang panlungsod and the sectoral representatives shall be elected in the manner as may be provided for by law.

TITLE SIX.

THE MUNICIPALITY

Chapter 1

Role and Creation of the Municipality

SEC. 58. *Creation and Role of a Municipality.* The municipality, consisting of a group of barangays, serves primarily as a general-purpose government for the coordination and delivery of basic services municipal-wide for the benefit of its inhabitants and for the attainment of effective governance.

SEC. 59. *Manner of Creation.* A municipality may be created, divided, merged, abolished, or its boundary substantially altered by an Act of Congress and subject to the approval by a majority of the votes cast in a plebiscite to be conducted by the Comelec in the local government(s) directly affected. Except as may otherwise be provided in the said Act, the plebiscite shall be held within one hundred twenty (120) days from the date of its effectivity.

SEC. 60. *Requisites for Creation.* (a) A municipality may be created if it has an average annual income from locally generated revenues, exclusive of Internal Revenue Allotments as certified by the provincial treasurer, of at least twenty million pesos (Php 20,000,000.00) for the last two (2) consecutive years based on the 1998 constant prices; a population of at least twenty-five thousand (25,000) inhabitants as certified by the National Statistics Office; and a contiguous territory of at least fifty (50) square kilometers as certified by the Lands Management Bureau: *Provided, That* the creation thereof shall not reduce the land area, population or income of the original municipality or municipalities at the time of said creation to less than the minimum requirements prescribed herein.

(b) The territorial jurisdiction of a newly created municipality shall be properly identified by metes and bounds. The requirement on land area shall not apply where the municipality propose to be created is composed of one (1) or more islands. The territory need not be contiguous if it comprises two (2) or more islands.

(c) The average annual income shall include the income accruing to the general fund of the municipality concerned, exclusive of special funds, transfer and non-recurring income.

(d) Municipalities existing as of the date of the effectivity of this Code shall continue to exist and operate as such. Existing municipal districts organized pursuant to presidential issuances or executive orders in which have their respective set of elective municipal officials holding office at the time of the effectivity of this Code shall henceforth be considered as regular municipalities.

Chapter 2

Municipal Officials in General

SEC. 61. Officials of the Municipal Government. (a) There shall be in each municipality a municipal mayor, a municipal vice-mayor, sangguniang bayan members, a secretary to the sangguniang bayan, a municipal treasurer, a municipal assessor, a municipal accountant, a municipal budget officer, a municipal planning and development coordinator, a municipal engineer/building official, a municipal health officer and a municipal civil registrar.

(b) In addition thereto, the mayor may appoint other officials, which the municipal government may find necessary in the performance of its task or mandates, except those officials and employees of the sanggunian.

(c) The sangguniang bayan may:

- (1) Create such other offices as may be necessary to carry out the purposes of the municipal government; or
- (2) Consolidate the functions of two or more offices in the interest of efficiency, economy and simplicity.

(d) Unless otherwise provided herein, the municipal mayor, subject to civil service law, rule and regulations, shall appoint heads of departments and offices. The sangguniang bayan, on a majority vote, shall concur with the appointment within fifteen (15) days from the date of the submission; if no action is taken after expiration of period, concurrence therein shall be deemed made.

(e) Elective and appointive municipal officials shall receive such compensation, allowances and other emoluments as may be determined by law or ordinance, subject to the budgetary limitations on personal services. *Provided*, That no increase shall take effect until after the expiration of the full term of all the elective local officials approving such increase.

Chapter 3

The Sangguniang Bayan

SEC. 62. Composition. (a) The sangguniang bayan, the legislative body of the municipality, shall be composed of the municipal vice-mayor as the presiding officer, the regular sangguniang members, the president of the municipal chapter of the liga ng mga barangay, the president of the pambayang pederasyon ng mga sangguniang kabataan, and the sectoral representatives, as members.

(b) In addition thereto, there shall be three (3) sectoral representatives: one (1) from the women; and as shall be determined by the sanggunian concerned within ninety (90) days prior to the holding of local elections, one (1) from the agricultural or industrial workers; and one (1) from the other sectors, including the urban poor, indigenous cultural communities, or disabled persons.

(c) The regular members of the sangguniang bayan and the sectoral representatives shall be elected in the manner as may be provided for by law.

TITLE SEVEN.

BARANGAY GOVERNMENTS

Chapter 1

Role and Creation of the Barangay

SEC. 63. Creation and Role of a Barangay. The barangay is a general-purpose body politic which is a component either of a city or municipality and which is responsible for the delivery of basic services at the barangay level.

SEC. 64. Manner of Creation. A barangay may be created, divided, merged, abolished, or its boundary substantially altered, by law or by an ordinance of the sangguniang panlalawigan or sangguniang panlungsod, subject to approval by a majority of the votes cast in a plebiscite to be conducted by the Comelec in the local government(s) directly affected within such period of time as may be determined by the law or ordinance creating said barangay,

SEC. 65. Requisites for Creation. (a) A barangay maybe created out of a contiguous territory which has a population of at least five thousand (5,000) inhabitants as certified by the National Statistics Office except in cities and municipalities within Metro Manila and other metropolitan political subdivisions or in highly urbanized cities where such territory shall have a certified population of at least ten thousand (10,000) inhabitants: *Provided*, That the creation thereof shall not reduce the population of the original barangay(s) to less than the minimum requirement prescribed herein.

(b) The territorial jurisdiction of the new barangay shall be properly identified by metes and bounds or by more or less permanent natural

boundaries. The territory need not be contiguous if it comprises two (2) or more islands.

Chapter 2

Barangay Officials and Offices

SEC. 66. *Chief Officials and Offices.* (a) There shall be in each barangay a punong barangay, seven (7) sangguniang bayan members, the sangguniang kabataan chairman, a barangay secretary, and a barangay treasurer.

(b) There shall also be in every barangay a lupong tagapamayapa. The sangguniang baranagay may form community brigades and create such other positions or offices as may be deemed necessary to carry out the purposes of the barangay government in accordance with the needs of public service.

SEC. 67. *Persons in Authority.* For purposes of the Revised Penal Code, the punong barangay, snagguniang barangay members, and members, and members of the lupong tagapamayapa in each barangay shall be deemed as persons in authority in their jurisdictions, while other barangay officials and members who may be designated by law or ordinance and charged with the maintenance of public order, protection and security of life and property, or the maintenance of a desirable and balanced environment, and my barangay member who comes to the aid of persons in authority, shall be deemed agents of persons in authority.

Chapter 3

The Punong Barangay

SEC. 68. *Chief Executive: Duties and Powers.* (a) The punong barangay, as the chief executive of the barangay government, shall perform such duties and exercise such powers as herein provided.

(b) For efficient, effective and economical governance, the purpose of which is the general welfare of the barangay and its inhabitants pursuant to Section 14 of this Code, the punong barangay shall:

- (1) Enforce all laws and ordinances which are applicable within the barangay;
- (2) Negotiate, enter into, and sign contracts for and in behalf of the barangay, upon authorization of the sangguniang barangay;
- (3) Maintain public order in the barangay and, in pursuance thereof, assist the city or municipal mayor and the sanggunian members in the performance of their duties and functions;
- (4) Call and preside over the sessions of the sangguniang barangay and the barangay assembly, and vote only to break a tie;

- (5) Upon approval by a majority of all the members of the *sangguniang barangay*, appoint or replace the *barangay treasurer*, the *barangay secretary*, and other appointive *barangay officials*;
- (6) Organize and lead an emergency group whenever the same may be necessary for the maintenance of peace and order or on occasions of emergency or calamity within the *barangay*;
- (7) Prepare the annual executive and supplemental budgets of the *barangay*;
- (8) Approve vouchers relating to the disbursement of *barangay funds*;
- (9) Enforce laws and regulations relating to pollution control and *protection of the environment*;
- (10) Administer the operation of the *katarungang pambarangay*;
- (11) Exercise general supervision over the activities of the *sangguniang kabataan*;
- (12) Ensure the delivery of basic services;
- (13) Conduct an annual *palang barangay* which shall feature traditional sports and disciplines included in national and international games, in coordination with the Department of Education;
- (14) Promote the general welfare of the *barangay*; and
- (15) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

(c) In the performance of his peace and order functions, the *punong barangay* shall be entitled to possess and carry the necessary *firearm* within his territorial jurisdiction, subject to appropriate rules and regulations.

Chapter 4

The Sangguniang Barangay

SEC. 69. *Composition.* The *sangguniang barangay*, the legislative body of the *barangay*, shall be composed of the *punong barangay* as presiding officer, and the seven (7) regular *sangguniang barangay* members elected at large and *sangguniang kabataan* chairman, as members.

SEC. 70. *Functions and Powers.* (a) The *sangguniang barangay*, as the legislative body of the *barangay*, shall, either by ordinance or resolution

- (1) Promote the general welfare of the inhabitants therein and to provide for the delivery of basic services;
- (2) Impose taxes, fees or charges on objects or subjects prescribed herein; solicit or accept monies, materials and voluntary labor for

specific public works and cooperative enterprises of the barangay from residents, land owners, producers and merchants in the barangay; monies from grants-in-aid, subsidies, contributions, and revenues made available to the barangays from national, provincial, city or municipal funds; and monies from other private agencies and individuals: *Provided, however,* That monies or properties donated by private agencies and individuals for specific purposes shall accrue to the barangay as trust fund; Hold fundraising activities for barangay projects without the need of securing permits from any national or local offices or agency. *Provided,* that the proceeds from such activities shall be tax-exempt and shall accrue to the general fund of the barangay.

- (3) Appropriate in an annual or supplement budgets Monies for the operation of the barangay.
- (4) Provide for the construction, maintenance and regulations of the barangay facilities and other public works projects chargeable to the general fund of the barangay or such other funds actually available for the purpose and charge reasonable fees for the use thereof solicit or accept financial, technical and advisory assistance from local, national and external sources.
- (5) Submit to the sanggunian panlungsod or sangguniang bayan such suggestions or recommendations as it may see fit for the improvement of the barangay or for the welfare of the inhabitants thereof;
- (6) Assist in the establishment, organization, and promotion of cooperative enterprises that will improve the economic condition and well-being of the residents;
- (7) Provide compensation, reasonable allowances or per diems as well as travel expenses for sangguniang barangay members and other barangay officials, *Provide, however,* That no increase in the compensation or honoraria of the sangguniang barangay members shall take effect until after the expiration of the full term of all members of the sangguniang barangay approving such increase;
- (8) Authorize the punong barangay to enter into contracts in behalf of the barangay;
- (9) Authorize the barangay treasurer to make direct purchases in an amount not exceeding one thousand pesos (Php 1,000.00) at anyone time for the ordinary and essential administrative needs of the barangay;
- (10) Provide for the administrative needs of the lupong tagapamayapa and the pangkat ng tagapagkasundo;
- (11) Provide for the organization of community brigades, barangay tanod, or community service units as may be necessary;
- (12) Organize regular lectures, programs, or for a on community problems such as sanitation, nutrition, literacy, and drug abuse, and convene assemblies to encourage citizen participation in government;

- (13) Adopt measures to prevent and control the proliferation of squatters and mendicants in the barangay;
- (14) Provide for the proper development and welfare of children in the barangay by promoting and supporting activities for the protection and total development of children, particularly those below seven (7) years of age; adopt measures towards the prevention and eradication of drug;, abuse, child abuse, and juvenile delinquency; initiate the establishment of a barangay high school, whenever feasible, in accordance with law;
- (15) Provide for the establishment of a non-formal education center in the barangay whenever feasible, in coordination with the Department of Education;
- (16) Exercise such other powers and perform such other functions as may be prescribed by law or ordinance. *Provided*, that penalty for violation of ordinances should not exceed one thousand pesos (Php 1,000.00)

SEC. 71. Other Duties of Sangguniang Barangay Members. In addition to their duties as members of the sangguniang barangay, sangguniang barangay members may:

- (d) Assist the punong barangay in the discharge of his duties;
- (e) Act as peace officer in the maintenance of public order and safety; and
- (f) Perform such other duties as the punong barangay may delegate.

SEC. 72. Benefits of Barangay Officials. (a) Barangay officials, including barangay tanods and members of the lupong tagapamayapa, shall receive honoraria, allowances, and such other emoluments as may be authorized by law or barangay, municipal or city ordinances in accordance with the provisions of this Code, but in no case shall it be less than one thousand pesos (Php 1,000.00) per month for the punong barangay and six hundred pesos (Php 600.00) per month for the sangguniang barangay members, barangay treasurer, and barangay secretary:

- (b) The punong barangay, the sangguniang barangay members, the barangay treasurer, and the barangay secretary shall also:
 - (1) Be entitled to Christmas bonus of at least one thousand pesos (Php 1,000.00) each, the funds for which shall be taken from the general fund of the barangay or from such other funds appropriated by the national government for the purpose;
 - (2) Be entitled, during their incumbency, to insurance coverage which shall include, but shall not be limited to temporary and permanent disability, double indemnity, accident insurance, death and burial benefits, in accordance with Republic Act Numbered Sixty-nine hundred forty-two (R.A. No. 6942), entitled "An Act Increasing the

Insurance Benefits of Local Government Officials and Providing Funds Therefor”,

- (3) Be entitled to free medical care including subsistence, medicines, and medical attendance in any government hospital or institution: *Provided*, That such hospital care shall include surgery or surgical expenses, medicines, x-rays, laboratory fees, and other hospital expenses;

In case of extreme urgency where there is no available government hospital or institution, the barangay official concerned may submit himself for immediate medical attendance to the nearest private clinic, hospital or institution and the expenses not exceeding five thousand pesos (Php 5,000.00) that may be incurred therein shall be chargeable against the funds of the barangay concerned;

- (4) Be exempted during their incumbency from paying tuition and matriculation fees for their legitimate dependent children attending state colleges or universities. He may likewise avail of such educational benefits in a state college or university located within the province or city to which the barangay belongs; and
 - (5) Be entitled to appropriate civil service eligibility on the basis or the number or years of service to the barangay, pursuant to the rules and regulations issued by the Civil Service Commission.
- (c) Elective barangay officials shall have preference in appointments to any government position or in any government-owned or controlled corporations, including their subsidiaries, after their tenure of office, subject to the requisite qualifications and the provisions of the immediately preceding paragraph.
 - (d) All duly appointed members of the barangay tanod brigades, or their equivalent, which shall number not more than twenty (20) in each barangay, shall be granted insurance or other benefits during their incumbency, chargeable to the barangay or the city or municipal government to which the barangay belongs.

SEC. 73. *Withholding of Benefits Accorded to Barangay Officials.* Willful and malicious withholding of any of the benefits accorded to barangay officials shall be punished with suspension or dismissal from office of the official or employee responsible therefore.

Chapter 5

Appointive Barangay Officials

SEC. 74. *Barangay Secretary: Appointment, Qualifications, Duties and Powers.* (a) The barangay secretary shall be appointed by the punong barangay with the concurrence of the majority of all the sangguniang barangay members. The appointment of the barangay secretary shall not be subject to attestation by the Civil Service Commission.

- (b) The barangay secretary shall be of legal age, a registered voter and an actual resident of the barangay concerned.
- (c) No person shall be appointed barangay secretary if he is a sangguniang barangay member, a government employee, or a relative of the punong barangay within the fourth civil degree of consanguinity or affinity.
- (d) The barangay secretary shall:
 - (1) Keep custody of all records of the sangguniang barangay and the barangay assembly meetings;
 - (2) Prepare and keep the minutes of all meetings of the sangguniang barangay and the barangay assembly;
 - (3) Prepare a list of members of the barangay assembly, and have the same posted in conspicuous places within the barangay;
 - (4) Assist in the preparation of all necessary forms for the conduct of barangay elections, initiatives, referenda or plebiscites, in coordination with the Comelec;
 - (5) Assist the municipal civil registrar in the registration of births, deaths, and marriages;
 - (6) Keep an updated record of all inhabitants of the barangay containing the following items of information: anme, address, place and date of birth, sex, civil status, citizenship, occupation, and such other items of information as may be prescribed by law or ordinances;
 - (7) Submit a report on the actual number of barangay residents as often as may be required by the sangguniang barangay; and
 - (8) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

SEC. 75. *Barangay Treasurer: Appointment, Qualifications, Duties and Powers.* (a) The barangay treasurer shall be appointed by the punong barangay with the concurrence of the majority of all the sangguniang barangay members. The appointment of the barangay treasurer shall not be subject to attestation by the Civil Service Commission.

- (b) The barangay treasurer shall be of legal age, a registered voter, an actual resident of the barangay concerned, and possess a working knowledge of accounting.
- (c) No person shall be appointed barangay treasurer if he is a sangguniang barangay member, a government employee, or a relative of the punong barangay within the fourth civil degree of consanguinity or affinity.
- (d) The barangay treasurer shall be bonded in accordance with existing laws in an amount to be determined by the sangguniang barangay but

not exceeding ten thousand pesos (Php 10,000.00), premiums for which shall be paid by the barangay.

(e) The barangay treasurer shall:

- (1) Keep custody of barangay funds and properties;
- (2) Collect and issue official receipts for taxes, fees, contributions, monies, materials, and all other resources accruing to the barangay treasury and deposit the same in the account of the barangay;
- (3) Disburse funds in accordance with the approved budget;
- (4) Submit to the punong barangay a statement covering the actual and estimates of income and expenditures for the preceding and ensuing calendar years, respectively;
- (5) Render a written accounting report of all barangay funds and property under his custody at the end of each calendar year, and ensure that such report shall be made available to the members of the barangay assembly and other government agencies concerned;
- (6) Certify as to the availability of funds whenever necessary;
- (7) Plan and attend to the rural postal circuit within his jurisdiction; and
- (8) Exercise and perform such other powers and duties as may be prescribed by law or ordinance.

SEC. 76. *Other Appointive Officials.* The qualifications, and duties, of all other barangay officials appointed by the punong barangay shall be governed by the provisions of barangay ordinances.

Chapter 6

Barangay Assembly

SEC. 77. *Composition; Meetings.* (a) There shall be a barangay assembly composed of all persons who are actual residents of the barangay for at least six (6) months, fifteen (15) years of age or over, citizens of the Philippines, and duly registered in the list of barangay assembly members.

- (b) The barangay assembly shall meet at least twice a year to hear and discuss the semestral report of the sangguniang barangay concerning its activities and finances as well as problems affecting the barangay. Its meetings shall be held upon call of the punong barangay or of at least four (4) members of the sangguniang barangay, or upon written petition of at least five percent (5%) of the assembly members.
- (c) No meeting of the barangay assembly shall take place unless a written notice is given one (1) week prior to the meeting except on matters involving public safety or security, in which case notice within a reasonable time shall be sufficient. The punong barangay, or in his absence, the sangguniang barangay member acting as punong barangay, or any assembly member selected during the meeting, shall act as presiding officer in all the meetings of the assembly. The

barangay secretary, or in his absence, any member designated by the presiding officer to act as secretary, shall discharge the duties of secretary of the barangay assembly.

SEC. 78. Powers of the Barangay Assembly. The barangay assembly shall:

- (a) Initiate legislative processes by recommending to the sangguniang barangay the adoption of measures for the welfare of the inhabitants of the barangay and the city or municipality concerned; and
- (b) Hear and pass upon the semestral report of the sangguniang barangay concerning its activities and finances.

Chapter 7

Katarungang Pambarangay

SEC. 79. Lupon Tagapamayapa. (a) There is hereby created in each barangay a lupon tagapamayapa, hereinafter referred to as the lupon, composed of the punong barangay as chairman and ten (10) to twenty (20) members. The lupon shall be constituted every three (3) years in the manner provided here in.

- (b) Any person actually residing or working in the barangay, not otherwise expressly disqualified by law, and possessing integrity, impartiality, independence of mind, sense of fairness, and reputation for probity, may be appointed a member of the lupon.
- (c) A notice to constitute the lupon, which shall include the names of proposed members who have expressed their willingness to serve, shall be prepared by the punong barangay within the first fifteen (15) days from the start of his term of office. Such notice shall be posted in three (3) conspicuous places in the barangay continuously for a period of not less than three (3) weeks;
- (d) The punong barangay, taking into consideration any opposition to the proposed appointment or any recommendations for appointments as may have been made within the period of posting, shall within ten (10) days thereafter, appoint as members those whom he determines to be suitable therefor. Appointments shall be in writing, signed by the punong barangay, and attested to by the barangay secretary;
- (e) The list of appointed members shall be posted in three (3) conspicuous places in the barangay for the entire duration of their term of office; and
- (f) In barangays where majority of the inhabitants are members of indigenous cultural communities, local systems of settling disputes through their councils of datu or elders shall be recognized.

SEC. 80. Oath and Term of Office. Upon appointment, each lupon member shall take an oath of office before the punong barangay. He shall hold office until a new lupon is constituted on the third year following his appointment

unless sooner terminated by resignation, transfer of residence or place of work, or withdrawal of appointment by the punong barangay with the concurrence of the majority of all the members of the lupon.

SEC. 81. Vacancies. Should a vacancy occur in the lupon for any cause, the punong barangay shall immediately appoint a qualified person who shall hold office only for the unexpired portion of the term.

SEC. 82. Functions of the Lupon. The lupon shall:

- (a) Exercise administrative supervision over the conciliation panels provided herein;
- (b) Meet regularly once a month to provide a forum for exchange of ideas among its members and the public on matters relevant to the amicable settlement of disputes, and to enable various conciliation panel members to share with one another their observations and experiences in effecting speedy resolution of disputes; and
- (c) Exercise such other powers and perform such other functions as may be prescribed by law or ordinance.

SEC. 83. Secretary of the Lupon. The barangay secretary shall concurrently serve as the secretary of the lupon. He shall record the result of mediation proceedings before the punong barangay and shall submit a report thereon to the proper city or municipal courts. He shall also receive and keep the records of proceedings submitted to him by the various conciliation panels.

SEC. 84. Pangkat ng Tagapagkasundo. (a) There shall be constituted for each dispute brought before the lupon a conciliation panel to be known as the pangkat ng tagapagkasundo, hereinafter referred to as the pangkat, consisting of three (3) members who shall be chosen by the parties to the dispute from the list of members of the lupon.

Should the parties fail to agree on the pangkat membership, the same shall be determined by lots drawn by the lupon chairman.

(b) The three (3) members constituting the pangkat shall elect from among themselves the chairman and the secretary. The secretary shall prepare the minutes of the pangkat proceedings and submit a copy duly attested to by the chairman to the lupon secretary and to the proper city or municipal court. He shall issue and cause to be served notices to the parties concerned.

The lupon secretary shall issue certified true copies of any public record in his custody that is not by law otherwise declared confidential.

SEC. 85. Vacancies in the Pangkat. Any vacancy in the pangkat shall be chosen by the parties to the dispute from among the other lupon members. Should the parties fail to agree on a common, the vacancy shall be filled by lot to be drawn by the lupon chairman.

SEC. 86. Character of Office and Service of Lupon Members. (a) The lupon members, while in the performance of their official duties or on the occasion thereof, shall be deemed as persons in authority, as defined in the Revised Penal Code.

(b) The lupon or pangkat members shall serve without compensation, "but shall be entitled to the benefits or privileges granted to barangay officials by law or ordinance." The Department of the Interior and Local Government shall provide for a system of granting economic or other incentives to the lupon or pangkat members who adequately demonstrate the ability to judiciously and expeditiously resolve cases referred to them. While in the performance of their duties, the lupon or pangkat members, whether in public or private employment, shall be deemed to be on official time, and shall not suffer from any diminution in compensation or allowance from said employment by reason thereof.

SEC. 87. Legal Advice on Matters Involving Questions of Law. The provincial, city legal officer or prosecutor or the municipal legal officer shall render legal advice on matters involving questions of law to the punong barangay or any lupon or pangkat member whenever necessary in the exercise of his functions in the administration of the katarungang pambarangay.

SEC. 88. Subject Matter for Amicable Settlement ; Exception Thereto. The lupon of each barangay shall have authority to bring together the parties actually residing in the same city or municipality for amicable settlement of all disputes except:

- (a) Where one party is the government, or any subdivision or instrumentality thereof;
- (b) Where one party is a public officer or employee, and the dispute relates to the performance of his official functions;
- (c) Offenses punishable by imprisonment exceeding one (1) year or a fine exceeding five thousand pesos (Php 5,000.00);
- (d) Offenses where there is no private offended party;
- (e) Where the dispute involves real properties located in different cities or municipalities unless the parties thereto agree to submit their differences to amicable settlement by an appropriate lupon;
- (f) Disputes involving parties who actually reside in barangays of different cities or municipalities, except where such barangay units adjoin each other and the parties thereto agree to submit their differences to amicable settlement by an appropriate lupon; and
- (g) Such other classes of disputes, which the President may determine in the interest of justice or upon the recommendation of the secretary of Justice.

The court in which non-criminal cases not falling within the authority of the lupon under this Code are filed may, at any time before trial, *motu proprio* refer the case to the lupon concerned for amicable settlement.

SEC. 89. Venue. (a) Disputes between persons actually residing in the same barangay shall be brought for amicable settlement before the lupon of said barangay.

- (b) Those involving actual residents of different barangays within the same city or municipality shall be brought in the barangay where the respondent or any of the respondents actually resides, at the election of the complainant.
- (c) All disputes involving real property or any interest therein shall be brought in the barangay where the real property or the larger portion thereof is situated.
- (d) Those arising at the workplace where the contending parties are employed or at the institution where such parties are enrolled for study shall be brought in the barangay where such workplace or institution is located.

Objections of venue shall be raised in the mediation proceedings before the punong barangay; otherwise, the same shall be deemed waived. Any legal question which may confront the punong barangay in resolving objections to venue herein referred to may be submitted to the secretary of Justice, or of his duly designated representative, whose ruling thereon shall be binding.

SEC. 90. Procedure for Amicable Settlement. (a) Who may initiate proceeding – Upon payment of the appropriate filing fee, any individual who has a cause of action against another individual involving any matter within the authority of the lupon may complain, orally or in writing, to the lupon chairman of the barangay.

- (b) Mediation by lupon chairman – Upon receipt of the complaint, the lupon chairman shall within the next working day summon the respondent(s), with notice to the complainant(s) for them and their witnesses to appear before him for a mediation of their conflicting interests. If he fails in his mediation effort within fifteen (15) days from the first meeting of the parties before him, he shall forthwith set a date for the constitution of the pangkat in accordance with the provisions of this Chapter.
- (c) Suspension of prescriptive period of offenses – While the dispute is under mediation, conciliation, or arbitration, the prescriptive periods for offenses and cause of action under existing laws shall be interrupted upon filing of the complaint with the punong barangay. The prescriptive periods shall resume upon receipt by the complainant of the complaint or the certificate of repudiation or of the certification to file action issued by the lupon or pangkat secretary: *Provided, however,* That such interruption shall not exceed sixty (60) days from the filing of the complaint with the punong barangay.
- (d) Issuance of summons; hearing; grounds for disqualification – The pangkat shall convene not later than three (3) days from its constitution, on the day and hour set by the lupon chairman, to hear both parties and their witnesses, simplify issues, and explore all possibilities for amicable settlement. For this purpose, the pangkat may issue summons for the personal appearance of parties and witnesses before it. In the event that a party moves to disqualify any member of

the pangkat by reason of relationship, bias interest, or any other similar grounds discovered after the constitution of the pangkat, the matter shall be resolved by the affirmative vote of the majority of the pangkat whose decision shall be final. Should disqualification be decided upon, the resulting vacancy shall be filled as herein provided for.

- (e) Period to arrive at a settlement – The pangkat shall arrive at a settlement or resolution of the dispute within fifteen (15) days from the day it convenes in accordance with this section. This period shall, at the discretion of the pangkat, be extendible for another period, which shall not exceed fifteen (15) days, except, in clearly meritorious cases.

SEC. 91. Form of Settlement. All amicable settlements shall be in writing, in a language or dialect known to the parties, signed by them, and attested to by the lupon chairman or the pangkat chairman, as the case may be. When the parties to the dispute do not use the same language or dialect, the settlement shall be written in the language or dialect known to them.

SEC. 92. Conciliation. (a) Pre-condition to Filing of Complaint in Court. – No complaint, petition, action, or proceeding involving any matter within the authority of the lupon shall be filed or instituted directly in court or any other government office for adjudication, unless there has been a confrontation between the parties before the lupon chairman or the pangkat, and that no conciliation or settlement has been reached as certified by the lupon secretary or pangkat secretary as attested to by the lupon or pangkat chairman or unless the settlement has been repudiated by the parties thereto.

(b) Where Parties May Go Directly to Court. – The parties may go directly to court in the following instances:

- (1) Where the accused is under detention;
- (2) Where a person has otherwise been deprived of personal liberty calling for *habeas corpus* proceedings;
- (3) Where actions are coupled with provisional remedies such as preliminary injunction, attachment, delivery of personal property, and support *pendente lite*; and
- (4) Where the action may otherwise be barred by the statute of limitations.

(c) Conciliation among members of indigenous cultural communities. – The customs and traditions of indigenous cultural communities shall be applied in settling disputes between members of the cultural communities.

SEC. 93. Arbitration. (a) The parties may, at any stage of the proceedings, agree in writing that they shall abide by the arbitration award of the lupon chairman or the pangkat. Such agreement to arbitrate may be repudiated within five (5) days from the date thereof for the same grounds and in accordance with the procedure hereinafter prescribed. The arbitration award shall be made after the lapse of the period for repudiation and within ten (10) days thereafter.

- (b) The arbitration award shall be in writing in a language or dialect known to the parties. When the parties to the dispute do not use the same language or dialect, the award shall be written in the language or dialect known to them.

SEC. 94. *proceedings Open to the Public; Exception.* All proceedings for settlement shall be public and informal: *Provided, however,* That the lupon chairman or the pangkat chairman, as the case may be, may *motu proprio* or upon request of a party, exclude the public from the proceedings in the interest of privacy, decency, or public morals.

SEC. 95. *Appearance of Parties in Person.* In all katarungang pambarangay proceedings, the parties must appear in person without the assistance of counselor representative, except for minors and incompetents who may be assisted by their next-of-kin who are not lawyers.

SEC. 96. *Refusal or Failure of Any Party or Witness to Appear Before the Lupon or Pangkat.* Refusal or willful failure of any party or witness to appear before the lupon or pangkat shall bar the complainant from seeking judicial recourse for the same cause of action, and the respondent from filing any counterclaim arising out of, or necessarily connected with the complaint.

SEC. 97. *Effect of Amicable Settlement and Arbitration Award.* The amicable settlement and arbitration award shall have the force and effect of a final judgment of a court upon the expiration of ten (10) days from the date thereof, unless repudiation of the settlement has been made or a petition to nullify the award has been filed before the proper city or municipal court.

However, this provision shall not apply to court cases referred to and settled by the lupon, in which case the compromise settlement agreed upon by the parties before the lupon chairman or the pangkat chairman shall be submitted to the court and upon approval thereof, have the force and effect of a judgment of said court.

SEC. 98. *Execution.* The amicable settlement or arbitration award may be enforced by execution by the lupon within six (6) months from the date of the settlement. After the lapse of such time, the settlement may be enforced by action in the appropriate city or municipal court.

SEC. 99. *Repudiation.* Any party to the dispute may, within ten (10) days from the date of the settlement, repudiate the same by filing with the lupon chairman a statement to that effect sworn to before him, where the consent is vitiated by fraud, violence, or intimidation. Such repudiation shall be sufficient basis for the issuance of the certification for filing a complaint as herein above provided.

SEC. 100. *Transmittal of settlement and Arbitration Award to the Court.* The secretary of the lupon shall transmit the settlement or the arbitration award to the appropriate city or municipal court within five (5) days from the date of the award or from the lapse of the ten (10) day period repudiating the settlement and

shall furnish copies thereof to each of the parties to the settlement and the lupon chairman.

SEC. 101. *Power to Administer Oaths.*—The punong barangay, as chairman of the lupon tagapamayapa, and the members of the pangkat are hereby authorized to administer oaths in connection with any matter relating to all proceedings in the implementation of the katarungang pambarangay.

SEC. 102. *Administration: Rules and Regulations.* The city or municipal mayor, as the case may be, shall see to the efficient and effective implementation and administration of the katarungang pambarangay. "The Secretary of Justice may recommend adoption of necessary rules and regulations."

SEC. 103. *Appropriation.* "The local government concerned shall provide the amount necessary in the implementation of the katarungang pambarangay."

Chapter 8

Sangguniang Kabataan

SEC. 104. *Creation and Election.* (a) There shall be in every barangay a sangguniang kabataan to be composed of a chairman, seven (7) members, a secretary, and a treasurer. (b) A sangguniang kabataan official who, during his term of office, shall have passed the age of twenty-one (21) years shall be allowed to serve the remaining portion of the term for which he was elected.

SEC. 105. *Katipunan ng Kabataan.* The katipunan ng kabataan shall be composed of all citizens of the Philippines actually residing in the barangay for at least six (6) months, who are fifteen (15) but not more than twenty-one (21) years of age, and who are duly registered in the list of the sangguniang kabataan or in the official barangay list in the custody of the barangay secretary.

SEC. 106. *Meetings of the Katipunan ng Kabataan.* The katipunan ng kabataan shall meet at least once every three (3) months, or at the call of the chairman of the sangguniang kabataan or upon written petition of at least one-twentieth (1/20) of its members, to decide on important issues affecting the youth of the barangay.

SEC. 107. *Function and Powers of the Sangguniang Kabataan.* The sangguniang kabataan shall:

- (a) Promulgate resolutions necessary to carry out the objectives of the youth in the barangay in accordance with the applicable provisions of this Code;
- (b) Initiate programs designed to enhance the social, political, economic, cultural, intellectual, moral, spiritual, and physical development of the members;

- (c) Hold fund-raising activities, the proceeds of which shall be tax-exempt and shall accrue to the general fund of the sangguniang kabataan: *Provided, however,* That in the appropriation thereof, the specific purpose for which such activity has been held shall be first satisfied;
- (d) Create such bodies or committees as it may deem necessary to effectively carry out its programs and activities;
- (e) Submit annual and end-of-term reports to the sangguniang barangay on their projects and activities for the survival and development of the youth in the barangay;
- (f) Consult and coordinate with all youth organizations in the barangay for policy formulation and program implementation;
- (g) Coordinate with the appropriate national agency for the implementation of youth development projects and programs at the national level; and
- (h) Exercise such other powers as the sangguniang barangay may determine or delegate or as may be prescribed by law or ordinance.

SEC. 108. Meeting of the Sangguniang Kabataan. The sangguniang kabataan shall meet regularly once a month on the date, time, and place to be fixed by the said sanggunian. Special meetings may be called by the sangguniang kabataan chairman or any three (3) of its members by giving written notice to all members of the date, time, place, and agenda of the meeting at least one (1) day in advance. Notices of regular or special meetings shall be furnished the punong barangay and the sangguniang barangay.

A majority of the members of the sangguniang kabataan shall constitute a quorum.

SEC. 109. Qualifications. An elective official of the sangguniang kabataan be a citizen of the Philippines, a qualified voter of the katipunan ng kabataan, a resident of the barangay for at least one (1) year immediately prior to election, at least fifteen (15) years but not more than twenty-one (21) years of age on the day of his election, able to read and write Filipino, English, or the local dialect.

SEC. 110. Term of Office. The sangguniang kabataan chairman and members shall hold office for a period of three (3) years, unless sooner removed for cause as provided by law, permanently incapacitated, die or resign from office.

SEC. 111. Sangguniang Kabataan Chairman. The registered voters of the katipunan ng kabataan shall elect the chairman of the sangguniang kabataan who shall automatically serve as an *ex-officio* member of the sangguniang barangay upon his assumption to office. As such, he shall exercise the same powers, discharge the same duties and functions, and enjoy the same privileges as the regular sangguniang barangay members, and shall be the chairman of the committee on youth and sports development in the said sanggunian.

SEC. 112. *Duties and Powers of the Sangguniang Kabataan Chairman.* In addition to the duties, which may be assigned to him by the sangguniang barangay, the sangguniang kabataan chairman shall:

- (a) Call and preside over all meetings of the katipunan ng kabataan and the sangguniang kabataan;
- (b) Implement policies, programs, and projects within his jurisdiction in coordination with the sangguniang barangay;
- (c) Exercise general supervision over the affairs and activities of the sangguniang kabataan and the official conduct of its members, and such other officers of the sangguniang kabataan within his jurisdiction;
- (d) With the concurrence of the sangguniang kabataan, appoint from among the members of the sangguniang kabataan, the secretary and treasurer, and such other officers as may be deemed necessary; and
- (e) Exercise such other powers and perform such other duties may be prescribed by law or ordinance.

SEC. 113. *Sangguniang Kabataan Secretary.* The sangguniang kabataan secretary shall:

- (a) Keep all records of the katipunan ng kabataan and sangguniang kabataan;
- (b) Prepare and keep the minutes of all meetings of the katipunan ng kabataan and sangguniang kabataan;
- (c) Prepare all forms necessary for the conduct of registrations, elections, initiatives, referenda, or plebiscites, in coordination with the barangay secretary and the Comelec; and
- (d) Perform such other duties as the chairman of the sangguniang kabataan may prescribe or direct.

SEC. 114. *Sangguniang Kabataan Treasurer.* The sangguniang kabataan treasurer shall:

- (a) Take custody of all sangguniang kabataan properly and funds not otherwise deposited with the city or municipal treasurer;
- (b) Collect and receive contributions, monies, materials, and all other resources intended for the sangguniang kabataan and katipunan ng kabataan
- (c) Disburse funds in accordance with an approved budget of the sangguniang kabataan;
- (d) Certify to the availability of funds whenever necessary;
- (e) Submit to the sangguniang kabataan and to the sangguniang barangay certified and detailed statements of actual income and expenditures at the end of every month; and

- (f) Perform such other duties as the chairman of the sangguniang kabataan may direct.

SEC. 115. *Privileges of Sangguniang Kabataan Officials.* The sangguniang kabataan chairman shall have the same privileges enjoyed by other sangguniang barangay officials. During their incumbency, sangguniang kabataan officials shall be exempt from payment of tuition and matriculation fees while enrolled in public tertiary schools, including state colleges and universities. The national government shall reimburse said college or university the amount of the tuition and matriculation fees; *Provided*, that, to qualify for the privilege, the said officials shall enroll in the state college or university within or nearest their area of jurisdiction.

SEC. 116. *Succession and Filing of Vacancies.* (a) In case a sangguniang kabataan chairman refuses to assume office, fails to qualify, is convicted of a felony, voluntarily resigns, dies, is permanently incapacitated, is removed from office, or has been absent without leave for more than three (3) consecutive months, the sangguniang kabataan member who obtained the next highest number of votes in the election immediately preceding shall assume the office of the chairman for the unexpired portion of the term, and shall discharge the powers and duties, and enjoy the rights and privileges appurtenant to the office. In case the said member refuses to assume the position or fails to qualify, the sanggunian member obtaining the next highest number of votes shall assume the position of the chairman for the unexpired portion of the term.

- (b) Where two (2) or more sangguniang kabataan members obtained the same next highest number of votes, the other sangguniang kabataan members shall conduct an election to choose the successor to the chairman from among the said members.
- (c) After the vacancy shall have been filled, the sangguniang kabataan chairman shall call a special election to complete the membership of said sanggunian. Such sangguniang kabataan member shall hold office for the unexpired portion of the term of the vacant seat.
- (d) In case of suspension of the sangguniang kabataan chairman, the successor, as determined in subsections (a) and (b) of this section shall assume the position during the period of such suspension.

Chapter 9

Pederasyon ng mga Sangguniang Kabataan

SEC. 117. *Pederasyon ng mga Sangguniang Kabataan.* (a) There shall be an organization of all the pederasyon ng mga sangguniang kabataan to be known as follows:

- (1) In municipalities, pambayang pederasyon ng mga sangguniang kabataan;
- (2) In cities, panlungsod na pederasyon ng mga sangguniang kabataan;

- (3) In provinces, panlalawigang pederasyon ng mga sangguniang kabataan;
 - (4) In special metropolitan political subdivision, pangmetropolitang pederasyon ng mga sangguniang kabataan; and
 - (5) On the national level, pambansang pederasyon ng mga sangguniang kabataan.
- (b) The pederasyon ng mga sangguniang kabataan shall, at all levels, elect from among themselves the president, vice-president and such other officers as may be necessary and shall be organized in the following manner:
- (1) The panlungsod and pambayang pederasyon shall be composed of the sangguniang kabataan chairman of barangays in the city or municipality, respectively;
 - (2) The panlalawigang pederasyon shall be composed of presidents of the panlungsod and pambayang pederasyon;
 - (3) The pangmetropolitang pederasyon shall be composed of presidents of the panlungsod and pambayang pederasyon;
 - (4) The elected presidents of the pederasyon at the provincial, highly urbanized city, and metropolitan political subdivision levels shall constitute the pambansang katipunan ng mga sangguniang kabataan.

SEC. 118. Constitution and By-Laws. The term of office, manner of election, removal and suspension of the officers of the pederasyon ng mga sangguniang kabataan at all levels shall be governed by the constitution and by-laws of the pederasyon in conformity with the provisions of this Code and national policies on youth.

SEC. 119. Membership in the Sanggunian. (a) A sangguniang kabataan chairman shall, upon certification of his election by the Comelec and during his tenure of office is elected as pederasyon president, serve as an *ex-officio* member of the sangguniang panlalawigan, sangguniang panlungsod, and sangguniang bayanb, as the case may be, without need of further appointment.

(b) The vice-president of the pederasyon whose president has been elected as president of a higher pederasyon shall serve as *ex-officio* member of the sanggunian concerned without need of further appointment.

(c) The pederasyon president or vice-president, as the case may be, shall be the chairman of the committee on youth and sports development of the sanggunian concerned.

Chapter 10

Linggo ng Kabataan

SEC. 120. *Observance of Linggo ng Kabataan.* (a) Every Barangay municipality, city and province shall, in coordination with the pederasyon ng mga sangguniang kabataan at all levels, conduct an annual activity to be known as the linggo ng kabataan on such date as shall be determined by the Office of the President.

(b) The observance of the linggo ng kabataan shall include the election of the counterparts of all local elective and appointive officials, as well as heads of national offices or agencies stationed or assigned in the territorial jurisdiction of the local government, among in school and community youth residing in the local government concerned from ages thirteen (13) to seventeen (17). During said week, they shall hold office as boy and girl officials and shall perform such duties and conduct such activities as may be provided in the ordinance.

TITLE EIGHT.

LOCAL OFFICIALS, DUTIES, AND POWERS

Chapter 1

Elective Officials

Article One. Qualifications and Election

SEC. 121. *Qualification.* An elective local official must be a Filipino citizen, at least eighteen (18) years of age, a registered voter in the place where he intends to be elected a resident therein for at least one year preceding the election and able to read and write.

A candidate for membership in the sangguniang kabataan must be fifteen (15) but not more than twenty-one (21) years of age on Election Day.

SEC. 122. *Manner of Election.* Except as hereinafter provided, candidates for local legislative offices shall be elected at large by the registered Voters of the local government concerned.

SEC. 123. *Date of Election.* Unless otherwise provided by law the elections for local officials shall be held every three (3) years on the second Monday of May.

SEC. 124. *Term of Office.* (a) The term of office of all local elective officials shall be three (3) years, starting from noon of June thirty (30) following the election.

(b) No local elective shall serve for more than three (3) consecutive terms in the same position, Voluntary renunciation of the office for any length of time shall not be considered as an interruption in the continuity of service for the full term for which the elective official concerned was elected.

- (c) The term of office of barangay officials and members of the sangguniang kabataan shall be three (3) years, which shall begin after the regular election of barangay officials.

Article Two. Vacancies and Succession

SEC. 125. *Permanent Vacancies in the Offices of the Governor, Vice Governor, Mayor, and Vice-Mayor.* (a) If a permanent vacancy occurs in the office of the governor or Mayor, the vice-governor or vice-mayor concerned shall become the governor or Mayor. If a permanent vacancy occurs in the offices of the governor, vice-governor, mayor, or vice-mayor, the highest-ranking sanggunian member or, in case of his permanent inability, the second highest-ranking sanggunian member shall become the governor, vice-governor, mayor or vice-mayor, as the case may be. Subsequent vacancies in the said office shall be filled automatically by the other sanggunian members according to their ranking as defined herein.

- (b) If a permanent vacancy occurs in the office of the punong barangay, the highest ranking sangguniang barangay member or, in case of his permanent inability, the second highest ranking sanggunian member shall become the punong barangay.
- (c) A tie between or among the highest-ranking sanggunian members shall be resolved by the drawing of lots.
- (d) The successors as defined herein shall serve only the unexpired terms of their predecessors. A permanent vacancy arises when an elective local official fills a higher vacant office, refuses to assume office, fails to qualify, dies, is removed from office, voluntarily resigns, or becomes permanently incapacitated to discharge the functions of his office.

SEC. 126. *Permanent Vacancies in the Sanggunian.* (a) Permanent vacancies in the sanggunian where automatic successions provided above do not apply shall be filled by appointment in the following manner:

- (1) The President, through the Executive Secretary, in the case of the sangguniang panlalawigan and the sangguniang panlungsod of highly urbanized cities and independent component cities;
 - (2) The governor, in the case of the sangguniang panlungsod of component cities and the sangguniang bayan;
 - (3) The city or municipal mayor, in the case of sangguniang barangay, upon recommendation of the sangguniang barangay concerned.
- (b) Except for the sangguniang barangay, only the nominee of the political party under which the sanggunian member concerned had been elected and whose elevation to the position next higher in rank created the last vacancy in the sanggunian shall be appointed in the manner hereinabove provided. The appointee shall come from the same political party as that of the sanggunian member who caused the vacancy and shall serve the unexpired term of the vacant office. In the appointment herein mentioned, a nomination and a certificate or membership of the appointee from the highest official of the political

party concerned shall be null and void *ab initio* and shall be a ground for administrative action against the official responsible therefore.

- (c) In case the permanent vacancy is caused by a sanggunian member who does not belong to any political party, the local chief executive shall, upon recommendation of the sanggunian concerned, appoint a qualified person to fill vacancy.
- (d) In case of vacancy in the representation of the youth and the barangay in the sanggunian, said vacancy shall be filled automatically by the official next in rank of the organization concerned.

SEC. 127. *Temporary Vacancy in the Office of the Local Chief Executive.*

(a) When the governor, city or municipal mayor, or punong barangay is temporarily incapacitated to perform his duties due physical or legal reasons such as, but not limited to leave of absence, travel abroad, and suspension from office, the vice-governor, city or municipal vice-mayor, or the highest ranking sangguniang barangay member shall automatically exercise the powers and perform the duties of the local chief executive concerned except the power to appoint, suspend, or dismiss employees which can only be exercised if the period of temporary incapacity exceeds thirty (30) working days.

- (b) Said temporary incapacity shall terminate upon submission to the appropriate sanggunian of a written declaration by the local chief executive concerned that he has reported back to office. In cases where the temporary incapacity is due to legal causes, the local chief executive concerned shall also submit necessary documents showing that said legal causes no longer exist.
- (c) When the incumbent local chief executive is traveling within the country but outside his territorial jurisdiction for a period not exceeding three (3) consecutive days, he may designate in writing the officer-in-charge of the said office. Such authorization shall specify the powers and functions that the local official concerned shall exercise in the absence of the local chief executive except the power to appoint, suspend, or dismiss employees.
- (d) In the event, however, that the local chief executive concerned fails or refuses to issue such authorization, the vice-governor, the city or municipal vice-mayor, or the highest ranking sangguniang barangay member, as the case may be, shall have the right to assume the powers, and duties functions of the said office on the fourth (4th) day of absence of the said local chief executive, subject to the limitations provided in subsection (c) hereof.
- (e) Except as provided above, the local chief executive shall in no case authorize any local official to assume the powers, and duties of the office, other than the vice-governor, the city or municipal vice-mayor, or the highest ranking sangguniang barangay member, as the case may be.

SEC. 128. *Approval of Leave of Absence.* (a) Application leaves of absence or local elective officials shall be approved as follows:

- (1) Leaves of absence of the governor and the mayor of a highly urbanized city or an independent component city shall be approved by the President or his duly authorized representative;
- (2) Leaves of absence of a vice-governor or a city or municipal vice-mayor shall be approved by the local chief executive concerned: *Provided*, That the leaves of absence of the members of the sanggunian and its employees shall be approved by the vice-governor or city or municipal vice-mayor concerned;
- (3) Leaves of absence of the component city or municipal mayor shall be approved by the governor; and
- (4) Leave of absence of a punong barangay shall be approved by the city or municipal mayor: *Provided*, That leaves of absence of sangguniang barangay members shall be approved by the punong barangay.

(b) Whenever the application for leave of absence hereinabove specifies is not acted upon within five (5) working days after receipt thereof, the application for leave of absence shall be deemed approved.

Article Three. Local Legislation

SEC. 129. *Presiding Officer.* - (a) The vice-governor shall be the presiding officer of the sangguniang panlalawigan; the city vice-mayor, of the sangguniang panlungsod; the municipal vice-mayor, of the sangguniang bayan; and the punong barangay, of the sangguniang barangay. The presiding officer shall vote on Acts under consideration by the sanggunian only to break a tie.

- (b) In the event of the inability of the regular Presiding officer to preside with a sanggunian session, the members present and consulting a quorum shall elect from among themselves a temporary presiding officer. He shall certify within ten (10) days from the passage of ordinances enacted and resolutions adopted by the sanggunian in the session over which he temporarily presided.

SEC. 130. *Internal Rules of Procedure.* - (a) On the first regular session following the election of its members and within ninety (90) days thereafter, the sanggunian concerned may adopt or update its existing rules of procedure.

- (b) The rules of procedure shall provide for the following:

- (1) The organization of the sanggunian and the election of its officers as well as the creation of standing committees on appropriations, women and family, human rights, youth and sports development, environmental protection, and cooperatives; the general jurisdiction of each committee; and the election of the chairman and members of each committee;
- (2) The order and calendar of business for each session;
- (3) The legislative process;

- (4) The parliamentary procedures which include the conduct of members during sessions;
- (5) Discipline of members for disorderly behavior and absences without justifiable cause for four (4) consecutive sessions, for which they may be censured, reprimanded, or excluded from the session, suspended for not more than sixty (60) days, or expelled; and
- (6) Such other rules as the sanggunian may adopt.

SEC. 131. Full Disclosure of Financial and Business Interests of Sanggunian Members. – (a) Every sanggunian member shall, upon assumption to office, make a full disclosure of his business and financial interests. He shall also disclose any business, financial, or professional relationship or any relation by affinity or consanguinity within the fourth civil degree which he may have with any person, firm or entity affected by any ordinance or resolution under consideration by the sanggunian of which he is a member which relationship may result in conflict of interest. Such relationship shall include:

- (1) Ownership of stock or capital, or investment, in the entity of firm to which the ordinance or resolution may apply; and
 - (2) Contracts or agreements with any person or entity which the ordinance or resolution under consideration may affect. In the absence of a specific constitutional or statutory provision applicable to this situation, "conflict of interest" refers in general to one where it may be reasonably deduced that a member of a sanggunian may not act in the public interest due to some private, pecuniary, or other personal considerations that may tend to affect his judgment to the prejudice of the service or the public.
- (b) The disclosure required under this Act shall be made in writing and submitted to the secretary of the sanggunian or the secretary of the committee of which he is a member. The disclosure shall, in all cases, form part of the record of the proceedings and shall be made in the following manner:
- (1) Disclosure shall be made before the member participates in the deliberations on the ordinance or resolution under consideration. *Provided, That,* if the member did not participate during the deliberations, the disclosure shall be made before voting on the ordinance or resolution on second and third readings; and
 - (2) Disclosure shall be made when a member takes a position or makes a privilege speech on a matter that may affect the business interest, financial connection, or professional relationship described herein.

SEC. 132. Sessions. – (a) On the first day of the session immediately following the election of its members, the sanggunian shall, by resolution, fix the day, time, and place of its regular sessions. The minimum number of regular sessions shall be once a week for the sangguniang panlalawigan, sangguniang panlungsod, and sangguniang bayan, and twice a month for the sangguniang barangay.

- (b) When public interest so demands, special sessions may be called by the local chief executive or by a majority of the members of the sanggunian.
- (c) All sanggunian sessions shall be open to the public unless a closed-door session is ordered by an affirmative vote of a majority of the members present, there being a quorum, in the public interest or for reasons of security, decency, or morality. No two (2) sessions, regular or special, any be held in a single day.
- (d) In the case of special sessions of the sanggunian, a written notice to be the members shall be served personally at the member's usual place of residence at least twenty-four (24) hours before the special session is held.

Unless otherwise concurred in by two-thirds (2/3) vote of the sanggunian members present, there being a quorum, no other matters may be considered at a special session except those stated in the notice.

- (e) Each sanggunian shall keep a journal and record of its proceedings, which may be published upon resolution of the sanggunian concerned.

SEC. 133. Quorum. – (a) A majority of all the members of the sanggunian who have been elected and qualified shall constitute a quorum to transact official business. Should a question of quorum be raised during a session, the presiding officer shall immediately proceed to call the roll of the members and thereafter announce the results.

- (b) Where there is no quorum, the presiding officer may declare a recess until such time as a quorum is constituted, or a majority of the members present may adjourn from day to day and may compel the immediate attendance of any member absent without justifiable cause by designating a member of the sanggunian, to be assisted by a member or members of the police force assigned in the territorial jurisdiction of the local government concerned, to arrest the absent member and present him at the session.
- (c) If there is still no quorum despite the enforcement of the immediately preceding subsection, no business shall be transacted. The presiding officer, upon proper motion duly approved by the members present, shall then declare the session adjourned for lack of quorum.

SEC. 134. Approval of Ordinances. – (a) Every enacted by the sangguniang panlalawigan, sangguniang panlungsod, or sangguniang bayan shall be presented to the provincial governor or city or municipal mayor, as the case may be. If the local chief executive concerned approves the same, he shall affix his signature on each and every page thereof; otherwise, he shall veto it and return the same with his objections to the sanggunian, which may proceed to reconsider the same. The sanggunian concerned may override the veto of the local chief executive by two-thirds (2/3) voted of all its members, thereby making the ordinance or resolution effective for all legal intents and purposes.

- (b) the veto shall be communicated by the local chief executive concerned to the sanggunian within fifteen (15) days in the case of a province,

and ten (10) days in the case of a city and a municipality; otherwise, the ordinance shall be deemed approved as if he had signed it.

- (c) ordinances enacted by the sangguniang barangay shall, upon approval by the majority of all its members, be signed by the punong barangay.

SEC. 135. Veto Power of the Local Chief Executive. – (a) The local chief executive may veto any ordinance of the sangguniang panlalawigan, sangguniang panlungsod, or sangguniang bayan on the ground that it is *ultra vires* or prejudicial to the public welfare, stating his reasons therefore in writing.

- (b) The local chief executive, except the punong barangay, shall have the power to veto any particular item or items of an appropriation ordinance, an ordinance or resolution adopting a local development plan and public investment program, or an ordinance directing of payment of money or creating liability. In such a case, the veto shall not affect the item or items, which are not objected to. The vetoed item or items shall not take effect unless the sanggunian overrides the veto in the manner provided; otherwise, the item or items in the appropriations ordinance of the previous year corresponding to those vetoed, if any, shall be deemed reenacted.
- (c) The local chief executive may veto an ordinance or resolution only once. The sanggunian may override the veto of the local chief executive concerned by two-thirds (2/3) vote of all its members, thereby making the ordinance effective even without the approval of the local chief executive concerned.

SEC. 136. Review of Component City and Municipal Ordinances or Resolution by the Sangguniang Panlalawigan. – (a) Within three (3) days after approval, the secretary to the sangguniang panlungsod or sangguniang bayan shall forward to the sangguniang panlalawigan for review, copies of approved ordinances and the resolutions approving the local development plans and public investment programs formulated by the local development councils.

- (b) Within thirty (30) days after receipt of copies of such ordinances and resolutions, the sangguniang panlalawigan shall examine the documents or transmit them to the provincial attorney, or if there be none to the provincial prosecutor for prompt examination. The provincial attorney or provincial prosecutor shall, within a period of ten (10) days from receipt of the documents, inform the sangguniang panlalawigan in writing his comments or recommendations, which may be considered by the sangguniang panlalawigan in making its decisions.
- (c) If the sangguniang panlalawigan finds that such an ordinance or resolution is beyond the power conferred upon the sangguniang panlungsod or sangguniang bayan concerned, it shall declare such ordinance or resolution invalid in whole or in part. The sangguniang panlalawigan shall enter its action in the minutes and shall advise the corresponding city or municipal authorities of the action it has take.
- (d) If no action has been taken by the sangguniang panlalawigan within thirty (30) days after submission of such an ordinance or resolution, the same shall be presumed consistent with law and thereof valid.

SEC. 137. *Review of Barangay Ordinances by the Sangguniang Panlungsod or Sangguniang Bayan.* – (a) Within ten (10) days after its enactment, the sangguniang barangay shall furnish copies of all barangay ordinances to the sangguniang panlungsod or sangguniang bayan concerned for review as to whether the ordinance is consistent with law and city or municipal ordinances.

- (b) If the sangguniang panlungsod or sangguniang bayan, as the case may be, fails to take action on barangay ordinances within thirty (30) days from receipt thereof, the same shall be deemed approved.
- (c) If the sangguniang panlungsod or sangguniang bayan, as the case may be, finds the barangay ordinances inconsistent with law or city or municipal ordinances, the sanggunian concerned shall within thirty (30) days from receipt thereof, return the same with its comment and recommendations to the sangguniang barangay concerned for adjustment, amendment, or modification; in which case, the effectivity of the barangay ordinance is suspended until such time as the revision called for is affected.

SEC. 138. *Enforcement of Disapproved Ordinances or Resolutions.* – Any attempt to enforce any ordinance or any resolution, including the local development plan and public investment program, after the disapproval thereof by higher reviewing authorities, shall be sufficient ground for the suspension or dismissal of the official or employee concerned.

SEC. 139. *Effectivity of Ordinances or Resolutions.* (a) Unless otherwise in the ordinance or the resolution, including the local development plan and public investment program, the same shall take effect after ten (10) days from the date a copy thereof is posted in a bulletin board at the entrance of the provincial capitol or city, municipal, or barangay hall, as the case may be, and in at least two (2) other conspicuous places in the local government concerned.

- (b) The secretary to the sanggunian concerned shall cause the posting of an ordinance or resolution in the bulletin board at the entrance of the provincial capitol or city, municipal, or barangay hall in at least two (2) conspicuous places in the local government concerned not later than five (5) days after approval thereof.

The text of the ordinance or resolution shall be disseminated and posted in Filipino or English and in the language or dialect understood by the majority of the people in the local government concerned, and the secretary to the sanggunian shall record such fact in a book kept for the purpose, stating the dates of approval and posting.

- (c) All ordinances with penal sanctions shall be published in a newspaper of general circulation within the province where the local legislative body concerned belongs. In the absence of any newspaper of general circulation within the province, posting of such ordinances shall be made in all municipalities and cities of the province where the sanggunian of origin is situated.

- (d) In the case of highly urbanized cities, the main features of the ordinance or resolution duly enacted or adopted shall, in addition to being posted, be published once in a local newspaper of general circulation within the city: *Provided*, That in the absence thereof the ordinance or resolution shall be published in any newspaper of general circulation.

Article Four. Disciplinary Actions

SEC. 140. *Grounds for Disciplinary Actions.* – An elective local official may be disciplined, suspended, or removed from office on any of the following grounds:

- (a) Dishonestly, oppression, misconduct in office, gross negligence, or dereliction of duty;
- (b) An elective local official may be removed office on the grounds enumerated above by order of the proper court.

SEC. 141. *Form and Filing of Administrative Complaints.* – A verified complaint against any local elective official shall be filed with the disciplining authorities, as follows:

- (a) A complaint against any elective official of a province, a highly urbanized city, an independent component city or component city or municipality in Metro Manila shall be filed before the Office of the President.
- (b) A complaint against any elective official of a component city or a municipality shall be filed before the sangguniang panlalawigan; and
- (c) A complaint against any elective barangay official shall be filed before the sangguniang panlungsod or sangguniang bayan concerned.

SEC. 142. *Notice of Hearing.* – (a) Within seven (7) days after the administrative complaint is filed, the Office of the President or the sanggunian concerned, as the case may be, shall require the respondent to submit his verified answer within fifteen (15) days from receipt thereof, and commence the investigation of the case within ten (10) days after receipt of such answer of the respondent.

- (b) When the respondent is an elective official of a province or highly urbanized city, such hearing and investigation shall be conducted in the place where he renders or holds office. For all other local elective officials, the venue shall be the place where the sanggunian concerned is located.
- (c) However, no investigation shall be held within ninety (90) days immediately prior to any local election, and no preventive suspension shall be imposed within the said period. If preventive suspension has been imposed prior to the ninety (90) days period immediately

preceding local election, it shall be deemed automatically lifted upon the start of aforesaid period.

- (d) The sanggunian concerned shall furnish the local chief executive with copies of both complaint and answer of respondent local elective official of a province, highly organized or an independent component city; the provincial governor of an elective official of a component city or municipality; or the city or municipal mayor if an elective official of the barangay.

SEC. 143. Preventive Suspension. – (a) Preventive suspension may be imposed:

- (1) By the President, if the respondent is an elective official of a province, a highly urbanized or an independent component city or municipality in Metro Manila.
- (2) By the governor, if the respondent is an elective official of a component city or municipality; or
- (3) By the mayor, if the respondent is an elective official of the barangay.

- (b) Preventive suspension may be imposed at anytime after the issues are joined, when the evidence of guilt is strong, and given the gravity of the offense, there is the witnesses or pose a threat to the safety and integrity of the records and other evidence: *Provided, That, any single preventive suspension of local elective officials shall not extend beyond sixty (60) days: Provided, further, That in the event that several administrative cases are filed against an elective official, he cannot be preventively suspended for more than ninety (90) days within a single year on the same ground or grounds existing and a known at the time of the first suspension.*

- (c) Upon expiration of the preventive suspension, the suspended elective official shall be deemed reinstated in office without prejudice to the continuation of the proceedings against him, which shall be terminated within one hundred twenty (120) days from the time he was formally notified of the case against him. However, if the delay in the proceedings of the case is due to his fault, neglect, or request, other than the appeal duly filed, the duration of such delay shall not be counted in computing the time of termination of the case.

SEC. 144. Salary of Respondent Pending Suspension. – The respondent official preventively suspended from office shall receive no salary or compensation during such suspension; but, upon subsequent exoneration and reinstatement, he shall be paid full salary or compensation including such emoluments accruing during such suspension.

SEC. 145. Rights of Respondent. – The respondent shall accorded full opportunity to appear and defend himself in person or by counsel, to confront and cross-examine the witnesses against him, and to require the attendance of witnesses and the production of documentary evidence in his favor through the compulsory process of subpoena duces tecum.

SEC. 146. Form and Notice of Decision. – (a) The investigation of the case shall be terminated within ninety (90) days from the start thereof. Within thirty (30) days after the end of the investigation, the Office of the President or the sanggunian concerned shall render a decision writing stating clearly and distinctly the facts and the reasons for such decision. Copies of said decision shall immediately be furnished the respondent and all interested parties.

(b) The penalty of suspension shall not exceed the unexpired term of the respondent or a period of six (6) months for every administrative offense, nor shall said penalty be a bar to the candidacy of the respondent so suspended as long as he meets the qualifications required for the office.

(c) The disciplining authority or jurisdiction over local elective officials herein provided shall be exclusive. No public authority or official shall give due course to an administrative complaint which has been acted upon or taken cognizance of by the disciplining authority concerned.

SEC. 147. Administrative Appeals. – Decisions in administrative cases may, within thirty (30) days from receipt thereof, be appealed to the following:

(a) The sangguniang panlalawigan, in the case of decisions of the sangguniang panlungsod of component cities and the sangguniang bayan of component municipalities; and

(b) The Office of the President, in the case of decisions of the sangguniang panlalawigan and the sangguniang panlungsod of highly urbanized cities and independent component cities. Decisions of the Office of the President shall be final and executory.

SEC. 148. Execution Pending Appeal. – An appeal shall not prevent a decision from becoming final or executory. The respondent shall be considered as having been placed under preventive suspension during the pendency of an appeal in the event he wins such appeal. In the event the appeal results in exoneration, he shall be paid his salary and such other emoluments during the pendency of the appeal.

Article Five. Recall

SEC. 149. By Whom Exercised. – The power of recall for loss of confidence shall be exercised by the registered voters of a local government to which the local elective official subject to such recall belongs.

SEC. 150. Initiation of the Recall Process. – (a) Recall of any elective provincial, city, municipal, or barangay official may also be validly initiated upon petition of at least twenty-five percent (25%) of the total number of registered voters in the local government concerned during the election in which the local official sought to be recalled was elected.

(1) A written petition for recall duly signed before the election registrar or his representative, and in the presence of a representative of the

petitioner and a representative of the official sought to be recalled, and in a public place in the province, city, municipality, or barangay, as the case may be, shall be filed with the Comelec through its office in the local government concerned. The Comelec or its duly authorized representative shall cause the publication of the petition in a public and conspicuous place for a period of not less than ten (10) days nor more than twenty (20) days, for the purpose of verifying the authenticity and genuineness of the petition and the required percentage of voters.

- (2) Upon the lapse of the aforesaid period, the Comelec or its duly authorized representative shall announce the acceptance of candidates to the position and thereafter prepare the list of candidates which shall include the name of the official sought to be recalled.

SEC. 151. *Election on Recall.* – Upon the filing of a valid resolution or petition for recall with the appropriate local office of the Comelec, the Commission or its duly authorized representative shall set the date of the election on recall, which shall not be later than thirty (30) days after the filing of the resolution or petition for recall in the case of the barangay, city, or municipal officials, and forty-five (45) days in the case of provincial officials. The official or officials sought to be recalled automatically be considered as duly registered candidate or candidates to the pertinent positions and, like other candidate, shall be entitled to be voted upon.

SEC. 152. *Effectivity of Recall.* – The recall of an elective local official shall be effective only upon the election and proclamation of a successor in the person of the candidate receiving the highest number of votes cast during the election on recall.

Should the official sought to be recalled receive the highest number of votes, confidence in him is thereby affirmed, and he shall continue in office.

SEC. 153. *Prohibition from Resignation.* – the elective local official sought to be recalled shall not be allowed to resign while the recall process is in progress.

SEC. 154. *Limitations on Recall.* – 9a) Any elective local official may be the subject of a recall election only once during his term of office for loss of confidence.

- (b) No recall shall take place within one (1) year from the date of the official's assumption to office or one (1) year immediately preceding a regular local election.

SEC. 155. *Expenses Incident to Recall Elections.* – All expenses incident to recall elections shall be borne by the Comelec.

Chapter 2

Common Duties and Powers of Elective Local Government Officials

Article One. The Chief Executive of Provinces, Cities and Municipalities

SEC. 156. *Title Common Duties and Powers.* (a) The provincials governor, city mayor and municipal mayor, as the chief executive of the provincial, city and municipal governments, shall perform such duties and exercise such powers as herein provided.

- (1) Exercise general supervision and control over all local government programs, projects, services, and activities, and in this connection, shall:
 - (i) Determine local government policies and guidelines and be responsible to the sanggunian for the program of government;
 - (ii) Direct the formulation of the development plan, and upon approval thereof by the sanggunian concerned, implement the same;
 - (iii) Present the program of government to the sanggunian at the opening of its regular session.
 - (iv) Initiate and propose an annual legislative agenda.
 - (v) Appoint all officials and employees whose salaries and wages are wholly or mainly paid out of funds.
 - (vi) Determine the time, manner and place of payment of salaries or wages of local government officials and employees, in accordance with law or ordinance;
 - (vii) Represent the local government in all its business transactions and sign in its behalf all bonds, contracts, and obligations, and such other indebtedness.
 - (viii) Carry out such emergency measures as may be necessary during and immediately after man-made and natural disasters and calamities;
 - (ix) Ensure that all local government officials and employees faithfully discharge their duties and functions as provided by law and this Code, and institutes administrative or judicial proceedings against any violation thereof.
 - (x) Examine the books, records and other documents of all local government offices, officials, agents or employees and, in aid of his executive powers and authority, require all national officials and employees stationed in or assigned to his political jurisdiction, to make available to him such books, records, and other documents in their custody, except those classified by law as confidential;
 - (xi) Furnish copies of executive orders issued by him, to the provincial governor in the case of component city mayors and municipal mayor, to the Office of the President in the case of highly-urbanized city mayors, and in the case of provincial governors, as well as to others as provided by law, within seventy two (72) hours after their issuance;
 - (xii) Visit at least once in every six (6) months, component barangays, in the case of the provincial governor, to deepen his understanding of problems and conditions, listen and give appropriate counsel to local officials and inhabitants, inform the

respective local officials and inhabitants of general laws and ordinances which especially concern them, and otherwise conduct visits and inspections to ensure that the governance of his political jurisdiction will improve the quality of life of the inhabitants;

- (xiii) Act on leave applications of officials and employees appointed by him and the commutation of the monetary value of their leave credits in accordance with law;
- (xiv) Authorize official trips of local government officials and employees outside their official stations for a period not exceeding thirty (30) days;
- (xv) Call upon any national official or employee stationed in or assigned to his local government to advise him on matters affecting his territorial jurisdiction and to make recommendations thereon; coordinate with said official or employee in the formulation and implementation of plans, programs and projects, and, when appropriate, initiate an administrative or judicial action against a national government official or employee who may have committed an offense in the performance of his official duties while stationed in or assigned to the concerned local government;
- (xvi) Authorize payment for medical care, necessary transportation, subsistence, hospital or medical fees of local government officials and employees who are injured while in the performance of their official duties and functions, subject to availability of funds;
- (xvii) Solemnize marriage in the case of the city or municipal mayor;
- (xviii) Submit to immediate higher authorities concerned, an annual report which should contain a comprehensive summary of all matters pertinent to local government administration and describing therein the prevailing political, social and economic conditions; and in addition thereto, submit supplemental reports at any time during the year when unexpected events and situations arise that affect the general welfare of the people and the community.

(2) Enforce all laws and ordinances and implement all approved policies, programs, projects, services and activities relative to local governance in the exercise of the appropriate corporate powers, as herein above provided, and in addition to the foregoing, shall:

- (i) Ensure that the acts of local government officials and employees are within the scope of their prescribed duties and powers;
- (ii) Call conventions, conferences, seminars, or meetings of any elective and appointive officials working under such local government; including officials from other local governments; as well as those national officials and employees stationed in or assigned in or assigned within such political unit, at such time and place and on such subject as may be deemed important for the promotion of the general welfare of the affected inhabitants therein;
- (iii) Issue such executive orders for the faithful and appropriate enforcement and execution of laws and ordinances;
- (iv) Be entitled to carry the necessary firearm within his territorial jurisdiction;

- (v) With specific application to municipal and city mayors, formulate and implement a peace and order plan; and act as the deputized representative of the National Police Commission and as such exercise general and operational control and supervision over the local police forces in accordance with R.A. No. 6975; and with specific reference to provincial governors, formulate a local government peace and order plan in coordination with the mayors of municipalities and component cities, and upon its approval, implement the same;
 - (vi) Call upon the appropriate law enforcement agencies to suppress disorder, riot, lawless violence, rebellion or sedition, or to apprehend violators of the law when public interest so requires and when the assigned police forces are inadequate to cope with the situation or the violators;
- (3) Initiate and optimize the generation of resources and revenues, for the implementation of development plans, program objectives and priorities, particularly those programmed for agro-industrial development and countryside growth and progress and, relative thereto, shall:
- (i) Require each head of an office or department to prepare and submit an estimate of appropriations for the ensuing calendar year, in accordance with the budget preparations process as provided by law;
 - (ii) Prepare and submit to the sanggunian for approval the executive and supplemental local government budgets for the ensuing calendar year in the manner as provided by law;
 - (iii) Ensure that all local government taxes and other revenues are collected, and that local government funds are applied to the payment of corresponding expenses and settlement of obligations, in accordance with law or ordinance;
 - (iv) Issue licenses and permits and suspend or revoke the same for any violation of the conditions upon which said licenses or permits had been issued, pursuant to law or ordinance;
 - (v) Issue permit, without need of approval therefore from any national agency, for the holding of activities for any charitable or welfare purpose, excluding prohibited games of chance or shows contrary to law, public policy and public morals;
 - (vi) Require owners of illegally constructed houses, buildings or other structures to obtain the necessary permit, subject to such fines and penalties as may be imposed by law or ordinance, or to make necessary changes in the construction of the same when said construction violates any law or ordinance, or to order the demolition or removal of said house, building or structures within the period prescribed by law or ordinance;
 - (vii) Adopt adequate measures to safeguard and conserve land, mineral, marine, forest, and other resources of the local government; provide efficient and effective property and supply management in the concerned local government; and protect the funds, credits, rights and other properties of such local government; and
 - (viii) Institutes or cause to be instituted administrative or judicial proceedings for violation of ordinances in the collection of taxes, fees or charges, and for the recovery of funds and property; and cause the defense of the local government against all suits to

ensure that its interests, resources and rights shall be adequately protected.

(4) Ensure the delivery of basic services and the provision of adequate facilities as provided for under Section 15 of this Code and, in addition thereto, shall:

(i) Ensure that the construction and repair of roads and highways funded by the national government shall be, as far as practicable, carried out in a spatially contiguous manner and in coordination with the construction and repair of the roads and bridges in contiguous local governments, and

(ii) Coordinate the implementation of technical services, including public works and infrastructure programs that are undertaken by national government agencies;

(5) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

(b) During his incumbency, the local chief executive shall hold office in the provincial capitol, in the case of the province; at the city or municipal hall in the case of the city or municipality.

Article Two. – The Vice Governor, City and Municipal Vice-Mayor

SEC. 157. Common Duties and Powers. – (a) The vice governor of a province, or the vice-mayor of a city or municipality shall:

(1) Act as presiding officer of the corresponding sanggunian, as the case may be, and sign all warrants drawn on the province/city/municipal treasury for all expenditures appropriated for the operation of the sanggunian;

(2) Assume the office of the local chief executive for the unexpired term of the latter in case of permanent vacancy as provided for in Section 125 of this Code;

(3) Exercise the powers and perform the duties of the local chief executive in cases of temporary vacancy as provided for in Section 127 of this Code; and

(4) Appoint officials and employees of the sanggunian concerned.

(5) Exercise and perform such other powers and duties as may be prescribed by law or ordinance.

SEC. 158. Local Legislative Power. – Local legislative power shall be exercised by the sangguniang panlalawigan for the province; the sangguniang panlungsod for the city; the sangguniang bayan for the municipality; and the sangguniang barangay for the barangay.

Acts of the sanggunian shall assume the shape or form of ordinance, resolutions or order and be enforceable in the local government concerned.

Article Three. – The Members of the Sanggunian

SEC. 159. *Duties and Powers.* – Members of the sanggunian shall have the following duties and powers:

- (1) Act as either chairman or member of a standing committee.
- (2) Introduce or propose legislative measures, ordinances or resolutions supportive to program of province, city or municipality as to the case may be.
- (3) Assist the local chief executive in the performance of his duties and powers.
- (4) Discharge his duties as a person in authority whenever necessary.
- (5) Articulate the needs and aspiration of his constituents in the sanggunian.
- (6) Perform other related duties that will enhance the effectivity of the sanggunian as the law and policy making body.

Chapter 3

Common Provisions Applicable to the Sanggunian

Article One. – The Sangguniang Bayan; The Sangguniang Panlungsod; and the Sangguniang Panlalawigan

SEC. 160. – *Common Functions and Powers.* – (a) The sanggunain, as the legislative body, shall enact ordinances, approve resolutions and appropriate funds for the general welfare of the local government and its inhabitants pursuant to Section 14 of this Code and in the proper exercise of its corporate powers as provided for under Section 20 of this Code. The sanggunian shall:

- (1) Approve/Enact ordinances and adopt resolutions designed to promote efficient and effective local governance:
 - (i) It shall formulate an annual Legislative agenda in support of the government program.
 - (ii) Require all offices to formulate their respective performance indicators.
 - (iii) Monitor the Implementation of respective office mandates.
 - (iv) Sangguniang bayan and sangguniang panlungsod shall review all ordinances approved by the sangguniang barangay and executive orders issued by the punong barangay; and with specific application to the sangguniang panlalawigan, review all ordinances approved by the sanggunian of component cities and municipalities as well as executive orders issued by the mayors of component cities and municipalities;
 - (v) Enact measures to prevent and suppress lawlessness, disorder, riot, and violence;
 - (vi) Impose penalties for the violation of said ordinances;
 - (aa) Violation of provincial ordinance – An imprisonment not exceeding one (1) year.
 - (bb) Violation of city ordinance – An imprisonment not exceeding one (1) year.
 - (cc) Violation of municipal ordinance – An imprisonment not exceeding one (1) year.

- (vii) Adopt measures to protect the inhabitants of the local government concerned from the harmful effects of man-made or natural disaster and calamities, and to provide relief services and assistance for victims during and in the aftermath of said disasters or calamities and their return to productive livelihood following said events;
- (viii) Enact ordinances intended to prevent, suppress and impose appropriate penalties for habitual drunkenness in public places, vagrancy, mendicancy, prostitution, establishment and maintenance of houses of ill repute, gambling and other prohibited games of chance, fraudulent devices and ways to obtain money or property, drug addiction, maintenance of drug dens, drug pushing, juvenile delinquency, the printing, distribution or exhibition of obscene or pornographic materials or publications, and such other activities inimical to the welfare and morals of the inhabitants of the concerned local government;
- (ix) Protect the environment and impose appropriate penalties for acts which endanger the environment, such as dynamite fishing and other forms of destructive fishing, illegal logging and smuggling of logs, smuggling of natural resources products and of endangered species of flora and fauna, slash and burn farming, and such other activities which result in pollution, acceleration of eutrophication of rivers and lakes, or of ecological imbalance;
- (x) Determine the powers and duties of officials and employees of the local government concerned;
- (xi) Determine the positions and the salaries, wages, allowance and other emoluments and benefits of officials and employees paid wholly or mainly from city funds and provide for expenditures necessary for the proper conduct of programs, projects, services, and activities of the local government concerned;
- (xii) Authorize the payment of compensation to a qualified person not in the government service who fills up a temporary vacancy or grant honorarium to any qualified official or employee designated to fill a temporary vacancy in concurrent capacity, at the rate authorized by law;
- (xiii) Provide a mechanism and the appropriate funds therefore, to ensure the safety and protection of all local government property, public documents, or records such as those relating to property inventory, land ownership, records of birth, marriages, deaths, assessments, taxation, accounts, business permits, and such other records and documents of public interest in the offices and departments of the local government;
- (xiv) When the finances of the local government allow, provide for additional allowances and other benefits to judges, prosecutors, public elementary and high school teachers, and other national government officials stationed in or assigned to the territorial jurisdiction of the local government;
- (xv) Provide legal assistance to barangay officials who, in the performance of their official duties or on the occasion thereof, have to initiate judicial proceedings or defend themselves against legal action; and provide for group insurance or additional insurance coverage for all barangay officials, including members of barangay tanod brigades and other service units, with public or private insurance companies, when the finances of the local government allow said coverage.

- (2) Generate and optimize the use of resources and revenues for the development plans, program objectives and priorities of the local government with particular attention to agro-industrial development and local government-wide growth and progress, and relative thereto, and shall:
- (i) Approve the annual and supplemental budgets of the local government and appropriate funds for specific programs, projects, services and activities, or for other purposes not contrary to law, in order to promote the general welfare of the local government and its inhabitants;
 - (ii) Enact ordinances levying taxes, fees and charges, prescribing the rates thereof for general and specific purposes, and granting tax exemptions, incentives or reliefs;
 - (iii) Authorize the local chief executive to negotiate and contract loans and other forms of indebtedness;
 - (iv) Enact ordinances authorizing the floating of bonds or other instruments of indebtedness, for the purpose of raising funds to finance development projects;
 - (v) Approve funds for the construction and maintenance or the rental of buildings for the use of the local government unit; and, upon the majority vote of all the members of the sanggunian, authorize the local chief executive to lease to private parties such public buildings held in propriety capacity, subject to existing laws, rules and regulations;
 - (vi) Prescribe reasonable limits and restraints on the use of property within the jurisdiction of the local government;
 - (vii) Adopt a comprehensive land use plan for the local government: Provided, that in the case of component cities and municipalities, the formulation, adoption or modification of said plan shall be in coordination with the approved provincial comprehensive land use plan; Provided further, that the comprehensive land use plans of component cities and municipalities shall be reviewed by the sangguniang panlalawigan;
 - (viii) Sangguniang bayan and sangguniang panlungsod shall reclassify land within the jurisdiction of the local government, subject to the pertinent provisions of this Code;
 - (ix) Sangguniang bayan and sangguniang panglungsod, enact integrated zoning ordinances in consonance with the approved comprehensive land use plan, and subject to existing laws, rules and regulations; establish fire limits or zones, particularly in populous centers; and regulate the construction, repair or modification of buildings within said fire limits or zones, provided that zoning ordinances of component cities and municipalities shall be reviewed by the sangguniang panlalawigan;
 - (x) Sangguniang bayan and sangguniang panlungsod subject to national law, process and approve subdivision plans for residential, commercial, or industrial purposes and other development purposes, and to collect processing fees and other charges, the proceeds of which shall accrue entirely to the local government: Provided, however, That where approval of a national agency or office is required, said approval shall not be withheld for more than thirty (30) days from receipt of the application. Failure to act on the application within the period stated above shall be deemed as approved thereof;

- (xi) Sangguniang bayan and sangguniang panlungsod subject to the provisions of Title Nine of this Code, grant the exclusive privilege of constructing fish corrals or fish pens, or the taking or catching of bangus fry, prawn fry, kawag-kawag, or fry of any species or fish within the territorial waters of the local government.
 - (xii) Sangguniang bayan, sangguniang panglungsod and with the concurrence of at least two-thirds (2/3) of all the members of the sanggunian, grant tax exemption, incentives or relief to entities engaged in community growth-inducing industries, subject to the provisions of Title Nine of this Code;
 - (xiii) Sangguniang bayan ang sangguniang panglungsod shall grant loans or provide grant to the other local governments or to national, provincial, and city charitable, benevolent or educational institutions: Provided, That, said institutions are operated and maintained within the territorial jurisdiction of the local government;
 - (xiv) Sangguniang bayan and sangguniang panlungsod shall regulate the numbering of residential, commercial and other buildings; and, regulate the inspection, weighing and measuring of articles of commerce.
- (3) Enact ordinances granting franchises and authorizing the issuance of permits or licenses, upon such conditions and for such purposes intended to promote the general welfare of the inhabitants of the local government and pursuant to this legislative authority shall:
- (i) Fix and impose reasonable fees and charges for all services rendered by the local government to private persons or entities;
 - (ii) In the case of the city and municipality, regulate or fix license fees for any business or practice of profession within the local government and the conditions under which the local government and the conditions under which the license for said business or practice of profession may be revoked and enact ordinances levying taxes thereon; and in the case of the province, regulate and fix license fees as provided for in this Code;
 - (iii) The city or municipality shall provide for and set the terms and conditions under which public utilities owned by the local government shall be operated by the said local government, and prescribe the conditions under which the same may be leased to private persons or entities, preferably cooperatives;
 - (iv) A city or municipality shall regulate the display of and fix the license fees for signs, signboards, or billboards at the place or places where the profession or business advertised thereby is, in whole or in part, conducted;
 - (v) A city or municipality shall any law to the contrary notwithstanding, authorize and license the establishment, operation, and maintenance of cockpits, and regulate cockfighting and commercial breeding of gamecocks: Provided, That existing rights should not be prejudiced;
 - (vi) A city or municipality shall regulate the operation of tricycles and grant franchises for the operation thereof within the territorial jurisdiction of the local government concerned;
 - (vii) A city or municipality shall grant a franchise to any person, partnership, corporation, or cooperative to do business;

establish, construct, operate and maintain ferries, wharves, markets or slaughterhouses; or undertake such other activities within the local government: Provided, That, cooperatives shall be given preferences in the grant of such a franchise.

