

[DBM-DILG-DOF JOINT CIRCULAR NO. 99-2, April 20, 1999]

GUIDELINES AND PROCEDURES ON THE RELEASE OF THE TWO PER CENT (2%) SHARE OF LOCAL GOVERNMENT UNITS (LGUS) IN THE GROSS INCOME EARNED BY ALL BUSINESSES WITHIN THE SPECIAL ECONOMIC ZONES

I. Scope

1.1 These guidelines and procedures are issued to implement the provisions on the sharing, distribution and manner of disposition of the two per cent (2%) share of the concerned LGUs from the total collection equivalent to five per cent (5%) of the Gross Income Earned by all businesses within the Subic, Clark, John Hay, Poro Point Special Economic and Free Port Zones and the other special economic zones under the Philippine Economic Zone Authority (PEZA) pursuant to the following:

- 1.1.1 R.A. No. 7227 entitled, "An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds Therefor and for other Purposes", and
- 1.1.2 R.A. No. 7916 entitled, "An Act Providing the Legal Framework and Mechanism for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine Economic Zone Authority."

2.0 Purpose

- 2.1 To provide the implementing and procedural guidelines on the release of funds to local government units which are entitled to the 2% share in the gross income earned by all businesses within the Special Economic Zones;
- 2.2 To delineate the responsibilities of the DILG, DBM and DOF thru BIR in the allocation and release of funds to the LGUs;
- 2.3 To enhance tax collections in coordination with LGUs.

3.0 Definition of Terms

3.1 For purposes of this Joint Circular, the following terms shall be construed to mean, as follows

- 3.1.1 Special Economic Zones (ECOZONES) — pertain to selected areas with highly developed, or which have the potential to be developed into, agro-industrial, industrial, tourist/recreational, commercial, banking,

investment and financial centers. These areas include Subic, Clark, John Hay, Poro Point Special Economic Zones and Free Port Zones and the ECOZONES established under the PEZA.

3.1.2 Gross Income Earned (GIE) — refers to gross sales or gross revenues derived from registered business activities within the ECOZONES, net of sales discounts, sales returns and allowances and minus cost of sales, cost of production or direct costs of services (depending on the nature of business) but before any deduction is made for administrative expenses or incidental losses during a given taxable period.

3.1.3 Internal Revenue Tax Collection Base (IRTCB) — refers to the total internal revenue collections after all authorized deductions as enumerated under Annex "A" hereof, have been made by BIR. Forty percent (40%) of this amount is allocated for Internal Revenue Allotment of the LGUs.

4.0 General Guidelines

4.1 All registered enterprises which conduct their business activities inside Subic, Clark, John Hay and Poro Point Special Economic Zones and all the Special Economic Zones under PEZA shall, in lieu of paying local and national taxes, pay five percent (5%) final tax on their GIE to the BIR.

4.2 Concerned LGUs shall be entitled to a 2% share out of the 5% final tax on GIE, which is equivalent to 40% of the total tax collected, proportionately divided into the following:

4.2.1. One per cent (1%), which is equivalent to 20% of the total tax collected, to the LGUs affected by the declaration of the ECOZONE; and,

4.2.2 One per cent (1%), which is equivalent to 20% of the total tax collected, to the Special Development Fund (SDF) of each concerned LGUs outside and contiguous to the base/ECOZONE areas.

4.3 The allocation of the 1% share of the affected LGUs and 1% SDF shall be distributed on the basis of 50% population, 25% land area and 25% equal sharing. The base data to be used shall be consistent with the DBM formula of allocating the Internal Revenue Allotment (IRA), as follows:

4.3.1 For population, the census figures from the National Statistics Office using the same cut-off dates as that used by DBM.

4.3.2 For land area, the certified Masterlist of Land Area issued by the Land Management Bureau of the Department of Environment and Natural Resources.

5.0 Specific Responsibilities of each Department

5.1 The DOF thru BIR shall: