

# Impact of the Coronavirus Disease of 2019 Pandemic on Local Amusement Tax Collection of Local Government Units in the Philippines\*

## I. INTRODUCTION

The Coronavirus Disease of 2019 (COVID-19) pandemic has compelled the Philippine government to enforce lockdown measures to minimize, if not stop the spread of the disease. In addition, stay-at-home directives, physical distancing protocols, and prohibition on mass gatherings were also adopted as safety precautions.

During the period of enhanced community quarantine and the modified enhanced community quarantine, non-essential businesses were compelled to close shops while some essential businesses were allowed to operate. Among the businesses that are considered non-essential are those that belong to the amusement and entertainment sector such as movie theaters, malls, clubs, etc.

This study assesses the impact of COVID-19 on amusement tax revenue of the local government units (LGUs) and the impact of the “new normal” on their ability to contribute to the needed revenues of the LGUs. The study also presents the imposition of amusement taxes in other jurisdictions.

## II. AMUSEMENT TAXES IN THE PHILIPPINES

There are two types of amusement taxes in the Philippines. The first is imposed by the National Government through the Bureau of Internal Revenue (BIR) based on Section 125 of the National Internal Revenue Code (NIRC) of 1997, as amended. The second type is the local amusement tax imposed by the province, city, and municipality within Metropolitan Manila Area (MMA) as provided under Section 140 of the Local Government Code (LGC) of 1991, as amended.

The amusement taxes under Section 125 of the NIRC of 1997, as amended, are based on gross receipts of the proprietors, and include income from television, radio, and motion

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picture rights, if any. The applicable amusement tax rate on proprietors, lessees, or operators of certain places of amusement varies depending on the type of activities, viz.:

- (a) Eighteen percent in the case of cockpits;
- (b) Eighteen percent in the case of cabarets, night or day clubs;
- (c) Ten percent in the case of boxing exhibitions;
- (d) Fifteen percent in the case of professional basketball games as envisioned in PD No. 871. The tax is in lieu of all other percentage taxes of whatever nature and description; and
- (e) Thirty percent in the case of jai-alai and racetracks irrespective of whether or not any amount is charged for admission.

Higher taxes are imposed on operators of cabarets, night/day clubs, cockpits, jai-alai, and racetracks compared to those promoting sports entertainment, since the rate of taxes are justified on moral and economic reasons (Limon, 2004). Gambling is seen as an unproductive and an obstructive habit, hence, higher tax rates imposed serve as a hindrance to these kinds of misallocation of effort and resources.

In 2010, the BIR issued Revenue Memorandum Circular (RMC) No. 18-2010 to clarify the coverage and taxability of amusement places under Section 125(b) of the NIRC of 1997, as amended, by classifying videoke bars, karaoke bars, karaoke televisions, karaoke boxes, and music lounges as amusement places subject to amusement tax of 18%. However, the Court of Tax Appeals (CTA) *En Banc* (2019) ruled that RMC 18-2010 cannot validly change, expand, or widen the scope or meaning of the terms “cabaret” and “night and day clubs” as defined under the NIRC of 1997, as amended, and existing jurisprudence. In addition, the CTA *En Banc* stressed that dancing (not dining) is the main business of cabarets, night and day clubs (Commissioner of Internal Revenue *v.* Hard Rock Café (Makati City), Inc., 2019).

On the other hand, Section 140 of the LGC of 1991, as amended by Republic Act (RA) No. 9640, states that amusement tax is payable by proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia, and other places of amusement at a rate of not more than 10% of the gross receipts from admission fees. Section 131 of the LGC of 1991, as amended, defines the term “amusement” as pleasurable diversion and entertainment. It is synonymous to relaxation, avocation, pastime or fun while “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 performance.

Section 140 of the LGC of 1991, as amended, also provides the guidelines and limitations in the imposition of 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 10% of the gross receipts from admission fees;

- (b) In the case of theaters or cinemas, the tax shall first be deducted and withheld by 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 Sangguniang Panlalawigan may prescribe the time, manner, terms, and conditions for the payment of the tax. In case of fraud or failure to pay the tax, the Sangguniang Panlalawigan may impose such surcharges, interests, and penalties; and
- (e) The proceeds from the amusement tax shall be shared equally by the province and the municipality where such amusement places are located.