- (4) A city and a municipality mayor shall regulate activities relative to the use of land, buildings and structures within the jurisdiction of the local government in order to promote the general welfare and for said purpose shall:
- (i) Declare, prevent, or abate any nuisance;
 - (ii) Require that buildings and the premises thereof and any land within the territorial jurisdiction of the local government, be kept and maintained in a sanitary condition; impose penalties for any violation thereof; or, upon failure to comply with said requirement, have the work done at the expense of the owner, administrator or tenant concerned; or require the filling up of any land or premises to a grade necessary for proper sanitation;
 - (iii) A city and municipality mayor shall regulate the disposal of clinical and other wastes from hospitals, clinics and other similar establishments;
 - (iv) A city and a municipality mayor shall regulate the establishment, operation and cafes, restaurant, beerhouses, hotels, motels, inns, pension houses, lodging houses, and other similar establishments including tourist guides and transports;
 - (v) A city and a municipality mayor shall regulate the sale, giving away or dispensing of any intoxicating malt, vino, and mixed or fermented liquors at any retail outlet;
 - (vi) A city and a municipality mayor shall regulate the establishment and provide for the inspection of steam boilers or any heating device in buildings and the storage of inflammable and highly combustible materials within the territorial jurisdiction of the government;
 - (vii) A city and a municipality mayos shall regulate the establishment, operation, and maintenance of any entertainment or amusement facilities, including theatrical performances, circuses, billiard pools, public dancing schools, public dance halls, sauna baths, massage parlors, and other places for entertainment or amusement; regulate such other events or activities for amusement or entertainment, particularly those which tend to disturb the community or annoy the inhabitants, or require the suspension or suppression of the same; or, prohibit certain forms of amusement or entertainment in order to protect the social and moral welfare of the community;
 - (viii) A city and a municipality mayor shall provide for the impounding of stray animals; regulate the keeping of animals in homes or as part of a business, and the slaughter, sale or disposition of the same; and adopt measures to prevent and penalize cruelty to animals; and,
 - (ix) A city and a municipality mayor shall regulate the establishment, operation, and maintenance of funeral parlors and the burial or cremation of the dead, subject to existing laws, rules, and regulations.

(5) Approve ordinances which shall ensure the efficient and effective delivery of the basic services and facilities as provided for under Section 15 of this Code, and in addition to said services and facilities, shall:

- (i) Provide for the establishment, maintenance, protection, and conservation of communal forests and watersheds, tree parks, greenbelts, mangroves, and other similar forest development projects;
- (ii) Establish markets, slaughterhouses or animal corrals and authorize the operation thereof by the city government; and regulate the construction and operation of private markets, *talipapas* or other similar buildings and structures;
- (iii) Authorize the establishment, maintenance and operation by the local government of ferries, wharves, and other structures intended to accelerate productivity related to marine and seashore or offshore activities;
- (iv) Regulate the preparation and sale of meat, poultry, fish, vegetables, fruits, fresh dairy products, and other foodstuffs for public consumption;
- (v) Regulate the use of streets, avenues, alleys, sidewalks, bridges, parks and other public places and approve the construction, improvement, repair and maintenance of the same; establishment bus and vehicle stops and terminals or regulate the use of the same by privately-owned vehicles which serve the public; regulate garages and the operation of conveyances for hire; designate stands to be occupied by public vehicles when not in use; regulate the putting up of signs, signposts, awnings and awning posts on the streets; and provide for the lighting, cleaning and sprinkling of streets and public places;
- (vi) Regulate traffic on all streets and bridges; prohibit encroachments or obstacles thereon and, when necessary in the interest of public welfare, authorize the removal of encroachments and illegal constructions in public places;
- (vii) Subject to existing laws, establish and provide for the maintenance, repair and operation of an efficient waterworks system to supply water for the inhabitants and to purify the source of the water supply; regulate the construction, maintenance, repair and use of hydrants, pumps, cisterns and reservoirs; *protect the purity and quantity of the water supply of the local government and, for this purpose, extend the coverage of appropriate ordinances over all territory within the drainage area of said water supply and within one hundred (100) meters of the reservoir, conduit, canal, aqueduct, pumping station, or watershed used in connection with the water service; and regulate the consumption, use or wastage of water and fix and collect charges therefore;*
- (viii) Regulate the drilling and excavation of the ground for the laying of water, gas, sewer, and other pipes and the construction, repair and maintenance of public drains, sewers, cesspools, tunnels and similar structures; regulate the placing of poles and the use of crosswalks, curbs, and gutters; adopt measures to ensure public safety against open canals, manholes, live wires and other similar hazards to life and property; and regulate the construction and use of private

water closets, privies and other similar structures in buildings and homes;

- (ix) Regulate the placing, stringing, attaching, installing, repair and construction of all gas mains, electric, telegraph and telephone wires, conduits, meters and other apparatus; and provide for the correction, condemnation or removal of the same when found to be dangerous, defective, or otherwise hazardous to the welfare of the inhabitants;
 - (x) Subject to the availability of funds and to existing laws, rules and regulations, establish and provide for the operation of vocational and technical schools and similar post-Secondary institutions and, with the approval of the Department of Education, Culture and Sports and subject to existing law on tuition fees, fix and collect reasonable tuition fees and other school charges in educational institutions supported by the local government;
 - (xi) Establish a scholarship fund for the poor but deserving students in schools located within its jurisdiction or for students residing within therein;
 - (xii) Approve measures and adopt quarantine regulations to prevent the introduction and spread of diseases;
 - (xiii) Provide for an efficient and effective system of solid waste and garbage collection and disposal; prohibit littering and the placing or throwing of garbage, refuse and other filth and wastes;
 - (xiv) Provide for the care of disabled persons, paupers, the aged, the sick, persons of unsound mind, abandoned minors, juvenile delinquents, drug dependents, abused children and youth below eighteen (18) years of age; and subject to availability of funds, establish and provide for the operation of centers and facilities for said needy and disadvantaged persons;
 - (xv) Establish and provide for the maintenance and improvement of jails and detention centers, institute a sound jail management, and appropriate funds for the subsistence of detainees and convicted prisoners in the said jails and detention centers;
 - (xvi) Establish, as the need arises, different councils, in coordination with concerned government agencies and non-governmental organizations and, subject to the availability of funds, appropriate funds, for purposes such as:
 - (aa) The support; development and promotion of culture and the arts;
 - (bb) The elderly through the formulation of policies and the adoption of measures mutually beneficial to the elderly and to the community;
 - (cc) The provision of incentives for non-governmental agencies and entities and, subject to the availability of funds, appropriate funds to support programs and projects for the benefit of the elderly.
- (6) The sanggunian shall approve proposals and appropriate the school board funds for the needs in the operations and maintenance of public schools, taking into account the priorities listed in Section 209 subparagraph c.
- (7) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Chapter 4

Appointive Local Officials Common to All Provinces, Cities and Municipalities

Article One. Secretary to the Sanggunian

SEC. 161. Qualifications, Duties and Powers. – (a) There shall be a secretary to the sanggunian who shall have the rank of and salary equal to ahead of department or office.

- (b) The Secretary to the sanggunian must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in law, commerce or public administration conferred by a recognized college or university, and a first grade civil service eligible or its equivalent.

The appointment of a Secretary shall be mandatory for provincial, city and municipal governments.

- (c) The Secretary to the sanggunian shall take charge of the office and shall:

- (1) Attend meetings of the sanggunian and keep a journal of its proceedings;
 - (2) Sign and affix the seal of the local government to all ordinances, resolutions, and other official acts of the sanggunian and present the same to the presiding officer for his signature;
 - (3) Forward to the governor or mayor, as the case may be, for approval, copies of ordinances enacted by the sanggunian and duly certified by the presiding officer;
 - (4) Forward to the sangguniang panlungsod or bayan concerned, in the case of the sangguniang barangay, and to the sangguniang panlalawigan concerned, in the case of the sangguniang panlungsod of component cities or sangguniang bayan, copies of duly approved ordinances;
 - (5) Furnish, upon request of any interested party, certified copies of records of public character in his custody, upon payment to the treasurer of such fees as may be prescribed by ordinance;
 - (6) Record all ordinances and resolutions enacted or adopted by the sanggunian in a book kept for the purpose, with the dates of passage and publication thereof;
 - (7) Keep his office and all non-confidential records therein open to the public during the usual business hours;
 - (8) Translate into the dialect used by the majority of the inhabitants all ordinances and resolutions immediately after their approval, and cause the publication of the same together with the original version in the manner provided under this Code; and
 - (9) Take custody of the local archives and, where applicable, the local library and annually account for the same; and
- (d) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance relative to his position.

SEC. 162. Posting and Publication of Ordinances with Penal Sanctions. –

(a) Within ten (10) days after approval on review, ordinances with penal sanctions shall be posted at prominent places in the provincial capitol, city, municipal or barangay hall, as the case may be, for a minimum period of three (3) consecutive weeks. Such ordinances shall also be published in a newspaper of general circulation, where available, within the territorial jurisdiction of the local government concerned, except in the case of barangay ordinances. Unless otherwise provided therein, said ordinances shall take effect on the day following its publication, or at the end of the period of posting, whichever occurs later.

Article Two. The Treasurer

SEC. 163. Appointment, Qualifications, Duties, and Powers. – (a) The treasurer shall be appointed by the Secretary of Finance from a list of at least three (3) ranking, eligible recommendees, of the governor or mayor, as the case may be,

(b) The treasurer shall be under the administrative supervision of the governor or mayor, as the case may be, to whom he shall report regularly on the tax collection efforts in the local government;

(c) The treasurer shall be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in commerce, public administration or law conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in treasury or accounting service for at least five (5) years in the case of the city or provincial treasurer, and three (3) years in the case of the municipal treasurer. The appointment of a treasurer shall be mandatory for provincial, city and municipal governments. (d) The treasurer shall take charge of the treasury office, perform the duties, and shall:

(1) Advise the governor or mayor, as the case may be, the sanggunian, and other local government and national officials concerned regarding disposition of local government funds, and on such other matters relative to public finance;

(2) Take custody of and exercise proper management of the funds of the local government concerned;

(3) Take charge of the disbursement of all local government funds and such other funds the custody of which may be entrusted to him by law or other competent authority;

(4) Inspect private commercial and industrial establishments within the jurisdiction of the local government concerned in relation to the implementation of tax ordinances;

(5) Maintain and update the tax information system of the local government;

(6) In the case of the provincial treasurer, exercise technical supervision over all treasury offices of component cities and municipalities; and

(d) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

SEC. 164. Assistant Treasurer. – (a) An assistant treasurer shall be appointed by the Secretary of Finance from a list of at least three (3) ranking, eligible recommendees of the governor or mayor,

- (b) The assistant treasurer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in commerce, public administration, or law conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired at least five (5) years experience in the treasury or accounting service in the case of the city or provincial assistant treasurer, and three (3) years in the case of the municipal assistant treasurer.

The appointment of an assistant treasurer shall be optional for provincial, city and municipal governments.

- (c) The assistant treasurer shall assist the treasurer and perform such duties as the latter may assign to him. He shall have authority to administer oaths concerning notifications to those delinquents in the payment of the real property tax and concerning official matters relating to the accounts of the treasurer or otherwise arising in the offices of the treasurer and the assessor.

Article Three. The Assessor

SEC. 165. Qualifications, Duties and Powers. – (a) The assessor must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in civil or mechanical engineering, commerce, or any other related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in real property assessment work or in any related field for at least five (5) years in the case of the city or provincial assessor, and three (3) years in the case of the municipal assessor.

The appointment of assessor shall be mandatory for provincial, city and municipal governments.

- (b) The assessor shall take charge of the assessor's office, perform the duties:
- (1) Ensure that all laws and policies governing the appraisal and assessment of real properties for taxation purposes are properly executed;
 - (2) initiate, review, and recommend changes in policies and objectives, plans and programs, techniques, procedures and practices in the valuation and assessment of real properties for taxation purposes;
 - (3) Establish a systematic method of real property assessment;
 - (4) Install and maintain a real property identification and accounting system;
 - (5) Prepare, install and maintain a system of tax mapping, showing graphically all property subject to assessment and gather all data concerning the same;
 - (6) Conduct frequent physical surveys to verify and determine whether all real properties within the local government are properly listed in the assessment rolls;
 - (7) Exercise the functions of appraisal and assessment primarily for taxation purposes of all real properties in the local government concerned;

- (8) Prepare a schedule of the fair market value for the different classes of real properties, in accordance with Chapter 2 of Title Nine of this Code;
 - (9) Issue, upon request of any interested party, certified copies of assessment records of real property and all other records relative to its assessment, upon payment of a service charge or fee to the treasurer;
 - (10) Submit every semester a report of all assessments, as well as cancellations and modifications of assessment to the local chief executive and the sanggunian concerned;
 - (11) In the case of the assessor of a component city or municipality attend, personally or through an authorized representative, all sessions of the local board or assessment appeals whenever his assessment is the subject of the appeal, and present or submit any information or record in his possession as may be required by the board; and
 - (12) In the case of the provincial assessor, exercise technical supervision and visitorial functions over all component city and municipal assessors, coordinate with component city or municipal assessors in the conduct of tax mapping operations and all other assessment activities, and provide all forms of assistance therefor; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

SEC. 166. Assistant Assessor. – (a) The assistant assessor must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in civil or mechanical engineering, commerce, or any related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in assessment or in any related field for at least three (3) years in the case of the city or provincial assistant assessor, and one (1) year in the case of the city or provincial assistant assessor.

The appointment of an assistant assessor is optional for provincial, city and municipal governments.

- (b) The assistant assessor shall assist the assessor and perform such other duties as the latter may assign to him. He shall have the authority to administer oaths on all declarations of real property for purposes of assessment.

Article Four. The Accountant

SEC. 167. Qualifications, Duties and Powers. – (a) The accountant must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, and a certified public accountant. He must have acquired experience in the treasury or accounting service for at least five (5) years in the case of the provincial or city accountant, and three (3) years in the case of the municipal accountant.

The appointment of accountant shall be mandatory for provincial, city and municipal governments.

- (b) The accountant shall take charge of both the accounting and internal audit services of the local government concerned and shall:
- (1) Install and maintain an internal audit system in the local government concerned;
 - (2) Prepare and submit financial statements to the governor or mayor, as the case may be, and to the sanggunian concerned;
 - (3) Apprise the sanggunian and other local government officials on the financial condition and operations of the local government concerned;
 - (4) Certify to the availability of budgetary allotment to which expenditures and obligations may be properly charged;
 - (5) Review supporting documents before preparation of vouchers to determine completeness of requirements;
 - (6) Prepare statements allowances, of cash advances, liquidation, salaries, reimbursements and remittances pertaining to the local government;
 - (7) Prepare statements of journal vouchers and liquidation of the same and other adjustments related thereto;
 - (8) Post-individual disbursements to the subsidiary ledger and index cards;
 - (9) Maintain individual ledgers for officials and employees of the local government pertaining to payrolls and deductions;
 - (10) Record and post in index cards details of purchased furniture, fixtures, and equipment, including disposal thereof, if any;
 - (11) Account for all issued requests for obligations and maintain and keep all records and reports related thereto;
 - (12) Prepare journals and the analysis of obligations and maintain and keep all records and reports related thereto; and
 - (13) Exercise such other powers and perform such other duties as may be provided by law or ordinance.
- (c) The incumbent chief accountant in the office of the treasurer shall be given preference in the appointment to position of accountant.

Article Five. The Budget Officer

SEC. 168. Qualifications, Duties and Powers. – (a) The budget officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in accounting, economics, public administrator or any related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in government budgeting or in any related field for at least five (5) years in the case of the provincial or city budget officer, and at least three (3) in the case of the municipal budget officer.

The appointment of a budget officer shall be mandatory for provincial, city and municipal governments.

- (b) The budget officer shall take charge of the budget office and shall:
- (1) Prepare forms, orders, and circulars embodying instructions on budgetary and appropriation matters for the signature of the governor or mayor, as the case may be;
 - (2) Review and consolidate the budget proposals of different departments and offices of the local government;
 - (3) Assist the governor or mayor, as the case may be, in the preparation of the budget and during budget hearings;

- (4) Study and evaluate budgetary implications of proposed legislation and submit comments and recommendations thereon;
 - (5) When so requested Submit periodic budgetary reports to the Department of Budget and Management;
 - (6) Coordinate with the treasurer, accountant, and the planning and development coordinator for the purpose of budgeting;
 - (7) Assist the sanggunian concerned in reviewing the approved budgets of component local governments;
 - (8) Coordinate with the planning and development coordinator in the formulation of the local government development plan; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Six. The Planning and Development Coordinator

SEC. 169. Qualifications, Duties and Powers. – (a) The planning and development coordinator must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in urban planning, development studies, economics, public administration, or any relation course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in development planning and development coordinator, and three (3) years in the case of the municipal planning and development coordinator.

The appointment of a planning and development coordinator shall be mandatory for provincial, city and municipal governments.

- (b) The planning and development coordinator shall take charge of the , planning and development office and shall:
 - (1) Formulate integrated economic, social, physical, and other development plans and policies for consideration of the local government development council;
 - (2) Conduct continuing studies, researches, and training programs necessary to evolve plas and programs for implementation;
 - (3) Integrate and coordinate all sectoral plans and studies undertaken by the *different functional groups or agencies*;
 - (4) Monitor and evaluate the implementation of the different development programs, project, and activities in the local government concerned in accordance with the approved development council;
 - (5) Prepare comprehensive plans and other development planning documents for the consideration of the local development council;
 - (6) Analyze the income and expenditure patterns, and formulates and recommends fiscal plans and policies for consideration of the finance committee of the local government;
 - (7) Promote people participation in development planning within the local government concerned; and
 - (8) Exercise supervision and control over the Secretariat of the local development council; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Seven. The Engineer

SEC. 170. Qualifications, Duties and Powers. – (a) The engineer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, and a licensed civil engineer. He must have acquired experience in the practice of his profession for at least five (5) years in the case of the provincial or city engineer, and three (3) years in the case of the municipal engineer.

The appointment of engineer shall be mandatory for provincial, city and municipal governments. The city and municipal engineer shall also act as the local building official.

- (b) The engineer shall take charge of the engineering office and shall:
- (1) Initiate, review and recommend changes in policies and objectives, plans and programs, techniques, procedures and practices in infrastructure development and public works in general of the local government concerned;
 - (2) Advise the governor or mayor, as the case may be, on infrastructure, public works, and other engineering matters;
 - (3) Administer, coordinate, supervise, and control the construction, maintenance, improvement, and repair of roads, bridges, and other engineering and public works projects of the local government concerned;
 - (4) Provide engineering services to the local government concerned, including investigation and survey, engineering designs, feasibility studies, and project management;
 - (5) In the case of the provincial engineer, exercise technical supervision over all engineering offices of component cities and municipalities; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Eight. The Health Officer

SEC. 171. Qualifications, Duties and Power.– (a) The health officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, and a licensed medical practitioner. He must have acquired experience in the practice of his profession for at least five (5) years in the case of the provincial or city health officer, and three (3) years in the case of the municipal health officer.

The appointment of a health officer shall be mandatory for provincial, city and municipal governments.

- (b) The health officer shall take charge of the office on health and shall:
- (1) Take charge of the office on health services, supervise the personnel and staff of said office, formulate program implementation guidelines and rules and or mayor, as the case may be, in order to assist him in the efficient, effective and economical implementation of a health services program geared to implementation of health related projects and activities;
 - (2) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor,

as the case may be, in carrying out activities to ensure the delivery of basic services and provision of adequate facilities relative to health services;

- (3) Develop plans and strategies and upon approval thereof by the governor or mayor as the case may be, implement the same, particularly those which have to do with health programs and projects which the governor or mayor, is empowered to implement and which the sanggunian is empowered to provide for under this Code;
- (4) In addition to the forgoing duties and functions, the health officer shall:
 - (i) Formulate and implement policies, plans, programs and projects to promote the health of the people in the local government concerned;
 - (ii) Advise the governor or mayor, as the case may be, and the sanggunian on matters pertaining to health;
 - (iii) Execute and enforce all laws, ordinances and regulations relating to public health;
 - (iv) Recommend to the sanggunian, through the local health board, the enactment of such ordinances, as she may deem necessary for the preservation of public health;
 - (v) Recommend the prosecution of any violation of sanitary laws, ordinances or regulations;
 - (vi) Direct the sanitary inspection of all business establishments selling food items or providing accommodations such as hotels, motels, lodging houses, pension houses, and the like;
 - (viii) Conduct health information campaigns and render health intelligence services;
 - (ix) In the case of the provincial health officer, exercise general supervision over health officers of component cities and municipalities; and
- (5) Be in the frontline of health services delivery and calamities; and
- (6) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Nine. The Civil Registrar

SEC. 172. Qualifications, Duties and Powers. – (a) The civil registrar must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree conferred by a recognized college or university, and first grade civil service eligible or its equivalent. He must have acquired experience in civil registry work for at least five (5) years in the case of the city civil registrar and three (3) years in the case of the municipal civil registrar.

The appointment of a civil registrar shall be mandatory for provincial, city and municipal governments.

- (b) The civil registrar shall be responsible for the civil registration program in the local government concerned,
- (c) The civil registrar shall take charge of the office of the civil registry and shall:
 - (1) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with civil registry programs and

projects which mayor is empowered to implement and which the sanggunian is empowered to provide under this Code;

(2) In addition to the foregoing duties and functions, the civil registrar shall:

- (i) Accept all registrable documents and judicial decrees affecting the civil status of persons;
 - (ii) File, keep and preserve in a secure place the books required by law;
 - (iii) Transcribe and enter immediately upon receipt all registrable documents and judicial decrees affecting the civil status of persons in the appropriate civil registry books;
 - (iv) Transmit to the Office of the Civil Registrar- General, within the prescribed period, duplicate copies of registered documents required by law;
 - (v) Issue certified transcripts or copies of any certificate or registered documents upon payment of the prescribed fees to the treasurer;
 - (vi) Receive applications for the issuance of a marriage license and, after determining that the requirements and supporting certificates and publication thereof for the prescribed period have been complied with, issue the license upon payment of the authorized fee to the treasurer;
 - (vii) Coordinate with the National Statistics Office in conducting educational campaign for vital registration and assist in the preparation of demographic and other statistics for the local government concerned; and
- (3) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Ten. The Administrator

SEC. 173. Qualifications, Terms, Duties and Powers. – (a) The administrator must be citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in public administration, law or any other related course a recognized college or university, and s first grade civil service eligible or its equivalent. He must have acquired experience in management and administration work at least five (5) years in the case of the provincial or city administrator, and three (3) years in the case of the municipal administrator.

The appointment of the administrator shall be mandatory for the provincial and city governments and optional for the municipal government.

The term of administrator is coterminous with that of the appointing authority.

(b) The administrator shall take charge of the office of the administrator and shall:

- (1) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same particularly those which have to do with the management and administration-related programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide for under this Code;
- (2) In addition to the foregoing duties and functions, the administrator shall:

- (i) Assist in the coordination of the work of all the officials of the local government, under the supervision, direction and control of the governor or mayor, and for this purpose, he may convene the chiefs of offices and other officials of the local government;
 - (ii) Establish and maintain a sound personnel program for the local government designed to promote career development and uphold the merit principle in the local government service;
 - (iii) Conduct a continuing organizational development of the local government with the end in view of instituting effective administrative reforms;
- (3) Be in the frontline of the delivery of administrative support services, particularly those related to the situations during and in the aftermath of man-made and natural disasters and calamities;
 - (4) Recommend to the sanggunian and advise the governor and mayor, as the case may be, on all other matters relative to the management and administration of the local government; and
 - (5) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Eleven. The Legal Officer

SEC. 174. Qualifications, Terms, Duties, and Powers. – (a) The legal officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, and a member of the Philippine Bar. He must have practiced his profession for at least five (5) years in the case of the provincial and city legal officer, and three (3) years in the case of the municipal legal officer. The term of the legal officer shall be coterminous with that of his appointing authority.

The appointment of the legal officer shall be mandatory for provincial and city governments and optional for the municipal government.

- (b) The legal officer, as the chief legal counsel of the local government, shall take charge of the office of legal services and shall:
 - (1) Formulate measures for the consideration of the sanggunian and provide legal assistance and support to the governor or mayor, as the case may be, in carrying out his duties and functions.
 - (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with programs and projects related to legal services which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide
 - (3) In addition to the foregoing duties and functions, the legal officer shall:
 - (i) Represent the local government in all civil actions and special proceedings wherein the local government or any official thereof, in his official capacity, is a party: Provided, That, in actions or proceedings where a component city or municipality is a party adverse to the provincial government or to another component city or municipality, a special legal officer may be employed to represent the adverse party;
 - (ii) When required by the governor, mayor or sanggunian, draft ordinances, contracts, bonds, leases and other instruments,

- involving any interest of the local government; provide comments and recommendations on any instruments already drawn;
- (iii) Render his opinion in writing on any questions of law when requested to do so by "the governor, mayor, or sanggunian;
 - (iv) Investigate or cause to be investigated any local official or employee for administrative neglect or misconduct in office, and recommend appropriate action to the governor, mayor or sanggunian, as the case may be;
 - (v) Investigate or cause to be investigated any person, firm or corporation holding any franchise or exercising any public privilege for failure to comply with any term or condition in the grant of such franchise or privilege, and recommending appropriate action to the governor, mayor or sanggunian, as the case may be;
 - (vi) When directed by the governor, mayor or sanggunian, initiate and prosecute in the interest of the local government concerned any civil action on any bond, lease or other contract upon any breach or violation thereof; and
 - (vii) Review and submit recommendations on ordinances approved and executive orders issued by component units;
- (3) Recommend measures to the sanggunian and advise the governor or mayor as the case may be on all other matters related to upholding the rule of law;
 - (4) Be in the frontline of protecting human rights and prosecuting any violations thereof, particularly those which occur during and in the aftermath of man-made or natural disasters or calamities; and
 - (5) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Twelve. The Agriculturist

SEC. 175. *Qualifications, Duties and Powers.* – (a) The agriculturist must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree in agriculture or any related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have practiced his profession in agriculture or acquired experience in a related field for at least five (5) years in the case of the provincial and city agriculturist, and three (3) years in the case of the municipal agriculturist.

The appointment of agriculturist shall be mandatory for provincial, and optional for the city and municipal governments.

- (b) The agriculturist shall take charge of the office for agricultural services, and shall:
 - (1) Formulate measures for the approval of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out said measures to ensure the delivery of basic services and provision of adequate facilities relative to agricultural services
 - (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with agricultural programs and

projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide

- (3) In addition to the foregoing duties and functions, the agriculturist shall:
 - (i) Ensure that maximum assistance and access to resources in the production, processing and marketing of agricultural and aquacultural and marine products are extended to farmers, fishermen and local entrepreneurs;
 - (ii) Conduct or cause to be conducted location-specific agricultural researches and assist in making available the appropriate technology arising out of and disseminating information on basic research on crops, preventive and control of plant diseases and pests, and other agricultural matters which will maximize productivity;
 - (iii) Assist the governor or mayor, as the case may be, in the establishment and extension services of demonstration farms or aquaculture and marine products;
 - (iv) Enforce rules and regulations relating to agriculture and aquaculture;
 - (v) Coordinate with government agencies and non-governmental organizations, which promote agricultural productivity through appropriate technology compatible with environmental integrity;
 - (4) Be in the frontline of delivery of basic agricultural services, particularly those needed for the survival of the inhabitants during and in the aftermath of man-made and natural disasters;
 - (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all other matters related to agriculture and aqua-culture which will improve the livelihood and living conditions of the inhabitants; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Thirteen. The Social Welfare and Development Officer

SEC. 176. *Qualifications, Duties and Powers.* – (a) The social welfare and development officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a duly licensed social worker or a holder of a college degree preferably in sociology or any other related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in the practice of social work for at least five (5) years in the case of the provincial or city social welfare and development officer, and three (3) years in the case of the municipal social welfare and development officer.

The appointment of a social welfare and development officer shall be mandatory for provincial and city governments and optional for municipal governments.

- (b) The social welfare and development officer shall take charge of the office on social welfare and development services and shall:
 - (1) Formulate measures for the approval of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the

delivery of basic services and provision of adequate facilities relative to social welfare and development services

- (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same particularly those which have to do with social welfare programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide
 - (3) In addition to the foregoing duties, the social welfare and development officer shall:
 - (i) Identify the basic needs of the needy, the disadvantaged and the impoverished and develop and implement appropriate measures to alleviate their problems and improve their living conditions;
 - (ii) Provide relief and appropriate crisis intervention for victims of abuse and exploitation and recommend appropriate measures to deter further abuse and exploitation;
 - (iii) Assist the governor or mayor, as the case may be, in implementing the barangay level program for the total development and protection of children up to six (6) years of age;
 - (iv) Facilitate the implementation of welfare programs for the disabled, elderly, and victims of drug addiction, the rehabilitation of prisoners and parolees, the prevention of juvenile delinquency and such other activities which would eliminate or minimize the ill-effects of poverty;
 - (v) Initiate and support youth welfare programs that will enhance the role of the youth in nation-building;
 - (vi) Coordinate with government agencies and non-governmental organizations which have for their purpose the promotion and the protection of all needy, disadvantaged, underprivileged or impoverished groups or individuals, particularly those identified to be vulnerable and high-risk to exploitation, abuse and neglect;
 - (4) Be in the frontline of service delivery, particularly those that have to do with immediate relief during and assistance in the aftermath of man-made and natural disaster and natural calamities;
 - (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all other matters related to social welfare and development services which will improve the livelihood and living conditions of the inhabitants; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Fourteen. The Environment and Natural Resources Officer

SEC. 177. Qualifications, Duties and Powers. – (a) The environment and natural resources officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in environment, forestry, agriculture or any related courses conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in environmental and natural resources management, conservation, and utilization, of at least five (5) years in the case of the provincial or city environment and natural resource

officer, and three (3) years in the case of the municipal environment and natural resources officer.

The appointment of an environment and natural resources officer is optional for provincial, city and municipal governments.

- (b) The environment and natural resources management officer shall take charge of the office on environment and natural resources and shall:
 - (1) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services and provision of adequate facilities relative to environment and natural resources services
 - (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with environment and natural resources programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide
 - (3) In addition to the foregoing duties and powers, the environment and natural resources officer shall:
 - (i) Establish, maintain, protect and preserve communal forests, watersheds, tree parks, mangroves, greenbelts and similar forest projects and commercial forest, like industrial tree farms and agro-forestry projects;
 - (ii) Provide extension services to beneficiaries of forest development projects and technical, financial and infrastructure assistance;
 - (iii) Manage and maintain seed banks and produce seedlings for forests and tree parks;
 - (iv) Provide extension services to beneficiaries of forest development projects and render assistance for natural resources-related conservation and utilization activities consistent with ecological balance;
 - (v) Promote the small-scale mining and utilization of mineral resources, particularly mining of gold;
 - (vi) Coordinate with government agencies and non-governmental organizations in the implementation of measures to prevent and control land, air and water pollution;
 - (4) Be in the frontline of the delivery of services concerning the environment and natural resources, particularly in the renewal and rehabilitation of the environment during and in the aftermath of man-made and natural calamities and disasters;
 - (5) Recommend to the sanggunian and advise the governor or mayor as the case may be on all matters relative to the protection, conservation, maximum utilization, application of appropriate technology and other matters related to the environment and natural resources; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Fifteen. The Architect

SEC. 178. Qualifications, Duties and Powers. – (a) The architect a citizen of the Philippines, a resident of the local government concerned, of good moral character, a duly licensed architect. He must have practiced his profession for at least five (5) years in the case of the provincial or city architect, and three (3) years in the case of the municipal architect.

The appointment of an architect is optional for provincial, city and municipal governments.

- (b) The architect shall take charge of the office on architectural planning and design and shall:
- (1) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services and provision of adequate facilities relative to architectural planning and design
 - (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with architectural planning and design programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide
 - (3) In addition to foregoing duties and functions, the architect shall:
 - (i) Prepare and recommend for consideration of the sanggunian the architectural plan and design for the local government or a part thereof, including the renewal of slums and blighted areas, land reclamation activities, the greening of land, and appropriate planning of marine and foreshore areas;
 - (ii) Review and recommend for appropriate action of the sanggunian, governor or mayor, as the case may be, the architectural plans and design submitted by governmental and non-governmental entities or individuals, particularly those undeveloped, underdeveloped, and poorly-designed areas; and
 - (iii) Coordinate with government and non-government entities and individuals involved in the aesthetics and the maximum utilization of the land and water within the jurisdiction of the local government, compatible with environmental integrity and ecological balance.
 - (4) Be in the frontline of the delivery of services involving architectural planning and design, particularly those related to the redesigning of spatial distribution of basic facilities and physical structures during and in the aftermath of man-made and natural calamities and disasters;
 - (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all matters relative to the architectural planning and design as it relates to the total socioeconomic development of the local government; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Sixteen. The Information Officer

SEC. 179. Qualifications, Duties and Powers. – (a) The information officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in journalism, mass communication or any related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have experience in writing articles and research papers, or in writing for print, television or broadcast media of at least three (3) years in the case of the provincial or city information officer, and at least one (1) year in the case of municipal information officer.

The appointment of an information officer is optional for provincial, city and municipal governments.

The term of the information officer is co-terminus with that of the appointing authority.

- (b) The information officer shall take charge of the office on public information and shall:
- (1) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in providing the information and research data required for the delivery of basic services and provision of adequate facilities so that the public becomes aware of said services and may fully avail of the same;
 - (2) Develop plans and strategies and, upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with public information and research data to support programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide.
 - (3) In addition to the foregoing duties and functions, the information officer shall:
 - (i) Provide relevant, adequate, and timely information to the local government and its residents;
 - (ii) Furnish information and data on local governments to government agencies or offices as may be required by law or ordinance; and non-governmental organizations to be furnished to said agencies and organizations;
 - (iii) Maintain effective liaison with the various sectors of the community on matters and issues that affect the livelihood and the quality of life of the inhabitants and encourage support for programs of the local and national government;
 - (4) Be in the frontline in providing information during and in the aftermath of manmade and natural calamities and disasters, with special attention to the victims thereof, to help minimize injuries and casualties during and after the emergency, and to accelerate relief and rehabilitation;
 - (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all other matters relative to public

information and research data as it relates to the total socioeconomic development of the local government; and

- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Seventeen. The Cooperatives Officer

SEC. 180. *Qualifications, Duties and Powers.* – (a) The cooperative officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree preferably in business administration with special training in cooperatives or any related course conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have experience in cooperatives organization and management of at least five (5) years in the case of the provincial or city cooperatives officer, and three (3) years in the case of municipal cooperatives officer.

The appointment of the cooperatives officer is optional for the provincial and city governments.

- (b) The cooperatives shall take charge of the office for the development of cooperatives and shall:
 - (1) Formulate measures for the consideration of the sanggunian, and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services and provision of facilities through the development of cooperatives, and in providing access to such services and facilities;
 - (2) Develop plans and strategies and, upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with the integration of cooperatives principles and methods in programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide
 - (3) In addition to the foregoing duties and powers, the cooperatives officer shall:
 - (i) Assist in the organization of cooperatives;
 - (ii) Provide technical and other forms of assistance to existing cooperatives to enhance their viability as an economic enterprise and social organization;
 - (iii) Assist cooperatives in establishing linkages with government agencies and non-government organizations involved in the promotion and integration of the concept of cooperatives in the livelihood of the people and other community activities;
 - (4) Be in the frontline of cooperatives organization, rehabilitation of viability enhancement, particularly during and in the aftermath of man-made and natural calamities and disasters, to aid in their survival and, if necessary subsequent rehabilitation;
 - (5) Recommend to the sanggunian, and advise the governor or mayor, as the case may be, on all other matters relative to cooperatives development and viability enhancement which will improve the livelihood and quality of life of the inhabitants; and

- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Eighteen. The Population Officer

SEC. 181. *Qualifications, Duties and Powers.* – (a) The population officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree with specialized training in population development conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have experience in the implementation of programs on population development or responsible parenthood for at least five (5) years in the case of the provincial or city population officer and three (3) years in the case of the municipal population officer.

The appointment of the population officer is optional in the local governments: *Provided, however, that provinces and cities which have existing population offices shall continue to maintain such offices for a period of five (5) years from date of effectivity of this Code, after which said offices shall become optional.*

- (b) The population officer shall take charge of the office on population development and shall:
 - (1) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services and provision of adequate facilities relative to the integration of the population development principles and in providing access to said services and facilities;
 - (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with the integration of population development principles and methods in programs and projects which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide for under this Code;
 - (3) In addition to the foregoing duties and powers, the population officer shall:
 - (i) Assist the governor or mayor, as the case may be, in the implementation of the Constitutional provisions relative to population development and the promotion of responsible parenthood;
 - (ii) Establish and maintain an updated data bank for program operations, development planning and an educational program to ensure the people's participation in and understanding of population development;
 - (iii) Implement appropriate training programs responsive to the cultural heritage of the inhabitants; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Nineteen. The Veterinarian

SEC. 182. Qualifications, Duties and Powers. – (a) The veterinarian must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a licensed doctor of veterinary medicine. He must have practiced his profession for at least three (3) years in the case of the provincial or city veterinarian and at least one (1) year in the case of the municipal veterinarian.

The appointment of the veterinarian officer is mandatory for the provincial and city governments.

(b) The veterinarian shall take charge of the office for veterinary services and shall:

- (1) Formulate measures for the consideration of the sanggunian, and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services.
- (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with the veterinary-related activities which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide in this Code;
- (3) In addition to the foregoing duties and powers, the veterinarian shall:
 - (i) Advise the governor or the mayor, as the case may be, on all matters pertaining to the slaughter of animals for human consumption and the regulation of slaughterhouses;
 - (ii) Regulate enforce laws or ordinance relative to the keeping of domestic animals; including the inspection of
 - (iii) Poultry, milk and dairy products for public consumption;
 - (iv) Enforce all laws and regulations for the prevention of cruelty to animals; and
 - (v) Take the necessary measures to eradicate, prevent or cure all forms of animal diseases;
- (4) Be in the frontline of veterinary related activities, such as in the outbreak of highly contagious and deadly diseases, and in situations resulting in the depletion of animals for work and human consumption, particularly those arising from and in the aftermath of man-made and natural calamities and disasters;
- (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all matters relative to veterinary services which will increase the number and improve the quality of livestock, poultry and other domestic animals used for work or human consumption; and

(c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Article Twenty. The General Services Officer

SEC. 183. Qualifications, Duties and Powers. – (a) The general services officer must be a citizen of the Philippines, a resident of the local government concerned, of good moral character, a holder of a college degree on public administration, business administration and management conferred by a recognized college or university, and a first grade civil service eligible or its equivalent. He must have acquired experience in general services, including management of supply, property, solid waste disposal, and general sanitation, of at least five (5) years in the case of the provincial or city general services officer, and at least three (3) years in the case of the municipal general services officer.

The appointment of the general services officer shall be mandatory for the provincial and city governments.

(b) The general services officer shall take charge of the office on general services and shall:

- (1) Formulate measures for the consideration of the sanggunian and provide technical assistance and support to the governor or mayor, as the case may be, in carrying out measures to ensure the delivery of basic services and provision of adequate facilities which require general services expertise and technical support services;
- (2) Develop plans and strategies and upon approval thereof by the governor or mayor, as the case may be, implement the same, particularly those which have to do with the general services supportive of the welfare of the inhabitants which the governor or mayor is empowered to implement and which the sanggunian is empowered to provide for under this Code;
- (3) In addition to the forgoing duties and powers, the general services officer shall:
 - (i) Take custody of and be accountable for all properties, real or personal, owned by the local government and those granted to it in the form of donation, reparation, assistance and counterpart of joint projects;
 - (ii) With the approval of the governor or mayor, as the case may be, assign building or land space to local officials or other public officials, who by law, are entitled to such space;
 - (iii) Recommend to the governor or mayor, as the case may be, the reasonable rental rates for local government properties, whether real or personal, which will be leased to public or private entities by the local government;
 - (iv) Recommend to the governor or mayor, as the case may be, reasonable rental rates of private properties, which may be leased for the official use of the local government;
 - (v) Maintain and supervise janitorial, security, landscaping and other related services in all local government public buildings and other real property, whether owned or leased by the local government;
 - (vi) Collate and dissemble information regarding prices, shipping and other costs of supplies and other items commonly used by the local government;

- (vii) Perform archival and record management with respect to records of offices and departments of the local government; and
 - (viii) Perform all other functions pertaining to supply and property management heretofore performed by the local government treasurer; and enforce policies on records creation, maintenance, and disposal.
- (4) Be in the frontline of general services related activities, such as the possible or imminent destruction or damage to records, supplies, properties, and structures and the orderly and sanitary clearing up of waste materials or debris, particularly during and in the aftermath of man-made and natural calamities and disasters;
- (5) Recommend to the sanggunian and advise the governor or mayor, as the case may be, on all other matters relative to general services; and
- (c) Exercise such other powers and perform such other duties as may be prescribed by law or ordinance.

Chapter 5

Human Resources and Development

SEC. 184. *Organizational Structure and Staffing Pattern.* – Every local government shall design and implement its own organizational structure and staffing pattern taking into consideration its service requirements and financial capability, subject to the minimum standards and guidelines prescribed by the Civil Service Commission.

SEC. 185. *Responsibility for Human Resources and Development.* – The chief executive of every local government shall be responsible for human resources and development in his unit and shall take all personnel actions in accordance with the Constitutional provisions on civil service, pertinent laws, and rules and regulations thereon, including such policies, guidelines and standards as the Civil Service Commission may establish: Provided, that the local chief executive may employ emergency or casual employees or laborers paid on a daily wage or piecework basis and hired through job orders for local projects authorized by the sanggunian concerned, without need of approval or attestation by the Civil Service Commission: Provided, further, That the period of employment of emergency or casual laborers as provided in this Section shall not exceed six (6) months.

SEC. 186. *Civil Service Law, Rules and Regulations, and Other Related Issuances.* – The civil service law and such rules shall govern all matters pertinent to human resources and development in local governments and regulations and other issuances promulgated pursuant thereto, unless otherwise specified in this Code.

SEC. 187. *Limitation on Appointments.* – No person shall be appointed in the career service of the local government if he is related within the fourth civil degree of consanguinity or affinity to the appointing or recommending authority.

SEC. 188. *Public Notice of Vacancy; Personnel Selection Board.* – (a) Whenever a local chief executive decides to fill a vacant career position, there shall be posted notices of the vacancy in at least three (3) conspicuous public places in the local government concerned for a period of not less than fifteen (15) days.

- (b) There shall be established in every province, city or municipality a personnel selection board to assist the local chief executive in the judicious and objective selection of personnel for employment as well as for promotion, and in the formulation of such policies as would contribute to employee welfare.
- (c) The local chief executive shall head the personnel selection board, and its members shall be determined by resolution of the sanggunain concerned, a representative of the Civil Service Commission, if any, and the personnel officer of the local government concerned shall be ex-officio members of the board.

SEC. 189. *Resignation of Elective Local Officials.* – (a) Resignations by elective local officials shall be deemed effective only upon acceptance by the following authorities:

- (1) The President, in the case of governors; vice-governors, and mayors and vice-mayors of highly urbanized cities and independent component cities;
 - (2) The governor, in the case of municipal mayors, municipal vice-mayors, city mayors and city vice-mayors of component cities;
 - (3) The sanggunian concerned, in the case of sanggunian members; and
 - (4) The city or municipal mayor, in the case of barangay officials.
- (b) Copies of the resignation letters of elective local officials, together with the action taken by the aforesaid authorities, shall be furnished the Department of Interior and Local Government.
- (c) The resignation shall be deemed accepted if not acted upon by the authority concerned within fifteen (15) working days from receipt thereof.
- (d) Irrevocable resignations by sanggunian members shall be deemed accepted upon presentation before an open session of the sanggunian concerned and duly entered in its records: Provided, however, That *this subsection does not apply to sanggunian members who are subject to recall elections or to cases where existing laws prescribe the manner of acting upon such resignations.*

SEC. 190. *Grievance Procedure.* – In every local government, the local chief executive shall establish a procedure to inquire into, act upon, resolve or settle complaints and grievances presented by local government employees.

SEC. 191. *Administrative Discipline.* – Investigation and adjudication of administrative complaints against appointive local officials and employees as well as their suspension and removal shall be in accordance with the civil service law

and rules and other pertinent laws. The results of such administrative investigations shall be reported to the Civil Service Commission.

SEC. 192. *Preventive Suspension of Appointive Local Officials and Employees.* – (a) The local chief executives may preventively suspend for a period not exceeding sixty (60) days any subordinate official or employee under his authority pending investigation if the charge against such official or employee involves dishonestly, oppression or grave misconduct or neglect in the performance of duty, or if there is reason to believe that the respondent is guilty of the charges which would warrant his removal from the service.

(b) Upon expiration of the preventive suspension, the suspended official or employee shall be automatically reinstated in office without prejudice to the continuation of the administrative proceedings against him until its termination. If the delay in the proceedings of the case is due to the fault, neglect or request of the respondent, the time of the delay shall not be counted in computing the period of suspension herein provided.

SEC. 193. *Administrative Investigation.* – In any local government, administrative investigation may be conducted by a person or a committee duly authorized by the local chief executive. Said person or committee shall conduct hearings on the cases brought against appointive local officials and employees and submit their findings and recommendations to the local chief executive concerned within fifteen (15) days from the conclusion of the hearings. The administrative cases herein mentioned shall be decided within ninety (90) days from the time the respondent is formally notified of the charges.

SEC. 194. *Disciplinary Jurisdiction.* – Except as otherwise provided by law, the local chief executive may impose the penalty of removal from service, demotion in rank, suspension for not more than one (1) year without pay, fine in an amount not exceeding six (6) months' salary, or reprimand and otherwise discipline subordinate officials and employees under his jurisdiction. If the penalty imposed is suspension without pay for not more than thirty (30) days, his decision shall be final. If the penalty imposed is heavier than suspension of thirty (30) days, the decision shall be appealable to the Civil Service Commission, which shall decide the appeal within thirty (30) days from receipt thereof.

SEC. 195. *Execution Pending Appeal.* – An appeal shall not prevent the execution of a decision of removal or suspension of a respondent-appellant. In case the respondent-appellant is exonerated, he shall be reinstated to his position with all the rights and privileges appurtenant thereto from the time he had been deprived thereof.

SEC. 196. *Prohibited Business and Pecuniary Interest.* – (a) it shall be unlawful for any local government official or employee, directly or indirectly, to:

(1) Engage in any business transaction with the local government in which he is an official or employee or over which he has the power of supervision, or with any of its authorized boards, officials, agents, or attorneys, whereby money is to be paid, or property or any other thing of value is to be transferred, directly or indirectly, out of the resources of the local government to such person or firm;

- (2) Hold such interests in any cockpit or other games licensed by a local government;
 - (3) Purchase any real estate or other property forfeited in favor of such local government for unpaid taxes or assessment, or by virtue of a legal process at the instance of the said local government;
 - (4) Be a surety for any person contracting or doing business with the local government for which a surety is required; and
 - (5) Possess or use any public property of the local government for private purposes.
- (b) All other prohibitions governing the conduct of national public officers relating to prohibited business and pecuniary interest so provided for under Republic Act Numbered Sixty-Seven Thirteen (R.A. No. 6713) otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees" and other laws shall also be applicable to local government officials and employees.

SEC. 197. Practice of Profession. – (a) All governors, city and municipal mayors are prohibited from practicing their profession or engaging in any occupation other than the exercise of their duties and responsibilities as local chief executives.

- (b) Sanggunian members may practice their professions, engage in any occupation, or teach in schools except during session hours: Provided, That sanggunian members who are also members of the Bar shall not:
- (1) Appear as counsel before any court in any civil case wherein a local government or any office, agency, or instrumentality of the government is the adverse party;
 - (2) Appear as counsel in any criminal case wherein an officer or employee of the national or local government is accused of an offense committed in relation to his office;
 - (3) Collect any fee for their appearance in administrative proceedings involving the local government of which he is an official; and
 - (4) Use property and personnel of the government except when the sanggunian member concerned is defending the interest of the government.
- (c) Doctors of medicine may practice their profession even during official hours of work only on occasions of emergency: Provided, that the officials concerned do not derive monetary compensation there from.

SEC.198. Statement of Assets and Liabilities. – (a) Officials and employees of local governments shall file sworn statements of asset, liabilities and networth, lists of relatives within the fourth civil degree of consanguinity or affinity in government service, financial and business interests, and personnel data sheets as required by law.

SEC. 199. Oath of Office. – (a) All elective and appointive local officials and employees shall, upon assumption to office, subscribe to an oath or affirmation of office in the prescribed form. The oath or affirmation of office shall be filed with the office of the local chief executive concerned. A copy of the oath or affirmation of office of all elective and appointive local officials and employees

shall be preserved in the individual personal records file under the custody of the personnel office, division, or section of the local government concerned.

SEC. 200. *Partisan Political Activity.* – No local official or employee in the career civil service shall engage directly or indirectly in any partisan political activity or take part in any election, initiative, referendum, plebiscite, or recall, except to vote, nor shall he use his official authority or influence to cause the performance of any political activity by any person or body. He may, however, express his views on current issues, or mention the names of certain candidates for public office that he supports. Elective local officials may take part in partisan political and electoral activities, but it shall be unlawful for them to solicit contributions from their subordinates or subject these subordinates to any of the prohibited acts under the Omnibus Election Code.

SEC. 201. *Appointment of Elective and Appointive Local Officials; Candidates Who Lost in Election.* – (a) No elective or appointive local official shall be eligible for appointment or designation in any capacity to any public office or position during his tenure.

Unless otherwise allowed by law or by the primary functions of his position, no elective or appointive local official shall hold any other office or employment in the government or any subdivision, agency or instrumentality thereof, including government-owned or –controlled corporations or their subsidiaries.

- (b) Except for losing candidates in barangay elections, no candidate who lost in any election shall, within one (1) year after such election, be appointed to any office in the government or any government-owned or –controlled corporations or in any of their subsidiaries.

SEC. 202. *Additional or Double Compensation.* – No elective or appointive local official or employee shall receive additional, double, or indirect compensation, unless specifically authorized by law, nor accept without the consent of Congress, any present, emoluments, office, or title of any kind from any foreign government. Pensions or gratuities shall not be considered as additional, double, or indirect compensation.

SEC. 203. *Permission to Leave Station.* (a) Provincial, city, municipal, and barangay appointive officials going on official travel shall apply and secure written permission from their respective local chief executives before departure. The application shall specify the reasons for such travel, and the permission shall be given or withheld based on considerations of public interest, financial capability of the local government concerned and urgency of the travel.

Should the local chief executive concerned fail to act upon such application within four (4) working days from receipt thereof, it shall be deemed approved.

- (b) Mayors of component cities and municipalities shall secure the permission of the governor concerned for any travel outside the province.

- (c) Local government officials traveling abroad shall notify their respective sanggunian: Provided, That when the period of travel extends to more than three (3) months, during periods of emergency or crisis or when the travel involves the use of public funds, permission from the Office of the President shall be secured.
- (d) Field officers of national agencies or offices assigned in provinces, cities, and municipalities shall not leave their official stations without giving prior written notice to the local chief executive concerned. Such notice shall state the duration of travel and the name of the officer whom he shall designate to act for and in his behalf during his absence.

SEC. 204. *Annual Report.* – On or before March thirty-first (31st) of each year, every local chief executive shall submit an annual report to the sanggunian concerned on the socioeconomic, political and peace and order conditions, and other matters concerning the local government, which shall cover the immediately preceding calendar year. A copy of the report shall be forwarded to the Department of Interior and Local Government. Component cities and municipalities shall likewise provide the sangguniang panlalawigan copies of their respective annual reports. Likewise the Regional Government shall be furnished copies of the annual reports of all local governments.

Chapter 6

Local Government Compensation

SEC. 205. *Local Salary and Position Council.* – The Civil Service Commission together with all the chairmen of the Leagues of Provinces, Cities and Municipalities shall be constituted as the Local Salary and Position Council which shall design and formulate a new salary structure for all elective and appointive officials in all levels of local government following the principles of equal pay for comparatively equal work and based on the affordability principle in accordance with the following guidelines:

- (a) Forty-five to fifty-five percent (45-55%) personnel services strictly/absolutely complied with by local governments;
- (b) Any salary increases should only be done once in every three (3) years: Provided, that this limitation shall not apply to merit promotions; and
- (c) Effectivity of the new salary increases for elective local officials shall take effect until after the expiration of the full term of all local elective officials approving such increases.

SEC. 206. *Application of Existing Salary Laws in the Interim Period.* – In the interim period, while the new salary structure is not yet installed, the provisions of existing salary laws (RA 6758) shall apply.

Chapter 7

Local School Boards

SEC. 207. *Creation, Composition and Compensation.* – (a) There shall be established in every province, city, or municipality a provincial, city or municipal school board, respectively

(b) The composition of local school boards shall be as follows:

(1) The provincial school boards shall be composed of the governor and the division superintendent of schools as co-chairmen; the chairman of the education committee of the sangguniang panlalawigan, the provincial treasurer, the representative of the pederasyon ng mga sangguniang kabataan in the sangguniang panlalawigan, the duly elected president of the provincial federation of parents-teachers association, the duly elected representative of the teacher's organization in the province, and the duly elected representative of the non-academic personnel of public schools in the province, as members;

(2) The city school board shall be composed of the city mayor and the city superintendent of schools as co-chairmen; the chairman of the education committee of the sangguniang panlungsod, the city treasurer, the representative of the pederasyon ng mga sangguniang kabataan in the sangguniang panlungsod, the duly elected president of the city federation of parents-teachers associations, the duly elected representative of the teachers' organizations in the city, and the duly elected representative of the non-academic personnel of public schools in the city, as members; and

(3) The municipal school board shall be composed of the municipal mayor and the district supervisor of schools as co-chairmen; the chairman of the education committee of the sangguniang bayan, the municipal treasurer, the representative of the pederasyon ng mga sangguniang kabataan in the sangguniang bayan, the duly elected representative of the teachers' organizations in the municipality, and the duly elected representative of the non-academic personnel of public schools in the city, as members.

(c) In the event that a province or city has two (2) or more school superintendents, and in the event that a municipality has two (2) or more district supervisors, the co-chairman of the local school board shall be determined as follows:

(1) The Department of Education shall designate the co-chairman for the provincial and city school boards; and

(2) The division superintendent of schools shall designate the district supervisor who shall serve as co-chairman of the municipal school board.

- (d) The performance of the duties and responsibilities of the above mentioned officials in their respective local school boards shall not be delegated to any official.

SEC. 208. *Functions of Local School Boards.* – the provincial, city or municipal school board shall:

- (a) Propose to the sanggunian concerned, in accordance with the criteria set by the Department of Education, the annual supplementary budgetary needs for the operation and maintenance of public schools within the province, city or municipality, as the case may be, and the supplementary local cost of meeting such needs, which shall be reflected in the form of an annual school board budget corresponding to its share in the proceeds of the special levy on real property constituting the Special Education Fund and such other sources of revenue as this Code and other laws or ordinances may provide;
- (b) Upon recommendation of the School Board and after the approval of the Sanggunian concerned the provincial, city or municipal treasurer, as the case may be, shall disburse funds from the Special Education Fund pursuant to the budget prepared;
- (c) Serve as an advisory committee to the sanggunian concerned on educational matters such as, but not limited to, the necessity for and the uses of local appropriations for educational purposes; and
- (d) Recommend changes in the names of public schools within the territorial jurisdiction of the local government for enactment by the sanggunian concerned.

The Department of Education shall consult the local school board on the appointment of division superintendents, district supervisors, school principals, and other school officials.

SEC. 209. *Meeting and Quorum; Budget.* – (a) The local school board shall meet at least once a month or as often as may be necessary.

- (b) Any of the co-chairmen may call a meeting. A majority of all its members shall constitute a quorum. However, when both co-chairmen are present in a meeting, the local chief executive concerned, as a matter of protocol, shall be given preference to preside over the meeting. The division superintendent, city superintendent or district supervisor, as the case may be, shall prepare the budget proposal of the school board concerned. Such budget shall be supported by programs, projects, and activities of the school board for the ensuing fiscal year.
- (c) The annual school board budget proposal, which shall be submitted to the sanggunian for its approval, shall give priority to the following:
 - (1) Construction, repair, and maintenance of school buildings and other facilities of public elementary and secondary schools;
 - (2) Establishment and maintenance of extension classes where necessary; and

- (3) Sports activities at the division, district, municipal, or barangay levels.

SEC. 210. Compensation and Remuneration. – The co-chairman and members of the provincial, city or municipal school board shall perform their duties as such without compensation or remuneration. Members thereof who are not government officials or employees shall be entitled to necessary traveling expenses and allowances chargeable against funds of the local school board concerned, subject to existing accounting and auditing rules and regulations.

Chapter 8

Local Health Boards

SEC. 211. Creation and Composition. – (a) There shall be established a local health board in every province, city or municipality. The composition of the local health boards shall be as follows:

- (1) The provincial health board shall be headed by the provincial governor as chairman, the provincial health officer as vice-chairman, and the chairman of the committee on health of the sangguniang panlalawigan, a representative from the private sector or non-governmental organizations involved in health services, and a representative of the Department of Health in the province, as members;
 - (2) The city health board shall be headed by the city mayor as chairman, the city health officer as vice-chairman, and the chairman of the committee on health of the sangguniang panlungsod, a representative from the private sector or non-governmental organizations involved in health services, and a representative of the Department of Health in the city, as members; and
 - (3) The municipal health board shall be headed by the municipal mayor as chairman, the municipal health officer as vice-chairman, and the chairman of the committee on health of the sangguniang bayan, a representative from the private sector or non-governmental organizations involved in health services, and a representative of the Department of Health in the municipality, as members;
- (b) The functions of the local health board shall be:
- (1) To propose to the sanggunian concerned, in accordance with standards and criteria set by the Department of Health, annual budgetary allocations for the operation and maintenance of health facilities and services within the municipality, city or province, as the case may be.
 - (2) To serve as an advisory committee to the sanggunian concerned on health matters such as, but not limited to, the necessary for, and application of, local appropriations for public health purposes; and

- (3) Consistent with the technical and administrative standards of the Department of Health, create committees which shall advise local health agencies on matters such as, but no limited to, personnel selection and promotion, bids and awards, grievances and complaints, personnel discipline, budget review, operations review and similar functions.

SEC. 212. *Meetings and Quorum.* – (a) the board shall meet at least once a month or as often as may be necessary.

- (b) A majority of the members of the board shall constitute a quorum, but the chairman or the vice-chairman must be present during meetings where budgetary proposals are being prepared or considered. The affirmative vote of all the majority of the members shall be necessary to approve such proposals.

SEC. 213. *Compensation and Remuneration.* – The chairman, vice-chairman, and members of the provincial, city or municipal health board shall perform their duties as such without compensation or remuneration. Members thereof who are not government officials or employees shall be entitled to necessary traveling expenses and allowances chargeable against the funds of the local health board concerned, subject to existing accounting and auditing rules and regulations.

SEC. 214. *Direct National Supervision and Control by the Secretary of Health.* – In cases of epidemics, pestilence, and other widespread public health dangers, the Secretary of Health may, upon recommendation of the health board concerned and in consultation with the local government concerned, temporarily assume direct supervision and control over health operations in any local government for the duration supervision and control over health operations in any local government for the duration of the emergency, but in no case exceeding a cumulative period of six (6) months. With the concurrence of the local government concerned, the period for such direct national control and supervision may be further extended.

Chapter 9

Local Development Strategy and Local Councils

SEC. 215. *Local Development Strategy.* – It shall be a national policy and local development strategy the inter local, interregional cooperation among local authorities shall be encouraged as a preferred mode of development strategy. The institutional requirements that will facilitate the effective implementation of an integrated local development programs shall be given priority consideration.

SEC. 216. *Local Development Councils.* – (a) Each local government shall have a comprehensive multi-sectoral development plan to be initiated by its development council at the provincial city, municipal, or barangay level, shall assist the corresponding sanggunian in setting the direction of economic and social development, and coordinating development efforts within its territorial jurisdiction.

SEC. 217. *Composition of Local Development Councils.* – The composition of the local development council shall be as follows:

- (a) The barangay development council shall be headed by the punong barangay and shall be composed of the following members:
 - (1) Members of the sangguniang barangay;
 - (2) Representatives of non-governmental organizations operating in the barangay, who shall constitute not less than one-fourth (1/4) of the members of the fully organized council;
 - (3) A representative of the congressman.
- (b) The city or municipal development council shall be headed by the mayor and shall be composed of the following members:
 - (1) All punong barangay in the city or municipality;
 - (2) The chairman of the committee on appropriations of the sangguniang panlungsod or sangguniang bayan concerned;
 - (3) The congressman or his representative; and
 - (4) Representatives of non-governmental organizations operating in the city or municipality, as the case may be, who shall constitute not less than one-fourth (1/4) of the members of the fully organized council.
- (c) The provincial development council shall be headed by the governor and shall be composed of the following members:
 - (1) All mayors of component cities and municipalities;
 - (2) The chairman of the committee on appropriations of the sangguniang panlalawigan;
 - (3) The congressman or his representative; and
 - (4) Representatives of nongovernmental organization operating in the province, who shall constitute not less than one-fourth (1/4) of the members of the fully organized council.
- (d) The local development councils may call upon any local official concerned or any official of national agencies or offices in the local government to assist in the formulation of their respective development plans and public investment programs.

SEC. 218. *Representation of Non-Governmental Organizations.* – Local governments shall promote the establishment operation of people's and nongovernmental organizations to become active partners in the pursuit of local autonomy.

Within a period of sixty (60) days from the start of organizations shall choose from among themselves their representatives to said councils. The local

sanggunian concerned shall accredit nongovernmental organizations subject to such criteria as may be provided by law.

Local governments may enter into joint ventures and such other cooperative arrangements with people's and nongovernmental organizations to engage in the delivery of certain basic services, capability-building and livelihood projects, and to develop local enterprises designed to improve productivity and income, diversify agriculture, spur rural industrialization, promote ecological balance, and enhance the economic and social well-being of the people.

SEC. 219. *Functions of Local Development Councils.* – (a) The provincial, city, and municipal development councils shall exercise the following functions:

- (1) Formulate long-term, medium-term, and annual socioeconomic development plans and policies;
 - (2) Formulate the medium-term and annual public investment programs;
 - (3) Appraise and prioritize socioeconomic development programs and projects;
 - (4) Formulate local investment incentives to promote the inflow and direction of private investment capital;
 - (5) Coordinate, monitor, and evaluate the implementation of development programs and projects; and
 - (6) Perform such other functions as may be provided by law or competent authority.
- (b) The barangay development council shall exercise the following functions:
- (1) Mobilize people's participation in local development efforts;
 - (2) Prepare barangay development plans based on local requirements;
 - (3) Monitor and evaluate the implementation of national or local programs and projects; and
 - (4) Perform such other functions as may be provided by law or competent authority.

SEC. 220. *Executive Committee.* – (a) Each local development council shall create an executive committee to represent it and act in its behalf when it is not in session. The composition of the executive committee shall be as follows:

- (1) The executive committee of the provincial development council shall be composed of the governor as chairman, the representative of component city and municipal mayors to be chosen from among themselves, the chairman of the committee on appropriations of the sangguniang panlalawigan, the president of the provincial league of barangays, and a representative of nongovernmental organizations that are represented in the council, as members;

- (2) The executive committee of the city or municipal development council shall be composed of the mayors as chairman, the chairman of the committee on appropriations of the sangguniang panlalawigan, the president of the city or municipal league of baranagys, and representative of nongovernmental organizations that are represented in the council, as members; and
 - (3) The executive committee of the barangay development council shall be composed of the punong barangay as chairman, a representative of the sangguniang baranagy to be chosen from among its members, and a representative of nongovernmental organizations that are represented in the council, as members.
- (b) The executive committee shall exercise the following powers and functions:
- (1) Ensure that the decision of the council are faithfully carried out and implemented;
 - (2) Act on matters requiring immediate attention or action by the council;
 - (3) Formulate policies, plans, and programs based on the general principles laid down by the council; and
 - (4) Act on other matters that may be authorized by the council.

SEC. 221. Sectoral or Functional Committees. – The local development councils may form sectoral or functional committees to assist them in the performance of their functions.

SEC. 222. Secretariat. – There is hereby constituted for each local development council a secretariat which shall be responsible for providing technical support, documentation of proceedings, preparation of reports and such other assistance as may be required in the discharge of its functions. The local development council may avail of the services of any nongovernmental organization or educational or research institution for this purpose.

The secretariats of the provincial, city, and municipal development council shall be headed by their respective planning and development coordinators. The secretariat of the barangay development council shall be headed by the barangay secretary who shall be assisted by the city or municipal planning and development coordinator concerned.

SEC. 223. Relation of Local Development Councils to the Sanggunian and the Regional Development Councils. – (a) The policies, programs, and projects proposed by local development councils shall be submitted to the sanggunian concerned for appropriate action. The local development plans approved by their respective sanggunian may be integrated with the development plans of the next higher level of local development councils.

SEC. 224. Budget Information. – The Department of Budget and Management shall furnish the various local development councils information on

financial resources and budgetary allocations applicable to their respective jurisdictions to guide them in their planning functions.

Chapter 10

Local Peace and Order Council

SEC. 225. *Organization.* – The existing Local Peace and Order Council in every province, city and municipality shall consider and approve the peace and order plan formulated by the local chief executive concerned.

The Local Peace and Order Council shall be reorganized as follows:

- (a) Provincial peace and order council shall be composed of the provincial governor as chairman, vice-governor as vice-chairman, a member of the sangguniang panlalawigan, and a representative of the veteran group and three (3) of the private sector who shall be designated or appointed by the chairman of the National Police Commission;
- (b) City Peace and Order Council shall be composed of the City Mayor as Chairman, Vice Mayor as Vice Chairman, a member of the sangguniang panlungsod, a representative of the Veterans Group, the Chief of Police, and three (3) of the private sector who shall be designated or appointed as members by the chairman of the National Police Commission.
- (c) Municipal Peace and Order Council shall be composed of the Municipal Mayor as Chairman, Vice Mayor as Vice Chairman, a member of the sangguniang bayan, the Chief of Police, and a representative of the Veterans Group and three (3) of the private sectors who shall be designated or appointed as members by the Chairman of the National Police Commission.

The Provincial Peace and Order Council shall consolidate the duly approved Peace and Order Plans of cities and municipalities, which are components of the province.

Chapter 11

Autonomous Special Economic Zone

SEC. 226. *Establishment of Autonomous Special Economic Zones.* – The establishment by law of autonomous special economic zones in selected areas of the country shall be subject to concurrence by the local government included therein.

Chapter 12

Other Provisions Application to Local Governments

Article One. Settlement of Boundary Disputes

SEC. 227. *Jurisdictional Responsibility for Settlement of Boundary Dispute.* – Boundary disputes between and among local governments shall, as much as possible, be settled amicably. To this end:

- (a) Boundary disputes involving two (2) or more barangays in the same city or municipality shall be referred for settlement to the sangguniang panlungsod or sangguniang bayan concerned.
- (b) Boundary disputes involving two (2) or more municipalities within the same province shall be referred for settlement to the sanggunian panlalawigan concerned.
- (c) Boundary disputes involving municipalities or component cities of different provinces shall be jointly referred for settlement to the sanggunian of the provinces concerned.
- (d) Boundary disputes involving a component city or municipality on the one hand and a highly urbanized city on the other, or two (2) or more highly urbanized cities, shall be jointly referred for settlement to the respective sanggunian of the parties.
- (e) In the event the sanggunian fails to effect an amicable settlement within sixty (60) days from the date the dispute was referred thereto, it shall issue a certification to that effect. Thereafter, the dispute shall be formally tried by the sanggunian concerned, which shall decide the issue within sixty (60) days from the date of the certification referred to above.

SEC. 228. *Appeal.* - Within the time and manner prescribed by the Rules of Court, any party may elevate the decision of the sanggunian concerned to the proper Regional Trial Court having jurisdiction over the area in dispute.

Article Two. Local Initiative and Referendum

SEC. 229. *Local Initiative Defined.* – Local initiative is the political legal process whereby the registered voters of a local government may directly propose, enact, or amend any ordinance.

SEC. 230. *Who May Exercise.* – The power of local initiative and referendum may be exercised by all registered voters of the provinces, cities, and municipalities.

SEC. 231. *Procedure in Local Initiative.* – (a) Not less than one thousand (1,000) registered voters in case of provinces and cities, one hundred (100) in case of municipalities, may file a petition with the sanggunian concerned proposing the adoption, enactment, repeal, or amendment of an ordinance.

- (b) If no favorable action thereon is taken by the sanggunian concerned within thirty (30) days from its presentation, the proponents, through their duly authorized and thereof to the sanggunian concerned.

- (c) The proposition shall be numbered serially stating from Roman numeral 1. The Comelec or its designated representative shall extend assistance in the formulation of the proposition.
- (d) Two (2) or more propositions may be submitted in an initiative.
- (e) Proponents shall have ninety (90) days in case of provinces and cities, sixty (60) days in case of municipalities, from notice mentioned in subsection (b) hereof to collect the required number of signatures.
- (f) The petition shall be signed before the election registrar, or his designated representatives, in the presence of a representative of the proponent, and a representative of the sanggunian concerned in a public place in the local government, as the case may be. Stations for collecting signatures may be established in as many places as may be warranted.
- (g) Upon the lapse of the period herein provided, the Comelec, through its office in the local government concerned, shall certify as to whether or not the required number of signatures has been obtained. Failure to obtain the required number defeats the proposition.
- (h) If the required number of signatures is obtained, the Comelec shall then set a date for the initiative during which the proposition shall be submitted to the registered voters in the local government concerned for their approval within sixty (60) days from the date of certification by the Comelec, as provided in subsection (g) hereof, in case of provinces and cities, forty-five (45) days in case of municipalities. The initiative shall then be held on the date set, after which the results thereof shall be certified and proclaimed by the Comelec.

SEC. 232. Effectivity of Local Propositions. – If the proposition is approved by a majority of the votes cast, it shall take effect fifteen (15) days after certification by the Comelec as if affirmative action thereon had been made by the sanggunian and local chief executive concerned. If it fails to obtain said number of votes, the proposition is considered defeated.

SEC. 233. Limitations on Local Initiatives. – (a) The power of local initiative shall not be exercised more than once a year.

- (b) Initiative shall extend only to subjects or matters, which are within the legal powers of the sanggunian to enact.
- (c) If at any time before the initiative is held, the sanggunian concerned adopts into the proposition presented and the local chief executive approves the same, the initiative shall be canceled. However, those against such action may, if they so desire, apply for initiative in the manner herein provided.

SEC. 234. Limitations Upon Sanggunian. – Any proposition or ordinance approved through the system of initiative and referendum as herein provided shall not be repealed, modified or amended by the sanggunian concerned within six (6) months from the date of the approval thereof, and may be amended,

modified or repealed by the sanggunian within three (3) years thereafter by a vote of three-fourths (3/4) of all its members.

SEC. 235. *Local Referendum Defined.* – Local referendum is the legal process whereby the registered voters of the local governments may approve, amend or reject any ordinance enacted by the sanggunian.

The local referendum shall be held under the control and direction of the Comelec within sixty (60) days in case of provinces and cities, forty-five (45) days in case of municipalities and thirty (30) days in case of barangays.

The Comelec shall certify and proclaim the results of the said referendum.

SEC. 236. *Authority of Courts.* – Nothing in this Chapter shall prevent or preclude the proper courts from null and void any proposition approved pursuant to this Chapter for violation of the Constitution or want of capacity of the sanggunian concerned to enact the said measure.

Chapter 13

Leagues of Local Governments

Article One. Liga ng Mga Barangay

SEC. 237. *Purpose of Organization.* – There shall be an organization of all barangays to be known as the liga ng mga barangay for the primary purpose of determining the representation of the lia in the sanggunian, and for ventilating, articulating and crystallizing issues affecting barangay government administration and securing, through proper and legal means, solutions thereto.

SEC. 238. *Representation, Chapters, National Liga.* – Every barangay shall be represented in said liga by the punong barangay, or in his absence or incapacity, by a sanggunian member duly elected for the purpose among its members, who shall attend all meetings or deliberations called by the different chapters of the liga. The liga shall have chapters at the municipal, city, provincial and metropolitan political subdivision levels. The municipal and city barangays, respectively. The duly elected presidents of highly urbanized cities, provincial chapters, the Metropolitan Manjila chapter and metropolitan political subdivision chapters shall constitute the National Liga ng mga barangay.

SEC. 239. *Organization.* – The liga at the municipal, city, provincial, metropolitan political subdivision, and national levels directly elect a president, a vice-president, and five (5) members of the board of directors. The board shall appoint its Secretary and treasurer and create such other positions, as may deem necessary for the management of the chapter. A Secretary general shall be elected from among the members of the national liga and shall be charged with the overall operation of the liga on the national level. The board shall coordinate the activities of the chapters of the liga.

SEC. 240. *Ex-Officio Membership in Sanggunian.* – The duly elected presidents of the liga at the municipal, city and provincial levels, including the

component cities and municipalities of Metropolitan Manila, shall serve as ex-officio members of the sangguniang bayan, sangguniang panlungsod, sangguniang panlalawigan, respectively. They shall serve as such only during their term of office as presidents of the liga chapters, which in no case shall be beyond the term of office of the sanggunian concerned.

SEC. 241. *Functions and Powers of the Liga.* – The liga shall:

- (a) Give priority to programs designed for the total development of the barangay and in consonance with the policies, programs and projects of the national government;
- (b) Assist in the education of barangay residents for people's participation in local government administration in order to promote united and concerted action to achieve country-wide development goals;
- (c) Supplement the efforts of government in creating gainful employment within the barangay;
- (d) Adopt measures to promote the welfare of barangay officials;
- (e) Serve as a forum of the barangays on order to forge linkages with government and non governmental organizations and thereby promote the social, economic and political well being of the barangays; and
- (f) Exercise such other powers and perform such other duties and functions, which will bring about stringer ties between barangays and promote the welfare of the barangay inhabitants.

Article Two. League of Municipalities

SEC. 242. *Purpose of Organization.* – There shall be an organization of all municipalities to be known as league of municipalities for the primary purposes of ventilating, articulating and crystallizing issues affecting municipal government administration, and securing, through proper and legal means, solutions thereto. The league shall be form provincial chapters composed of the league presidents for all component municipalities of the province.

SEC. 243. *Representations.* – Every municipality shall be represented in the league by the municipal mayor or in his absence, by the vice-mayor or a sanggunian member duly elected for the purpose by the members, who shall attend all meetings and participate in the deliberations of the league.

SEC. 244. *Functions and Powers of the League of Municipalities.* – The league of municipalities shall:

- (a) Assist the national government in the formulation and implementation of the policies, programs and projects affecting municipalities as a whole;
- (b) Promote local autonomy at the municipal level;

- (c) Adopt measures for the promotion of the welfare of all municipalities and its officials and employees;
- (d) Encourage people's participation in local government administration in order to promote united and concerted action for the attainment of country-wide development goals;
- (e) Supplement the efforts of the national government in creating opportunities for gainful employment within the municipalities;
- (f) Give priority to programs designed for the total development of the municipalities in consonance with the policies, programs and projects of the national government;
- (g) Serve as a forum for crystallizing and expressing ideas, seeking the necessary assistance of the national government, and providing the private sector avenues for cooperation in the promotion of the welfare of the municipalities; and
- (h) Exercise such other powers and perform such other functions as the league may prescribe for the welfare of the municipalities.

Article Three. League of Cities

SEC. 245. Purpose of Organizations. – There shall be an organization of all cities to be known as the League of Cities for the primary purpose of ventilating, articulating and crystallizing issues affecting city government administration, and securing, through proper and legal means, solutions thereto.

The League may form chapters at the provincial level for the component cities of a province. Highly urbanized cities may also form a chapter of the League. The National League shall be composed of the presidents of the league of highly urbanized cities and the presidents of the provincial chapters of the league of component cities.

SEC. 246. Representation. – Every city shall be represented in the league by the city major or in his absence, by the city vice-mayor or a sanggunian member duly elected for the purpose by the members, who shall attend all meetings and participate in the deliberations of the league.

SEC. 247. Functions and Powers of the League of Cities. – The league of cities shall:

- (a) Assist the national government in the formulation and implementation of the policies, programs and projects affecting the cities as a whole;
- (b) Promote local autonomy at the city level;
- (c) Adopt measures for the promotion of the welfare of all cities and its officials and employees;

- (d) Encourage people's participation in local government administration in order to promote united and concerted action for the attainment of country-wide development goals;
- (e) Supplement the efforts of the national government in creating opportunities for gainful employment within the cities;
- (f) Give priority to programs designed for the total development of the municipalities in consonance with the policies, programs and projects of the national government;
- (g) Serve as a forum for crystallizing and expressing ideas, seeking the necessary assistance of the national government, and providing the private sector avenues for cooperation in the promotion of the welfare of the cities; and
- (h) Exercise such other powers and perform such other functions as the league may prescribe for the welfare of the cities.

Article Four. League of Provinces

SEC. 248. *Purpose of Organization.* – There shall be an organization of all province to be known as the League of Provinces for the primary purpose of ventilating, articulating and crystallizing issues affecting provincial and metropolitan political subdivision government administration, and securing, through proper and legal means, solutions thereto. For this purpose, the Metropolitan Manila Area and any metropolitan political subdivision shall be considered as separate provincial units of the league.

SEC. 249. *Representation.* – Every province shall be represented in the league by the provincial governor or in his absence, by the provincial vice-governor or a sanggunian member duly elected for the purpose by the members, who shall attend all meetings and participate in the deliberations of the league.

SEC. 250. *Functions and Powers of the League of Provinces.* – The league of provinces shall:

- (a) Assist the national government in the formulation and implementation of the policies, programs and projects affecting provinces as a whole;
- (b) Promote local autonomy at the provincial level;
- (c) Adopt measures for the promotion of the welfare of all provinces and its officials and employees;
- (d) Encourage people's participation in local government administration in order to promote united and concerted action for the attainment of country-wide development goals;
- (e) Supplement the efforts of the national government in creating opportunities for gainful employment within the province;

- (f) Give priority to programs designed for the total development of the provinces in consonance with the policies, programs and projects of the national government;
- (g) Serve as a forum for crystallizing and expressing ideas, seeking the necessary assistance of the national government, and providing the private sector avenues for cooperation in the promotion of the welfare of the provinces; and
- (h) Exercise such other powers and perform such other functions as the league may prescribe for the welfare of the provinces and metropolitan political subdivisions.

Article Five. Provisions Common to All Leagues

SEC. 251. *Funding.* (a) All leagues shall derive its funds from contribution of member local governments and from fund-raising projects and activities without the necessity of securing permits therefore: Provided, That the proceeds from said fund-raising projects and activities shall be used primarily to fund the projects for which the said proceeds have been raised, subject to the pertinent provisions of this Code and the pertinent provisions of the Omnibus Election Code.

- (b) All funds of leagues shall be deposited as trust funds with its treasurer and shall be disbursed in accordance with the board of director's resolutions, subject to pertinent accounting and auditing rules and regulations: Provided, That the treasurer shall be bound in an amount to be determined by the board of directors. The funds of a Structure. – To ensure the effective and efficient administration, the leagues for municipalities, cities and provinces shall elect chapter-level and national-level boards of directors and a set of officers headed by the president. A chapter shall be deposited as chapter funds and funds of the national league shall be deposited as national funds.

SEC. 252. *Organizational Structure.* To ensure the effective and efficient administration, the leagues for municipalities, cities and provinces shall elected chapter-level and national-level boards of directors and a set of officers headed by the president. A secretary-general shall be chosen from among the national league members to manage the day-to-day operation and activities of the national league. The board of directors on the chapter or national level may create such other positions as may be deemed necessary for the management of the chapters and other national league. The national board of directors of the leagues for municipalities, cities or provinces shall coordinate programs, projects and activities of chapter and national-level degree.

SEC. 253. *Constitution and By-laws of the Liga and Leagues.* – All other matters not herein otherwise provided for affecting the international organization of the leagues of local governments shall be governed by their respective constitution and by-laws which are hereby made suppletory to the provisions of this Chapter. *Provided*, That said Constitution and By-Laws shall always conform to the provisions in the Constitution and existing laws.

Article Six. Leagues and Federations of Local Elective Officials

SEC. 254. Organization. – (a) Vice-governors, vice-mayors, sanggunian members of barangays, municipalities, component cities, high urbanized cities and provinces, and other elective local officials of local governments, including those of the Metropolitan Manila area and any metropolitan political subdivisions, may form their respective leagues or federation, subject to applicable provisions of this Title and pertinent provisions of this Code.

- (b) Sanggunian members of component cities and municipalities shall form a provincial federation and elect a board of directors and a set of officers headed by the president. The duly elected president of the provincial federation of sangguniang members of component cities and municipalities shall be an *ex-officio* member of the sangguniang panlalawigan concerned and shall serve as such only during his term of office as president of the provincial federation of sanggunian members of component cities and municipalities, which in no case shall be beyond the term of office of the sangguniang panlalawigan concerned.

SEC. 255. Constitution and By-laws. – the leagues or federations shall adopt a Constitution and by-laws, which shall govern their internal organization and operation: *Provided*, that said Constitution and by-laws shall always conform to the provision of the Constitution and existing laws.

SEC. 256. –Funding. The leagues and federations may derive their funds form contributions of individual league or federation members or from fund-raising projects or activities.

TITLE NINE LOCAL TAXATION AND FISCAL MATTERS Chapter 1 Local Government Taxation Article One. General Provisions

SEC. 257. – Scope – The provisions of this Chapter shall govern the exercise by provinces, cities, municipalities, and barangay of their taxing and other revenue-raising powers.

SEC. 258. – Power to Create Source of Revenue. – Each local government shall exercise its power to create its own sources of revenue and to levy taxes, fees, and charges and subject as provided herein, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments imposing the same.

SEC. 259. - Fundamental Principles. - The following fundamental principles shall govern the exercise of the taxing and other revenue raising powers of local governments:

- (a) Taxation shall be uniform in each local government;

(b) Taxes, fees, charges and other impositions shall:

- (1) Be equitable and based as far as practicable on the taxpayer's ability to pay;
- (2) Be levied and collected only for public purposes;
- (3) Not be unjust, excessive, oppressive, or confiscatory;
- (4) Not be contrary to law; public policy, national economic policy, or in restraint of trade;

(c) The collection of local taxes, fees, charges and other impositions shall in no case be let to any private person;

(d) The revenue collected pursuant to the provisions of this Code shall inure solely to the benefit of, and be subject to disposition by, the local government levying the tax, fee, charge or other imposition unless otherwise specifically provided herein; and

(e) Each local government shall, as far as practicable, evolve a progressive system of taxation.

SEC. 260. - *Definition of Terms.* - When used in this Chapter, the term:

(a) "Agricultural product" includes the yield of the soil, such as corn, rice, wheat, rye, hay, coconuts, sugar cane, tobacco, root crops, vegetables, fruits, flowers, and their by-products; ordinary salt; all kinds of fish; poultry and livestock and animal products, whether in their original form or not.

The phrase "whether in their original form or not" refers to the transformation of said products by the farmer, fisherman, producer or owner through the application of processes to preserve or otherwise to prepare said products for the market such as freezing, drying, salting, smoking, or stripping for the purposes of preserving or otherwise preparing said products for market.

(b) "Amusement" is a pleasurable diversion and entertainment. It is synonymous to relaxation, avocation, pastime, or fun;

(c) "Amusement Places" include theaters, cinemas, concert halls, circuses and other places of amusement where one seeks admission to entertain oneself by seeing or viewing the show or performances;

(d) "Business" means trade or commercial activity regularly engaged in as a means of livelihood or with a view to profit;

(e) "Capital Investment" is the capital which a person or employees in any undertaking, or which he contributes to the capital of a partnership, corporation, or any other juridical entity or association in a particular taxing jurisdiction.

(f) "Charges" refer to pecuniary liability, as rents or fees against person or property;

(g) "Fee" means a charge fixed by laws or ordinance for the regulation or inspection of a business or activity;

(h) "Franchise" is a right or privilege, affected with public interest which is conferred upon private persons or corporations, under such terms and conditions as the government and its political subdivisions may impose in the interest of public welfare, security, and safety;

(i) "Gross Sales or Receipt" include the total amount of money or its equivalent representing the contract price, compensation or service fee, including the amount charged or materials supplied with the services and deposits or advance payments actually or constructively received during the taxable quarter for the services performed or to be

- performed for another person excluding discounts if determinable at the time of sales, sales return, excise tax, and value-added tax (VAT);
- (j) "Marginal Farmer or Fisherman" refers to an individual engaged in subsistence farming or fishing which shall be limited to the sale, barter or exchange of agricultural or marine products produced by himself and his immediate family;
 - (k) "Motor Vehicle" means any vehicle propelled by any power other than muscular power using the public roads, but excluding road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, folk-lifts, amphibian trucks and cranes if not used on public roads, vehicles which run only on rail tracks, and tractors, trailers, and traction engines of all kinds used exclusively for agricultural purposes;
 - (l) "Municipal Waters" includes not only streams, lakes, and tidal waters within the municipality, not being the subject of private ownership and not comprised within the national parks, public forest, timber lands forest reserves or fishery reserves, but also marine waters included between two lines drawn perpendicularly to the general coastline from points where the boundary lines of the municipality or city touch the sea at low tide and third line parallel with the general coastline and fifteen (15) kilometers from it. When two (2) municipalities are so situated on the opposite shores that there is less than fifteen (15) kilometers of marine waters between them, the third line shall be equally distant from opposite shores of the perspective municipalities;
 - (m) "Operator" includes the owner, manager, administrator, or any other person who operates or is responsible for the operation of a business establishment or undertaking;
 - (n) "Peddler" means any person which, either for himself or on commission, travels from place to place and sells his goods or offers to sell and deliver the same;
 - (o) "Persons" means every natural or juridical being, susceptible of rights and obligations or of being the *subject of legal relations*;
 - (p) "Vessel" includes every type of boat, craft, or other artificial contrivance used, or capable of being used, as a means of transportation on water; and
 - (q) "Wharfage" means a fee against the cargo of a vessel engaged in foreign or domestic trade based on quantity, weight, or measure received and/or discharged by vessel.

SEC. 261. - *Local Taxing Authority* – The power to impose a tax, fee or charge or to generate revenue under this Code shall be exercised by the sanggunian of the local government concerned through an appropriate ordinance.

SEC. 262. – *Common Limitations on the Taxing Powers of Local Governments.* Unless otherwise provided herein, the exercise of the taxing powers of Regional Government, provinces, cities, municipalities, and barangays shall not extend to the levy of the following:

- (a) Income tax, except when levied on banks and other financial institutions;
- (b) Documentary stamp tax;
- (c) Taxes on estates, inheritance, gifts, legacies and other acquisitions mortis causa, except as otherwise provided herein;
- (d) Customs duties and registration fees of vessel with tonnage of five (5) tons and above, wharfage on wharves constructed, maintained

- or operated by the local government concerned or by a private person or entity;
- (e) Taxes, fee and charges and other impositions upon goods carried into or out of , or passing through, the territorial jurisdictions of local governments in the guise of charges for wharfage, tolls for bridges or otherwise, or other taxes, fees or charges in any form whatsoever upon such goods or merchandise;
 - (f) Taxes, fees, or charges on agricultural and aquatic products when sold by marginal farmers or fishermen;
 - (g) Taxes on business enterprises certified to by the Board of Investments as pioneer non-pioneer for a period of six (6) and four (4) years, respectively from the date of registration;
 - (h) Excise taxes and other taxes, fees or charges on petroleum products;
 - (i) Percentage or value added tax (VAT) on sales, barter or exchanges or similar transactions on goods or services except as otherwise provided herein;
 - (j) Taxes on the gross receipts of transportation contractors and persons engaged in the transportation of passengers or freight by hire and common carriers by air, land or water, except as provided in this Code;
 - (k) Taxes on premium paid by way of reinsurance or retrocession;
 - (l) Taxes for the registration of motor vehicles and for the issuance of all kinds of licenses or permits for the driving thereof except tricycles and public utility vehicles operating within the province.
 - (m) Taxes, fees or charges on Philippine products actually exported except as otherwise provided therein;
 - (n) Taxes, fees or other charges, on cooperatives duly registered under Republic Act Numbered Sixty-Nine Hundred Thirty-Eight (R.A. 6938) otherwise known as the "Cooperative Code of the Philippines", and
 - (o) Taxes of any kind on the national government, its agencies and instrumentalities, and local governments except quasi-public corporations, government banks, financing and investment institutions, gambling and gaming enterprises operated by the national government or its agents or instrumentalities, or contracted out by it to foreign or domestic corporations, individuals or entities, which have been given permits by the local governments.

Article Two – Provinces

SEC. 263. – *Scope of Taxing Powers* – Except as otherwise provided in this Code, the province may levy only the taxes, fees, and charges as provided in this Article.

SEC. 264. – *Tax on Transfer of Real Property Ownership.* – (a) The province may impose a tax on the sale, donation, barter, or any other mode of transferring ownership or title of real property at the rate of not more than fifty percent (50%) of one percent (1%) of the total consideration involved in the acquisition of the property or of the fair market value in case the monetary consideration involved in the transfer is not substantial, whichever is higher. The sale, transfer or other disposition of real property pursuant to R.A. No. 6657 shall be exempt from this tax.

(c) For this purpose, the Register of Deeds of the province concerned shall, before registering any deed, require the presentation of the evidence of payment of this tax. The provincial assessor shall likewise make the same requirement before canceling an old tax declaration and issuing a new one in place thereof. Notaries public shall furnish the provincial treasurer with a copy of any deed transferring ownership or title to any real property within thirty (30) days from the date of notarization.

It shall be the duty of the seller, donor, transferor, executor or administrator to pay the tax herein, imposed within sixty (60) days from the date of execution of the deed from the date of the decedent's death.

SEC. 265. – *Tax on Business of Printing and Publication.* – The province may impose tax on the business of persons engaged in the printing and/or publication of books, cards, posters, leaflets, handbills, certificates, receipts, pamphlets, and other similar nature, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year.

In the case of a newly started business, the tax shall not exceed one-twentieth ($1/20^{\text{th}}$) of one percent (1%) of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year, or any fraction thereof, as provided herein.

The receipts from the printing and/or publishing of books or other reading materials prescribed by the Department of Education, Culture and Sports as school texts or reference shall be exempt from the tax herein imposed.

Provided, that seventy percent (70%) of the proceeds of the tax mentioned in this section shall accrue to the province and thirty percent (30%) shall accrue to the municipality where the business is located.

SEC. 266. – *Franchise Tax.* – Notwithstanding any exemption granted by any law or other special laws, the province may impose a tax on any business enjoying a franchise granted by Congress, a national government agency or a local government, including power generation, transmission and distribution, telecommunications, ice plants and storage facilities, legal gambling or gaming activities, and other similar businesses, based on income realized within the territorial jurisdiction, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipt for the preceding year.

SEC. 267. – *Tax on Sand, Gravel and Other Quarry Resources* – The province may levy and collect not more than ten percent (10%) of fair market value in the locality per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources, as defined under the National Internal Revenue Code, as amended, extracted from public lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters within the territorial jurisdiction.

The permit to extract sand, gravel and other quarry resources shall be distributed as follows:

- 1) Province – thirty percent (30%)
- 2) Component city or municipality where the sand, gravel and other quarry resources are extracted-thirty percent (30%)

- 3) Barangay where the sand, gravel and other quarry resources are extracted – forty percent (40%)

SEC. 268. – Professional Tax –

- (a) The province may levy an annual professional tax on each person engaged in the exercise or practice of his profession requiring government examination as such reasonable amount and classification as the sangguniang panlalawigan may provide but shall in no case exceed one thousand pesos (1,000.00).
- (b) Every person legally authorized to practice his profession shall pay the professional tax to the province where he practices his profession or where he maintains his principal office in case he practices his profession in several places: Provided, however, That such person who has paid the corresponding professional tax shall be entitled to practice his profession in any of the Philippines without being subjected to any other national or local tax, license or fee for the practice of such profession.
- (c) Any individual or corporation employing a person subject to professional tax shall require payment by that person of the tax on his profession before employment annually thereafter.
- (d) The professional tax shall be payable annually on or before the thirty-first (31st) day of January. Any person, first beginning to practice a profession after the month of January, must, however, pay the full tax before engaging therein. A line of profession does not become exempt from the payment of this tax.
- (e) Any person, subject to the professional tax shall write in deeds, receipts, prescriptions, reports, books of account, plans and designs. Surveys and maps, as the case may be, the number of the official receipt issued to him.

SEC. 269 – Amusement Tax –

- (a) The province may levy an amusement tax to be collected from the proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia, and other places of amusement at a rate of not more than thirty percent (30%) of the gross receipts from admission fees.
- (b) In the case of theaters of cinemas, the tax shall first be deducted and withheld their proprietors, lessees or operators and paid to the provincial treasurer before the gross receipts are divided between said proprietors, lessees, or operators and the distributors of the cinematographic films.
- (c) The holding of operas, concerts, dramas, recitals, painting and art exhibitions, flower shows, musical programs, literary and oratorical presentations, except pop, rock or similar concerts shall be exempt from the payment of the tax herein imposed.
- (d) The sanggunian panlalawigan may prescribe the time, manner, terms and conditions for the payment of tax. In case of fraud or failure to pay the tax, the sangguniang panlalawigan may impose such surcharges, interests and penalties as it may deemed necessary.

- (e) The proceeds from the amusement tax shall be shared equally by province the municipality where such amusement places are located.

SEC. 270. – *Annual Fixed Tax for Every Delivery Truck or Van of Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in, Certain Products.* –

- (a) The province may levy an annual fixed tax for every truck van or any vehicle used by manufacturers, producers, wholesalers, dealers or retailers in the delivery or distribution of distilled spirits, fermented liquors, soft drinks, cigars and cigarettes, and other products as may be determined by the sangguniang panlalawigan, to sales outlets, consumers, whether directly, within the province.
- (b) The manufacturers, producers, wholesalers, dealers, and retailers referred to in the immediately foregoing paragraph shall be exempt from the tax on peddlers prescribed elsewhere in this Code.

Article Three – Cities

SEC. 271. – *Scope of Taxing Powers* – Except as otherwise provided in this Code, the city, may levy the taxes, fees, and charges which the province of municipality may impose: Provided, however, That the taxes, fees and charges levied and collected by a highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of this Code.

The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes.

Article Four. – Municipalities

SEC. 272. – *Scope of Taxing Powers.* – Except as otherwise provided in this Code, municipalities may levy taxes, fees, and charges not otherwise levied by provinces.

SEC. 273. – *Tax on Business.* – The municipality may impose taxes on any business as rates not exceeding two percent (2%) based on the gross sales or receipts in the preceding calendar year.

In the case of manufacturers, millers, producers, wholesalers, distributors, dealers, or retailers of essential commodities enumerated hereunder the rate shall not exceed one-half (1/2) of the rates imposed by the municipality in accordance with the preceding paragraph.

- (1) Rice and corn;
- (2) Wheat or cassava flour, meat, dairy products, locally manufactured, processed or preserved food, sugar, salt and other agricultural, marine and fresh water products, whether in their original state or not;
- (3) Cooking oil and cooking gas;
- (4) Laundry soap, detergents, and medicine

- (5) Agricultural implements, equipment and post harvest facilities, fertilizers, pesticides, herbicides and other farm inputs;
- (6) Poultry feeds and other animal feeds;
- (7) School supplies; and
- (8) Cement

In the case of transportation contractors, exporters, indirect exporters and export subcontractors, the rate of business taxes shall not exceed one percent (1%) of gross sales or receipts of the preceding year.

SEC. 274. – *Rules of Tax within the Metropolitan Manila Area.* – The municipalities within the Metropolitan Manila Area may levy taxes at rates, which shall not exceed by fifty percent (50%) the maximum rates prescribed in the preceding section.

SEC. 275. – *Retirement of Business* – A business subject to tax pursuant to the preceding sections shall, upon termination thereof, submit a sworn statement of its gross sales or receipts for the current year. If the tax paid during the year is less than the tax due on said gross sales or receipts of the current year, the difference shall be paid before the business concerned is officially retired.

SEC. 276 – *Payment of Business Taxes* –

- (a) The taxes imposed under Section 273 of this Code shall be payable for every separate or distinct establishment of place where business subject to the tax is conducted and one line of business does not become exempt by being conducted and one line of business does not become exempt by being conducted with some other business for which such tax has been paid. The tax on a business must be paid by the person conducting the same.
- (b) In cases where a person conducts or operates two (2) or more businesses, the tax shall be computed on the combined total gross sales or receipt of the said two (2) or more businesses.
- (c) In cases where a person conducts or operates two (2) or more businesses mentioned in Section 273 of this Code which are subject to different rates of tax, the gross sales or receipt of each business shall be separately reported for the purpose of computing the tax due from each business.

SEC. 277. – *Fees and Charges* . – The municipality may impose and collect such reasonable fees and charges on business and occupation and, except as reserved to the province in this Code, on the practice of any profession or calling, commensurate with the cost of regulation, inspection and licensing before any person may engage in such business or occupation, or practice such profession or calling.

SEC. 278 – *Fees for Sealing and Licensing of Weights and Measures.* –

- (a) The municipality may levy fees for the sealing and licensing of weights and measures at such reasonable rates as shall be prescribed by the sangguniang bayan.

- (b) The sangguniang bayan shall prescribe the necessary regulations for the use of such weights and measures. The sanggunian concerned shall, by appropriate ordinance penalize fraudulent practices and unlawful possession or use of instruments of weights and measures and prescribe the criminal penalty therefore in accordance with the provisions of the Code. Provided, however, that the sanggunian concerned may authorize the municipal treasurer to settle as offense not involving the commission of fraud before a case therefore is filed in court, upon payment of a compromise penalty of not less than one thousand pesos (PhP 1,000.00)

SEC. 279. – Fishery Rentals, Fees and Charges. –

- (a) Municipalities shall have the exclusive authority to grant fishery privileges in the municipal waters and impose rentals, fees or charges therefore in accordance with the provisions of this Section.
- (b) The sangguniang bayan may:
 - (1) Grant fishery privileges to erect fish corrals, oyster, mussels or other aquatic beds or bangus fry areas, within a definite zone of the municipal waters, as determined by it: Provided, however, that duly registered organizations and cooperatives of marginal fishermen shall have the preferential right to such fishery privileges; Provided further, That the sangguniang bayan may require a public bidding in conformity with and pursuant to an ordinance grant of such privileges: Provided, finally, That in the absence of such organizations and cooperatives or their failure to exercise their preferential right, other parties may participate in the public bidding in conformity with the above cited procedure.
 - (2) Grant the privilege to gather, take or catch bangus fry, prawn fry or kawag-kawag or fry of other species and fish from the municipal waters by nets, traps or other fishing gears to marginal fishermen free of any rental, fee charge or any other imposition whatsoever.
 - (3) Issue for the operation of fishing vessels of three (3) tons or less for which purpose the sangguniang bayan shall promulgate rules and regulations regarding the issuance of such licenses to qualified applicants under existing laws; Provided, however, That the sanggunian concerned shall, by appropriate ordinance, penalize the use of explosives, noxious or poisonous substances, electricity, muro-ami and other deleterious methods of fishing and prescribe a criminal penalty therefore in accordance with the provisions of this Code: Provided, finally, That the sanggunian concerned shall be the authority to prosecute any violation of the provisions of applicable fishery laws.

SEC. 280. – Suits of the Tax –

- (a) For the purpose of collection of the taxes under this Code businesses, maintaining or operating branch or sales outlet elsewhere shall record the sale in the branch or sales outlet making the sale or transaction, and the tax thereon shall accrue and shall be paid to the municipality where such branch or

sales outlet in the city or municipality where the sale or transaction is made, the sale shall be duly recorded in the principal office and the taxes due shall accrue and shall be paid to such city or municipality.

(b) The following sales allocation shall apply to businesses with factories project plants and plantation in the pursuit of their business:

(1) Thirty percent (30%) of all sales recorded in the principal office shall be taxable by the city or municipality where the principal office is located, and

(2) Seventy percent (70%) of all sales recorded in the principal office shall be taxable by the city or municipality where the factory, project office, plant, or plantation is located.

In case of a plantation located at a place other than the place where the factory is located said seventy percent (70%) mentioned in subparagraph (b) of subsection (2) above shall be divided as follows:

(3) Sixty percent (60%) to the city or municipality where the factory is located; and

(4) Forty percent (40%) to the city or municipality where the factory plantation is located.

(c) In case where a business has two (2) or more factories, project offices, plants, or plantations located in different localities, the seventy percent (70%) mentioned in subparagraph (b) subsection (2) above shall be prorated among the localities where the factories, project offices, and plantations are located in proportion to their respective volume or production during the period from which the tax is due.

(d) The foregoing sales allocations shall be applied irrespective of whether or not sales are made in the locality where the factory, project offices, plant or plantation is located.

Article Five – Barangays

SEC. 281. – *Scope of Taxing Powers.* – The barangay may levy taxes, fees and charges, as provided in this Article, that shall exclusively accrue to them:

(a) Taxes. – On stores or retailers with fixed business establishments having gross sales or receipts in the preceding calendar year of one hundred thousand (PhP 100,000.00) or less, in the case of barangays in cities and municipalities within the Metropolitan manila Area and sixty thousand pesos (PhP 60,000.00) or less, in the case of barangays in other municipalities, at a rate not exceeding one percent (1%) on such gross sales or receipts.

(b) Service Fee of Charges – barangays may collect reasonable fees or charges for services rendered in connection with the regulation or the use of barangay-owned property or service facilities such as palay, copra, or tobacco dryers.

(c) Barangay Clearance – No city or municipality may issue any license or permit for any business or activity unless a clearance is first obtained from the barangay where such business or activity is located or conducted. For such clearance, the sangguniang barangay may impose a reasonable fee. The application for clearance shall be acted upon within seven (7) working days from the filing thereof. In the

event that the clearance is not issued within the said period, the city or municipality may issue the said license or permit.

- (d) **Other Fees and Charges.** – The barangay may levy reasonable fees and charges:
- (1) On commercial breeding of fighting cocks, cockfighting and cockpits;
 - (2) On places of recreation which charge admission fees; and
 - (3) On billboards, signboards, neon signs and outdoor advertisements.

Article Six. Common Revenue-Raising Powers

SEC. 282. – *Service Fees and Charges.* – Local governments may impose and collect such reasonable fees and charges for services rendered.

SEC. 283. - *Public Utility Charges.* – Local governments may fix the rates for the operation of public utilities owned, operated and maintained by them within their jurisdiction.

SEC. 284. – *Toll Fees or Charges* – The sanggunian concerned may prescribe the terms and conditions and fix the rates for the imposition of toll fees or charges for the use of any public road, pier or wharf, waterway, bridge, ferry or telecommunication system funded and constructed by the local government concerned: Provided, That no such toll fees or charges shall be collected from government vehicles and vehicles exclusively carrying officers and enlisted men of the Armed Forces of the Philippines or members of the Philippine National Police on mission, post office personnel delivering mail, physically-handicapped, disabled persons and senior citizens.

Article Seven. – Community Tax

SEC. 285 - *Community Tax* – Cities or municipalities may levy a community tax in accordance of this Article.

SEC. 286. – *Individuals Liable to Community Tax* – Every inhabitant of the Philippines eighteen (18) years or over who has been regularly employed on a wage or salary basis for at least thirty (30) consecutive working days during any calendar year, or who is engaged in business or occupation, or who owns real property with an aggregate assessed value of one thousand pesos (PhP 1,000.00) or more, or who owns real property with an aggregate assessed value of one thousand pesos (PhP 1,000.00) or more, or who is required by law ato file an income tax return shall pay an annual community tax of five pesos (Php 5.00) and an annual additional tax of one peso (PhP 1.00) for every one thousand pesos (PhP 1,000.00) of income regardless of whether from business, exercise of profession, employment or from property which in no case shall exceed five thousand pesos (PhP 5,000.00).

In the case of husband and wife, the additional tax herein imposed shall be based upon the total property owned by them and the total gross receipts or earning derived by them.

SEC. 287. – Juridical Persons Liable to Community Tax. – Every corporation no matter how created or organized, whether domestic or resident foreign, engaged in or doing business in the Philippines shall pay an annual community tax of five hundred pesos (PHP 500.00) and an annual additional tax, which, on no case, shall exceed ten thousand pesos (PhP 10,000.00) in accordance with the following schedule.

- (1) For every five thousand pesos (PhP 5,000.00) worth or real property in the Philippines owned by the during the preceding year based on the valuation used for the payment for the real property tax under existing laws, found in the assessment rolls of the city or municipality where the real property is situated—two pesos (phP 2.00); and
- (2) For every five thousand pesos (PhP 5,000.00) of gross receipts or earnings derived from its business in the Philippines during the preceding year—two pesos (PhP 2.00).

The dividend received by a corporation from another corporation however shall, for the purpose of the additional tax, be considered as part of the gross receipts or earnings of said corporation.

SEC. 288. - Exemptions. – The following are exempt from the community tax:

- (1) Diplomatic and consular representatives;
- (2) Transient visitors and consular representatives;
- (3) Disabled persons; and
- (4) Senior citizens unless gainfully employed or engaged in businesses and earning more than sixty thousand pesos (PhP 60,000.00) annually.

SEC. 289. – Place of Payment. – The community tax shall be paid in the place of residence of the individual, or in the place where the principal office of the juridical entity is located.

SEC. 290. – Time for Payment; Penalties for Delinquency –

- (a) The community tax shall accrue on the first (1st) day of January of each year which shall be paid not later than the last day of February of each year. If a person reaches the age of eighteen (18) years or otherwise loses the benefit of exemption on or before the last day of June, he shall be liable for the community tax on the day he reaches such age or upon the day the exemption ends. However, if a person reaches the age of eighteen (18) years or loses the benefit of exemption on or before the last day of March, he shall have twenty (20) days to pay the community tax without being delinquent.

Persons who come to reside in the Philippines or reach the age of eighteen years on or after the first (1st) day of July of any year, or who cease to belong to an exempt class on or after the same date, shall not be subject to the community tax for that year.

- (b) The corporation established and organized on or before the last day of June shall be liable for the community tax for that year. But corporations established and organized on or before the last day of March shall have twenty (20) days within which to pay the community

tax without becoming delinquent. Corporations established and organized on or after the first day of July shall be subject to the community tax for that year.

If the tax is not paid within the time prescribed above, there shall be added to the unpaid amount an interest of twenty-four percent (24%) per annum from the due date until it is paid.

SEC. 291. – Community Tax Certificate. – A community tax certificate shall be issued to every person or corporation upon payment of the community tax. A community tax certificate may also be issued to any person or corporation not subject to the community tax upon payment of one peso (PhP 1.00).

SEC. 292. – Presentation of Community Tax Certificate on Certain Occasions. –

- (a) When an individual subject to the community tax acknowledged any document before a notary public, takes the oath of office upon election or appointment to any position in the government service, receives any license, certificate, or permit from any public authority; pays any tax or fee; receives any money from any public fund; transacts other official business; or receives any salary wage from any person or corporation, it shall be the duty of any person, officer, or corporation with whom such transaction is made or business done or from whom any salary or wage is received to require such individual to exhibit the community tax certificate.

The presentation of community tax certificate shall not be required in connection with the registration of a voter.

- (b) The city or municipal treasurer shall deputize the barangay treasurer to collect the community tax in their respective jurisdictions. Provided, however, that said barangay treasurer shall be bonded in accordance with existing laws.
- (c) The proceeds of the community tax actually and directly collected by the city or municipal treasurer shall accrue entirely to the general fund of the city or municipality concerned. However, proceeds of the community tax collected through the barangay treasurers shall be apportioned as follows:
 - (1) Fifty percent (50%) shall accrue to the general fund of the city of municipality concerned; and
 - (2) Fifty percent (50%) shall accrue to the barangay where the tax is collected.

Article Eight. Collection of Taxes

SEC. 294. – Tax Period and Manner of Payment. – Unless otherwise provided in this Code, the tax period of all local taxes, fees and charges shall be the calendar year. Such taxes, fees and charges may be paid in quarterly installments.

SEC. 295. – *Accrual of Tax* – Unless otherwise provided in this Code, all local taxes, fees and charges shall accrue on the first (1st) day of January of each year. However, new taxes, fees or charges, or changes in the rates thereof, shall accrue on the first (1st) day of the quarter next following the effectivity of the ordinance imposing such new levies or rate.

SEC. 296. – *Time of Payment* – Unless otherwise provided in this Code, of local taxes, fees and charges shall be paid within the first twenty (20) days of January or of each subsequent quarter, as the case may be. The sanggunian concerned may, for a justifiable reason or cause, extend the time of payment of such taxes, fees, or charges without surcharges or penalties, but only for a period not exceeding six (6) months.

SEC. 297 – *Surcharges and Penalties on Unpaid Taxes or Charges.* – The Sanggunian may impose a surcharge not exceeding twenty-five percent (25%) of the amount of taxes, fees or charges not paid on time and an interest at the rate not exceeding two percent (2%) per month of the unpaid taxes, fees or charges including surcharges, until such amount is fully paid but in no case shall the total interest on the unpaid amount or portion thereof exceed thirty-six (36) months.

SEC. 298 – *Interest on Other Unpaid Revenues* – Where the amount of any other revenue due a local government, except voluntary contributions or donations, is not paid on the date fixed in the ordinance, or in contract, expressed or implied, or upon the occurrence of the event which has given rise to its collection, there shall be collected as part of that amount an interest thereon at the rate not exceeding two percent (2%) per month from date it is due until it is paid, but in no case shall the total interest on the unpaid amount or a portion thereof exceed thirty-six (36) months.

SEC. 299 – *Collection of Local Revenues by Treasurer* – All taxes, fees and charges shall be collected by the provincial, city, municipal, or barangay treasurer, or their duly authorized deputies.

The provincial, city or municipal treasurer may designate the barangay treasurer as his deputy to collect local taxes, fees or charges. In case a bond is required for the purpose, the provincial, city or municipal government shall pay the premiums of bond that may be required under this Code.

SEC. 300 – *Examination of Book of Accounts and Pertinent Business Records by Local Treasurer* – The provincial, city, municipal or barangay treasurer may, by himself or through any of his deputies duly authorized in writing, examine the books, accounts, and other pertinent records of any person, partnership, corporation or association subject to local taxes, fees and charges in order to ascertain, assess and collect the current amount of the tax, fee or charge. Such examination shall be made during regular business hours, only once for every tax period, and shall be certified to by the examining official. Such certificate shall be made of record in the books of accounts of the taxpayer examined.

In case the examination herein authorized is made by a duly authorized deputy of the local treasurer, the written authority of the deputy concerned shall specifically state the name, address and business of the taxpayers whose books, accounts and pertinent records are to be examined, the date and place of such examination, and the procedure to be followed in conducting the same.

For this purpose, the records of the revenue district office of the Bureau of Internal Revenue shall be made available to the local treasurer, his deputy or duly authorized representative. Such business records shall be treated as confidential unless otherwise ordered by the Court.

Article Nine. Civil Remedies for Collection of Revenues

SEC. 301 – Application of Chapter – The provisions of this Article and the remedies provided herein may be availed of for the collection of any delinquent local tax, fee, charge or other revenue.

SEC. 302. – Local Government's Lien – Local taxes, fees, charges and other revenue constitute a lien, superior to all liens, charges or encumbrances in favor of any person, enforceable by appropriate administrative or judicial action, not only upon any property or rights therein which may be subject to the lien but also upon property used in business, occupation, practice of profession or calling, or exercise of privilege with respect to which the lien is imposed. The lien may only be extinguished upon full payment of the delinquent local taxes fees and charges including related surcharges and interest.

SEC. 303 – Civil Remedies – The civil remedies for the collection of local taxes, fees or, and surcharges and interest resulting from delinquency shall be:

- (a) By administrative action through distraint of goods, chattels, or effects, and other personal of whatever character, including stocks and other securities, debts, credits, bank accounts, and interest in and rights to personal property, and by levy upon real property and interest in or rights to real property; and
- (b) By judicial action. Either of the local government concerned.

SEC. 304 – Distraint of Personal Property – The remedy by distraint shall proceed as follows:

- (a) Seizure- Upon failure of the person owing any local tax, fee, or charge to pay the same at the same time required, the local treasurer or his deputy may, upon written notice, seize, or confiscate any personal property belonging to the person or any personal property subject to the 19en in sufficient quantity to satisfy the tax, fee or charge in question, together with any increment thereto incident to delinquency and the expenses of seizure. In such case, the local treasurer or his deputy shall issue a duly authenticated certificate based upon the records of his office showing the fact of delinquency and the amounts of the tax, fee or charges and penalty due. Such certificate shall serve as sufficient warrant for the distraint of personal property aforementioned, subject to the taxpayer's right to claim exemption

under the provision of existing laws. Distraigned personal property shall be sold at a public auction in the manner herein provided for.

- (b) Accounting of distraigned goods – The officer executing the distraint shall make or cause to be made an account of the goods, chattels or effects distraigned, a copy of which signed by himself shall be either with the owner or person from whose possession the goods, chattels or effects are taken, or at the dwelling or place of business of that person and with someone of suitable age and or place of business of that person and with someone of suitable age and discretion, to which list shall be added a statement of the sum demanded and a note of the time and place of sale.
- (c) Publication – The officer shall forthwith cause a notification to be exhibited in not less than three (3) public and conspicuous places in the territory of the local government where the distraint is made, specifying the time and place of sale, and the articles distraigned. The time of the sale shall not be less than twenty (20) days after the notice to the owner or possessor of the property as above specified and the publication or posting of the notice. One place for the posting of notice shall be at the office of the chief executive of the local government in which the property is distraigned.
- (d) Release of distraigned property upon payment prior to sale – If at any item prior to the sale, all the proper charges are paid to the officer conducting the sale, the goods or effected distraigned shall be restored to the owner.
- (e) Procedure of Sale – At the time and place fixed in the notice, the officer conducting the sale sell the goods or effects so distraigned at public auction to the highest bidder for cash. Within five (5) days after the sale, the local treasurer shall make a report of the proceedings in writing to the local chief executive concerned.

Should the property distraigned be not disposed of within one hundred twenty (120) days from the date of distraigned, the same shall be considered as sold to the local government concerned for the amount of the assessment made thereon by the Committee on Appraisal and to the extent of the same amount, the tax delinquencies shall be cancelled. Said committee on Appraisal shall be composed of the city or municipal cancelled. Said committee on Appraisal shall be composed of the city or municipal treasurer as chairman, with a representative of the Commission on Audit and the city of municipal assessor as members.

- (f) Disposition of Proceeds – The proceeds of the sale shall be applied to satisfy the tax, including the surcharges, interest, and other penalties incident or delinquency, and the expenses of the distraint and sale. The balance over and above what is required to pay the entire claim shall be returned to the owner of the property sold. The expenses chargeable upon seizure and sale shall embrace only the actual expenses of seizure and preservation of the property pending the sale, and no charge shall be imposed for the services of the local officer or his deputy. Where the proceeds of the sale are insufficient to satisfy the claim, other property may, in like manner, be distraigned until the full amount due, including all expenses, collected.

SEC. 305 – Levy on Real Property – After the expiration of the time required paying the tax, fee, or charge, real property may be levied on before, simultaneously, or after the distraint of personal property belonging to the delinquent taxpayer. To this end, the provincial, city or municipal treasurer, as

the case maybe, shall prepare a duly authenticated certificate showing the name of the taxpayer and the amount of the tax, fee or charge, and penalty due from him. Said certificate shall operate with the force of a legal execution throughout the Philippines. Levy shall be effected by writing upon said certificate the description of the property upon which levy is made. At the same time, written notice of the levy shall be mailed to or served upon the assessor and the Register of Deeds of the province or city where the property is located who shall annotate the levy on the tax declaration and certificate of title of the property, respectively, and the delinquent taxpayer, or, if he be absent from the Philippines, to his agent or the manager of the business in respect to which the liability arose, or if there be none, to the occupant of the property in question.

In case the levy on real property is not issued before or simultaneously with the warrant of distraint on personal property, and the personal property of the taxpayer is not sufficient to satisfy his delinquency, the provincial, city or municipal treasurer, as the case may be, shall within thirty (30) days after execution of the distraint, proceed with the levy on the taxpayer's real property.

SEC. 306 - *Penalty for Failure to Issue and Execute Warrant* – Without prejudice to criminal under the Revised Penal Code and other applicable laws, any local treasurer who fails to issue or execute the warrant of distraint or levy after the expiration of the time prescribed, or who is found guilty of abusing the exercise thereof by competent authority shall be automatically dismissed from the service after due notice and hearing.

SEC. 307 – *Advertisement and Sale* – Within thirty (30) days after levy, the local treasurer proceed to publicly advertise for sale or auction the property or a usable portion thereof as may be necessary to satisfy the claim and cost of sale; and such advertisement shall cover a period of at least thirty (30) days. It shall be effected by posting a notice at the main entrance of the municipal building or city hall, and in a public and conspicuous place in the barangay where the real property is located, and by publication once a week for three (3) weeks in a newspaper of general circulation in the province, city or municipality where the property is located. The advertisement shall contain the amount of taxes, fees, or charges, and penalties due thereon, and the time and place of sale, the name of the taxpayer against whom the taxes, fees, or charges are levied, and a short description of the property to be sold. At any time before the date fixed for the sale, the taxpayer may stay proceedings by paying the taxes, fees, charges, penalties and interests. If he fails to do so, the sale shall proceed and shall be held either at the main entrance of the provincial, city, or municipal building, or on the property to be sold, or at any other place as determined by the local treasurer conducting the sale and specified in the notice of sale.

Within thirty (30) days after the sale, the local treasurer or his deputy shall make a report of the sale to the sanggunian concerned, and which shall form part of his records. After consultation with the sanggunian, the local treasurer shall make and deliver to the purchase a certificate of sale, showing the proceedings of the sale, describing the property sold, stating the name of the purchase and setting out the exact amount of all taxes, fees, charges, and related surcharges, interests, or penalties. Provided, however, That any excess in the proceeds of the sale over the claim and cost of sales shall be turned over to the owner of the property.

Provided, however, that any excess in the proceeds of the sale over the claim and cost of sales shall be turned over to the owner of the property.

The local treasurer may, by ordinance duly approved, advance an amount sufficient to defray the costs of collection by means of the remedies provided for in this Title, including the preservation or transportation in case of personal property including improvements thereon.

SEC. 308. – Redemption of Property Sold – Within one (1) year from the date of sale, the delinquent taxpayer or his representative shall have right to redeem the property upon payment to the local treasurer of the total amount of taxes, fees, or charges, and related surcharges, interests or penalties from the date of delinquency to the date of sale, plus interest of not more than two percent (2%) per month on the purchase price from the date of purchase to the date of redemption. Such payment shall invalidate the certificate of sale issued to the purchaser and the owner shall be entitled to a certificate of redemption from the provincial, city, or municipal treasurer or his deputy.

The provincial, city, or municipal treasurer or his deputy, upon surrender by the purchaser of the certificate of sale previously issued to him, shall forthwith return to the latter the entire purchase price paid by him plus the interest of not more than two legitimate expenses incurred by him, and said property thereafter shall be free from the lien of such taxes, fees, or charges, related surcharges, interests, and penalties.

The owner shall not, however, be deprived of the possession of said property and shall be entitled to the rentals and other income thereof until the expiration of the time allowed for its redemption.

SEC. 309. – Final Deed to Purchase. – In case the taxpayer fails to redeem the property as provided herein, the local treasurer shall execute a deed conveying to the purchaser so much the property as has been sold, free from liens of any taxes, fees, charges, related surcharges, interests and penalties. The deed shall succinctly recite all the proceedings upon which the validity of the sale depends.

SEC. 310. – Purchase of Property by the Local Governments for Want of Bidder. – In case there is no bidder for the real property advertised for sale as provided herein, or if the highest bid is for an amount insufficient pay the taxes, fees or charges, related surcharges, interests, penalties and costs, the local treasurer conducting the sale shall purchase the property in behalf of the local government concerned to satisfy the claim and within two (2) days thereafter shall make a report of his proceedings which shall be reflected upon the records of his office. It shall be the duty of the Register of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the forfeited property to the local government concerned without the necessity of an order from a competent court.

Within one (1) year from the date of such forfeiture, the taxpayer or any of his representatives may redeem the property by paying to the local treasurer the full amount of taxes, fees, charges, and related surcharges, interests or penalties, and the costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be fully vested of the local government concerned.

SEC. 311. – *Resale of Real Estate Taken for Taxes, Fees, or Charges.* – The sanggunian may, by ordinance duly approved, and upon notice of not less than twenty (20) days, sell and dispose of the real property acquired under the preceding section at public auction. The proceeds of the sale shall accrue to the general fund of the local government concerned.

SEC. 312. – *Collection of Delinquent Taxes, Fees, Charges or Other Revenues through Judicial Action.* – The local government concerned may enforce the collection of delinquent taxes, fees, charges, or other revenues by civil action in any court of competent jurisdiction. The civil action shall be filed by the local treasurer within the period prescribed in this Code.

SEC. 313. – *Further Distraint or Levy* – The remedies by distraint and levy may be repeated if necessary until the full amount due, including all expenses, is collected.

SEC. 314. – *Personal Property Exempt from Distraint or Levy.* – The following property shall be exempt from distraint and the levy, attachment or execution thereof for delinquency in the payment of any local tax, fee or charge, including the related surcharge and interest:

- (i) Tools and the implements necessarily used by the delinquent taxpayer in his trade or employment;
- (ii) One (1) horse, cow, carabao, or other beast of burden, such as the delinquent taxpayer may select, and necessarily used by him in his ordinary occupation;
- (iii) His necessary clothing, and that of all his family;
- (iv) Household furniture and utensils necessary for housekeeping and used for that purpose by the delinquent taxpayer, such as he may select, of a value not exceeding ten thousand pesos (PhP 10,000.00).
- (v) Provisions, including crops, actually provided for individual or family are sufficient for four (4) months;
- (vi) The professional libraries of doctors, engineers lawyers and judges; One fishing boat and net, not exceeding the total value of ten thousand pesos (PhP 10,000.00) by the lawful use of which a fisherman earns his livelihood; and
- (vii) Any material or article forming part of a use of improvement of any real property.

Article Ten. Miscellaneous Provisions

SEC. 315. – *Power to Levy Other Taxes, Fees or Charges.* – Local governments may exercise the power to levy taxes, fees or charges on any base of subject not otherwise specifically enumerated herein or taxed under the provisions of the National Internal Revenue Code, as amended or other applicable laws; Provided, That the taxes fees, or charges shall not be unjust excessive, oppressive, confiscatory or contrary to declared national policy. Provided, further, That the ordinance levying such taxes, fees or charges shall be entitled without any prior public hearing conducted for the purpose.

SEC. 316. – *Procedure for Approval Effectivity of Tax Ordinances and Revenue Measures; Mandatory Public Hearings.* – The procedure for approval of local tax ordinances and revenue measures shall be in accordance with the provisions of this Code; Provided That public hearings shall be concluded for the purpose prior to the enactment thereof: Provided, however, that such appeal shall not have the effect of suspending the effectivity of the ordinance and the actual and payment of the tax, fee, or charge levied therein: Provided finally, that thirty (30) days after receipt upon the appeal, the aggrieved party may file appropriate proceedings a court of competent jurisdiction.

SEC. 317. – *Publication of Tax Ordinances and Revenue Measures.* – Within ten (10) days after the approval certified true copies of all provincial, city and municipal tax ordinances revenues shall be published in full for three (3) consecutive days in a newspaper published and circulated or once a week for three (3) consecutive weeks in the case of a weekly newspaper published and circulated locally, the same shall instead be posted for at least one (1) month in provincial capitols, city or municipal halls, all barangay halls and other conspicuous and publicly accessible places.

SEC. 318. – *Furnishing of Copies of Tax Ordinances and Revenue Measures.* – Copies of all provincial, city and municipal and barangay tax ordinances and revenue measures shall be furnished the respective local treasurers for public dissemination.

SEC. 319. – *Attempt to Enforce Void or Suspended Tax Ordinances and Revenue Measures.* – The enforcement of any tax ordinance or revenue measure after due notice of the disapproval or suspension thereof made by Secretary of Justice shall be sufficient ground for administrative disciplinary action against the local officials and employees responsible therefor.

SEC. 320. – *Authority of Local Governments to Adjust Rates of Tax Ordinances.* – Local governments shall have the authority to adjust the tax rates as prescribed herein not oftener than one every five (5) years, but in no case shall such adjustment exceed ten percent (10%) of the rates fixed under this Code.

SEC. 321. – *Authority to Grant Tax Exemption Privileges.* – Unless otherwise provided in this Code, tax exemptions or incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned or controlled corporations, except local water districts, cooperatives duly registered under R.A. 6938, non-stock and non-profit hospitals and educational institutions, are hereby withdrawn upon the effectivity of this Code.

SEC. 322. – *Withdrawal of Tax Exemption Privileges.* – Unless otherwise provided in this Code, tax exemptions of incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned-or controlled corporations, except local water districts, cooperatives, duly registered under R.A. 6938, upon non-stock and non-profit hospitals and educational institutions are hereby withdrawn upon effectivity of this Code.

Article Eleven, Taxpayer's Remedies

SEC. 323. – *Periods of Assessments and Collection.* –

- (a) Local taxes, fees, or charges shall be assessed within five (5) years from the date they became due. No action for the collection of such taxes, fees, or charges, whether administrative or judicial, shall be instituted after the expiration of such period: Provided, That taxes, fees, or charges which have accrued before the effectivity of this Code may be assessed within a period of three (3) years from the date they become due.
- (b) In case of fraud or intent to evade the payment of taxes, fees or charges, the same may be assessed within "10" years from discovery of the fraud or intent to evade payment.
- (c) Local taxes, fees, or charges may be collected within five (5) years from the date of by or judicial action. No such action shall be instituted after the expiration of said period: Provided, however That taxes, fees or charges assessed before the effectivity of this Code may be collected within a period of three (3) years from the date of assessment:
- (d) The running of the periods of prescription provided in the preceding paragraphs shall be for the time during which:
 - (1) The treasurer is legally prevented from making the assessment of collection;
 - (2) The taxpayer requests for a reinvestigation and executes a waiver in writing before expiration of the period within which to assess or collect; and
 - (3) The taxpayer is out of the country or otherwise cannot be located.

SEC. 324. – *Protest of Assessment.* – When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a notice of assessment stating the nature of the tax, fee or charge, the amount of deficiency, the surcharges, interests, and penalties. Within (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment; otherwise, the assessment shall become final and executory. The local treasurer shall decide the protest within thirty (30) days from the time of its filing. If the local treasurer finds the protest to be wholly or partly meritorious, he shall issue a notice canceling wholly or partly correct, he shall deny the protest wholly or partly with notice to the taxpayer. The taxpayer shall have thirty (30) days from the receipt of the denial of the protest or from the lapse of the thirty (30) days period prescribed herein, within which to appeal with the court of competent jurisdiction otherwise the assessment become conclusive and unappealable.

SEC. 325. – *Claim for Refund of Tax Credit.* – No case or proceeding shall be maintained in any court for the recovery of any tax, fee, or charge erroneously or illegally collected until a written claim for refund or credit has been filed with the local treasurer. No case or proceeding shall be entertained in any court after

the expiration of two (2) years from the date of the payment of such tax, fee, or charge, or from the date the taxpayer is entitled to a refund or credit.

Chapter 2

Real Property Taxation

Article One: General Provisions

SEC. 326. – *Scope* – This title shall govern the administration, appraisal, assessment, levy and collection of the real property tax:

SEC. 327. – *Fundamental Principles.* – The appraisal, assessment, levy and collection of real property tax shall be guided by the following fundamental principles.

- (a) Real Property shall be appraised at its current and fair market value.
- (b) Real Property shall be classified for assessment purposes on the basis of its actual use;
- (c) Real property shall be assessed on the basis of a uniform classification within each local government;
- (d) The appraisal and assessment of real property shall be equitable.

SEC. 328. – *Definition of Terms.* – When used in this Chapter.

- (a) "Acquisition Cost" for newly acquired machinery not yet depreciated and appraised within the year of its purchase, refers to the actual cost of the machinery to its present owner, plus the cost of transportation, handling, and installation of the present site;
- (b) "Actual Use" refers to the purpose for which the property is principally predominantly utilized by the person in possession thereof;
- (c) "Ad Valorem Tax" is a levy on real property determined on the basis of a fixed proportion of the value of the property;
- (d) "Agriculture land" is land devoted principally to the planting of trees, raising of crops, livestock and poultry, dairying, salt making, inland fishing and similar aquacultural activities, and other agricultural activities, and is not classified as mineral, timber, residential, commercial or industrial land;
- (e) "Appraisal" is the act or process of determining the value of property as of a specific date for a specific purpose;
- (f) "Assessment" the act or process of determining the value of a property, or proportion thereof subject to tax, including the discovery, listing, classification and appraisal of properties;
- (g) "Commercial land" is land devoted principally for the object of profits and is not classified as agricultural, industrial, mineral, timber, or residential land;
- (h) "Depreciated Value" is the value remaining after deducting depreciation from the acquisition cost;
- (i) "Economic life" is the estimated period over which it is anticipated that a machinery or equipment may be profitably utilized;
- (j) "Fair Market Value" is the price at which a property may be sold by a seller who is not compelled to sell and bought by a buyer who is not compelled to buy; it is synonymous to taxable value;

- (k) "Improvement is a valuable addition made to a property or an amelioration in its condition, amounting to more than a mere repair or replacement of parts involving capital expenditures and labor, which is intended to enhance its value, beauty or utility or to adapt it for new or further purposes;
- (l) "Industrial land" is land devoted principally to industrial activity as capital investment and is not classified as agricultural commercial, timber, mineral or residential land;
- (m) "Machinery" embraces machines, equipment, mechanical contrivances, instruments, or apparatus, which may or may not be attached, permanently or temporarily, to the real property. It includes the physical facilities for production, installations and appurtenant service facilities, those which are mobile, self-powered or self-propelled, and those not permanently attached to the real property which are actually, directly, and exclusively used to meet the needs of the particular industry, business, or activity and which by their very nature and purpose are designed for, or necessary to its manufacturing, mining, logging, commercial, industrial or agricultural purposes.
- (n) "Mineral Lands" are lands in which minerals, metallic or non-metallic, exist in sufficient quantity or grade to justify the necessary expenditures to extract and utilize each material;
- (o) "Reassessment" is the assigning of new assessed values to property, particularly real estate, as the result of a general partial, or individual reappraisal of the property;
- (p) "Remaining Economic Life" is the period of time expressed in years from the date of appraisal to the date when the machinery becomes valueless;
- (q) "Remaining Value" is the value corresponding to the remaining useful life of the machinery;
- (r) "Replacement or Reproduction Cost" is the cost that would be incurred on the basis of current prices, in acquiring an equally desirable substitute property, or the cost of reproducing a new replica of the property on the basis of current prices with the same or closely similar material; and
- (s) "Residential land" is land principally devoted to habitation.

SEC. 329. – Administration of the Real Property Tax. – The provinces and cities, including the municipalities within Metropolitan Manila Area, shall be primarily responsible for the proper, efficient and effective administration of the real property tax, subject to the supervision and control of the respective Regional Government: Provided, however, That when the average real property tax collection efficiency of the entire province or city or of a municipality in Metropolitan Manila within any three (3) consecutive fiscal years is less than seventy percent (70%), real property tax administration particularly the assessment and collection aspects thereof shall be transferred to the Regional Government concerned, in accordance with implementing and operational details promulgated pursuant to Section 531 of this Code: Provided, finally, That the proceed of the real property tax shall continue to accrue to the province, city or municipality involved as prescribed in this Code which in no case shall suffer any decrease or diminution of income from said tax as a consequence of this provision.

Article Two – Appraisal and Assessment of Real Property

SEC. 330. – *Appraisal of Real Property.* – All real property, whether taxable or exempt, shall be appraised and assessed at the current and fair market value prevailing in the locality where the property is situated. Within one (1) year after the effectivity of this Act, the Department of Finance, jointly with the Leagues of Provinces, Cities and Municipalities and Liga ng mga barangay, shall promulgate the rules and regulations necessary for the installation of an efficient, effective, and transparent system of classification, appraisal and assessment of real property pursuant to the provisions of this Code: Provided, That until such rules and regulations are promulgated, the applicable law, rules and regulations shall continue to apply.

SEC. 331. *Real Property Identification System.* – All declarations of real property made under the provisions of this Chapter shall be kept and filed under a uniform classification system to be established by the provincial, city or municipal assessor.

SEC. 332. *Duty of Registrar of Deeds to Apprise Assessor of Real Property listed in Registry.* –

- (a) To ascertain whether or not any real property entered in the Registry of Property has escaped discovery and listing for the purpose of taxation, The Register of Deeds shall prepare and submit to the provincial, city or municipal assessor, within six (6) months from the date of effectivity of this Code and every year thereafter, an abstract of his registry, which shall include brief but sufficient description of the real properties entered therein, their present owners, and the dates of their most recent transfer or alienation accompanied by copies of corresponding deeds of sale, donation or partition or other forms of alienation.
- (b) It shall also be the duty of the Registrar of Deeds to require every person who shall present for registration a document of transfer, alienation, or encumbrance of real property to accompany the same with a certificate to the effect that the real property subject of the transfer, alienation, or encumbrance, as the case may be, has been fully paid of all real property taxes due thereon. Failure to provide such certificate shall be a valid cause for the Registrar of Deeds to refuse the registration of the document. Any Registrar of Deeds who intentionally and deliberately fails to perform such duties and who is found guilty in an administrative proceeding shall be dismissed from the service, without prejudice to criminal prosecution under the Revised Penal Code and other applicable laws.

SEC. 333. *Duty of Official Issuing Building Permit or Certificate of Registration of Machinery to Transmit Copy to Assessor.* – Any public official or employee who may now or hereafter be required by law or regulation to issue to any person a permit for the construction, addition, repair, or renovation of a building, permanent improvement on land, or a certificate of registration for any machinery, including machines, mechanical contrivances, and apparatus attached or affixed on land or to another property, shall transmit a copy of such permit or certificate within thirty (30) days of its issuance, to the assessor of the province, city or municipality where the property is situated.

Any building official who intentionally and deliberately fails to perform such duties and who is found guilty in an administrative proceeding shall be dismissed from the service, without prejudice to criminal prosecution under the Revised Penal Code and other applicable laws.

SEC. 334. – *Duty of Geodetic Engineers to Furnish Copy of Plan to Assessor.* – It shall be the duty of all geodetic engineers, public or private, to furnish free of charge to the assessor of the province, city or municipality where the land is located with a white or blue print copy of each of all approved original or subdivision plans or maps of surveys executed by them within thirty (30) days from receipt of such plans from the Lands Management Bureau, the Land Registration Authority, or the Housing and Land Regulatory Board, as the case may be.

Any geodetic engineer, who intentionally and deliberately fails to perform such duties shall, upon conviction, be punished by a fine of not less than five hundred pesos (PhP 5000.00) nor more than five thousand pesos (PhP 5,000.00) or imprisonment of not less than one (1) month or more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

SEC. 335. *Preparation of Schedule of Fair Market Values* - Before any general revision of property assessment is made pursuant to the provisions of this Chapter, there shall be prepared a schedule of fair market values by the provincial, city and the municipal assessors of the municipalities within the Metropolitan Manila Area for the different classes of real property situated in their respective local governments.

The schedule of the fair market values shall be published in a newspaper of general circulation in the province, city or municipality concerned, or in the absence thereof, shall be posted in the provincial capitol, city or municipal hall and in two other conspicuous public places therein,.

SEC. 336. – *Creation of a Regional Tech Valuation Committee.* – For purposes of Section 335 and Section 337 of this Code, there shall be created a Regional Technical Valuation Committee attached to the Regional Government, which shall review and approve the prepared schedule of Fair Market Values. Said Committee shall be composed of all Provincial and City Assessors, and one Representative each from the Bankers Association of the Philippines, Bureau of Internal Revenue and The Association of Realtors within the Region.

SEC. 337. *General Revision of Assessments and Property Classification.* – The provincial, city and municipal assessor shall undertake a general revision of real property assessments within three (3) years after the effectivity of this Act and every five (5) years thereafter.

SEC. 338. *Valuation of Real Property.* – In cases where (a) real property is declared and listed for taxation purposes for the first time; (b) there is an ongoing general revision of property classification and assessment; or (c) a request is made by the person in whose name the property is declared, the provincial, city or municipal assessor or his duly authorized deputy shall, in accordance with the provisions of this Chapter, make a classification, appraisal and assessment of the real property listed and described in the declaration

irrespective of any previous assessment or taxpayer's valuation thereon: Provided, however, That the assessment of real property shall not be increased oftener than once a year every three (3) years except in case of new improvements substantially increasing the value of said property or of any change in its actual size.

SEC. 339. – *Date of Effectivity of Assessment or Reassessment.* – All assessments or reassessments made after the first (1st) day of January of any year shall take effect on the first (1st) day of January of the succeeding year. Provided, however, That the reassessment of real property due to its partial or total destruction, or to a major change in its actual use, or to any great and sudden inflation or deflation of real property values, or to the gross illegality of the assessment when made or to any other abnormal cause, shall be made within ninety (90) days from the date any such cause or causes occurred, and shall take effect at the beginning of the quarter next following the reassessment.

SEC. 340. *Assessment of Property Subject to Back Taxes.* – Real property declared for the first time shall be assessed for taxes for the period during which it would have been liable but in no case for more than ten (10) years prior to the date of initial assessment: Provided, however, That such taxes shall be computed on the basis of the applicable schedule of values in force during the corresponding period. If such taxes are paid on or before the end of the quarter following the date the notice of assessment was received by the owner or his representative, no interest for delinquency shall be imposed thereon; otherwise, such taxes shall be subject to an interest at the rate of two percent (2%) per month or a fraction thereof from the date of the receipt of the assessment until such taxes are fully paid.

SEC. 341. *Notification of New or Revised Assessment.* – When real property is assessed for the first time or when an existing assessment is increased or decreased, the provincial, city or municipal assessor shall within thirty (30) days give written notice of such new or revised assessment to the person in whose name the property is declared. The notice may be delivered personally or by registered mail or through the assistance of the punong barangay to the last known address of the person to be served.

SEC. 342. *Appraisal and Assessment of Machinery.* –

- (a) The fair market value of a brand new machinery shall be the acquisition cost. In all other cases, the fair market value shall be determined by dividing the remaining economic life of the machinery by its estimated economic life and multiplied by the replacement or reproduction cost.
- (b) If the machinery is imported, the acquisition cost includes freight, insurance, bank and other charges, brokerage, arrastre and handling, duties and taxes, plus cost of inland transportation, handling and installation charges at the present site. The cost in foreign currency of imported machinery shall be converted to peso cost on the basis of foreign currency exchange rates as fixed by the Banko Sentral ng Pilipinas.

SEC. 343. Depreciation Allowance for Machinery. – For purposes of assessment, allowance shall be made for machinery at a rate not exceeding five percent (5%) of its original cost or its replacement or reproduction cost, as the case may be, for each year of use: Provided, however, That the remaining value for all kinds of machinery shall be fixed at not less than twenty percent (20%) of such original, replacement, or reproduction cost for so long as the machinery is useful and in operation.

Article Three. Assessment Appeals

SEC. 344. Regional Board of Assessment Appeals. – Any owner or person having legal interest in the property who is not satisfied with the action of the provincial, city or municipal assessor in the assessment of his property may, within sixty (60) days from the date of receipt of the written notice of assessment, appeal to the Regional Board of Assessment Appeals, which is hereby created in lieu of Central Board of Assessment, by filing a petition under oath in the form prescribed for the purpose, together with copies of the tax declarations and such affidavits or documents submitted in support of the appeal. The Board concerned shall decide the appeal within one hundred twenty (120) days from the date of Receipt of such appeal.

SEC. 345. Organization, Functions and Powers of the Regional Board of Assessment Appeals. –

- (a) The Board of Assessment Appeals shall be composed of the Chairman of the Regional Government as Chair; the Regional Director of the Bureau of Internal Revenue and the Governor or Mayor of the province or city, as the case may be, where the property is located.

SEC. 346. – Action by the Regional Board of Assessment Appeals.

- (a) The Board shall decide the appeal within one hundred twenty (120) days from the date of receipt of such appeal. The Board, after hearing, shall render its decision based on substantial evidence or such relevant evidence on record as a reasonable mind might accept as adequate to support the conclusion.
- (b) In the exercise of its appellate jurisdiction, the Board shall have the power to summon witnesses, administer oaths, conduct ocular inspection, take deposition, and issue subpoena and subpoena duces tecum. The proceedings of the Board shall be conducted solely for the purpose of ascertaining the facts without necessarily adhering to technical rules applicable in judicial proceedings.
- (c) The secretary of the Board shall furnish the owner of the property or the person having legal interest therein and the provincial or city assessor with a copy of the decision of the Board. The decision of the Board shall be final and executory.

SEC. 347. *Authority to Grant Real Property Tax Incentives.* – Provinces and cities may, through an Ordinance, Grant Real Property Tax Incentives for the purpose of promoting or encouraging investments in their jurisdictions, subject to such Terms and Conditions as such Ordinance may prescribe: Provided, That the duration of such incentives shall not exceed five (5) years from the date of the effectivity of the approved Ordinance granting said incentive: *Provided, further,* That such incentive shall be availed only once.

SEC. 348. *Effect of Appeal on the Payment of Real Property Tax.* – Appeals on assessments of real property made under the provisions of this Code shall, in no case, suspend the collection of the corresponding realty taxes on the property involved as assessed by the provincial or city assessor, without prejudice to subsequent adjustment depending upon the final outcome of the appeal.

Article Four. Imposition of Real Property Tax

SEC. 349. *Power to Levy Real Property Tax.* – A province or city or a municipality within the Metropolitan Manila Area may levy an annual ad valorem tax on real property such as land, building, machinery, and other improvement not hereinafter specifically exempted.

SEC. 350. *Rates of Levy.* – A province or city or a municipality within the Metropolitan Manila Area shall fix a uniform basic tax rate applied to the fair market value of the real property as follows:

- (1) Residential – Ten percent (10%) of one percent (1%)
- (2) Commercial – Twenty percent (20%) of one percent (1%) to two percent (2%)
- (3) Agricultural – Fifteen percent (15%) of one percent (1%) to one and one-half percent (1.5%); and
- (4) Others – ten percent (10%) of one percent (1%) to one and one-half percent (1.5%).

SEC. 351. *Exemptions from Real Property Tax.* – The following are exempted from payment of the real property tax:

- (a) Real property owned by the Republic of the Philippines or any of its political subdivisions except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person;
- (b) Charitable institutions, churches, parsonages or convents appurtenant thereto, mosques, nonprofit or religious cemeteries and all lands, buildings, and improvements actually, directly, and exclusive used for religious, charitable or educational purposes;
- (c) All machineries and equipment that are actually, directly and exclusively used by local water districts and government-owned or controlled corporations engaged in the supply and distribution of water and/or generation and transmission of electric power; and

Machinery and equipment used for pollution control and environmental protection. Except as provided herein, any exemption from payment of real property tax previously granted to, or presently enjoyed by, all persons, whether natural or juridical including all government owned or controlled corporations are hereby withdrawn upon the effectivity of this Code.

Article Five. Special Levies on Real Property

SEC. 352. *Additional Levy on Real Property for the Special Education Fund.* – A province or city, or a municipality within the Metropolitan Manila Area, shall levy and collect an additional annual tax on the Fair Market Value of real property based on the following rates:

- (1) Residential – Ten percent (10%) of one percent (1%) to one percent (1%);
- (2) Commercial – Twenty percent (20%) of one percent (1%) to two percent (2%);
- (3) Agricultural – Fifteen percent (15%) of one percent (1%) to one and one-half percent (1.5%); and
- (4) Others – Ten percent (10%) of one percent (1%) to one and one-half percent (1.5%)

SEC. 353. *Additional Ad Valorem Tax on Idle Lands.* – A province or city, or a municipality the Metropolitan Manila Area, may levy an annual tax on idle lands at the rate not exceeding three percent (3%) of the fair market value of the property, which shall be in addition to the basic real property tax.

SEC. 354. *Idle Lands, Coverage.* – For purposes of real property taxation, idle lands shall consist of the following:

- a) “Agricultural lands, more than one (1) hectare in area, suitable for cultivation, dairying, inland fishery, and other agricultural uses, one-half (1/2) of which remain uncultivated or unimproved by the owner of the property or person having legal interest therein. “Agricultural lands planted to permanent or perennial crops with at least fifty (50) trees to a hectare shall not be considered idle lands. Lands actually used for grazing purposes shall likewise not be considered idle lands.
- b) Lands, other than agricultural, located in a city or municipality, more than one thousand (1,000) square meters in area one-half (1/2) of which remain unutilized or unimproved by the owner of the property or person having legal interest therein.

Regardless of land area, this Section shall likewise apply to residential lots in subdivisions duly approved by proper authorities, the ownership of which has been transferred to individual owners, who shall be liable for the additional tax: Provided, however, That individual lots of such subdivisions, the ownership of which has not been transferred to the buyer shall be considered as part of the subdivision, and shall be subject to the additional tax payable by subdivision owner or operator.

SEC. 355. *Idle Lands Exempt from Tax.* – A province or city or a municipality within the Metropolitan Manila Area may exempt idle lands from the additional levy by reason of force majeure, civil disturbance, natural calamity or any cause or circumstance which physically or legally prevents the owner of the property or person having legal interest therein from improving, utilizing or cultivating the same.

SEC. 356. *Special Levy by Local Governments.* – A province, city or municipality may in addition to the basic tax impose a special levy on the lands comprised within its territorial jurisdiction specially benefited by public works projects or improvements funded by the local government concerned: Provided, however, That the special levy shall not apply to lands exempt from basic real property tax and the remainder of the land portions of which have been donated to the local government concerned for the construction of such projects or improvements.

SEC. 357. *Ordinance Imposing a Special Levy.* – A tax ordinance imposing a special levy shall describe with reasonable accuracy the nature, extent, and location of the public works projects or improvements to be undertaken, state the estimated cost thereof, specify the metes and bounds by monuments and lines and the number of annual installments for the payment of the special levy.

SEC. 358. *Publication of Proposed Ordinance Imposing a Special Levy.* – Before the enactment of an imposing a special levy, the sanggunian concerned shall conduct a public hearing thereon; notify in writing the owners of the real property to be affected or the persons having legal interest therein as to the date and place thereof and afford the latter the opportunity to express their positions or objections relative to the proposed ordinance.

SEC. 359. *Taxpayers' Remedies Against Special Levy.* – Any owner of real property affected a special levy or any person having a legal interest therein may, upon receipt of the written notice of assessment of the special levy, avail of the remedies provided in Chapter 2, Article Three, Title Nine of this Code.

SEC. 360. *Accrual of Special Levy.* – The special levy shall accrue on the first day of the next following the effectivity of the ordinance imposing such levy.

Article Six. Collection of Real Property Tax

SEC. 361. *Date of Accrual of Tax.* – The real property tax for any year shall accrue on the first (151) day of January and from the date it shall constitute a lien on the property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon the payment of the delinquent tax or after the expiration of the period of prescription provided for in the Section 382 of this Code.

SEC. 362. *Collection of Tax.* – The collections of the real property tax with interest thereon and related expenses shall be the responsibility of the city or municipal treasurer concerned.

The city or municipal treasurer may deputize the barangay treasurer to collect all taxes on real property located in the barangay: Provided, That the barangay treasurer is properly bonded for the purpose: Provided, further, That the premium on the bond shall be paid by the city or municipal government concerned.

SEC. 363. *Payment of Real Property Taxes in Installments.* - The owner of the real property or the person having legal interest therein may pay the basic real property tax and the additional tax for Special Education Fund (SEF) due thereon without interest in four (4) equal installments; the first installment to be due and payable on or before March thirty-first (3151); the second installment on or before June thirty (30); the third installment, on or before September thirty (30); and the last installment on or before December thirty-first (3151), except the special levy the payment of which shall be governed by ordinance of the sanggunian concerned.

Payments of real property taxes shall first be applied to prior years delinquencies, interests, and penalties, if any, and only after said delinquencies are settled may tax payments be credited for the current period.

SEC. 364. *Tax Discount for Advanced Prompt Payment.*- if the basic real property tax and the additional tax accruing to the Special Education Fund (SEF) are paid in full on or before December thirty-first (3151) of the preceding taxable year, a discount of twenty percent (20%) of the annual tax is hereby granted.

If the basic real property tax and the additional tax accruing to the Special Education Fund (SEF) are paid on or before the end of the first month of the quarter, a discount of ten percent (10%) of the tax due for the quarter is hereby granted.

SEC. 365. *Payment Under Protest.* – (a) No protest shall be entertained unless the taxpayer first pays the tax. There shall be annotated on the tax receipts the words "paid under protest". The protest in writing must be filed within thirty (30) days from payment, of the tax to the provincial, city treasurer or municipal treasurer, in the case of a municipality within Metropolitan Manila Area, who shall decide the protest within sixty (60) days from receipt.

- (b) The tax or a portion thereof paid under protest, shall be held in trust by the treasurer concerned.
- (c) In the event that the protest is finally decided in favor of the taxpayer, the amount or portion of the tax protested shall be refunded to the protestant, or applied as tax credit against his existing or future tax liability.
- (d) In the event that the protest is denied or upon the lapse of the sixty (60) day period prescribed in subparagraph (a) , the taxpayer may appeal in a manner provided for in Section 344 of this Code.

SEC. 366. *Repayment of Excessive Collections.* – When an assessment of basic real property tax, of any other tax levied under this Title, is found to be

illegal or erroneous and the tax is accordingly reduced or adjusted, the taxpayer may file a written claim for refund or credit for taxes and interests with the provincial or city treasurer within two (2) years from the date the taxpayer is entitled to such reduction or adjustment. The provincial or city treasurer shall decide the claim for tax refund or credit within sixty (60) days from receipt thereof. In case the claim for tax refund or credit is denied, the taxpayer may avail of the remedies as provided in this title.

SEC. 367. *Interests on Unpaid Real Property Tax.* – In case of failure to pay the basic real property tax or any other tax levied under this Title upon the expiration of the periods as provided in Section 363, hereof, or when due, as the case may be, shall subject the taxpayer to the payment of interest at the rate of two percent (2%) per month on the unpaid amount or a fraction thereof, until the delinquent tax shall have been fully paid, *Provided, however,* that in no case shall the total interest on the unpaid tax or portion thereof exceed sixty (60) months.

SEC. 368. *Remedies for the Collection of Real Property Tax.* – For the collection of the basic real property tax and any other tax levied under this Title, the local government concerned may avail of the remedies by administrative action thru levy on real property or by judicial action.

SEC. 369. *Local Governments Lien.* – The basic real property tax and any other tax levied under this title constitutes a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses.

SEC. 370. *Levy on Real Property.* – After the expiration of the time required to pay the basic real property tax or any other tax levied under this Title, real property subject to such tax may be levied upon through the issuance of a warrant on or before, or simultaneously with, the institution of the civil action for the collection of the delinquent tax. The provincial or city treasurer, or a treasurer of a municipality within the Metropolitan Manila Area, as the case may be, when issuing a warrant of levy shall prepare a duly authenticated certificate showing the name of the delinquent owner of the property or person having legal interest therein, the description of the property, the amount of the tax due and the interest thereon. The warrant shall operate with the force of a legal execution through the province, city or a municipality within the Metropolitan Manila Area. The warrant shall be mailed to or served upon the delinquent owner of the real property or person having legal interest therein, or in case he is out of the country or cannot be located, to the administrator of occupant of the property. At the same time, written notice of the levy with the attached warrant shall be mailed to or served upon the assessor and the Registrar of Deeds of the province, city or a municipality within the Metropolitan Manila Area where the property is located, who shall annotate the levy on the tax declaration and certificate of title of the property respectively.

The levying officer shall submit a report on the levy to the sanggunian concerned within ten (10) days after receipt of the warrant by the owner of the property or person giving legal interest therein.

SEC. 371. *Advertisement and Sale.* – Within thirty (30) days after service of the warrant of levy, the local treasurer shall proceed to publicly advertise for

sale or auction the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale. The advertisement shall be effected by posting a 'notice at the main entrance of the provincial, city or municipal building, and in a publicly accessible and conspicuous place in the barangay where the real property is located, and by publication once a week for two (2) weeks in a newspaper of general circulation in the province, city or municipality where the property is located. The advertisement shall specify the amount of the delinquent tax, the interest due thereon and expenses of sale, the date and place of sale, the name of the owner of the real property or person having legal interest therein, and a description of the property to be sold. At any time before the date fixed for the sale, the owner of the real property or person having legal interest therein may stay the proceedings by playing the delinquent tax, the interest due thereon and the expenses of sale. The sale shall be held either at the main entrance of the provincial, city or municipal building, or on the property to be sold, or at any other place as specified in the notice of the sale.

Within thirty (30) days after the sale, the local treasurer or his deputy shall make a report of the sale to the sanggunian concerned and which shall form part of his records. The local treasurer shall likewise prepare and deliver to the purchaser a certificate of sale which shall contain the name of the purchaser, a description of the property sold, the amount of the delinquent tax, the interest due thereon, the expenses of sale and a brief description of the proceedings: *Provided, however,* that proceeds of the sale in excess of the delinquent tax, the interest thereon, and the expenses of sale shall be remitted to the owner of the real property or person having legal interest therein.

The local treasure may, by ordinance duly approved, advance an amount sufficient to defray the costs of collection thru the remedies provided for in this Title, including the expenses of advertisement and sale.

SEC. 373. *Redemption of Property Sold.* – Within one (1) year form the date of sale, the owner of the delinquent real property or person having legal interest therein, or his representative, shall have the right to redeem the property upon payment to the local treasurer of the amount of the delinquent tax, including the interest due thereon, and the expenses of sale from the date of delinquency to the date of sale, plus interest of not more than two percent (2%) per month on the purchase price from the date of sale to the date of redemption. Such payment shall invalidate the certificate of sale issued to the purchaser and the owner of the delinquent real property or person having legal interest therein shall be entitled to a certificate of redemption, which shall be issued, by the local treasurer or his deputy. From the date of sale until the expiration of the period of redemption, the delinquent real property shall remain in the possession of the owner or person having legal interest therein who shall be entitled to the income and other fruits thereof. The local treasurer or his deputy, upon receipt from the purchaser of the certificate of sale, shall forthwith return to the latter the entire amount paid by him plus interest of not more than two percent (2%) per month. Thereafter, the property shall be free form the lien of such delinquent tax, interest due thereon and expenses of sale.

SEC. 374. *Final Deed to Purchaser.* – In case the owner or person having legal interest fails to redeem the delinquent property as provided herein, the local treasurer shall execute a deed conveying tot eh purchaser said property, free from lien of the delinquent tax, interest due thereon and expenses of sale. The deed shall briefly state the proceedings upon which the validity of the sale rests.

SEC. 375. *Purchase of Property by the Local Government for Want of Bidder.* – In case there is no bidder for the real property advertised for sale as provided herein, or if the highest bid is for an amount insufficient to pay the real property tax and the related interest and costs of sale the local treasurer conducting the sale shall purchase the property in behalf of the local government concerned to satisfy the claim and within two (2) days thereafter shall make a report of his proceedings which shall be reflected upon the records of his office. It shall be the duty of the Registrar of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the forfeited property to the local government concerned without the necessity of an order from a competent court.

Within one (1) year from the date of such forfeiture, the taxpayer or any of his representative, may redeem the property by paying to the local treasurer the full amount of the real property tax and the related interest and the costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be fully vested on the local government concerned.

SEC. 376. *Resale of Real Estate Taken for Taxes, Fees, or Charges.* – The sanggunian concerned may, by ordinance duly approved, and upon notice of not less than twenty (20) days, sell and dispose of the real property acquired under the preceding section at the public auction at a price not prejudicial to the government. The proceeds of the sale shall be distributed in accordance with the provisions of Section 383 of this Code.

SEC. 377. *Further Levy.* – Levy may be repeated if necessary until the full due, including all expenses, is collected.

SEC. 378. *Collection of Real Property Tax Through the Courts.* – The local government concerned may enforce the collection of the basic real property tax or any other tax levied under this Title by civil action in any court of competent jurisdiction. The civil action shall be filed by the local treasurer within the prescribed in Section 382 of this Code.

SEC. 379. *Action Assailing Validity of Tax Sale.* – NO court shall entertain any action assailing the validity of any sale at public auction of real property or rights therein under this Title until the taxpayer shall have deposited with the court the amount for which the real property was sold, together with interest of two percent (2%) per month from the date of sale to the time of the institution of the action. The amount so deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid but it shall be returned to the depositor if the action fails. Neither shall any court declare a sale at public auction invalid by reason of irregularities or informalities in the proceedings unless the substantive rights of the delinquent owner of the real property or the person having legal interest therein have been impaired.

SEC. 380. *Payment of Delinquent Taxes on Property Subject of Controversy.* – In any action involving the ownership or possession of, or succession to, real property, the court may, *motu proprio* or upon representation of the provincial city, or municipal treasurer or his deputy, award such ownership, possession, or succession to any party to the action upon payment to the court

of the taxes with interest due on the property and all other costs that may have accrued, subject to the final outcome of the action.

SEC. 381. *Treasurer to Certify Delinquencies Remaining Uncollected.* – The provincial, city or municipal treasurer or their deputies shall prepare a certified list of all real property tax delinquencies which remained uncollected or unpaid for at least one (1) year in his jurisdiction, and a statement of the reason or reasons for such non-collection or non-payment, and shall submit the same to the *sanggunian* concerned on or before December thirty-first (31st) if the year immediately succeeding the year in which delinquencies were incurred, with a request for assistance in the enforcement of the remedies for collection provided herein.

SEC. 382. *Periods Within Which to Collect Real Property Taxes.* – The basic real property tax and any other tax levied under this Title shall be collected within five (5) years from the date they become due. No action for the collection of the tax, whether administrative or judicial, shall be instituted after the expiration of such period. If no effort to collect such tax within said period of prescription has been conducted, in case of fraud or intent to evade payment of the tax, such action may be instituted for the collection of the same within ten (10) years from the discovery of such fraud or intent to evade payment. The period of prescription within which to collect shall be suspended for the time during which:

- (1) The local treasurer is legally prevented from collecting the tax;
- (2) The owner of the property or the person having legal interest therein requests for reinvestigation and executes a waiver in writing before the expiration of the period within which to collect; and
- (3) The owner of the property or the person having legal interest therein is out of the country or otherwise cannot be located.

Article Seven. Disposition of Proceeds

SEC. 383. *Distribution of Proceeds.* – The proceeds of the basic real property tax, including interest thereon, and proceeds from the use, lease or disposition, sale or redemption of property acquired at a public auction in accordance with the provisions of this Title by the provisions of this Title by the province or city or a municipality within the Metropolitan Manila Area shall be distributed as follows:

- (a) In the case of provinces:
 - (1) Province- Thirty-five (35%) shall accrue to the general fund;
 - (2) Municipality- Forty five percent (45%) to the general fund of the
 - (3) Municipality where the property is located; and
 - (4) Barangay- Twenty percent (20%) shall accrue to the barangay where the property is located.
- (b) In the case of cities:
 - (a) City- Seventy percent (70%) shall accrue to the general fund of the city; and
 - (a) Thirty percent (30%) shall be distributed among the component barangays of the cities where the property is located in the following manner:
 - a. Fifty percent (50%) shall accrue to the barangay where the property is located;

- b. Fifty percent (50%) shall accrue equally to all competent barangays of the city; and
- (c) In the case of a municipality within the Metropolitan Manila Area:
 - (1) Metropolitan Manila Authority- Thirty-five percent (35%) shall accrue to the general fund of the authority;
 - (2) Municipality- Thirty-five percent (35%) shall accrue to the general fund of the municipality where the property is located;
 - (3) Barangays- Thirty percent (30%) shall be distributed among the component barangays of the municipality where the property is located in the following manner:
 - a. Fifty percent (50%) shall accrue to the barangay where the property is located;
 - b. Fifty percent (50%) shall accrue to all component barangays of the municipality
- (d) The share of each barangay shall be released, without need of any further action, directly to the barangay treasurer on a quarterly basis within five (5) days after the end of each quarter and shall not be subject to any lien or holdback for whatever purpose.

SEC. 384. *Distribution and Application of Proceeds of the Additional SEF Tax.* – (a) The proceeds from the additional tax on real property accruing to the Special Education Fund (SEF) shall be distributed as follows: forty percent (40%) to the Provincial School Board, forty percent (40%) to the Municipal School Board and twenty percent (20%) to the General Fund of the Municipality where the property is located *Provided*, that in the case of a city, the proceeds of the SEF tax shall be distributed as follows: Eighty percent (80%) to the City School Board and twenty percent (20%) to the General Fund of the city.

(b) The proceeds of the SEF Tax accruing to the School Board shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and as determined and approved by the Local School Board.

SEC. 385. *Proceeds of the Tax on Idle Lands.* – The proceeds of the additional real property tax on idle lands shall accrue to the respective general fund of the province or city where the land is located. In the case of a municipality within the Metropolitan Manila Area, the proceeds shall accrue equally to the Metropolitan Manila Authority and the municipality where the land is located.

SEC. 386. *Proceeds of the Special Levy.* – The proceeds of the special levy on lands benefited by public works, projects and other improvements shall accrue to the general fund of the local government, which financed such public works, projects or other improvements.

Article Eight. Special Provisions

SEC. 387. *General Assessment Revision; Expenses Incident Thereto.* – The sanggunian of provinces, cities and municipalities within the Metropolitan Manila Area shall provide the necessary appropriations to defray the expenses incident to the general revision of real property assessment. All expenses incident to a general revision of real property assessments shall, by ordinance of

the sangguniang panlalawigan, be apportioned between the province and the municipality on the basis of the taxable area of the municipality concerned.

SEC. 388. *Condonation or Reduction of Real Property Tax and Interest.* – In case of a general failure of crops or substantial decrease in the price of agricultural or agri-based products, or calamity in any province, city, or municipality, the sanggunian concerned, by ordinance passed prior to the first (1st) day of January of any year and upon recommendation of the Local Disaster Coordinating Council, may condone or reduce, wholly or partially, the taxes and interest thereon for the succeeding year or years in the city or municipality affected by the calamity.

SEC. 389. *Condonation or Reduction of Tax by the President of the Philippines.* – The President of the Philippines may, when public interest so requires, condone or reduce the real property tax and interest for any year in any province or city or a municipality within the Metropolitan Manila Area.

SEC. 390. *Duty of Registrar of Deeds and Notaries Public to Assist the Provincial, City or Municipal Assessor.* – It shall be the duty of the Registrar of Deeds and notaries public to furnish the provincial, city or municipal assessor with copies of all contracts selling, transferring, or otherwise conveying, leasing, or mortgaging real property received by, or acknowledged before them.

SEC. 391. *Insurance Companies to Furnish Information.* – Insurance companies are hereby required to furnish the provincial, city, or municipal assessor copies of any contract or policy insurance on buildings, structures, and improvements insured by them or such other documents which may be necessary for the proper assessment thereof.

SEC. 392. *Fees in Court Actions.* – All court actions, criminal or civil, instituted at the instance of the provincial, city or municipal treasurer or assessor under the provisions of this Code, shall be exempt from the payment of court and sheriff's fees.

SEC. 393. *Fees in Registration of Papers or Documents on Sale of Delinquent Real Property to Province, City or Municipality.* – All certificates, documents, and papers covering the sale of delinquent property to the province, city, or municipality, if registered in the Registry of Property, shall be exempt from the documentary stamp tax and registration fees.

SEC. 394. *Real Property Assessment Notices or Owner's Copies of Tax Declarations to be Exempt from Postal Charges or Fees.* – All real property assessment notices or owner's copies of tax declaration sent through the mails by the assessor shall be exempt from the payment of postal charges or fees.

SEC. 395. *Sale and Forfeiture Before Effectivity of Code.* – Tax delinquencies incurred, and sales and forfeitures of delinquent real property effected, before the effectivity of this Code shall be governed by the provisions of applicable laws then in force.

Chapter 3
Shares of Local Governments in the Proceeds of National Taxes

Article One. Allotment of Internal Revenue

SEC. 396. *Share of National Government Taxes.* – Upon approval of this Code, local governments are entitled to a fifty percent (50%) share of national government taxes based on the collection of the third fiscal year preceding the current fiscal year.

SEC. 397. *Allocation to Local Governments.* – The share of local governments from national government taxes, less the five percent (5%) share of Regional Governments allocated in Chapter 3, Title Three, Title Nine of this Code, which is automatically appropriated and obliged, shall be allocated in the following manner:

- (a) Provinces – Twenty-three percent (23%)
- (b) Cities – Twenty-two percent (22%); and
- (c) Municipalities – Thirty percent (30%); and
- (d) Barangay-Twenty percent (20%)

Provided, however, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than eight thousand pesos (PhP 80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula:

- (a) On the first year of the effectivity of this Code:
 - (1) Population – Forty percent (40%); and
 - (2) Equal Sharing – Sixty percent (60%)
- (b) On the second year:
 - (1) Population – Fifty percent (50%); and
 - (2) Equal Sharing – Fifty percent (50%)
- (c) On the third year and thereafter:
 - (1) Population – Sixty percent (60%); and
 - (2) Equal Sharing – Forty percent (40%). *Provided, finally,* that the financial requirements of barangay created by local governments after the effectivity of this Code shall be the responsibility of the local government concerned.

Provided, finally, that the financial requirements of barangay created by local governments after the effectivity of this Code shall be the responsibility of the local government concerned.

SEC. 398. *Automatic Release of Shares.* –

- (a) The share of each local government shall be released without need of any further action, directly to the provincial, city municipal or barangay treasurer, as the case may be, on a monthly or quarterly basis within five (5) days after the end of each month of quarter;
- (b) Said share shall not be subject to any lien, or holdback that may be imposed by the national government for whatever purpose.
- (c) Nothing in this Chapter shall be understood to diminish the share of local governments under existing laws.

In the event that the National Government incurs an manageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of the Secretary of Finance, Secretary of Department of the Interior and Local Government, and Secretary of Budget and Management, and subject to consultations with the presiding officers of both Houses of the Congress and the Presidents of the Liga, to make the necessary adjustments in the internal revenue allotment of local governments, but in no case shall the allotment be less than thirty percent (30%) of the collection of the internal revenue taxes the third fiscal year preceding the current fiscal year. Provided, further, That in the first year of the effectivity of this Code, the local governments shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

SEC. 399. *Local Development Projects.* – Each local government shall appropriate in its annual budget no less than twenty percent (20%), of its annual national government tax share for development projects in accordance with the annual investment program embodied in the local development plan prepared by the local development council and approved by the sanggunian concerned.

