

# Assessment of the Taxing Powers of Provinces\*

## I. INTRODUCTION

The territorial and political subdivisions of the Philippines are the provinces, cities, municipalities, and barangays, which are collectively known as local government units (LGUs). Each LGU is granted the power to create its own sources of revenues and levy taxes, fees, and charges subject to guidelines and limitations that Congress may provide, consistent with the basic policy of local autonomy (Article X Section 5, The 1987 Constitution). The limitations on the power of LGUs to tax are provided under Republic Act (RA) No. 7160,<sup>1</sup> otherwise known as the Local Government Code (LGC) of 1991, as amended. This authority of LGUs enables them to promote the general welfare, provide their citizens with basic services and facilities, and fund their priority development plans and projects.

Among the LGUs, the province is the upper tier of subnational government, which shall ensure that the acts of their component cities and municipalities are within the scope of their prescribed powers and functions. As to the scope of taxing power, the provinces may levy only the taxes provided under Book II, Title I, Chapter II, Article I of the LGC of 1991, as amended. Additionally, provinces also impose the real property tax (RPT) as stated under the provisions of Book II, Title II of the LGC of 1991, as amended.

This study provides basic information on the taxing authority of provinces and reviews and assesses their revenue performance in contrast to cities and municipalities.

## II. TAXING POWERS OF THE PROVINCES PURSUANT TO THE LGC OF 1991, AS AMENDED

Based on the Philippine Standard Geographic Code, there are 81 provinces in the country as of June 30, 2021. Majority or 38 of which are in Luzon, 16 in the Visayas, and 27 in Mindanao (Philippine Statistics Authority [PSA], 2021). These provinces, except those under the autonomous region whose taxing powers are limited and bound by their enabling laws, are vested the power to levy the following taxes pursuant to Chapter II, Article I, Sections 134 to 141 of the LGC of 1991, as amended.

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<sup>1</sup> Entitled, "An Act Providing for a Local Government Code of 1991", (October 10, 1991).

The RPT is an ad valorem tax assessed, levied, and collected by provinces on lands, buildings, machineries, and other improvements attached to the real property. Real property is classified into residential, agricultural, commercial, industrial, mineral, timberland, or special for assessment purposes. The RPT is based on the assessed value of the real property derived from the fair market value (FMV) multiplied by the assessment level (%) as follows:

Class	Assessment Levels (%)*		
	Lands	Building and other structures	Machinery
Residential	20	0 to 60	40
Agricultural	40	25 to 50	50
Commercial, industrial and mineral	50	30 to 80	80
Timberland	20	45 to 70	-

\* *Note.* The assessment levels provided under the LGC of 1991, as amended, are the maximum percentages that the LGUs may impose. The assessment level for lands provides for the fixed maximum percentage, while for other real properties, the maximum assessment level was provided in brackets or ranges of the FMV as provided under Section 218 (b) of the LGC of 1991, as amended.

For lands, buildings, machinery, and other improvements that are actually, directly, and exclusively used for cultural and scientific, and by the hospital, local water districts, and government-owned and -controlled corporations (GOCCs) engaged in the supply and distribution of water and/or generation and transmission of electric power are classified as special with the assessment level of 15% and 10%, respectively. The proceeds of the RPT collected by a province are distributed as follows (Section 271 of the LGC of 1991, as amended):

Province	35% accrues to the general fund of the province.
Municipality	40% accrues to the municipality's general fund where the property is located.
Barangay	25% accrues to the barangay where the property is located.

In addition to the basic RPT, provinces are vested with the power to levy the special education fund (SEF) at the rate of 1% of the assessed value of the real property. The proceeds of the SEF collections of the province are shared equally by the province and municipality within its territorial jurisdiction and are automatically released to their respective local school boards.

It is likewise vested the authority to impose a tax on the transfer of real property at the rate of not exceeding 50% of 1% of the total consideration involved in the acquisition of the property or the FMV in case the monetary consideration involved in the transfer is not

substantial, whichever is higher. As to the tax proceeds, it accrues entirely to the general fund of the province concerned. The tax is similar to the capital gains tax which is likewise a transfer tax imposed by the national government on the seller, donor, transferor, executor, or administrator.

