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Community Tax

PROBABLY, community tax is the most neglected in Philippine taxation, especially among individual taxpayers. For one reason, the amount is not really significant. Moreover, a community-tax certificate (CTC) could be easily secured when needed without going through rigorous technical procedures as, in fact, an individual taxpayer could easily secure the same anywhere in the country, even on the streets. To many of us, payment of community tax has become a mere compliance rather than an obligation.

The significance of the community-tax certificate (cedula) has been recognized during the Spanish era, particularly in a ritual which we now know as the "Cry of Pugad Lawin" or "Cry of Balintawak," where members of the Katipunan secret society (Katipuneros) led by Andres Bonifacio rose in revolt somewhere in Caloocan and tore down their cedula to mark their separation from Spain.

Today, the community-tax certificate still exists and the law governing the same has not been torn away from the pages of our law books, many years after the Katipuneros tore their cedula. The power to impose community tax remains to be a component of the tax power of the state. Community tax, if well administered, still stands as a good source of government income, particularly among cities and municipalities.

Under Section 161(a) of the Local Government Code of 1991 (Republic Act 7160), taxpayers who are covered under the law shall pay the community tax not later than the last day of February (February 29 for year 2012) of each year. Late payment of the same exposes the taxpayer to interest payments and penalties.

The following are liable to pay community tax:

1. Every inhabitant of the Philippines 18 years of age or over who has been regularly employed on a wage or salary basis for at least 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 P1,000 or more, or who is required by law to file an income-tax return shall pay an annual additional tax of P5 and an annual additional tax of P1

for every P1,000 of income, regardless of whether from business, exercise of profession or from property which in no case shall exceed P5,000.

2. 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 P500 and an annual additional tax, which in no case shall exceed P10,000.

While under the Local Government Code there are certain individuals who are not required to pay community tax, Section 163 of the same code, however, requires the presentation of community-tax certificate on some occasions, among which are as follows: when an individual subject to the community tax acknowledges 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 or wage from any person or corporation with whom such transaction is made or business done or from whom any salary or wage is received.

Under Section 160 of the Local Government Code, the community tax should be paid in the place of residence of the individual, or in the place where the principal office of the juridical entity is located. This is supposed to create a presumption that the taxpayer is a bona fide resident in the city or municipality that issued the community-tax certificate. This presumption holds true for juridical entities. However, for individual taxpayers, the presumption does not stand now because of the lax implementation of the law. An individual taxpayer could just pay the minimum even if under the law, he should pay more, and he could just pay in any city or municipality even if he is not a resident there. For understandably and under normal circumstances, no city or municipality would spend so much resources and time to ascertain if the taxpayer really resides within the territorial jurisdiction of the city or municipality. The city or municipality, as the case may be, will not of course resist the inflow of wealth.

For juridical entities maintaining branches in different locations, the community tax should be paid only in the city or municipality where the principal office is located. The entity need not pay the tax in the cities or municipalities where branch offices are located.

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