SEC. 400. *Rules and Regulations.* – The Secretary of Finance, in consultation with the Department of Budget and Management, shall promulgate the necessary rules and regulations for a simplified disbursement scheme designed for the speedy and effective enforcement of the provisions of this Chapter.

Article Two. Share of Local Governments in the National Wealth

SEC. 401. *Share in the Proceeds from the Development and Utilization of the National Wealth.* – Local governments shall have an equitable share in the proceeds derived from the utilization and development of the national wealth within their respective areas, including sharing the same with the inhabitants by way of direct benefits.

National wealth shall be defined as all natural resources situated within the territorial jurisdiction of the republic including but not limited to lands of public domain, waters, minerals, potential energy sources, gas and oil deposits, forests products, flora and fauna, fishery and aquatic resources, all quarry products, and other resources which can be extracted or utilized.

SEC. 402. *Amount of Share of Local Governments.* – In addition to their share of the national government taxes, local governments shall have a share of sixty percent (60%), of the gross collection derived by the national government in the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interests or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction.

SEC. 403. *Share of the Local Governments from any Government Agency or-owned and – Controlled Corporation.* – Local governments shall have

a share based on the preceding fiscal year from the proceeds derived by any government agency or government-owned or controlled corporation engaged in the utilization and development of the national wealth based on the following whichever will produce a higher share for the local government:

- (a) One percent (1%) of the gross sales or receipts of the preceding calendar year; or
- (b) Forty percent (40%) of the mining taxes, royalties, forestry and fishery charges and such other taxes, fees or charges, including related surcharges, interests, or fines the government –owned or –controlled corporation would have paid it were not otherwise exempt.

SEC. 404. Allocation of Shares. – The share in the preceding Section shall be distributed in the following manner:

- (a) Where the natural resources are located in the province
 - (1) Province – Twenty percent (20%)
 - (2) Component city/municipality – Forty-five percent (45%); and
 - (3) Barangay – Thirty-five percent (35%)

Provided, however, That where the natural resources are located in two (2) or more provinces, or in two (2) or more component cities or municipalities or in two (2) or more barangays, their respective shares shall be computed on the basis of:

- (1) Population – Seventy percent (70%); and
- (2) Land Area – Thirty percent (30%).

- (b) Where the natural resources are located in a highly urbanized or independent component city:
 - (1) City- Sixty-five percent (65%); and
 - (2) Barangay – Thirty-five percent (35%)

Provided, however, That where the natural resources are located in such two (2) or more cities, the allocation of shares shall be based on the formula on population and land area as specified in paragraph (a) of this Section.

SEC. 405. Remittance of the Share of Local Governments. – The share of local governments from the utilization and development of national wealth shall be remitted in accordance with Section 398 of this Code: *Provided, however,* that in the case of any government agency or government-owned or –controlled corporation engaged in the utilization and development of the national wealth, such share shall be directly remitted to the provincial, city, municipal or barangay treasurer concerned within five (5) days after the end of each quarter.

SEC. 406. Development of the Livelihood Projects. – The proceeds from the share of local governments pursuant to this chapter shall be appropriated by their respective sanggunian to finance development and livelihood projects. Eighty percent (80%) of the proceeds derived from the development and utilization of hydro-thermal, geothermal and other sources of energy shall be applied to lower the cost of electricity and to finance development projects in the local government where the source of energy is located.

SEC. 407. – Scope. – The Chapter shall govern the power of local governments to create indebtedness and to enter into credit and other financial transactions.

SEC. 408. General Policy. –

- (a) It shall be the basic policy that any local government may create indebtedness, and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program.
- (b) A local government may avail of credit lines from any bank and other lending institutions authorized by the Bangko Sentral ng Pilipinas, for the purpose of stabilizing local finances.

SEC. 409. Loans, Credits, and Other Forms of Indebtedness of Local Governments. –

- (a) A local government may secure loans, credits, guarantees and other forms of indebtedness with any government or domestic private bank and other lending institutions, to finance the construction, installation, improvement, expansion, operation, or maintenance of public facilities, infrastructure facilities, housing projects, acquisition of real property, and implementation of other capital investment projects. Subject to such terms and conditions as may be agreed upon by the local government and the lender. The proceeds from such transactions shall accrue directly to the local government concerned.
- (b) A local government may likewise secure from any government bank and lending short, medium and long-term loans and advances against security of real estate or other acceptable assets for the establishment, development, or expansion or agricultural, industrial commercial, house financing projects, livelihood projects, and other economic enterprises.
- (c) Government financial and other lending institutions are hereby authorized to grant loans, and other forms of indebtedness out of their loanable funds to local governments for purposes specified above.

Government financing institutions shall, open appropriate lending windows for local governments. These financial institutions shall lend to fourth, fifth and sixth class municipalities, cities and provinces at concessional rates.

- (d) The local government concerned shall publish all loans applied for, specifying the amount to be borrowed, the project to be funded, the security offered, and the terms of payment in a newspaper of local circulation, if any or it there is none, in a newspaper of general circulation in the province, city, municipality or barangay concerned. The publication shall be done in three (3) consecutive issues of a daily newspaper.

Upon filing of the loan, the provincial government concerned shall cause the posting of the loan application in all the city or municipal halls of the province.

In the case of a city or municipality, the loan application shall be posted in all barangay halls and in the municipal hall concerned.

In the case of the barangay, the loan application shall be posted in the barangay hall and in conspicuous and publicly accessible places.

SEC. 410. *Deferred-Payment and Other Financial Schemes.* – Provincial, city and municipal governments may likewise acquire property, plant, machinery, equipment, and such necessary accessories under a supplier's credit, deferred payment plan, or other financial scheme.

SEC. 411. *Bonds and Other Long-Term Securities.* Subject to rules and regulations of the Central Bank and the Securities and Exchange Commission, provinces, cities and municipalities are hereby authorized to issue bonds, debentures, securities, collateral notes and other obligations to finance self-liquidating, income-producing development or livelihood project pursuant to the priorities established in the approved local development plan or the public investment program. The sanggunian concerned shall, through an ordinance approved by a majority of all its members, declare and state the terms and conditions of the bonds and the purpose for which the proposed indebtedness is to be incurred.

Said bonds, debentures, securities, collateral, notes and other obligations shall be exempted from all taxes.

SEC. 412. *Inter-Local Government Loan, Grants, and Subsidies.* – Provinces, cities and municipalities may, upon approval of the majority of all members of the sanggunian concerned and in amounts not exceeding their surplus funds, extend loans, grants or subsidies to other local governments under such terms and conditions as may be agreed upon by the contracting parties.

Local governments may, upon approval of their respective sanggunian, jointly or severally contracted loans, credits, and other forms of indebtedness for purpose mutually beneficial to them.

SEC. 413. *Loan from Funds Secured by the National Government from Foreign Sources.* –

- (a) The President, or his duly authorized representative may, through any government financial or other lending institution, relend to any province, city, municipality, or barangay, the proceeds of loans contracted with foreign financial institutions or other international funding agencies for the purpose of financing the construction, installation, improvement, expansion, operation, or maintenance of public utilities and facilities, infrastructure facilities, or housing projects, the acquisition of real property, and the implementation of other capital investment projects, subject to such terms and conditions as may be agreed upon by the President and the local government. The proceeds from such loans shall accrue directly to the local government concerned.
- (b) The President may likewise authorize the relending to local governments the proceeds of grants secured from foreign sources, subject to the provisions of existing laws and the applicable grant agreements.

- (c) Repayment or amortization of loans including accrued interest thereon, may be financed from the income of the projects or services and from the regular income of the local government, which must be provided for and appropriated regularly in its annual budget until the loan and the interest thereon shall have been fully paid.

SEC. 414. *Financing, Construction, Maintenance, Operation and Management of Infrastructure and Other Development Projects by the Private Sector. –*

- (a) Local governments may enter into contracts with any qualified project proponent including operatives and non government organizations for the financing, construction, operation, management, provisioning and/or maintenance of any financially viable development project under the build-operate-and transfer agreement and/or its variants, or under contract of management, service, lease, concession, joint venture, or combination thereof, or under any other private sector participation arrangement, as provided for under R.A. 6957 as amended.

All projects implemented under this Section shall be subject to the following terms and conditions:

- (1) No approval by any national government agency, office or instrumentality is required for implementation of the project, regardless of its costs, under whatever private sector participation agreement, or whether involving one or more local governments, Where the project involves two or more local governments, the approval by its respective sanggunian is required.

For projects jointly pursued by one or more local governments and the national government, or its agencies or instrumentalities, the approval by the Investment Coordinating Committee (ICC) of the National Economic and Development Authority (NEDA) shall be required.

- (2) Only the approval of the sanggunian concerned is required for locally funded projects implemented through competitive public bidding, including tolls, charges, rentals or fees, and adjustments thereon, for the use of said projects or facilities. The agreement of the parties implementing the projects may define the nature and extent of said adjustments.
- (3) Tolls, charges, rentals or fees, including adjustments thereon, for the use of projects or facilities subject to negotiated contracts shall require approval by the sanggunian concerned.
- (4) Local governments importing heavy equipment and machinery are exempt from payment of duties, taxes, or charges for implementing development projects.

- (b) Local governments shall include in their respective local development plans and public investment programs priority projects that may be financed, constructed, operated and maintained by the private sector under this Section. It shall be the duty of the local government concerned to disclose to the public all projects eligible for financing under this Section, including official notification of duly registered contractors and suppliers of goods and services and publication in newspapers of general or local circulation, in conspicuous and accessible public places. Local projects under

the build-operate-transfer agreement shall be approved by the Regional Government.

(c) Projects implemented under this Section shall be subject to the following terms and conditions:

- (1) The provincial, city, or municipal engineer, as the case may be, upon formal request in writing by the local chief executive, shall prepare the plans and specifications for the proposed project, which shall be submitted to the sanggunian for approval.
- (2) Upon approval by the sanggunian of the project plans and specifications, the provincial, city, or municipal engineer shall, as the case may be, cause to be published once every week for two (2) consecutive weeks in at least one (1) local newspaper which is circulated in the region, province, city or municipality in which the project is to be implemented, a notice inviting all duly qualified contractors to participate in a public bidding for the projects so approved. The conduct of public bidding and award of contracts for local government projects under this Section shall be in accordance with this Code and other applicable laws, rules and regulations. In the case of a build-operate-and transfer agreement, the contract shall be awarded to the lowest complying bidder whose offer is deemed most advantageous to the local government and based on the present value of its proposed tolls, fees, rentals, and charges over a fixed term for the facility to be constructed, operated, and maintained according to the prescribed minimum design and performance standards, plans and specifications. For this purpose, the winning contractor shall be automatically granted by the local government concerned the franchise to operate and maintain the facility, the collection of tolls, fees, rentals, and charges in accordance with subsection (c-4) hereof.

In the case of a build-operate-and-transfer agreement, the contract shall be awarded to the lowest complying bidder based on the present value of its proposed schedule of amortization payments for the facility to be constructed according to the prescribed minimum design and performance standards, plans and specifications.

- (3) Any contractor who shall undertake the prosecution of any project under this Section shall post the required bonds to protect the interest of the province, city, or municipality, in such amounts as may be fixed by the sanggunian concerned and the provincial, city, or municipal engineer shall not, as the case may be, allow any contractor to initiate the prosecution or projects under this Section unless such contractor presents proof or evidence that he has posted the required bond.
- (4) The contractor shall be entitled to a reasonable return of its investment in accordance with its bid proposal as accepted by the local government concerned.

In the case of a build-operate-and-transfer agreement, the repayment shall be made authorizing the contractor to charge and collect reasonable tolls, fees, rentals, and charges for the use of the project facility not exceeding those proposed in the bid and incorporated in the contract: Provided, That the local government concerned shall, based on reasonableness and equity, approve the tolls, fees, rentals and charges: Provided,

further, That the imposition and collection of tolls, fees, rentals and charges shall be for a fixed period as proposed in the bid and incorporated in the contract which shall in no case exceed fifty (50) years: Provided, finally, That during the lifetime of the contract, the contractor shall undertake the necessary maintenance and repair of the facility in accordance with standards prescribed in the bidding documents and in the contract.

In the case of a build-operate-and-transfer agreement, the repayment shall be made through amortization payments in accordance with the schedule proposed in the bid and incorporated in the contract. In case of land reclamation or construction of industrial estates, the repayment plan may consist of the grant of a portion or percentage of the reclaimed land or the industrial estate constructed.

(5) Every infrastructure project undertaken under this Section shall be constructed, operated, and maintained by the contractor under the technical supervision of the local government and in accordance with the plans, specifications, standards, and costs approved by it.

(d) The provincial, city or municipal legal officer shall, as the case may be, review the contracts executed pursuant to this Section to determine their legality, validity, enforceability and correctness of form.

SEC. 415. Remedies and Sanctions. – Local government shall appropriate in their respective annual budgets such amounts as are sufficient to pay the loans and other indebtedness incurred or redeem or retire bonds, debentures, securities, notes and other obligations issued under this Title: *Provided*, That failure to provide the appropriations herein required shall render annual budgets inoperative.

Chapter 5 Local Fiscal Administration

Article One. General Provisions

SEC. 416. Scope. – This chapter shall govern the conduct and management of the financial affairs, transactions, and operations of Regional Government, provinces, cities, municipalities, and barangays.

SEC. 417. Fundamental Principles. – The financial affairs, transactions, and operations of local governments shall be governed by the following fundamental principles:

- (a) No money shall be paid out of the local treasury except in pursuant of an appropriations ordinance or law;
- (b) Local government funds and monies shall be spent solely for public purposes;

- (c) Local revenue is generated only from sources expressly authorized by law or ordinance, and collection thereof shall at all times be acknowledged properly;
- (d) All monies officially received by a local government officer in any capacity or on any occasion shall be accounted for as local funds, unless otherwise provided by law;
- (e) Trust funds in the local treasury shall not be paid out of except in fulfillment of the purpose for which the trust was created or the funds received;
- (f) Every officer of the local government whose duties permit or require the possession or custody of local funds shall be properly bonded equivalent to the amount he/she is authorized to keep or hold, and such officer shall be accountable and responsible for said funds and for the safekeeping thereof in conformity with the provisions of law.
- (g) Local governments shall formulate sound financial plans, and the local budgets shall be based on programs, projects, and activities, in terms of expected results;
- (h) Local budget plans and goals shall, as far as practicable, be harmonized with national development plans, goals, and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources;
- (i) Local budgets shall operationalize approved local development plans;
- (j) Local government shall ensure that their respective budgets incorporate the requirements of their component units and provide for equitable allocation of resources among these component units;
- (k) National planning shall be based on local planning to ensure that the needs and aspirations of the people as articulated by the local governments in their respective local development plans are considered in the formulation of budgets of national line agencies or offices;
- (l) Fiscal responsibility, accountability, and liability shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the local governments; and
- (m) The local government shall endeavor to have a balanced budget in each fiscal year of operation.

SEC. 418. *Definition of Terms.* – The term

- (a) “Annual Budget” refers to a financial plan embodying the estimates of income and expenditures for one (1) fiscal year;
- (b) “Appropriation” refers to an authorization made by ordinance, directing the payment of goods and services from local government funds under specified conditions or for specific purposes;
- (c) “Budget Document” refers to the instrument used by the local chief executive to present a comprehensive financial plan to the sanggunian concerned;
- (d) “Capital Outlays” refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the local government concerned, including investments in public utilities such as public markets and slaughterhouses;
- (e) “Continuing Appropriation” refers to an appropriation available to support obligations for a physical structures or for the

- acquisition of real property or equipment, even when these obligations are incurred beyond the budget year;
- (f) "Current Operating expenditures" refers to appropriations for the purchase of goods and services for the conduct of normal local government operations within the fiscal year, including goods and services that will be used or consumed during the budget year;
 - (g) "Expected Results" refers to the services, products, or benefits that will accrue to the public, estimated in terms of performance measures or physical targets;
 - (h) "Fund" refers to a sum of money, or other assets convertible to cash, set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations, and constitutes an independent fiscal and accounting entity;
 - (i) "Income" refers to all revenues and receipt collected or received forming the gross accretions of funds of the local government;
 - (j) "Obligations" refers to an amount committed to be paid by the local government for any lawful act made by an accountable officer for and in behalf of the local unit concerned;
 - (k) "Personal Services" refers to appropriations for the payment of salaries, wages and other compensation of permanent, temporary, contractual, and casual employees of the local government;
 - (l) "Receipts" refers to income realized from operations and activities of the local government or are received by it in the exercise of its corporate functions, consisting of charges for services rendered, conveniences furnished, or the price of a commodity sold, as well as loans, contributions or aids from other entities, except provisional advances for budgetary purposes; and
 - (m) "Revenue" refers to income derived the regular system of taxation enforced under authority of law or ordinance, and, as such, accrues more or less regularly every year.

Article Two. Receipts, Safekeeping and Disposition of Local Funds

SEC. 419. *Remittance of Government Monies to the Local Treasury.* – Officers of the local authorized to receive and collect monies arising from taxes, revenues, or receipts of any kind shall remit the full amount received and collected to the treasury of such local government which shall be credited to the particular account or accounts to which the monies in question property belong.

SEC. 420. *Local Funds.* - Every local government shall maintain a General Fund which shall be used to account for such monies and resources as may be received by and disbursed from the local treasury. The General Fund shall consist of monies and resources of the local government, which are available for the payment of expenditures, obligations or purposes not specifically declared by law as accruing and chargeable to, or payable from, any other fund.

SEC. 421. *Special Funds.* – There shall be maintained in every provincial, city, or municipal treasury the following special funds:

- (a) Special Education Fund (SEF) shall consist of the respective shares fo provinces, cities and barangays in

the proceeds of the additional tax on real property to be appropriated for purposes prescribed in Section 384 of this Code; and

- (b) Trust Funds shall consist of private and public monies which have officially come into the possession of the local government or of a local government official as trustee, agent or administrator, or which have been received as a guarantee for the fulfillment of some obligation. A trust fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government.

SEC. 422. *Separation of Books and Depository Accounts.* – Local accountants and treasurers shall maintain separate books and depository accounts, respectively, for each fund in their custody or under such rules and regulations as the Commission on Audit may prescribe.

SEC. 423. *Depository Account.* – Local treasurers shall maintain depository accounts, respectively, for each fund in their custody or under such rules and regulations as the Commission on Audit may prescribe.

SEC. 424. *Separation of Personal Money from Public Fund* – Local treasurers and other accountable officers shall keep personal monies separate and distinct from local public funds in their custody and shall not make profit out of public money or otherwise apply the same to any use not authorized by law or ordinance.

Article Three. Special Accounts

SEC. 425. *Special Accounts to be Maintained in the Tile General Fund.* – Local governments shall maintain special accounts in the general fund for the following:

- (a) Public utilities and other economic enterprises;
- (b) Loans, interests, bond issues, and other contributions for special purposes;
- (c) Development projects funded from the share of the local government concerned in the internal revenue allotment and such other special accounts, which may be created by law or ordinance.

Receipts, transfers, and expenditures involving the foregoing special accounts shall be property taken up thereunder.

Profits or income derived from the operation of public utilities and other economic enterprises, after deduction for the cost of improvement, repair and other related expenses of the public utility or economic enterprises concerned, shall first be applied for the return of the advances or loans made therefore. Any excess shall form part of the general fund of the local government concerned.

Article Four. Local Government Budgeting

SEC. 426. *The Local Budget – Form and Content –*

- (a) Local government budgets shall primarily consist of two (2) parts:
- (1) The estimates of income; and
 - (2) The total appropriations covering the current operating expenditures and capital outlays
- (b) The budget document shall contain:
- (1) The budget message of the local chief executive setting forth the significance of the executive budget, particularly in relation to the approved local development plan which shall form part of the budget document.
 - (2) A brief summary of the programs, projects and activities to be accomplished in pursuit of the goals and objectives of the local government for the ensuing fiscal year, specifically the delivery of basic services of facilities adverted to by Section 15 of this Code.
 - (3) Summary of financial statements setting forth:
 - (i) The actual income and expenditures during the immediately preceding year;
 - (ii) The actual income and expenditures of the first two (2) quarters and the estimates of income and expenditures for the last two (2) quarters of the current fiscal year;

The estimates of income for the ensuing fiscal year from ordinances and laws existing at the time the proposed budget is transmitted, together with other revenue-raising proposals;
 - (iii) The estimated expenditures necessary to carry out the programs, projects and activities of the local government for the ensuing fiscal year;
 - (iv) All essential facts regarding the bonded and other long-term obligations and indebtedness of the local government, if any;
 - (v) Summary statement of all statutory and contractual obligations due; and
 - (vi) Such other financial statements and data as are deemed necessary or desirable in order to disclose in all practicable detail the financial condition of the local government.

SEC. 427. *Submission of Detailed Statement of Income and Expenditures. –*

- (a) On or before the fifteenth (15th) day of July of each year, local treasurers shall submit to their respective local chief executives a certified statement covering the income and expenditures of the preceding fiscal year, the actual income and expenditures of the first two (2) quarters of the current year and the estimated income and expenditures for the last two (2) quarters of the current year.

SEC. 428. Local Finance Committee. – There is hereby created in every province, city or municipality a local finance committee to be composed of the local planning and development officer, the local budget officer, and the local treasurer. It shall exercise the following functions:

- (a) Determine the income reasonably projected as collectible for the ensuing fiscal year;
- (b) Recommend the appropriate tax and other revenue measures or borrowings, which may be appropriate to support the budget;
- (c) Recommend to the local chief executive concerned the level of the annual expenditures and the ceilings of spending for economic, social and general services based on the approved local development plans;
- (d) Recommend to the local chief executive concerned the proper allocation of expenditures for each development activity between current operating expenditures and capital outlays;
- (e) Recommend to the local chief executive (COJ) concerned the amount to be allocated for capital under each development activity or infrastructure project;
- (f) Assist the sangguniang panlalawigan in the review and evaluation of budget of component cities and municipalities in the case of provincial finance committee, the barangay budgets in the case of city or municipal finance committee, the barangay budgets in the case of city or municipal finance committee, and recommend the appropriate action thereon;
- (g) Assist the sanggunian concerned in the analysis and review of annual regular and budgets of the respective local government to determine compliance with statutory and administrative requirements; and
- (h) Conduct semi-annual review and general examination of cost and accomplishments against performance standards applied in undertaking development projects.

A copy of this report shall be furnished the local chief executive and the sanggunian concerned, and shall be posted in conspicuous and publicly accessible places in the provinces, cities, municipalities and barangays.

SEC. 429. Submission of Budget Proposals by Head of Departments or Offices.

- (a) Each head of department or office shall submit a budget proposal for his department or office shall submit a budget proposal for his department or office to the local chief executive on or before the fifteenth (15th) of July of each year: Provided, that the budget proposal of each department or office shall be categorized under either economic, social or general services: Provided, further, that each service shall be covered by the budget of at least one (1) department or office of the local government concerned.

The said budget proposal shall be prepared in accordance with such policy and program as the local chief executive concerned may issue in conformity with the local development plan, the budgetary ceilings prescribed by the local finance committee and the general requirements prescribed in this Title.

- (b) Budget proposals of department or offices shall be divided into two (2) Primary categories, namely: the current operating expenditures

and the capital outlays. Such budget proposals shall contain the following information:

- (1) Programs, projects and activities showing the general character and relative importance of the work to be accomplished or the services to be ordered, and the cost thereof;
- (2) Organizational charts and staffing patterns indicating the list of plantilla positions with their corresponding salaries, and proposals for reclassification of positions and salary changes, as well as the creation of new positions with their proposed salary grade, duly supported by proper justification;
- (3) Brief description of the programs, projects and activity, and the nature of work to be performed, including the objects of expenditure for each program; project and activity;
- (4) Relation of the work and financial proposals to approve local plans;
- (5) Estimated current operating expenditures and capital outlays with comparative data for the last two (2) preceding current and ensuing fiscal years; and
- (6) Accomplishment reports for the last two (2) preceding and current fiscal years.

SEC. 430. *Preparation of the Budget by the Local Chief Executive.* – Upon receipt of the statements of income and expenditures from the treasurer, the budget proposals of the heads of departments and offices, and the estimates of the regular income and budgetary ceilings from the local finance committee, the local chief executive shall prepare the executive budget for the ensuing fiscal year in accordance with the provisions of this Title.

The local chief executive shall submit the said executive budget to the sanggunian concerned not later than the sixteenth (16th) of October of the current fiscal year. Failure to submit such budget on the date prescribed herein shall subject the local chief executive to such criminal and administrative penalties as provided for under this Code and other applicable laws.

SEC. 431. *Legislative Authorization of the Budget.* – On or before the end of the current fiscal year, the sanggunian concerned shall enact, through an ordinance, the annual budget of the local government for the ensuing fiscal year on the basis of the estimates of income and expenditure submitted by the local chief executive.

SEC. 432. *Effectivity of Budgets.* – The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein.

The responsibility for the execution of the annual and supplemental budgets and the accountability therefore shall be vested primarily in the local chief executive concerned.

SEC. 433. *Changes in the Annual Budget.* All budgetary proposals shall be included and considered in the budget preparation process. After the local chief executive concerned shall have submitted the executive budget to the

sanggunian, no ordinance providing for the supplemental budget shall be enacted except when supported by funds actually available as certified by local treasurer or by new revenue sources.

A supplemental budget may also be enacted in times of public calamity by way of budgetary realignment to set aside appropriations for the purchase of supplies and materials or the payment of services which are exceptionally urgent or absolutely indispensable to prevent imminent danger to, or loss of life and property, in the jurisdiction of the local government or in other areas declared in a state of calamity by the President. Such ordinance shall clearly indicate the sources of funds available for appropriations, as certified under oath by the local treasurer and local accountant and attested to by the local chief executive, and the various items of appropriations affected and the reasons for the change.

SEC. 434. *Reversion of Unexpected Balances of Appropriations Continuing Appropriations.* – Balances of appropriations authorized in the annual appropriations ordinance shall revert to the surplus of the general fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent enactment. However, appropriations for capital outlays shall continue and remain valid until fully spent, reverted or the project is completed. Reversions of continuing appropriations shall not be allowed unless obligations therefore have been fully paid or otherwise settled.

The balances of continuing appropriations shall be reviewed as part of the annual budget preparation and the sanggunian concerned may approve, upon recommendation of the local chief executive, the reversion of funds no longer needed in connection with the activities funded by said continuing appropriations subject to the provisions of this Section.

SEC. 435. *Failure to Enact the Annual Appropriations.* – In case the sanggunian concerned fails to pass the ordinance authorizing the annual appropriations at the beginning of the ensuing fiscal year, it shall continue to hold daily sessions, exclusive of Saturdays, Sundays and Holidays, without additional remuneration for its members, until such ordinance is approved, and no other business may be taken up during such sessions. If the sanggunian still fails to enact such ordinance after sixty (60) days from the beginning of the fiscal year, the ordinance authorizing the appropriations of the preceding year shall be deemed reenacted and shall remain in force and effect until the ordinance authorizing the proposed appropriations is passed by the sanggunian concerned. However, only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and disbursement of funds shall be in accordance therewith.

In the implementation of such reenacted ordinance, the local treasurer concerned shall exclude from the estimates of income of the preceding fiscal year those realized from nonrecurring sources, like national aids, proceeds from loans, sale of assets, prior year adjustments, and other analogous sources of income. No ordinance authorizing supplemental appropriations shall be passed in place of the annual appropriations.

In case the revised income estimates be less than the aggregate reenacted appropriations, the local treasurer concerned shall accordingly advise the sanggunian concerned which shall, within ten (10) days from the receipt of such advice, make the necessary adjustments or reductions. The revised

appropriations authorized by the sanggunian concerned shall then be the basis for disbursements.

SEC. 436. *Budgetary Requirements.* – The budgets of local governments for any fiscal year shall comply with the following requirements:

- (a) The aggregate amount appropriated shall not exceed the estimates of income;
- (b) Full provision shall be made for all statutory and contractual obligations of the local government concerned: Provided, however, that the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the local government concerned;
- (c) In the case of provinces, cities and municipalities, aid to component barangays shall be in amounts of not less than one thousand pesos (PhP 1,000.00);
- (d) Five percent (5%) of the estimated revenue from regular source shall be set aside as an annual lump sum appropriation for unforeseen expenditures arising from the occurrence of calamities: Provided, however, That such appropriation shall be used only in the area, or a portion thereof, of the local government declared in a state of calamity by the governor in the case of a province and the mayor in the case of a city or municipality. A copy of the declaration shall immediately be furnished the sanggunian of the local government concerned. Sanggunian may concur or reject the declaration of calamity. In the event of a rejection by the sanggunian of the declaration of calamity, no local government funds shall be disbursed therefore. If the sanggunian concerned fails to act on the declaration of calamity within twenty-four (24) hours from its receipt of the copy of the declaration of calamity mentioned above, the same shall be deemed approved.

SEC. 437. *General Limitations.* – The use of provincial, city and municipal funds shall be subject to the following limitations:

- (a) The appropriations, whether annual or supplemental, for personal services of a local government for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class provinces, cities and municipalities, and fifty-five percent (55) in the case of fourth class or lower, of the annual income from regular sources realized in the next preceding fiscal year. The appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated and maintained by the local government concerned shall not be included in the annual budget or in the computation of the maximum amount for personal services. The appropriation for the personal services of such economic enterprises shall be charged to their respective budgets.
- (b) NO official or employee shall be entitled to a salary rate higher than the maximum fixed for his position or other positions of equivalent rank by applicable laws or rules and regulations issued thereunder;
- (c) No local fund shall be appropriated to increase or adjust salaries or wages of officials and employees of the national government, except as may be expressly authorized by law;

- (d) In cases of abolition of positions and the creation of new ones resulting from the abolition of existing positions in the career service, such abolition or creation shall be made in accordance with pertinent provisions of this Code and the civil service law, rules and regulations;
- (e) Positions in the official plantilla for career positions, which are occupied by incumbents holding permanent appointments, shall be covered by adequate appropriations;
- (f) No changes in designation or nomenclature of positions resulting in a promotion or demotion in rank or increase or decrease in compensation shall be allowed, except when the position is actually vacant, and the filling of such positions shall be strictly made in accordance with the civil service law, rules and regulations;
- (g) The creation of new positions and salary increases or adjustments shall in no case be made retroactive; and
- (h) The annual appropriations for discretionary purposes of the local chief executive shall not exceed two percent (2%) of the actual receipts derived from basic real property tax in the next preceding calendar year. Discretionary funds shall be disbursed only for public purposes to be supported by appropriate vouchers and subject to such guidelines as maybe prescribed by law. No amount shall be appropriated for the same purpose except as authorized under this Section.

SEC. 438. *Review of Appropriation Ordinances.* – The Regional Government shall review appropriation ordinances authorizing the annual or supplemental budget of provinces and highly urbanized cities in their respective regions except in the National Capital Region where the appropriation ordinances of municipalities shall also be reviewed by the NCR Regional Government in accordance with the Section immediately preceding.

The sangguniang panlalawigan shall review the ordinance authorizing annual or supplemental appropriation of component cities and municipalities in the same manner and within the same period prescribed for the review of other ordinances.

If within thirty (30) days from receipt of copies of such ordinance, the sanggunian panlalawigan takes no action thereon, the same shall be deemed to have been reviewed in accordance with law and shall continue to be in full force and effect. If within the same period, the sanggunian panlalawigan shall have ascertained that the ordinance authorizing annual or supplemental appropriations has not complied with the requirements set forth in this Chapter, the sangguniang panlalawigan shall, within the period, declare such ordinance inoperative in its entirety or in part. Items of appropriation contrary to limitations prescribed in this Chapter or in excess of the amounts prescribed herein shall be disallowed or reduced accordingly.

The sangguniang panlalawigan shall within the same period advise the sangguniang panglungsod or sangguniang bayan concerned through the local chief executive of any action on the ordinance under review. Upon receipt of such advice, the city or municipal treasurer concerned shall not make further disbursement of funds from any of the items of appropriation declared inoperative, disallowed or reduced.

SEC. 439. *Duration of Appropriation.* – Appropriations for ordinary administrative purposes not duly obligated shall terminate with the fiscal year and all unexpended balances thereof shall be automatically reverted on the thirty-first (31st) day of December of each year to the general fund of the local government.

Article Five. Barangay Budgets

SEC. 440. *Barangay Funds.* – Unless otherwise provided in this Article, all the income of the barangay from whatever source including its share of the national taxes as provided under this Code shall accrue to its general fund and shall, at the option of the barangay concerned, be kept hereof as trust fund in the custody of the city or municipal treasurer, or be released to and deposited for the account of the barangay in a bank, preferably government-owned, situated in or nearest to its area of jurisdiction. Such funds shall be disbursed pursuant to an approved ordinance by the barangay concerned in accordance with the provisions of this Article. Ten percent (10%) of the general fund of the barangay shall be automatically appropriated and obligated for the sangguniang kabataan, which shall be released and deposited to the account of the sangguniang kabataan in a bank preferably located within the barangay within twenty (20) days after the end of every quarter of the current year. Such funds shall be disbursed pursuant to an approved resolution by the sangguniang kabataan concerned.

SEC. 441. *Submission of Detailed Statement of Income and Expenditures for the Barangay Budgets.* – On or before the fifteenth (15th) day of September of each year, the barangay treasurer shall submit to the punong barangay a statement covering the estimates of income and expenditures for the ensuing fiscal year, based on a certified statement issued by the city or municipal treasurer covering the estimates of income from local sources for the barangay concerned.

SEC. 442. *Preparation of the Barangay Budget* –

- (a) Upon receipt of the statement of income and expenditures from the barangay treasurer, the punong barangay shall prepare the barangay budget for the ensuing fiscal year in the manner and within the period prescribed in this Article and submit the annual barangay budget to the sangguniang barangay for legislative enactment.
- (b) The total annual appropriations for personal services of a barangay for one (1) fiscal year shall not exceed fifty-five percent (55%) of the total annual income actually realized from local sources during the next preceding fiscal year.
- (c) The barangay budget shall likewise be subject to the same budgetary requirements and limitations hereinabove prescribed.

SEC. 443. *Effectivity of Barangay Budgets.* – The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein.

The responsibility for the execution of the annual and supplemental budgets and the accountability therefore shall be vested primarily in the punong barangay concerned.

SEC. 444. *Review of the Barangay Budget.* –

- (a) Within ten (10) days from its approval, copies of the barangay ordinance authorizing the annual appropriations shall be furnished the sangguniang panglungsod or the sangguniang bayan, as the case maybe, through the city or municipal budget officer. The sanggunian concerned shall have the power to review such ordinance in order to ensure that the provisions of this Article are complied with. If within sixty (60) days after the receipt of the ordinance, the sanggunian concerned takes no action thereon, the same shall continue to be in full force and effect. If within the same period, the sanggunian concerned shall have the power to review such ordinance in order to ensure that the provisions of this Article are complied with. If within sixty (60) days after the receipt of the ordinance, the sanggunian concerned takes no action thereon, the same shall continue to be in full force and effect. If within the same period, the sanggunian concerned shall have ascertained that the ordinance contains appropriations in excess of the estimates of the income duly certified as collectible, or that the same has not complied with the budgetary requirements set forth in this Article, the said ordinance shall be declared inoperative in its entirety or in part. Items of appropriations, contrary to, or in excess of, any of the general limitations or the maximum amount prescribed in this Title shall be disallowed or reduced accordingly.
- (b) Within the period hereinabove fixed, the sangguniang panglungsod or sangguniang bayan concerned shall return the barangay ordinance, through the city or municipal budget officer, to the punong barangay with the advice of action thereon for proper adjustments, in which event, the barangay shall operate on the ordinance authorizing annual appropriations of the preceding fiscal year until such time that the new ordinance authorizing annual appropriations shall have met the objections raised. Upon receipt of such advice, the barangay treasurer or the city or municipal treasurer who has custody of the funds shall not make further disbursement from any item of appropriation declared inoperative, disallowed, or reduced.

SEC. 445. *Barangay Financial Procedures.* –

- (a) The barangay treasurer shall collect all taxes, fees, and other charges due and contributions accruing to the barangay for which he shall issue official receipts, and shall deposit all collections with the city or municipal treasury or in the depository account maintained in the name of the barangay within five (5) days after receipt thereof. He may collect real property taxes and such other taxes as may be imposed by a province, city or municipality that are due in his barangay only after being deputized by the local treasurer concerned for the purpose.
- (b) The barangay treasurer may be authorized by the sangguniang bayan to make direct purchases amounting to not more than one thousand pesos (Php 1,000.00) at any time for the ordinary and essential needs of the barangay. The petty cash that the barangay

treasurer may be authorized to hold for the purpose shall not exceed twenty percent (20%) of the funds available and to the credit of the barangay treasury.

- (c) The financial records of the barangay shall be kept in the office of the city or municipal accountant in simplified manner as prescribed by the Commission on Audit. Representatives of the Commission on Audit shall audit such accounts annually or as often as may be necessary and make a report of the audit to the sangguniang panglungsod or sangguniang bayan, as the case may be. The Commission on Audit shall prescribe and put into effect-simplified procedures for barangay finances within six (6) months following the effectivity of this Code.

Article Six. Expenditures, Disbursements, Accounting And Accountability

SEC. 446. *Prohibitions Against Expenditures for Religious or Private Purposes* – No public money or property shall be appropriated or applied for religious or private purposes.

SEC. 447. *Use of Appropriated Funds and Savings.* – Funds shall be available exclusively for the specific purpose for which they have been appropriated. No ordinance shall be passed authorizing any transfer of appropriations from one item to another. However, the local chief executive or the presiding officer of the sanggunian concerned may, by ordinance, be authorized to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations.

SEC. 448. *Restriction Upon Limit of Disbursements.* – Disbursements in accordance with appropriations in the approved annual budget may be made from any local fund in the custody of the treasurer, but the total disbursements from any local fund shall in no case exceed fifty percent (50%) of the uncollected estimated revenue accruing to such local fund in addition to the actual collections. *Provided, however,* That no cash overdraft in any local fund shall be incurred at the end of the fiscal year.

In case of emergency arising from a typhoon, earthquake, or any other calamity, the sanggunian concerned may authorize the local treasurer to continue making disbursements from any local fund in his possession in excess of the limitations herein provided, but only such purposes and amounts included in the approved annual budgets.

Any overdraft, which may be incurred at the end of the year in any local fund by virtue of the provisions hereof, shall be covered with the first collections of the immediately succeeding fiscal year accruing to such local fund.

SEC. 449. *Prohibitions Against Advance Payments.* – No money shall be paid on account of any contract under which no services have been rendered or goods delivered.

SEC. 450. *Cash Advances.* – No cash advance shall be granted to any local official or employee, elective or appointive, unless made in accordance with rules and regulations as the COA may prescribe.

SEC. 451. *Persons Accountable for Local Government Funds.* – Any officer of the local government whose duty permits or requires the possession or custody of local government funds shall be accountable and responsible for the safekeeping thereof in conformity with the provisions of this Title. Other local officers who though not accountable by the nature of their duties, may likewise be similarly held accountable and responsible for local government funds through their participation in the use or application thereof.

SEC. 452. *Prohibition Against Pecuniary Interest.* – Without prejudice to criminal prosecution under applicable laws, any local treasurer, accountant, budget officer, or other accountable local officer having any pecuniary interest, direct or indirect, in any contract, work or other business of the local government of which he is an accountable officer shall be administratively liable therefore.

SEC. 453. *Liability for Acts Done Upon Direction of Superior Officer, or Upon Participation of Other Department Heads or Officers of Equivalent Rank.* - Unless he registers his objection in writing, the local treasurer, accountant, budget officer, or other accountable officer shall not be relieved of liability for illegal or improper use or application or deposit of government funds or property by reason of his having acted upon the direction of a superior officer, elective or appointive, or upon participation of other department heads or officers of equivalent rank. The superior officer directing, or the department head participating in such illegal or improper use or application or deposit of government funds or property, shall be jointly and severally liable with the local treasurer, accountant, budget officer, or other accountable officer for the sum or property so illegally or improperly used, applied or deposited.

SEC. 454. *Prohibition Against Expenses for Reception and Entertainment.* – No money shall be appropriated, used, or paid for entertainment or reception except to the extent of the representation allowances authorized by law or for the reception of visiting dignitaries of foreign governments or foreign missions, or when expressly authorized by the President in specific cases.

SEC. 455. *Certification on, and Approval of, Vouchers.* – No money shall be disbursed unless the local budget officer certifies to the existence of appropriation that has been legally made for the purpose, the local accountant has obligated said appropriation, and the local treasurer certifies to the availability of funds for the purpose. Vouchers and payrolls shall be certified to an approved by the head of the department or office that has administrative control of the fund concerned as to validity, propriety, and legality of the claim involved. Except in cases of disbursements involving regularly recurring administrative expenses such as payrolls for regular or permanent employees, expenses for light, water, telephone and telegraph services, remittances to government creditor agencies such as the GSIS, SSS, LBP, DBP, National Printing Office Procurement Service of the DBM and others, approval of the disbursement voucher by the local chief executive or by the Department Heads of Chiefs of Hospitals duly authorized by the local chief executive concerned, shall be required whenever local funds are disbursed.

In cases of special or trust funds, disbursements shall be approved by the administrator of the fund.

In case of temporary absence or incapacity of the department head or chief of office, the officer next in rank shall automatically perform his function and he shall be fully responsible therefore.

SEC. 456. *Officials Authorized to Draw Checks in Settlement of Obligation* – Checks in settlement of obligations shall be drawn by the treasurer and countersigned by the local chief executive, or in his/her absence, by an official designated by him in consonance with law.

Checks in settlement of obligations duly appropriated for personal services, maintenance and other operating expenses and capital outlay of the sanggunian shall be countersigned by the Vice Governor or the Vice-Mayor for the province, city or municipality, as the case may be, or in his/her absence, by an official duly authorized by law.

In case of the absence of the treasurer for more than three (3) days, the signing of the checks above mentioned shall be done by the Assistant Treasurer or an official designated as officer in charge of office in accordance with law.

