

**[DOF LOCAL FINANCE CIRCULAR NO. 001-93,
June 16, 1993]**

**PRESCRIBING THE GUIDELINES GOVERNING THE POWER OF
MUNICIPALITIES AND CITIES TO IMPOSE A BUSINESS TAX ON
BANKS AND OTHER BANKING INSTITUTIONS PURSUANT TO
SECTIONS 143(F) AND 151 REPUBLIC ACT NO. 7160,
OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF
1991, AND ITS IMPLEMENTING RULES AND REGULATIONS (IRR)**

Pursuant to the provisions of Sections 143(f) and 151 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (LGC), as implemented by Article 232(f) and 237 of the Implementing Rules and Regulations (IRR), municipalities and cities may impose tax on businesses, including banks and banking institutions.

Accordingly, the following guidelines are hereby prescribed in accordance with Art. 287 of the IRR, to ensure the proper and effective exercise by cities and municipalities of their taxing powers under the LGC, as implemented under Rule XXX of the IRR, for guidance and compliance of all concerned.

SECTION 1. Coverage. - (a) As used herein, the term of "banks or banking institutions" shall refer to persons or entities engaged in the lending of funds obtained from the public through the receipt of deposits or the sale of bonds, securities or obligations of any kind and all entities regularly conducting such operations. The terms "banks" and "banking institutions" are synonymous and interchangeable.

For purposes of this Circular, banks shall be classified as follows:

- (1) Commercial banks;
- (2) Thrift banks composed of -
 - (i) Savings and Mortgage banks;
 - (ii) Stock savings and loan associations;
 - (iii) Private development banks.
- (3) Regional unit banks consisting of rural banks;
- (4) Specialized and unique Government banks like the Development Bank of the Philippines, which are governed by their respective charters.
- (5) Other classes of banks as may be authorized by the Monetary Board of the

Central Bank of the Philippines; and

(6) Branches of the above-cited banks which have been authorized to be established nationwide by the Monetary Board of the Central Bank of the Philippines.

Banking institutions include the following:

(1) Entities regularly engaged in the lending of funds or purchasing of receivables or other obligations with funds obtained from the public through the issuance, endorsement or acceptance of debt instruments of any kind for their own account, or through the issuance of certificates of assignments or similar instruments with recourse, trust certificates, or of repurchase agreements, whether any of these means of obtaining funds from the public is done on a regular basis or only occasionally;

(2) Entities regularly engaged in the lending of funds which receive deposits only occasionally; and

(3) Trust companies, building and loan associations, non-stock savings and loan associations.

(b) Head Office - shall refer to the main office of the banking institution indicated in the pertinent documents submitted to the Securities and Exchange Commission (SEC) and to other appropriate agencies; the city or municipality specifically mentioned in the Articles of Incorporation and other official registration papers as being the official address of said "Head Office" shall be considered as the site thereof.

(c) Branch - a fixed place in a locality established as a branch of a banking institution, as authorized by the Monetary Board of the Central Bank of the Philippines. However, a regional or extension offices of banks and banking institutions shall not be considered as a branch.

SECTION 2. Tax on the Gross Receipts of Banks and Banking Institutions. - (a) The tax on banks and banking institutions may be levied on their gross receipts for the preceding calendar year, as follows:

(1) By municipalities, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross receipts for the preceding calendar year; and

(2) By cities including municipalities within the Metropolitan Manila area, at a rate not exceeding seventy five percent (75%) of one percent (1%) of the gross receipts for the preceding calendar year.

(b) For this purpose, gross receipts shall only include the following:

(1) Interest from loans and discounts - this represents interest earned and actually collected on loans and discounts. The following is a breakdown:

(i) Discounts earned and actually collected in advance on bills discounted;

(ii) Interest earned and actually collected on demand loans;