

[PRESIDENTIAL DECREE NO. 426, March 30, 1974]

AMENDING CERTAIN PROVISIONS OF THE LOCAL TAX CODE ENACTED UNDER PRESIDENTIAL DECREE NO. 231, DATED JUNE 28, 1973.

WHEREAS, the Local Tax Code enacted under Presidential Decree No. 231 took effect on July 1, 1973; and

WHEREAS, there is an imperative necessity to enact amendatory measures to make the Local Tax Code more responsive and attuned to the changing patterns of business and economic trends and thereby transform it into a more effective instrument by which local governments may generate urgently needed revenues without unduly disturbing price levels in the domestic market;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree, order and make as part of the law of the land the following amendments to the Local Tax Code:

SECTION 1. a. Paragraphs (a), (p), (r), (f-1), (k-1), and (p-1) of Section 3 of the Local Tax Code shall read as follows:

"**SEC. 3. Definitions.** — When used in this Code —

"(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, etc and their by-products; ordinary salt; all kinds of fish; poultry; and livestock and animal products, whether in their original form or when preserved in a more convenient and marketable form through the simple processes of freezing drying salting, smoking, and stripping.

"x x x

"(p) *Hotel* includes any house or building or portion thereof in which any person or persons may be regularly harbored or received as transients or guests. A hotel shall be considered as living quarters and shall have the privilege to accept any number of guests and to serve food to the guests therein.

"x x x

"(r) *License or Permit* is a right or permission granted in accordance with law by a competent authority to engage in some business or occupation or to engage in some transaction.

"(f-1) *Public market* refers to any place, building or structure of any kind designated as such by the local board or council, except public streets, plazas, parks and the like.

"(k-1) *Services* means the duties, work or functions performed or discharged by a government officer, or by a private person contracted by the Government, as the case

"x x x

"(p-1) *Wharfage* means a fee assessed against the cargo of a vessel engaged in foreign or domestic trade based on the quantity, weight or measure received and/or discharged by such vessel."

- b. The following definitions of terms are hereby adopted for inclusion in Section 3 of the Local Tax Code:

"(r-1) *Boarding house* includes any house where boarders are accepted for compensation by the week or by the month, and where meals are served to boarders only.

"(s-1) *Business agent (Agente de negocios)* includes all persons who act as agents of others in the transaction of business with any public officer, as well as those who conduct collecting, advertising, employment, or private detective agencies.

"(t-1) *Cabaret/Dance hall* includes any place or establishment where dancing is permitted to the public in consideration of any admission, entrance, or any other fee paid on, before or after the dancing, and where professional hostesses or dancers are employed.

"(u-1) *Carinderia* refers to any public eating place where foods already cooked are served at a price.

"(v-1) *Collecting agency* includes any person other than a practicing attorney-at-law engaged in the business of collecting or suing debts or liabilities placed in his hands, for said collection or suit, by subscribers or customers applying and paying therefor; while a 'Mercantile Agency' is any person engaged in the business of gathering information as to the financial standing ability, or credit of persons engaged in business, and reporting the same to subscribers or to customers applying and paying therefor.

"(w-1) *Compounder* comprises every person who, without rectifying, purifying, or refining distilled spirits, shall, by mixing such spirits, wine, or other liquor with any materials except water, manufacture any intoxicating beverage whatever.

"(x-1) *Contractor* is deemed synonymous with the term 'Builder' and, hence, any person who undertakes or offers to undertake or purports to have the capacity to undertake or submits a bid, to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck or demolish by building, highway, road, railroad, excavation or other structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or other structures or works in connection therewith. The term contractor includes subcontractor and specialty contractor.

"A 'General Engineering Contractor' is a person whose principal contracting business is in connection with fixed works requiring specialized engineering knowledge and skill, including the following divisions or subjects: irrigation, drainage, water power, water supply, flood control, inland waterways, harbors, docks and wharves, shipyards

and ports, dams, hydroelectric projects, levees, river control and reclamation works, railroads, highways, streets and roads, tunnels, airports and airways, waste reduction plants, bridges, overpasses, underpasses and other similar works, pipelines and other system for the transmission of petroleum and other liquid or gaseous substances, land leveling and earth moving projects, excavating, grading, trenching, paving and surfacing work.

"A 'General Building Contractor' is a person whose principal contracting business is in connection with any structure built, being built, or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trades or crafts, or to do or superintend the whole or any part thereof. Such structure includes sewers and sewerage disposal plants and systems, parks, playgrounds and other recreational works, refineries, chemical plants, and similar industrial plants requiring specialized engineering knowledge and skill, powerhouses, power plants and other utility plants and installations, mines and metallurgical plants, cement and concrete works in connection with the above-mentioned fixed works.

"A person who merely furnishes materials or supplies without fabricating them into, or consuming them in the performance of the work of the general building contractor does not necessarily fall within this definition.

"A 'Specialty Contractor' is a person whose operations pertain to the performance of construction work requiring special skill and whose principal contracting business involves the use of specialized building trades or crafts.

"(y-1) *Dancing school* includes any establishment where ballroom dancing is taught and permitted to the public in consideration of an enrollment, admission, membership, or any other fees.

"(z-1) *Distillers of spirits* comprises all who distill spirituous liquors by original and continuous distillation from mash, wort, wash, sap, or syrup through continuous closed vessels and pipes until the manufacture thereof is complete.

"(a-2) *Lending investor* includes all persons who make a practice of lending money for themselves or others at interest.