Checks issued in settlement of obligations of the barangay, shall be signed by the barangay treasurer shall be properly bonded, and countersigned by the punong barangay. In the absence of either or both of them for more than three (3) days, the sangguniang barangay, by majority vote, shall designate from among themselves two (2) members who shall be signatories of the checks.

SEC. 457. *Disbursements of Local Funds and Statement of Accounts.* – Disbursements shall be made in accordance with the ordinance authorizing the annual or supplemental appropriations without the prior approval of the sanggunian concerned. Within thirty (30) days after the close of each month, the local accountant shall furnish the sanggunian with such financial statements as may be prescribed by the Commission on Audit. In the case of the year end statement of accounts, the period shall be sixty (60) days after the thirty-first (31st) of December.

SEC. 458. *Rendition of Accounts.* – Local treasurers, accountants and other local accountable officers shall render their accounts within such time, in such form, style, and content and under such regulations as the Commission on Audit may prescribe.

Provincial, city and municipal auditors shall certify the balances arising in the accounts settled by them to the Chairman of the Commission on Audit and to the local treasurer, accountant, and other accountable officers. Copies of the certification shall be prepared and furnished other local officers who may be held jointly and severally liable for any loss or illegal, improper or unauthorized use or misappropriation of local funds or property.

SEC. 459. *Auditorial Visitation.* – The books, accounts, papers, and cash of local treasurer, accountant, budget officer, or other accountable officers shall at all times be open for inspection of the Commission on Audit or its duly authorized representative.

In case an examination of the accounts of a local treasurer discloses a shortage in cash which should be on hand, it shall be the duty of the examining officer to seize the office and its contents, notify the Commission on Audit, the local chief executive concerned, and the local accountant. Thereupon, the examining officer shall immediately turn over to the accountable officer next-in-rank in the local treasury service, unless the said officer is likewise under investigation, the auditor shall take full possession of the office and its contents, close and render his accounts on the date of taking possession, and temporarily continue the public business of such office until such time that the local treasurer is restored or a successor has been duly designated. The local treasurer or accountable officer found with such shortage shall be automatically suspended from office.

SEC. 460. *Accounting for Revenues.* – Estimated revenues, which remain unrealized at the close of the fiscal year, shall not be booked or credited to the unappropriated surplus or any other account.

SEC. 461. *Accounting for Obligations.* – All lawful expenditures and obligations incurred during a fiscal year shall be taken up in the accounts of that year.

SEC. 462. *General Liability for Unlawful Expenditures.* – Expenditures of funds or use of property in violation of this Title and other laws shall be a personal liability of the official or employee responsible therefore.

SEC. 463. *Posting of the Summary of Income and Expenditures.* – Local treasurers, accountants, budget officers and other accountable officers shall, within thirty (30) days from the end of each fiscal year, post in at least three (3) publicly accessible and conspicuous places such as plaza and main street in the local government concerned, and to publish said statements of income and expenditures in a newspaper of general circulation, where available, in the territorial jurisdiction of such unit, a summary of all revenues collected and funds received including the appropriations, and disbursements of such funds during the preceding fiscal year. Failure to comply with this requirement shall subject the officials concerned to disciplinary action in accordance with the existing laws.

SEC. 464. *Title Official Fiscal Year.* – The official fiscal year of local governments shall be the period beginning with the first day of January and ending with the thirty-first (31st) day of December of the same year.

SEC. 465. *Administrative Issuances; Budget Operations Manual* – The Secretary of Budget and Management jointly with the Chairman of the Commission on Audit, and the chairman of the Regional Government elected by a majority vote of all chairmen of Regional Governments in the entire country shall, within one (1) year from the effectivity of this Code, review the existing budget operations manual and promulgate a new Manual for local governments to improve and systematize methods, techniques, and procedures employed in budget preparation, authorization, execution, and accountability: Provided, That pending the promulgation of the updated manual, existing laws, rules and regulations shall continue to apply; Provided, however, That said statutes or

regulations or portions thereof have not been modified, amended, rescinded, or repealed by this Code.

Chapter 6

Property and Supply Management in the Local Governments

SEC. 466. *Scope.* – This Chapter shall govern the procurement, care, utilization, custody and disposal of supplies, as defined herein, by local governments and the other aspects of supply management at the local levels.

It is mandated that local governments shall introduce computer technology where compatible with effective internal controls and with the aim in viewing of achieving efficiency, transparency and modernization of property and supply management therein.

SEC. 467. *General Rule in Procurement or Disposal.* – Except as otherwise provided herein, local governments are authorized to directly acquire or procure supplies and equipment from either local or foreign suppliers through competitive public bidding, without need of prior approval or authority from any agency of the government. Supplies which have become unserviceable or no longer needed shall be sold, whenever applicable, at public auction, subject to applicable, at public auction, subject to applicable rules and regulations.

SEC. 468. *Definition of Terms.* – When used in this Chapter, the term –

- (a) “Lowest Complying and Responsible Bid” refers to the proposal of one who offers the lowest price, meets all the technical specifications and requirements of the supplies desired and, as a dealer in the line of supplies involved, maintains a regular establishment, and has complied consistently with previous commitments;
- (b) “Suitable Substitute” refers to that kind of article which would serve substantially the same purpose or produce substantially the same results as the brand, type, or make or article originally desired or requisitioned;
- (c) “Supplies” includes everything, except real property, which may be needed in the transaction of public business or in the pursuit of any undertaking, project, or activity, whether in the nature of equipment, furniture, stationary materials for construction or personal property of any sort, including non-personal or contractual services such as the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related services; and
- (d) “Terms and Conditions” refer to other requirements not affecting the technical specifications and requirements of the required supplies desired such as bonding of the terms delivery and payment, and related preferences.

SEC. 469. *Requirement of Requisition.* – Any order for supplies shall be filled by the provincial or city general services or the municipal or barangay treasurer concerned, as the case may be, for any office or department of a local government only upon written requisition as hereinafter provided.

SEC. 470. *Officers Having Authority to Draw Requisitions.* – Requisitions shall be prepared by the head of office or department needing the supplies, which shall certify as to their necessity for official use and specify the project or activity where the supplies are to be used.

SEC. 471. *Certification by the Local Budget Officer, Accountant, and Treasurer.* – Every requisition must be accompanied by a certificate signed by the local budget officer, the local accountant, and the local treasurer showing that an appropriation therefore exists, the estimated amount of such expenditure has been obligated, and the funds are available for the purpose respectively.

SEC. 472. *Approval of Requisitions.* – Approval of the requisition by the head of office or department concerned who has administrative control of the appropriation against which the proposed expenditure is chargeable is deemed sufficient, except in case of requisition for supplies to be carried in stock which shall be approved by the local chief executive concerned: Provided, That such supplies are listed or included in the annual procurement plan and the maximum quantity thereof does not exceed the estimated consumption corresponding to a programmed three-month period: Provided, further, That nothing herein contained shall be held as authorizing the purchase of furniture and equipment for stock purposes.

SEC. 473. *Local Prequalification, Bids and Awards Committee (Local PBAC).*

- (a) There is hereby created a local prequalification, bids and awards committee in every province, city and municipality, which shall be primarily responsible for the conduct of prequalification of contractors, bidding, evaluation of bids, and the recommendation of awards concerning local infrastructure projects. The governor or the city or municipal mayor shall act as the chairman with the following as members:
- (1) The chairman of the appropriations committee of the sanggunian concerned;
 - (2) A representative of the minority party in the sanggunian concerned, if any, or if there be none, one (1) chosen by said sanggunian from among its members;
 - (3) The local treasurer;
 - (4) Two (2) representatives of nongovernmental organizations that are represented in the local development council concerned, to be chosen by the organizations themselves; and
 - (5) Any practicing certified public accountant from the private sector, to be designated by the local chapter of the Philippine Institute of Certified Public Accountants, if any.

Representatives of the Commission on Audit shall observe the proceedings of such committee and shall certify that the rules and procedures for prequalification, bids and awards have been complied with.

- (b) The agenda and other information relevant to the meetings of such committee shall be deliberated upon by the committee at least one (1) week before the holding of such meetings.

- (c) All meetings of the committee shall be held in the provincial capitol or the city or municipal hall. The minutes of such meetings of the committee and any decision made therein shall be duly recorded, posted at a prominent place in the provincial capitol or the city or municipal hall, and delivered by the most expedient means to elective local officials concerned.

SEC. 474. Local Technical Committee. – (a) There is hereby created a local technical committee in every province, city and municipality to provide technical assistance to the local prequalification, bids and awards committees. It shall be composed of the provincial, city or municipal engineer, the local planning and development coordinator, and such other officials designated by the local prequalification, bid and awards committee.

- (c) The chairman of the local technical committee shall be designated by the local prequalification, bids and awards committee and shall attend its meeting in order to present the reports and recommendations of the committee.

SEC. 475. Call for Bids. – When procurement is to be made by local governments, the provincial or city general services officer or the municipal or barangay treasurer shall call bids for open public competition. The call for bids shall show the complete specifications and technical descriptions of the required supplies and shall embody all terms and conditions of participation and award, terms of delivery and payment, and all other covenants affecting the transaction. In all call for bids, the right to waive any defect in the tender as well as the right to accept the bid most advantageous to the government shall be reserved. In no case, however, shall failure to meet the specifications or technical requirements of the supplies desired be waived.

SEC. 476. Publication of Call for Bids. – the call for bids shall be given the widest publicity possible, sending, by mail or otherwise, any known prospective participant in the locality, of copies of the call and by posting copies of the same in at least three (3) publicly accessible and conspicuous places in the provincial capitol or city, municipal, or barangay hall, as the case may be.

The notice of the bidding may likewise be published in a newspaper of general circulation in the territorial jurisdiction of the local government concerned when the provincial or city general services officer or the municipal or barangay treasurer, as the case may be, deems it necessary in order to obtain the lowest responsible and complying bid.

The opening of bids shall only be made in the presence of the provincial or city auditor or his duly authorized representative who shall initial and secure copies of the bids and certify the abstract of the bidding.

SEC. 477. The Committee on Awards. – There shall be in every province, city or municipality a Committee on Awards to decide the winning bids and questions of awards and procurement and disposal of property.

The Committee on Awards shall be composed of the local chief executive as chairman, the local treasurer, the local accountant, the local budget officer, the local general services officer, the head of office or department for whose use the supplies are being procured, one (1) representative of the Philippine Institute of

Certified Public Accountants (PICP A), and two (2) representatives of non-governmental organizations that are represented in the local development council concerned to be chosen by the organizations themselves, as members. In case a head of office or department would sit in a dual capacity, a member of the sanggunian elected from among its members shall sit as a member. The Committee on Awards at the barangay level shall be the sangguniang barangay. No national official shall sit as a member of the Committee on Awards.

The results of the bidding shall be made public by posting the same in a conspicuous place in the provincial capitol or city, municipal, or barangay hall.

SEC. 478. Rule on Awards. – Awards in the procurement of supplies shall be given to the lowest complying and responsible bid which meets all the terms and conditions of the contract or undertaking.

SEC. 479. Procurement Without Public Bidding. – Procurement of supplies may be made without the benefit of public bidding under any of the following modes:

- (a) Personal canvass of responsible merchants;
- (b) Emergency purchase;
- (c) Negotiated purchase;
- (d) Direct purchase from manufacturers or exclusive distributors; and
- (e) Purchase from other government entities.

SEC. 480. Procurement Through Personal Canvass. – Upon approval by the Committee on Awards, procurement of supplies may be effected after personal canvass of at least three (3) responsible suppliers in the locality by a committee of four (4) composed of the local general services officer or the municipal or barangay treasurer, as the case may be, the local accountant, the head of office or department for whose use the supplies are being procured, and a representative of non-governmental organization. The awards shall be decided by the Committee on Awards. The acquisition and procurement by local governments of supplies, goods, equipment and services, except consultants as authorized by the sanggunian concerned through personal canvass.

Purchases shall not exceed twenty-five percent (25%) of the total amount allocated for the purpose in any one (1) month. The services purchased through personal canvass shall be performed and completed within a period of thirty (30) days from the date of purchase.

SEC. 481. Emergency Purchase. – In cases of emergency where the need for the supplies is exceptionally urgent or absolutely indispensable and only to prevent imminent danger to, or loss of, life or property, local governments may, through the local chief executive concerned, make emergency purchases or place repair orders, regardless of amount, without public bidding. Delivery of purchase orders or utilization of repair orders pursuant to this Section shall be made within ten (10) days after placement of the same. Immediately after the emergency purchase or repair order is made, the chief of office or department making the emergency purchase or repair order shall draw a regular requisition to cover the same, which shall contain the following:

- (a) A complete description of the supplies acquired or the work done or to be performed;
- (b) By whom furnished or executed;
- (c) Date of placing the order and the date and time of delivery or execution;
- (d) The unit price and the total contract price;
- (e) A brief and concise explanation of the circumstances why procurement was of such urgency that the same could not be done through the regular course without involving danger to, or loss of, life or property;
- (f) A certification of the provincial or city general services or the municipal or Barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of procurement; and
- (g) A certification of the local budget officer as to the existence of appropriations for the purpose, the local accountant as to the obligation of the amount involved, and the local treasurer as to the availability of funds.

The goods or services procured under this Section must be utilized or availed of within fifteen (15) days from the date of delivery or availability.

Without prejudice to criminal prosecution under applicable laws, the local chief executive, the head of department, or the chief of office making the procurement shall be administratively liable for any violation of this Section and shall be a ground for suspension or dismissal from service.

SEC. 482. *Negotiated Purchases.* –

- (a) In cases where public biddings have failed for two (2) consecutive times and no suppliers have qualified to participate or win in the biddings, local governments may, through the local chief executive concerned, undertake the procurement of supplies by negotiated purchase, regardless of amount, without public bidding: Provided, however, That the contract covering the negotiated purchase shall be approved by the sanggunian concerned. Delivery of purchase orders or utilization of repair orders pursuant to this Section shall be made within seven (7) days after placement of the same. Immediately after the negotiated purchase or repair order is made, the local chief executive concerned shall draw a regular requisition to cover the same, which shall contain the following:
 - (1) A complete description of the supplies acquired or the work done or to be performed;
 - (2) By whom furnished or executed;
 - (3) Date of placing the order and the date and time of delivery or execution;
 - (4) The unit price and the total contract price;
 - (5) A certification of the provincial or city general services or the municipal or barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of procurement;
 - (6) A certification to the effect that the price paid or contracted for was the lowest at the time of procurement; and
 - (7) A certification of the local budget officer as to the existence of appropriations or the purpose, the local accountant as to the

obligation of the amount involved, and the local treasurer as to the availability of funds.'

- (b) In case of repeat orders for regular supplies, procurement may be made by Negotiated purchase; Provided, That the repeat order is made within six (6) months from the last procurement of the same item: Provided, further, That the same terms and conditions of sale are obtained for the said repeat order.

SEC. 483. Procurement from Duly Licensed Manufacturer. – Procurement may be made directly from duly licensed manufacturers in cases of supplies of Philippine manufacture or origin and in case there are two (2) or more manufacturers of the required supplies, canvass of the known manufacturers shall be conducted to obtain the lowest price for the quality of the said supplies.

SEC. 484. Procurement from Exclusive Philippine Agents or Distributors. – Procurement may, in the case of supplies of foreign origin, preferably be made directly from the exclusive or reputable Philippine distributors or agents, subject to the following conditions:

- (a) That the Philippine distributor has no subdealers selling at lower prices; and
- (b) That no suitable substitutes of substantially the same quality are available at lower prices.

SEC. 485. Procurement from Government Entities. – Procurement may be made directly from government entities producing the required supplies, including units or agencies of foreign governments with which the Philippines maintains diplomatic relations. In the latter case, prior authority from the Office of the President shall be required.

SEC. 486. Annual Procurement Program. –

- (a) On or before the fifteenth (15th) day of July each year, the local chief executive shall prepare an annual procurement program for the ensuing fiscal year which shall contain an itemized list of the estimated quantity of supplies needed for such year, a complete description thereof as to kind, quality, estimated cost, and balance on hand: Provided, however, That the total estimated cost of the approved annual procurement program shall not exceed the total appropriations authorized for the acquisition of supplies. The local governments may augment the supplies and equipment provided by the Supreme Court to the lower courts located in their respective jurisdictions.
- (b) Except in emergency cases or where urgent indispensable needs could not have been reasonably anticipated, no purchase of supplies shall be made unless included in, or covered by, the approved procurement program.
- (c) The conversion of excess cash into supplies stock is hereby prohibited except to the extent of the kind and quantity specified in the approved annual procurement plan.
- (d) Every officer primarily accountable for government property shall keep a complete record of all properties under his charge and render his accounts therefore semi-annually to the provincial or city

general services officer or the municipal mayor or punong barangay, as the case may be.

SEC. 489. *Responsibility for Proper Use and Care of Government Property.* – The person in actual physical possession of government property or entrusted with its custody and control shall be responsible for its proper use and care and shall exercise due diligence in the utilization and safekeeping thereof.

SEC. 490. *Measure of Liability of Persons Accountable for Government Property –*

- (a) The person immediately accountable for government property shall be liable for its money value in case of the illegal, improper or unauthorized use or misapplication thereof, by himself or any other person for whose acts he may be responsible, and he shall be liable for all loss, damage, or deterioration occasioned by negligence in the keeping or use of such property unless it is proved that he has exercised due diligence and care in the utilization and safekeeping thereof.
- (b) Unless he registers his objection in writing, an accountable person shall not be relieved from liability by reason of his having acted under the direction of a superior officer in using property with which he is chargeable; but the officer directing any illegal, unauthorized or improper use of property shall first be required to answer therefore.
- (c) In cases of loss, damage, or deterioration of government property arising from, or attributable to, negligence in security, the head of the security agency shall be held liable therefore.

SEC. 491. *Credit for Loss Occurring in Transit or Due to Casualty.* – When a loss of government property occurs while the same is in transit or is caused by fire, theft, force majeure, or other casualty, the officer accountable therefore or having custody thereof shall immediately notify the provincial or city auditor concerned within thirty (30) days from the date the loss occurred or for such longer period as the provincial, city, or municipal auditor, as the case may be, may in the particular case allow, and he shall present his application for relief, with the available evidence in support thereof. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any such loss in the settlement of his accounts.

A provincial, city or municipal auditor shall not allow credit for these losses unless so expressly authorized by the Chairman of the Commission on Audit, to be exercised only if the loss is not in excess of fifty thousand (PhP 50,000.00). In any case when the allowance of credit is not within the competence of the provincial, city or municipal auditor, the application and evidence, with the recommendation of the auditor concerned, shall be forwarded to the Chairman of the Commission on Audit for his appropriate action.

SEC. 492. *Property Disposal.* – When property of any local government has become unserviceable for any cause or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected and appraised by the provincial, city or municipal auditor, as the case may be, or his duly authorized representative or that of the Commission on Audit and, if found

valueless or unusable, shall be destroyed in the presence of the inspecting officer.

If found valuable, the same shall be sold at public auction to the highest bidder under the supervision of the committee on awards and in the presence of the provincial, city or municipal auditor or his duly authorized representative. Notice of the public auction shall be posted in at least three (3) publicly accessible and conspicuous places, and if the acquisition cost exceeds one hundred thousand pesos (PhP 10,000.00) in the case of provinces and cities, and fifty thousand (PhP 50,000.00) in the case of municipalities, notice of auction shall be published at least two (2) times within a reasonable period in a newspaper of general circulation in the locality.

SEC. 493. *Negotiated Sale of Property* – Property no longer needed may also be disposed of at a private sale at such price as may be determined by the committee on awards, subject to the approval of the Commission on Audit or its duly authorized representative when the acquisition or transfer cost of the property exceeds fifty thousand pesos (PhP 50,000.00) in the case of provinces and cities, and twenty five thousand (PhP 25,000.00) in the case of municipalities and barangays.

In case of real property, the disposal shall be subject to the approval of the Commission on Audit regardless of the value or cost involved.

SEC. 494. *Transfer Without Cost*. – Property, which has become unserviceable or is no longer needed, may be transferred without cost to another office, agency, subdivision, or instrumentality of the national government or another local government at an appraised valuation determined by the local committee on awards. Such transfer shall be subject to the approval of the sanggunian concerned making the transfer and by the head of the office, agency, subdivision, instrumentality or local government receiving the property.

SEC. 495. *Tax Exemption Privileges of Local Governments*. – Local governments shall be exempt from the payment of duties and taxes for the importation of heavy equipment or machineries which shall be used for the construction, improvement, repair, and maintenance of roads, bridges and other infrastructure projects, as well as garbage trucks, fire trucks, and other similar equipment: Provided, however, that such equipment or machineries shall not be disposed of, either by public auction or negotiated sale as hereinabove provided, within five (5) years from the importation thereof. In case the machinery or equipment is sold within the five-year period, the purchasers or recipients shall be considered the importers thereof, and shall be liable for duties and taxes computed on the book value of such importation.

SEC. 496. *Implementing Rules and Regulations*. – Within one (1) year after the effectivity of this act, the Chairman of the Commission on Audit, jointly with the chairman of the Regional Government elected by a majority vote of all the chairman of the Regional Governments in the entire country, shall review the exiting rules and regulations governing property and supply management in the local governments and promulgate the rules and regulations necessary to effectively implement the provisions of this Title and install an efficient, effective and transparent property and supply management system: Provided, That pending the promulgation of such rules and regulations the existing laws, rules and regulations shall continue to apply.

Chapter 7 Local Government Bank of the Philippines

SEC. 497. *Creation.* – The “Local government Bank of the Philippines”, hereinafter referred to as the Bank, is hereby established. The Bank shall be a body corporate and shall exist for a period of fifty (50) years.

The primary purposes of the Bank are to provide efficient and responsive general banking services to local governments and to maximize the grant to them of loans, credits and other forms of indebtedness out of its loanable funds to finance local infrastructure and other socio-economic development projects as well as to stabilize local finances pursuant to Chapter Four, this Title: Provided, however, That the pursuit of these objectives shall be undertaken within the context of a financially viable and stable banking institution.

The Bank’s principal office and place of business shall be in the national capital region, also known as Metro Manila. It may open and maintain branches, agencies, or other offices at such places in the Philippines as its Board of Directors may deem advisable with the approvable of the Monetary Board of the Bangko Sentral ng Pilipinas hereafter referred to as Bangko Sentral.

SEC. 498. *Corporate Powers.* – The Bank shall have the power:

- (a) To adopt, amend, or change its by-laws, to determine its operating policies, and to issue such rules and regulations as may be necessary to achieve the main purpose for the creation of the Bank;
- (b) To adopt alter and use a corporate seal;
- (c) To acquire and own real and personal property, and to sell, mortgage or otherwise dispose of the same;
- (d) To hold, own, purchase, acquire, sell or otherwise invest or re-invest in stocks, bonds, or other securities capable of giving the bank a reasonably assured income to augment its loanable fund;
- (e) To act as official depository of local government funds pursuant to the provisions of this Code;
- (f) To accept savings and time deposits from the public in areas where facilities for such a service do not exist or can not be adequately provided by other deposit institutions under the supervision of the monetary board of the Bangko Sentral;
- (g) To sue and be sued, make contracts and borrow money from both local and foreign sources. Such loans shall be subject to approval by the President of the Philippines and fully guaranteed by the government of the Philippines.

SEC. 499. *Capital* – The capital of the Bank shall be fifty billion pesos (PHP 50,000,000,000.00) to be fully subscribed by the government of the Republic of the Philippines, hereafter referred to as the government. Ten billion pesos (pHP 10,000,000,000.00) shall be fully paid for by the government upon effectivity of this act and the balance to be paid for within a period of two (2) years from the effectivity of this action in such manner and from as the government, through the Secretary of Finance and the Secretary of Budget and Management, may thereafter determine.

SEC. 500. *Issuance of Bonds.* – The Bank may issue all kinds of bonds, debentures and securities, and/or the renewal or refunding thereof (hereinafter called “bonds”), within and/or outside the Philippines, at such terms, rates and conditions as the board of directors of the Bank may determine, subject to compliance with the provisions of applicable law, and rules and regulations promulgated by the Monetary Board.

The Bank shall provide for appropriate reserves for the redemption or retirement of the bonds. These bonds and other obligations shall be redeemable at the option of the Bank at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Bank.

Such obligations shall be secured by the assets of the Bank, including the stocks, bonds, debentures, and other securities purchased or held by it under the provisions of this Code, these bonds and debentures may be long-term, medium-term, or short-term, with fixed interest rate or floating interest rate.

SEC. 501. *Board of Directors – Composition – Tenure – Per Diems.* – The affairs and business of the bank shall be directed and its properties managed and preserved and its corporate powers exercised, by a board of directors consisting of nine (9) members, to be appointed by the President of the Philippines. The term of office of the chairman, vice-chairman, and the members of the board of directors shall designate a temporary chairman from among its members.

No person shall be elected director of the Bank unless he is a natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, business management, public utility or government administration.

Except for the chairman and the vice-chairman of the board, no officer or employee of the Bank may be appointed as a member of the board of directors of the Bank; nor shall any director officer, or employee of any other Bank be eligible as a member of the board of directors of the Bank. Unless otherwise set by the board and approved by the President of the Philippines, members of the board shall be paid a per diem of five thousand pesos (PhP 5,000.00) for each meeting of the board of directors actually attended. Provided, that the total amount of per diems for every single month shall not exceed the sum of fifty thousand pesos (PhP 50,000.00).

SEC. 502. *Duties and Powers of the Board of Directors.* – The board of directors shall have, among others the following duties, powers and authority:

- (a) To formulate policies necessary to carry out effectively the provisions of this Code and to prescribe, amend, and repeal by-laws, rules and regulations for the effective operation of the Bank, and the manner in which the general business of the Bank may be conducted and the powers granted by law to the Bank exercised.
- (b) To approve loans, to fix rates of interest on loans and to prescribe such terms and conditions for loans and credits as may be deemed necessary, consistent with the provisions of

this Code; Provided, that the board may delegate the authority to approve loans to such officer or officers as may be deemed necessary;

- (c) To adopt an annual budget for the effective operation and administration of the Bank;
- (d) To create and establish a "provident fund" which shall consist of contributors, made both by the Bank and its officers or employees, to a common fund for the payment of benefits to such officers or employees, or their heirs, under such terms and conditions as the board of directors may fix;
- (e) To compromise or release, in whole or in part any claim of or settled liability to the Bank regardless of the amount involved, under such terms and conditions it may impose to protect the interest of the bank; and
- (f) To appoint, promote or remove officers from the rank of the vice president or its equivalent, and other more senior officer positions, excluding the chairman and vice-chairman.

SEC. 503. *Chairman and Chief Executive Officer.* – The chairman shall be the chief executive officer of the bank and, as such, shall, on behalf of the board have the direction and control of the business affairs and properties of the bank in all matters which are not by this Code or by the by-laws of the bank specifically reserved to be done by the board or other officers of the bank. For this purpose, he shall, among other powers and duties, execute, carry out, and administer the policies, measures, orders and resolutions approved by the board; direct and supervise the operation and administration of the Bank; Exercise such other powers and perform such other function or duties as may be directed or assigned to him by law or by the board from time to time.

Particularly, he shall have the power and duty:

- (a) To sign and execute all contracts concluded by the Bank and other into all necessary obligations required or permitted by this Code, upon proper authorization by the board; and sign all notes, securities, certificates, and other major documents of the Bank;
- (b) To exercise, as chief executive officer of the Bank, the powers of control and supervision over decisions and actions of subordinate officers and all other powers that may be granted by the board;
- (c) To report to the board the main facts concerning the operations of the Bank and to recommend changes in policies which he may deem advisable;
- (d) To submit an annual report to the President of the Philippines on the result of the operations of the Bank;
- (e) To recommend to the board of appointment, promotion, or removal of all officers of the Bank, with the rank of at least vice president or its equivalent;
- (f) To appoint, promote or remove employees and officers below the rank of vice president or its equivalent; provided, that promotions, transfers, assignments or reassignments of officers and personnel of the Bank are personnel actions deemed made in the interest of the service and not disciplinary, any provisions of the civil service law to the contrary notwithstanding; and
- (g) As required by circumstances, to delegate any of his powers, duties or functions to any officer or director of the Bank, with the approval of the board.

SEC. 504. *Vice-Chairman and Chief Operating Officer.* – The vice-chairman shall be the chief operating officer of the Bank and shall assume and exercise such specific duties and responsibilities as may be delegated to him by the Chairman.

SEC. 505. *Auditor.* – The Chairman of the Commission on Audit shall be the ex-officio auditor of the Bank and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Bank. The Commission on Audit Chairman shall, upon the recommendation of the auditor of the Bank, appoint or remove the personnel of the auditing office. The compensation, budget and operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the board of trustees and paid by the Bank notwithstanding any provision of law to the contrary.

SEC. 506. *Legal Matters and Cases.* – The Bank have its own legal department, the head of which shall be appointed by the board of directors of the Bank upon recommendation of the Chairman.

In appropriate cases, the Bank may avail also of the legal services of any government legal office authorized to render such services to government-owned or controlled corporations.

The Bank may, upon the recommendation of its chief legal counsel, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of the debtor's properties, and in the enforcement of court writs and processed in cases involving the Bank. The special sheriff of the Bank shall make a report to the proper court after any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects.

SEC. 507. *Other Officers and Employees.* – The board of directors shall provide for an organization and staff of officers and employees of the Bank and upon recommendation of the chairman of the board, fixes their remunerations and other emoluments. No officer or employee of the Bank subject to civil service law shall be dismissed except as provided by law.

SEC. 508. *Exemption from Attachment.* – The provisions of any law to the contrary notwithstanding, securities on loans and/or other accommodations granted by the Bank or its predecessors-in-interest shall not be subject to the attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligation of the debtor to the Bank and its predecessors-in-interest have been previously paid, including accrued interest, penalties, collection expenses, and other charges.

SEC. 509. *Officer to Conduct Sale.* – In case of sale of mortgaged properties under the provisions of existing laws or of this Code, such sale shall be conducted under the direction of the sheriff of the province or any special sheriff of the Bank, or of a municipal judge or notary public of the city or municipality where the sale is to be made, who shall be entitled to collect the fees provided for in the rules of court with respect to sale of properties under execution.

SEC. 510. *Right of Redemption.* – Any mortgagor of the Bank whose real property has been extra judicially sold at public auction shall, within one(1) year counted from the date of registration of the certificate of sale, have the right to redeem the real property by paying to the Bank all of the latter's claims against him, as determined by the Bank.

The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession.

SEC. 511. *Inhibition from Board Meeting of Member with Personal Interest.* – Whenever any member attending a meeting of the board of directors has a direct personal interest in the discussion or resolution of any given matter, or any of his relatives within the second civil degree of consanguinity or second civil degree of affinity has such an interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberation thereon. The minutes of the meeting, which shall note the subject matter, when resolved, the fact that a member had a personal interest in it, and the withdrawal of the member concerned may be made available to the public.

For this purpose, the members of the board, shall at the beginning of their respective terms, disclose to the board any and all interests they may have in any corporation, partnership or association and shall, thereafter, disclose to the board, any changes thereto.

SEC. 512. *Prohibition on Persons With Personal Interest.* – No member of the board, officer, attorney, agent or employee of the Bank shall in any manner, directly or indirectly participate in the deliberation upon or the determination of any question affecting his direct personal interest or the personal interests of his relatives within the second civil degree of consanguinity or second civil degree of affinity, or of any corporation, partnership, or association in which he has a direct interest. Any person violating the provision of this section shall be summarily removed from office and shall upon conviction be punished with a fine no less than one thousand peso (PhP 1,000.00) nor more than ten thousand pesos (PhP 10,000.00) or with imprisonment of not less than one (1) year nor more than five (5) years, or by both fine and imprisonment at the discretion of the court.

SEC. 513. *Borrowings by Directors, Officers and Employees-Restriction and Limitations.* – No director or officer or employee of the Bank or any corporation, partnership, or company wherein any member of the board of directors, officer or employee, and/or their respective immediate family is a controlling shareholder, or wherein he is a director or officer shall, either directly or indirectly, for himself or as representative or agent of others, borrow any of the deposits of funds from the Bank, nor shall he become a guarantor, endorser, or surety for loans from the Bank to others, or in any manner be an obligor for money borrowed from the Bank or loaned by it: Provided, That this prohibition on loans to directors, officers and employees shall not include loans allowed in the

form of fringe benefits granted in accordance with rules and regulations as may be prescribed by the monetary board of the Bangko Sentral.

SEC. 514. *Rules and Regulations on Conflict of Interest.* – The foregoing provisions notwithstanding and in addition thereto, the board of directors is hereby authorized to issue rules and regulations for the purpose of determining and resolving conflict of interest questions, which rules shall, in particular, include the requirement on all officers and employees of the Bank to disclose any shareholdings they, or their relatives within the second civil degree of consanguinity or second civil degree of affinity, may have in any corporation, partnership or company.

SEC. 515. *Examination of the Bank.* – The Bank shall be subject to supervision and examination by the appropriate department of the Bangko Sentral.

SEC. 516. *Prohibition on Officers and Employees of the Bank.* – Except as required by law, or upon order of a court of competent jurisdiction, or the express order of the president of the Philippines or written permission of the client, no officer or employee of the Bank shall reveal to nor allow to be examined, inquired, or looked into, by any third person, government official, bureau or office any information relative to details of individual accounts or specific banking transactions: Provided, That in respect to deposits of whatever nature, the provisions of existing law shall apply.

This prohibition shall not apply to the exchange of confidential credit information among government financial institutions or among banks, in accordance with established banking practices or as may be allowed by law.

SEC. 517. *Exaction of Fee, Commission, Gifts or Charge.* – No unauthorized fee, commission, gift or charge of any kind shall be exacted, demanded or paid for obtaining loans from the Bank, and any officer, employee, or agent of the Bank found guilty of exacting, demanding or receiving any fee for services in obtaining a loan, shall be punished by a fine of not less than one thousand pesos (PhP 1,000.00) nor more than twenty thousand pesos (PhP 20,000.00), imprisonment for not less than one (1) year nor more than ten (10) years and perpetual disqualification from public office.

SEC. 518. *General Penal Provisions.* – Any officer or employee of the Bank who violates, or permits any of the officers, employees or agents of said Bank or any other person to violate, any of the provisions of this Code not specifically punished in the preceding sections, and any person violating any provision of this Code or aiding and abetting the violation thereof, shall be punished with a fine not less than one thousand pesos (PhP 1,000.00) nor more than ten thousand pesos (PhP 10,000.00) and with imprisonment not less than one (1) year nor more than five (5) years.

SEC. 519. *Other Liability of Guilty Officer or Employee.* – Any member of the board of directors or officer or employee of the bank who willfully violates any of the provisions of this Code shall, in addition to the criminal and administrative liability resulting from such act, be held liable for any loss or injury suffered by the Bank as a result of such violation.

SEC. 520. *Liability of Directors Officers or Partners of Offending Corporation or Partnership.* – If the violation of the provisions of this Code is committed by a corporation or partnership, the directors, officers or partners thereof who participated in the violation shall be criminally liable to such violation.

SEC. 521. *Bank Autonomy* – The Bank shall not be subject to the laws and regulations governing banks and other financial institutions of whatever type except with respect to the receipt of savings and time deposits in accordance with Section 498 of this Code, in which case the legal reserves and other requirements prescribed by the Bangko Sentral for such deposits apply. The Bank shall be operated as an autonomous body and shall be under the supervision of the Bangko Sentral.

SEC. 522. *Tax Exemption.* – The operations, as well as holdings, equipment, property, income and earnings of the Bank from whatever sources shall be exempt from taxation.

SEC. 523. *Organization of Bank.* – Upon effectivity of this act, the board of directors of the Bank shall be constituted and its chairman appointed. The chairman is hereby authorized, subject to the approval of the board of directors, to issue such orders, rules and regulations, and undertake such actions as may be necessary to organize the Bank and make it necessary to organize the Bank and make it operational within one (1) year from the date that his Act takes effect.

Title Ten.

Miscellaneous and Final Provisions

Chapter 1 Penal Provisions

SEC. 524. *Failure to Post and Publish the Itemized Monthly Collections and Disbursements.* – The itemized monthly collections and disbursements of the local government concerned shall be posted within ten (10) days following the end of every month and for at least two (2) consecutive weeks at prominent places in the main office building of the local government concerned, its plaza and main street. Said itemization shall be published in a newspaper of general circulation, where available, in the territorial jurisdiction of such unit in case the local treasurer or whoever is in-charged with the duty of posting and publishing the same, shall be punished by a fine not exceeding one (1) month, or both such fine and imprisonment, at the discretion of the court.

SEC. 525. *Omission of Property from Assessment or Tax Rolls by Officers and Other Acts.* – Any officer charged with the duty of assessing real property who willfully fails to assess, or who intentionally omits from the assessment or tax roll any real property which he knows to be taxable, or who willfully or negligently under assesses any real property, or who intentionally violates or fails to perform any duty imposed upon him by law relating to the assessment of taxable real property shall, upon conviction, be punished by a fine of not less than one thousand pesos (PhP 1,000.00) nor more than five thousand

pesos (PhP 5,000.00), or by imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

The same penalty shall be imposed upon any officer charged with the duty of collecting the tax due on real property who willfully or negligently fails to collect the tax and institute the necessary proceedings for the collection of the same.

Any other officer required by this Law to perform acts relating to the administration of the real property tax or to assist the assessor or treasurer in such administration, who willfully fails to discharge such duties shall, upon conviction be punished by a fine of not less than five hundred pesos (PhP 500.00) more than five thousand pesos (PhP 5,000.00) or imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

SEC. 526. *Government Agents Delaying Assessment of Real Property and Assessment Appeals* – Any government official who intentionally and deliberately delays the assessment of real property or the filing of any appeal against its assessment shall, upon conviction, be punished by a fine of not less than five hundred pesos (PhP 500.00) nor more than five thousand pesos (PhP 5,000.00), or by imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

SEC. 527. *Failure to Dispose of Delinquent Real Property at Public Auction.* – The local treasurer concerned who fails to dispose of delinquent real property at public auction in compliance with the pertinent provisions of this Code, and any other local government official whose acts hinder the prompt disposition of delinquent real property at public auction shall, upon conviction, be subject to a fine of not less than one thousand pesos (PhP 1,000.00) nor more than five thousand pesos (PhP 5,000.00), or imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

Chapter 2

Provisions for Implementation

SEC. 528. *Personnel Retirement and/or Benefits.* – Any official or employee of the national government or local government who is separated from the service as a result of reorganization effected under this Code shall, if entitled under the laws then in force, receive the retirement and other benefits accruing hereunder. Provided, however, that such benefits shall be given funding priority by the Department of Budget and Management in the case of national officials and employees, and the local government concerned in the case of local officials and employees.

Where the employee concerned is not eligible for retirement, he shall be entitled to a gratuity from the national government or the local government concerned, as the case may be, in an amount not lower than one (1) month salary for every year or service over the above the monetary value of the leave credits said employee is entitled to receive under the existing laws.

SEC. 529. *Inventory of Infrastructure and Other Community Facilities.* –

- (a) Each local government shall conduct a periodic inventory of infrastructure and other community facilities and undertake the maintenance, repair, and improvement, or reconstruction of these facilities through a closer cooperation among the various agencies of the national government operating within the province, city or municipality concerned.
- (b) No infrastructure or community project within the territorial jurisdiction of any local government shall be undertaken without informing the local chief executive and the sanggunian concerned.

SEC. 530. *Records and Properties.* – All records, equipment, buildings, facilities, and other properties of any office or body of a local government abolished or reorganized under this Code shall be transferred to the office or body to which its powers, functions, and responsibilities are substantially devolved.

SEC. 531. *Implementing Rules and Regulations of this Code.* – To carry out the purpose or purposes of this act, the President of the Philippines shall issue such rules and regulations as may be necessary. In doing so, the President may constitute and avail of the services of a committee, which will assist in the formulation of the rules and regulations to be known as the National Decentralization Committee (NDC). It shall be composed of the secretaries or heads of the Department of the Interior and Local Government, Department of Budget and Management, Department of Finance, and the respective presidents of the Leagues of Provinces, Cities and Municipalities as well as Barangays. The committee may seek the assistance of government agencies, academe and other institutions in the performance of their task which can promote effective local governance.

Chapter 3 **Transitory Provisions**

SEC. 532. *Deconcentration of Requisite Authority and Power.* – The national government shall, immediately, effect the deconcentration of requisite authority and power to the appropriate Regional Governments.

SEC. 533. *Debt Relief for Local Governments.* –

- (a) Unremitted national collections and statutory contributions. – All debts owned by local governments to the national government in unremitted contributions to the integrated National Police Fund, the Special Education Fund, and other statutory contributions as well as in unremitted national government shares of taxes, charges, and fees collected by the local governments, are hereby written off in full.
- (b) Program loans. –
 - (1) Program loans secured by local governments which were relented to private persons, natural or juridical, shall likewise be written off from the books of the local governments concerned: Provided, however, that the national government agency tasked with the implementation of these programs shall continue to collect from the debtors belonging to the private sector concerned.

preceding year. For this purpose, the annual increase in local revenue collection shall be computed starting from the year 1988.

- (f) Appropriations. – Such amount as may be necessary to implement the provisions of this Section shall be included in the annual General Appropriations Act.

Chapter 4 Final Provisions

SEC. 534. *Repealing Clause.* – Except as otherwise herein provided, all laws, acts, city charters, decrees, executive orders, proclamations and administrative rules and regulations or part or parts thereof which are in conflict or inconsistent with this Act (Code) are hereby repealed or modified accordingly.

Until otherwise provided by law, nothing in this Act (code) shall be understood to amend or repeal the provisions of Republic Act No. 6734, as amended, otherwise known as the Organic Act for Autonomous Region in Muslim Mindanao.

SEC. 535. *Separability Clause.* – If, for any reason or reasons, any part or provisions of this Act shall be held invalid or unconstitutional, other parts or provisions hereof which are not affected shall continue to be in full force and effect.

SEC. 536. *Effectivity Clause.* – This Act (Code) shall take effect one month after the approval and its publication in the Official Gazette. It shall likewise be published in two newspapers of general circulation.

Approved,