Similar to amusement tax under the NIRC of 1997, as amended, the coverage of local amusement tax was also clarified by the Supreme Court in several cases. The landmark case of *Pelizloy v. The Province of Benguet* (2013) construed the term “other places of amusement” as not including resorts, swimming pools, bath houses, hot springs, and tourist spots. This is under the principle of *ejusdem generis*, “where a general word or phrase follows an enumeration of particular and specific words of the same class or where the latter follow the former, the general word or phrase is to be construed to include, or to be restricted to persons, things, or cases akin to, resembling, or of the same kind or class as those specifically mentioned”. The Supreme Court also stressed that in referring to places of amusement, one must see first the enumeration of theaters and the like as the common grounds where one seeks admission to entertain oneself for viewing or seeing shows or performances.

The Supreme Court also ruled that golf courses cannot be considered a place of amusement because people do not enter a golf course to see or view a show or performance and the proprietor or operator of the golf course does not actively display, stage, or present a show or performance (*Alta Vista Golf and Country Club v. City of Cebu*, 2016). In another case, the CTA ruled that the petitioner failed to present clear and credible evidence to convince the Court that a cockpit arena is within the ambit of the phrase “other places of amusement” (*Province of Camarines Sur v. Fulgentes Cockpit Arena*, 2015). Likewise, it was ruled in *Philippine Basketball Association v. CTA* (2000) that professional basketball games are not covered by the local amusement tax. A Bureau of Local Government Finance (BLGF) opinion (Carlos, 1994) also emphasized the fact that restaurants that also employ singers and other entertainers to perform live are considered not liable to pay the tax.

### III. IMPACT OF COVID-19 ON AMUSEMENT TAX COLLECTIONS

#### A. Revenue Collection from Amusement Taxes

Revenue collections from amusement taxes are relatively insignificant as compared to other types of taxes. Nevertheless, amusement taxes are sources of revenue for both local and national government. In particular, the local amusement tax is one of the locally-sourced revenues of LGUs. Other locally-sourced revenues are real property taxes (RPT), local business tax, and other local taxes, fees, and charges. On the other hand, the national amusement tax is one of the percentage taxes imposed under the Title V of the NIRC of 1997, as amended.

For 2014 to 2018, total average collection from local and national amusement taxes were P887.72 million and P134.50 million, respectively. It is observed that the revenue from the national amusement tax was substantially lower than the local amusement tax despite higher rates (10% to 30% vs. 10%) and broader tax base (gross receipts vs. gross receipts from admission fees). The higher local amusement tax revenue can be explained by the broader coverage of the local amusement tax compared to the national amusement tax, which are limited only to the enumerated activities under Section 125 of the NIRC of 1997, as amended.

In terms of performance, the local and national amusement taxes revenue generally increased from 2014 to 2018 with an average growth of 7.76% and 10.71%, respectively. Specifically, the local amusement tax collection increased from P740.50 million in 2014 to P980.50 million in 2018, while the national amusement tax revenue grew from P118.90 million in 2014 to P170.20 million in 2018. It is observed that the highest growth rate posted by the local amusement tax is 22% in 2015 while the national amusement tax recorded an increase of 30% in 2018. (See Table 1.)

Table 1

*Comparison of Total Local and National Amusement Tax Collection  
2014-2018  
(Amounts in Million Pesos)*

	<b>Total Local Amusement Tax</b>	<b>Total National Amusement Tax</b>	<b>Total</b>
2014	740.50	118.90	859.40
2015	904.40	112.00	1,016.40
2016	856.60	140.50	997.10
2017	956.60	130.90	1,087.50
2018	980.50	170.20	1,150.70
<b>Average</b>	<b>887.70</b>	<b>134.50</b>	<b>1,022.20</b>

Sources of basic data: BIR and BLGF as of 2019.

## B. Local Amusement Tax Collections, By LGU Level

As mentioned earlier, the collection of amusement taxes is marginal in comparison to other locally-sourced taxes. Data shows that for CYs 2014-2018, the average contribution of amusement tax collected by cities is 0.63%, provinces 0.17%, and municipalities 0.15% (BLGF, 2019). (See Table 2.) This is relatively small compared to other local taxes collected, particularly the RPT. (See Annex A.)

Table 2

*Average Amusement Tax Collection by Level of LGU, 2014-2018  
(Amounts in Million Pesos)*

	Provinces	Cities	Municipalities	Total
Amusement Tax	40.39	795.26	52.05	887.70
Local Sources	24,237.09	127,151.45	33,741.86	185,130.40
Total Revenue	139,420.39	241,648.60	196,097.27	577,166.26
Amusement Tax to Local Sources (%)	0.17	0.63	0.15	0.48
Amusement Tax to Total Revenue (%)	0.03	0.33	0.03	0.15

Source of basic data: BLGF as of December 9, 2019.

*Note.* Based on LGUs that submitted data to the BLGF.

Among the LGUs, cities collected the highest revenue from amusement tax since most amusement establishments are located in the cities. Table 3 shows the list of cities that have collected amusement taxes for CYs 2014 – 2018.

Table 3

*Highest 10 and Lowest 10 Cities Collecting Amusement Taxes, Average, CYs 2014-2018  
(Amounts in Peso)*

Highest 10 Cities		Lowest 10 Cities	
City	Average	City	Average
Quezon City	145,495,238	Cabadbaran City	13,200
Pasay City	62,066,815	San Carlos City (Negros Occidental)	17,310
Makati City	55,862,138	Cavite City	19,864
Taguig City	44,006,011	Maasin City	21,894
Davao City	40,639,892	Tacurong City	32,817
Mandaluyong City	37,458,455	Vigan City	62,682
Santa Rosa City	31,095,421	Escalante City	66,963
Manila City	19,470,703	Oroquieta City	68,937
Muntinlupa City	19,422,410	Urdaneta City	85,634
Cagayan de Oro City	17,036,759	Tabaco City	87,506

Source of basic data: BLGF as of December 9, 2019.

*Note.* Based on LGUs that submitted data to the BLGF.

See Annexes B, C, and D.

It is not surprising that Quezon City collected the highest revenues from amusement tax considering the significant number of amusement establishments in the city. As of December 2018, there were 50 newly registered amusement-related businesses and 484 with renewed permits, as opposed to its 2017 data of 92 and 434, respectively (Quezon City Government, 2018). The data shows an increase in the number of registered amusement establishments in the City, not including those that have only just filed, and those that still have not submitted their reports to the city. In comparison to amusement taxpayers of national amusement taxes, there was an increase of 2,446 taxpayers, from 755 in 2018 to 3,201 in 2019. However, there was a -78.20% decrease in the amount of amusement taxes collected, from P343.36 million in 2018 to P74.84 million in 2019 (BIR, n.d.). Hence, it might also explain the higher amount of amusement taxes collected by LGUs than the national government.

On the other hand, Cabadbaran City in Agusan del Norte had the lowest revenue from amusement tax. Although the revenue from the said tax increased to P28,000 in 2015, it continued to drop to P16,000 in 2016 and P4,000 in 2018 (BLGF, 2019). Cabadbaran City is primarily a tourist spot well-known for its cultural heritage sites and beaches that offer leisure activities such as hiking, camping, and swimming, which are not subject to amusement tax.

### **C. The COVID-19 Impact to Local Amusement Tax Revenue**

The COVID-19 pandemic resulted to the cancellation of various entertainment events due to the community quarantine and strict enforcement and compliance of stay-at-home directives of the government. These entertainment events and activities could have been key sources of amusement taxes.

Specifically, the LGUs in the Greater Manila Area were severely affected given that almost half of the amusement taxes contributors are located in this area. In response to the lockdown, go-to places such as malls, theaters, and concert halls were closed for the time being. As such, events were suspended and, even movies and concerts were cancelled. Thus, a considerable revenue loss from amusement taxes are expected.

As gathered, the following concerts were cancelled or rescheduled due to the COVID-19 pandemic (See Table 4.):

Table 4

*Scheduled Concerts from March 14 to May 20, 2020  
(Amounts in Peso)*

<b>Concerts</b>	<b>Supposed Date of Release</b>	<b>Venue</b>	<b>Seating Capacity</b>	<b>Ticket Price Range</b>
Green Day	March 14	MOA	15,000	2,200 - 9,850
Slipknot	March 29	Amoranto Stadium	15,000	2,300 - 6,890
Khalid	April 2	MOA	15,000	1,850 - 8,450
Stray Kids	April 25	MOA	15,000	2,500 - 13,500
One OK Rock	May 2	Araneta Coliseum	16,500	2,800 - 8,500
Avril Lavigne	May 20	Araneta Coliseum	16,500	1,050 - 8,925

Source: Various sources

Due to paucity of data, the estimated foregone amusement tax revenue is computed based on the concert ticket prices and seating capacity of venues. It is assumed that only 50% of the seating capacity is sold at the lowest ticket price. Based on these data, the estimated foregone revenue from the six concert events is about P9.81 million.

In the case of amusement tax from movie theaters, the estimated foregone revenue is about P270,625 per screening or P1.08 million for four movie screening per theater, per day. The estimate is based on 433 theaters and supposing that 50% of the assumed 50 seating capacity is sold at P250 per movie ticket. (See Table 5.) During the initial enhanced community quarantine from March 17 to May 31, 2020 or 77 days, the estimated foregone revenue from local amusement tax is about P83.74 million based on four screenings per day of 433 cinemas at 25 tickets sold per screening and P250 price per ticket.

Table 5

*Estimated Revenue Loss from Amusement Tax on Movie Theaters  
(Amounts in Peso)*

Movie theaters	Number*	Assumed Tickets Sold Per Show**	Assumed Ticket Price	Amusement Tax Rate (%)	Estimated Foregone Revenue per showing	Estimated Foregone Revenue per day
Araneta City Complex	23	25	250	10	14,375	57,500
Ayala Mall Cinemas	82	25	250	10	51,250	205,000
Ever Gotesco Cinemas	8	25	250	10	5,000	25,000
Megaworld Lifestyle Malls	25	25	250	10	15,625	62,500
Robinsons Movieworld	45	25	250	10	28,125	112,500
SM Cinemas	150	25	250	10	93,750	375,000
Vista/Starmall Cinemas	22	25	250	10	13,750	55,000
Others	78	25	250	10	48,750	195,000
<b>Total</b>					270,625	1,087,500

\*Source: Respective websites. (See References).

\*\*Assumed 50% of 50 seat capacity per theater and four screening per day.

In this regard, the cancellation and suspension of the abovementioned activities due to community quarantine and physical distancing protocols resulted to foregone revenues of LGUs from this source. Based on the SM Prime Holdings financial reports,<sup>13</sup> the showing of several blockbuster films in 2019 such as “Avengers: Endgame”, “Frozen 2”, and “Hello Love, Goodbye”, as well as other events, increased ticket sales in SM cinemas by 6% (SM Prime Holdings, 2019, p.34). Due to the suspension of cinema operations from the first quarter of 2020, cinema and event ticket sales dropped by 74.62%, from P4.14 billion in the third quarter of 2019 to P0.61 billion in the third quarter of 2020 (SM Prime Holdings, 2020) (See Table 6.). However, since the collection of mall cinemas’ amusement taxes does not comprise the whole of amusement tax collection in the Philippines, the decrease in revenues of SM Prime Holdings will decrease the amusement tax revenue of concerned LGUs for the year 2020.

<sup>13</sup> The Ayala Corporation and Robinsons Retail Holdings financial statements do not specify the amount of revenues generated from their cinema/film ticket sales. Thus, generated revenues indicated from the SM Prime Holdings were used to gauge the impact of the pandemic on ticket sales and amusement tax collection.

Table 6

*Estimated Amusement Tax Revenue Loss from SM Prime Holdings  
(Amounts in Million Pesos)*

<b>Particulars</b>	<b>Average (2015-2019)</b>	<b>As of September 30, 2020</b>	<b>Difference</b>	<b>As of September 30, 2019</b>
Cinema and event ticket sales*	4,999.69	610.15	3,530.16	4,140.31
Growth rate (%)	5.52	-	-	-
Estimated Total Basic Amount	4,545.18	554.68	3,209.23	3,763.91
Estimated Total Amusement Tax	454.52	55.47	320.92	376.39

\*The total price of SM Cinema tickets includes 10% amusement tax. It also includes cultural tax (e.g., Pasay City) and other applicable ordinances of the concerned local government units.

Source: SM Prime Holdings, Inc. and Subsidiaries Consolidated Statements of Income for the period 2014-2019 and its Unaudited Interim Consolidated Statements of Income for the nine-month periods ended September 30, 2020.

Based on the data, the estimated revenue loss of concerned LGUs reached P376.39 million as of September 30, 2020. Table 6 also shows the amusement tax revenue for the third quarter of 2020 (P55.47 million) is expected to decline by P320.92 million, or 85.26%, as compared to the computed tax revenue of P376.39 million in 2019. It should be noted that revenue foregone on the tax collections is only for SM Prime Holdings. Based on Table 5, 150 cinemas in Metro Manila are owned by SM; while 283 other cinemas are owned by other malls. Hence, the inclusion of information from other cinema proprietors, which also stopped operations during the lockdown, would mean a significant decrease in the amusement tax collection.

But in order to start booting up the economy, lockdown restrictions were slightly lifted during the second and third quarter of 2020, and as such, by the end of the second quarter, some malls and movie theaters have made plans for opening up to the public, and by the third quarter, some of them have opened up to the public under strict protocols. Some malls have limited working hours, while other malls have adopted a drive-in cinema, such as the experience for SM City Pampanga (Manila Times, 2020). This was received well by those with financial capacities and car owners, and as such, the first film to be shown there, which was “Train 2 Busan,” achieved high opening sales (Manila Times, 2020).