"(b-2) *Manufacturers of cigars or cigarettes* includes those whose business it is to make or manufacture cigars or cigarettes or both for sale or who employ others to make or manufacture cigars or cigarettes for sale; but the term does not include artisans or apprentices employed to make cigars or cigarettes from materials supplied by the employer, the latter being lawfully engaged in the manufacture of cigar and cigarettes.

"(c-2) *Manufacturer of tobacco* includes every person whose business it is to manufacture tobacco or snuff, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, or rubbing any raw or leaf tobacco or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco and

snuff, or putting up for consumption scraps, refuse, or stems of tobacco resulting from any waste by sifting, twisting, screening, or by any other process.

"(d-2) *Money shop* is an extension service unit of a banking institution usually operating in public markets with authority to accept money for deposit and extend short-term loans for specific purposes.

"(e-2) *Real estate broker* includes any person, other than a real estate salesman as hereinafter defined, who for another, and for a compensation or in the expectation or promise of receiving compensation, (1) sells or offer, for sale offers to buys or improvements thereon; (4) or shall be employed by or on behalf of the owner or owners of lots or other parcels of real estate at a stated salary, on commission or otherwise, to sell such real estate or any parts thereof in lots or parcels. 'Real estate salesman' means any natural person regularly employed by a real estate broker to perform in behalf of such broker any or all of the functions of a real estate broker. One act of a character embraced within the above definition shall constitute the person performing or attempting to perform the same real estate broker But the foregoing definitions do not include a person who shall directly perform any of the acts aforesaid with reference to his own property, where such acts are performed in the regular course of or as an incident to the management of such property; nor shall they apply to persons acting pursuant to a duly executed power of attorney from the owner authorizing final consumption by performance of a contract conveying real estate by sale, mortgage or lease; nor shall they apply to any receiver, trustee or assignee in bankruptcy or insolvency, or to any person acting pursuant to the order of any court; nor to a trustee selling under a deed of trust. 'Real estate dealer' includes any person engaged in the business of buying, selling, exchanging, leasing, or renting property, as principal and holding himself out as a full or part-time dealer in real estate or as an owner of rental property or properties rented or offered to rent for an aggregate amount of one thousand pesos or more a year. Any person shall be considered as engaged in business as real estate dealer by the mere fact that he is the owner or sublessor of property rented or offered to rent for an aggregate amount of one thousand pesos or more a year: Provided, however, That an owner of sugar lands subject to tax under Commonwealth Act Numbered Five Hundred and Sixty-Seven shall not be considered as a real estate dealer under this definition.

"(f-2) *Rectifier* comprises every person who rectifies, purifies, or refines distilled spirits or wines by any process other than by original and continuous distillation from mash, wort, wash, sap, or syrup through continuous closed vessels and pipes until the manufacture thereof is complete. Every wholesale or retail liquor dealer who has in his possession any still or mash tub, or who keeps any other apparatus for the purpose of distilling spirits, or in any manner refining distilled spirits, shall also be regarded as a rectifier and as being engaged in the business of rectifying.

"(g-2) *Repacker of wines or distilled spirits* includes all persons who remove wines or distilled spirits from the original container for repacking

and selling the same at wholesale.

"(h-2) *Restaurant* refers to any place which provides food to the public and accepts orders from them at a price. This term includes caterers.

"(i-2) *Retail dealer in fermented liquor* includes every person, except retail dealers in tuba, basi, and tapuy, who for himself or on commission sells or offers for sale fermented liquor in quantities of five liters or less at any one time and not for resale.

"(j-2) *Retail leaf tobacco dealer* includes every person who for himself or on commission sells leaf tobacco or offers the same for sale to any person except a registered dealer in leaf tobacco or a manufacturer of cigars, cigarettes, or manufactured tobacco; but the term does not include a planter or producer so far as concern the sale of leaf tobacco of his own production.

"(k-2) *Retail liquor dealer* includes every person, except a retail vino dealer, who for himself or on commission sells or offers for sale wine or distilled spirits (other than denatured alcohol) in quantities of five liters or less at any one time and not for resale.

"(l-2) *Retail vino dealer* includes every person who for himself or on commission sells or offers for sale only domestic distilled spirits in quantities of five liters or less at any one time and not for resale.

"(m-2) *Stockbroker* includes all persons whose business it is, for themselves as such brokers or for other brokers, to negotiate purchases or sales of stock, bonds, exchange, bullion, coined money, bank notes, promissory notes, or other securities; but does not include underwriters for one or more investment companies as defined in the Investment Company Act. 'Dealer in securities' includes all persons who for their own account are engaged in the sale of stock, bonds exchange, bullion, coined money, bank notes, promissory notes, or other securities.

"(n-2) *Wholesale dealer in fermented liquors* means any one who for himself or on commission sells or offers for sale fermented liquors in larger quantities than five liters at any one time, or who sells or offers for sale such fermented liquors (excluding tuba, basi, tapuy and similar domestic fermented liquors) for the purpose of resale, regardless of quantity.

"(o-2) *Wholesale dealer of distilled spirits and wines* comprehends every person who for himself or on commission sells or offers for sale wines or distilled spirits in larger quantities than five liters at any one time, or who sells or offers the same for sale for the purpose of resale irrespective of quantity.

"(p-2) *Wholesale tobacco dealer* comprehends every person who for himself or on commission sells or offers for sale cigars, cigarettes or manufactured tobacco in larger quantities than two hundred cigars, eight hundred cigarettes or five kilos of manufactured tobacco at any one time, or who sells or offers the same for the purpose of resale, regardless of quantity; 'retail tobacco dealer' comprehends every person who for