On the other hand, as 2020 data is not yet available, the national amusement tax revenue is also expected to drop because of the pandemic. For instance, cockfighting or “sabong” events were also cancelled. World Slasher Cup (2020) website shows that the World Slasher Cup 2 Invitational 9-cock Derby that was scheduled on May 18 to 24 at the Smart Araneta Coliseum was cancelled due to the pandemic. This is a significant loss of amusement tax collection for the national government as the ticket prices for the said event ranged from P1,200 to P1,800.

Although local and national amusement taxes revenues are insignificant as percentage of total tax revenue of the local (<0.50%)<sup>14</sup> and national government (<0.03%)<sup>15</sup>, it is still a reliable revenue source because these contribute income that can be used to finance various social and economic programs of the government.

#### IV. AMUSEMENT TAXES IN OTHER JURISDICTIONS

In light of the pandemic, LGUs must now focus on the revenues they can collect in order to support themselves, apart from the national allocations granted to them. To this end, the Philippines can examine and learn from other countries such as the United States of America (USA), Canada, and Taiwan's practice on the imposition of amusement tax. These countries also impose taxes similar to the Philippines. The state and local governments of these countries have the authority to impose their own taxes, thus entertainment tax structure varies across states/local governments, which is the same in the Philippines. (See Table 7.)

Table 7

*Selected Cities Imposing Amusement Taxes in USA and Canada*

	<b>States/ Local Governments</b>	<b>Tax Rate</b>
USA	Bloomington, Illinois	4% of exhibitive amusements
	Maryland	1% to 10% of gross receipts If subject to both sales and Admission and Amusement (A&A) tax, A&A tax cannot be greater than 5%.
	Chicago	9% on exhibitions 5% on theatrical 9% on streaming services
	Philadelphia	5%
	Pittsburgh	4.76% for amusement venue admissions 10% on refreshment prices
	Phoenix	2.3% Privilege License Sales Tax

<sup>14</sup> 2014-2018 average local amusement tax revenue of P887.70 million divided by 2014-2018 average locally-sourced revenue of P185,130 million.

<sup>15</sup> 2014-2018 average national amusement tax revenue of P514.57 million divided by 2014-2018 average total BIR collection of P1,619,113 million.

	<b>States/ Local Governments</b>	<b>Tax Rate</b>
Canada	Ontario	13%
	Regina	10%
	Saskatoon	Based on admission fees
	Winnipeg	10%

Source: Respective websites (See References).

In the City of Bloomington, Illinois, the rate of 4% is applied to gross receipts of exhibitive amusements, or those viewed without participation of the patron, exchanged for a payment of a fee or charge, such as movie or game rentals, cable television subscriptions, coliseum, zoo, and sporting events (City of Bloomington, n.d.) In Maryland, the state holds that if the local government imposes an A&A tax, the admission and amusement sales are not subject to the Maryland sales tax, and vice versa. The A&A tax is from 1% up to not exceeding 10% of gross receipts, but if the transaction is subject to both the sales tax and A&A tax, the A&A tax cannot exceed 5% (Ford, 2015). Chicago charges an amusement tax of 9% on exhibitions, performances, and other recreational activities, while a 5% tax is charged on live theatrical, musical, and other live cultural performances (KPMG, 2016, p.28). Other samples of tax on amusement or entertainment include the states of Wyoming, Vermont, and Mississippi that impose extra taxes on iTunes music (Liberty Justice Center, 2015).

The different states in America have also explored the possibility of imposing amusement taxes on digital streaming services. However, since there were several different interpretations of the law regarding amusement taxes, only a few states have succeeded in taxing digital platforms. South Carolina and Florida have subjected video streaming services to their telecommunication taxes, but in Kentucky, it was ruled that Netflix does not fit the descriptions for a multichannel video programming distributor (MVPD) (Cochair, 2019). Chicago, however, managed to tax video streaming services under its current amusement tax laws that may allow other states into following its lead. In 2018, it was ruled that Chicago's city tax of 9% amusement tax on streaming services is constitutional, which will include that other electronic amusement devices such as jukeboxes or video arcade games be taxed differently (Holland, 2019). On the other hand, the state of Philadelphia charges 5% on concerts, movies, athletic contests, night clubs, and convention show; the city of Pittsburgh charges 4.76% for amusement venue admissions, and 10% on refreshment prices; and the city of Phoenix charges a municipal amusement tax rate of 2.3%, also called the Privilege License (Sales) tax (KPMG, 2016).

Local governments in Canada continue to face growing demand for services, thus other sustainable and permanent progressive revenue sources are needed. Respective local governments have different amusement tax rates. In Ontario, places of amusement are imposed with 13% tax, but in the city of Regina, commercial movie theaters are levied at 10% (KPMG, 2016, p.26). In the city of Saskatoon, amusement tax rates are based on the admission or entrance fees, and the city of Winnipeg has a 10% tax on entertainment facilities. Diverse

revenue and financing sources support local governments broaden the range of revenue options and more progressive revenues that aid build financially strong communities.

In Taiwan, the Feast and Amusement Tax Law was put into place in April 1942 for local governments to improve their finances, as well as improving social custom. It was later abolished in June 1980 and was integrated into the business tax, and the Amusement Tax Law was enacted as a basis for the assessment of the said tax, and is now followed by the different administrative divisions that Taiwan holds power over (Local Tax Bureau Hsinchu City, 2015). Like other countries, the taxpayers shoulder this tax, with the providers and sponsors of the entertainment halls being responsible only for collecting the tax. In light of this, the maximum tax rates that the law specifies shall be prescribed by the provincial and city governments. Correspondingly, different cities have their own tax rates. For example, Tainan City implements a considerably smaller amusement tax rate (Finance and Local Tax Bureau, Tainan City, 2018). Table 8 shows the prescribed maximum rates of amusement taxes in Taiwan, and the actual rates in Tainan City:

Table 8

*Taiwan Amusement Tax Classification and Legal Maximum Rates*

Classification	Maximum Rates (in %)	Actual Rates in Tainan City* (in %)
The cinema		
Chinese language films	30	0.5
Foreign language films	60	1
Professional singing, story-telling, dancing, circus, magic, acrobatic shows, and all kinds of performances in night clubs	30	5
Drama, music performances and amateur singing, dancing, etc.	5	1
All kinds of skill competitions and contests	10	2.5
Dance halls	100	25
Golf clubs/range	20	5
Other activities that are provided as a form of recreation for consumers (i.e. mobile theme park, MTV KTV, video games, mobile yacht, power air vehicle)	50	1-5

Source: Local Tax Bureau Hsinchu City, 2015.

\*Source: Finance and Local Tax Bureau, Tainan City, 2018.

In Keelung City, various amusement tax rates are applied. According to the Local Tax Bureau of Keelung City (n.d.), the following are some of the maximum legal rates: a) monetary receipts have tax stamps at 0.4% of the amount received, with the exception of 0.1% for the money deposited by bidders; b) contracting agreement for 0.1% of the contract price; and c) contracts for sale of movables at NTD2 per piece.

Taiwan also provides the following exemptions from amusement tax:

- a. Amusement activities sponsored by educational, cultural, public interest, charity institutions, or organizations deemed a public interest social organization or foundation under the General Provisions of the Civil Code or duly registered with the competent authorities pursuant to other related laws or regulations where the total proceeds are used exclusively by said institution or organization;
- b. Amusement activities where the total proceeds after deducting necessary expenses are used for disaster relief or military morale purposes; but such deductible expenses are limited to 20% of the total proceeds; and
- c. Cultural or amusement activities provided temporarily and free of charge for employees by institutions, organizations privately-owned or publicly-owned enterprises, schools and other organizations.

## V. CONCLUSION AND RECOMMENDATIONS

The COVID-19 has a large impact on the country's economy especially on tax revenue. LGUs, which are leading the fight against the COVID-19, need a more stable source of revenue to finance their different programs and activities to provide services to their constituents especially during this time of pandemic. However, LGUs should not only rely on the fiscal support and allocations from the national government. Thus, it is necessary for LGUs to find and explore other means to increase their revenue sources such as the imposition of local amusement tax.

As it stands and as construed by the Supreme Court in various cases, Section 140 of the LGC of 1991, as amended, is limited only to theaters, cinemas, concert halls, circuses, and other places of amusement where one seeks admission to entertain oneself by seeing or viewing the show or performance. In this regard, the coverage of local amusement tax may be broadened to include places that may be considered as place of amusement. In addition, the phrase "places of amusement" must be defined appropriately so as to include other establishments that may be considered as such. However, legislative action is necessary to expand the coverage of the present local amusement tax.

The pandemic suspended or cancelled most, if not all, entertainment shows and programs. However, there are online streaming shows that can still be classified as sources of amusement. The LGUs can tap these sites as sources of tax revenues as the country enters the chapter of the "new normal." People are advised to stay at home and limit leaving their residences and avoiding populated areas. Their constant seclusion encourages people to access video streaming sites as a form of entertainment. The case of Chicago may be taken into consideration in studying the feasibility of imposing local amusement tax on video sites and subscription channels.

LGUs need a broader range of revenue tools. These should include revenue sources that automatically grow with the economy, and at present live streaming may be closely considered as an additional revenue source of LGUs. However, it is crucial that social and economic issues are taken into consideration so that new funding sources shift costs fairly on those who can most afford to pay. The different revenue sources available to LGUs should follow the rules of assessing the benefits and drawbacks of each revenue source, with an emphasis on their fairness. The administrative aspect of the imposition of the tax should also be considered.

Accordingly, the Congress should consider reviewing the LGC of 1991, as amended, to align the limitations and taxing powers of LGUs to modern business models. For instance, expanding the coverage of local amusement tax may be explored by policymakers to provide additional revenue to LGUs. Expanding the local amusement tax coverage will give sufficient leeway for the local Sanggunian to explore other activities that may be covered by the local amusement tax.



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## Annex A

Amusement Tax Collections, Per Type of LGU,  
CY 2014-2018 (In Pesos)

	Provinces					Average
	2014	2015	2016	2017	2018	
Amusement Tax	31,448,790	36,233,125	39,544,698	42,053,225	52,677,946	40,391,557
Local Sources (LS)	18,782,658,137	22,354,421,059	23,908,125,781	26,988,900,147	29,151,328,534	24,237,086,732
Total Revenue (TR)	104,814,119,548	124,473,081,085	138,906,669,017	156,179,842,838	172,728,225,586	139,420,387,615
Amusement Tax to LS (%)	0.17	0.16	0.17	0.16	0.18	0.17
Amusement Tax to TR (%)	0.03	0.03	0.03	0.03	0.03	0.03
	Cities					Average
	2014	2015	2016	2017	2018	
Amusement Tax	659,937,423	822,337,772	766,848,450	859,913,498	867,285,484	795,264,525
Local Sources	103,709,061,144	118,470,989,801	124,844,941,203	140,869,493,110	147,862,772,835	127,151,451,619
Total Revenue	193,499,715,072	231,111,187,014	241,664,870,836	262,484,951,147	279,482,260,952	241,648,597,004
Amusement Tax to LS (%)	0.64	0.69	0.61	0.61	0.59	0.63
Amusement Tax to TR (%)	0.34	0.36	0.32	0.33	0.31	0.33
	Municipalities					Average
	2014	2015	2016	2017	2018	
Amusement Tax	49,077,146	45,786,301	50,250,050	54,589,002	60,531,793	52,046,858
Local Sources	27,655,549,721	30,745,463,802	32,315,031,914	37,058,558,401	40,934,688,484	33,741,858,464
Total Revenue	146,749,639,169	177,674,393,678	199,246,617,681	214,569,739,270	242,245,971,742	196,097,272,308
Amusement Tax to LS (%)	0.18	0.15	0.16	0.15	0.15	0.15
Amusement Tax to TR (%)	0.03	0.03	0.03	0.03	0.02	0.03
	All LGUs					Average
	2014	2015	2016	2017	2018	
Amusement Tax	740,463,358	904,357,197	856,643,198	956,555,724	980,495,223	887,702,940
Local Sources	150,147,269,002	171,570,874,663	181,068,098,898	204,916,951,658	217,948,789,854	185,130,396,815
Total Revenue	445,063,473,789	533,258,661,777	579,818,157,533	633,234,533,256	694,456,458,280	577,166,256,927
Amusement Tax to LS (%)	0.49	0.53	0.47	0.47	0.45	0.48
Amusement Tax to TR (%)	0.17	0.17	0.15	0.15	0.14	0.15

## Annex B

*Top 10 Cities with the Highest Amusement Tax Collection, 2014-2018 (In Pesos)*

City	2014	2015	2016	2017	2018	Average
Quezon City	118,134,747	201,123,622	124,039,159	133,076,731	151,101,931	145,495,238
Pasay City	45,372,049	51,585,903	54,041,549	78,022,549	81,312,025	62,066,815
Makati City	54,158,126	54,200,307	56,617,241	57,109,535	57,225,484	55,862,138
Taguig City	36,426,376	57,340,251	37,776,833	44,927,701	43,558,894	44,006,011
Davao City	30,383,720	37,819,759	40,337,960	43,682,383	50,975,639	40,639,892
Mandaluyong City	35,858,200	38,199,531	37,426,982	40,068,267	35,739,295	37,458,455
Santa Rosa City	25,625,613	29,457,551	26,626,756	41,655,782	32,111,404	31,095,421
Manila City	14,915,119	9,767,679	23,948,238	24,184,431	24,538,051	19,470,703
Muntinlupa City	18,403,037	20,720,043	18,135,427	18,823,777	21,029,766	19,422,410
Cagayan de Oro City	12,153,257	17,350,248	17,348,622	18,622,792	19,708,876	17,036,759

*Note:* Only cities with collection for the period 2014-2018 were considered. No available 2018 data for Cebu City.

Source of basic data: BLGF as of December 6, 2019.

## Annex C

*Bottom 10 Cities with Amusement Tax Collection, 2014-2018 (In Pesos)*

City	2014	2015	2016	2017	2018	Average
Cabadbaran City	10,000	28,000	16,000	8,000	4,000	13,200
San Carlos (Negros Occidental) City	25,950	23,800	13,350	15,600	7,850	17,310
Cavite City	20,925	17,040	19,495	11,955	29,905	19,864
Maasin City	33,600	31,950	20,218	11,600	12,100	21,894
Tacurong City	18,500	18,000	29,750	60,446	37,387	32,817
Vigan City	50,000	76,000	75,060	45,000	67,350	62,682
Escalante City	38,400	104,178	25,370	48,325	118,540	66,963
Oroquieta City	19,567	18,667	80,229	96,401	129,818	68,937
Urdaneta City	135,231	108,940	57,000	94,000	33,000	85,634
Tabaco City	28,814	119,085	94,797	94,849	99,986	87,506

*Note.* Only cities with collection for the period 2014-2018 were considered. No available 2018 data for Cebu City.

Source of basic data: BLGF as of December 6, 2019.

## Annex D

*LGUs With No Amusement Tax Collection, 2017-2018*

<b>2018</b>	<b>2017</b>
<b>On Province</b>	<b>N/A</b>
<b>Region VII</b> Negros Oriental	
<b>On City</b>	<b>N/A</b>
<b>NCR</b> San Juan City	
<b>On Municipalities</b>	<b>On Municipalities</b>
<b>CAR</b> Abra – Boliney	<b>Region III</b> Bulacan – Norzagaray Pampanga – Bacolor, Masantol, Santa Ana
<b>Region II</b> Isabela – Jones, Quezon, Roxas, San Isidro, Santa Maria Nueva Vizcaya – Bambang	<b>Region IV-A</b> Cavite – Amadeo Laguna – Pila Quezon – Burdeos, Jomalig, Lopez, Mauban, Mulanay, Perez, Quezon, San Andres, San Antonio, San Narciso, Sariaya
<b>Region III</b> Bulacan – Bustos Nueva Ecija – Rizal Pampanga – Santa Ana	<b>Region VI</b> Aklan – Malinao
<b>Region IV-A</b> Cavite – General Emilio Aguinaldo Laguna – Kalayaan Quezon – Burdeos, Candelaria, Dolores, Infanta, Lopez, Mauban, Mulanay, Panukulan, Perez, Pitogo, Plaridel, Quezon, Real, Sampaloc, San Andres, Sariaya, Tagkawayan, Unisan Rizal – Jala-Jala	<b>Region VII</b> Bohol – Batuan, Dauis Negros Oriental – Amlan (Ayuquitan), Bindoy (Payabon), Pamplona
<b>Region IV-B</b> Marinduque – Mogpog	<b>Region VIII</b> Leyte – Mayorga, Santa Fe, Tunga Southern Leyte – San Francisco Western Samar – Jiabong, San Jose de Buan
<b>Region VI</b> Aklan – Makato Antique – Hamtic	<b>Region IX</b> Zamboanga del Norte – Bacungan (Leon B. Postigo), Baliguian, Mutia, Sergio Osmena Sr.

**2018****2017****On Municipalities****On Municipalities**

Negros Occidental – Pontevedra, Salvador  
Benedicto

Zamboanga del Sur – Tukuran

**Region VII**

Bohol – Batuan

Negros Oriental – Jimalalud, Siaton, Valencia  
(Luzurriaga)

**Region VIII**

Biliran – Culaba

Eastern Samar – Balangkayan, Dolores

Leyte – Albuera, Calubian, Julita, Leyte,

Mahaplag, Pastrana, San Miguel, Santa Fe,  
Tunga

Western Samar – Daram, Matuguinao,  
Pagsanghan, San Jose de Buan, Talalora

**Region IX**

Basilan – Al-Barka

Zamboanga del Norte – Baliguian, Mutia, Rizal

**Region X**

Misamis Oriental – Lugait

**Region XI**

Compostela Valley – New Bataan

Davao Occidental – Santa Maria, Sarangani,  
Governor Generoso

**Region XII**

Maguindanao – Buluan, Datu Abdullah Sangki,

Datu Blah T. Sinsuat

South Cotabato – Norala

Source: BLGF data as of December 6, 2019.