The province also imposes a special levy on lands especially benefited by public works projects or improvements funded by the concerned LGU at a rate not exceeding 60% of its actual costs, including the costs of acquiring land and such other real property in connection therewith. However, it should not apply to lands exempt from basic RPT and the remainder of the land portions donated to the concerned LGU to construct projects or improvements. The proceeds of the special levy benefited by public works, projects, and other improvements accrue to the general fund of the LGU, which finances them.

In addition, an idle land tax at the rate of not exceeding 5% of the property's assessed value may also be imposed by it. The idle land tax encourages urban and rural land development and increases land supply for productive use. The proceeds of the idle land tax accrue to the general fund of the province (Section 273 of the LGC of 1991, as amended), which can be used to fund the urban development and housing program pursuant to Section 42 (e) of RA 7279,<sup>2</sup> otherwise known as the "Urban Development and Housing Act of 1992".

The province is also vested with the power to impose a tax on certain businesses.<sup>3</sup> The rates of business taxes under the LGC of 1991, as amended, vary by LGU and the type of business. In the case of business taxes imposed by provinces, the Code prescribed maximum rates based on gross receipts, FMV, or fixed amounts.

Businesses engaged in printing and publication and enjoying a franchise granted by the state are subject to tax at the rate of not exceeding 50% of 1% of the gross annual receipts for the preceding calendar year. Proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia, and other places of amusement are subject to tax at the rate of not more than 10% of the gross receipts from admission fees (Section 1 of RA 9640). The extraction of sand, gravel, and other quarry resources from public lands or the beds of seas, lakes, rivers, streams, creeks, and other public water within the territorial jurisdiction of provinces are likewise subject to a tax of not more than 10% of the FMV in the locality per cubic meter of ordinary stones, sand, gravel, and other quarry resources (Section 138 of the LGC of 1991, as amended). Persons engaged in the exercise or practice of his/her profession requiring government examination are also taxed annually of not exceeding P300.00. The proceeds of the tax on sand, gravel and other quarry resources shall be distributed as follows (Section 138 of the LGC of 1991, as amended):

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<sup>2</sup> Entitled, "An Act to Provide for a Comprehensive and Continuing Urban Development and Housing Program, Establish the Mechanism for its Implementation, and for Other Purposes", (March 24, 1992).

<sup>3</sup> Business means trade or commercial activity regularly engaged in as a means of livelihood or with a view to profit [Section 131(d) of LGC of 1991, as amended].

Province	30%
Component city or municipality where the sand, gravel, and other quarry resources are extracted	30%
Barangay where the sand, gravel, and other quarry resources are extracted	40%

The LGC of 1991, as amended, also provides the LGUs the power to levy other taxes, provided that it shall not be unjust, excessive, oppressive, confiscatory, or contrary to declared national policy. However, it should be enacted through local tax ordinances, and public hearings shall be conducted for the purpose prior to the enactment thereof. Provinces have also vested the power to impose and collect reasonable fees and charges for services, public utility charges, and toll fees or charges.

**Table 1**

*Taxing powers of provinces under the LGC of 1991, as amended*

Type of tax	Legal basis under LGC of 1991, as amended	Tax base and rate
A. Property Taxes		
1. Real Property taxes		
a. Basic	Sections 232 and 233	Not exceeding 1% of the assessed value <sup>4</sup> of the real property
b. Special Education Fund (SEF)	Section 235	1% on the assessed value of real property
2. Transfer tax on real property	Section 135	Not exceeding 50% of 1% of the total consideration involved in the acquisition of the property or the fair market value (FMV) in case the monetary consideration involved in the transfer is not substantial, whichever is higher
3. Special levy	Section 240	Not exceeding 60% of the actual cost of such projects and improvements, including the cost of acquiring land and other real properties, based on a formula to be established by the local legislative council

<sup>4</sup> Assessed value is computed based on the fair market value multiplied by the assessment level (%).

Type of tax	Legal basis under LGC of 1991, as amended	Tax base and rate
4. Idle land tax	Section 236	Not exceeding 5% of the assessed value of the property
<b>B. Tax on business and other taxes</b>		
1. Amusement tax	Section 140, as amended by RA 9640	Not exceeding 10% on gross receipts from admission fees
2. Tax on printing and publication businesses	Section 136	Not exceeding 50% of 1% on gross receipts of the preceding calendar year or not exceeding 1/20 of 1% of the capital investment of new businesses
3. Franchise tax	Section 137	Not exceeding 50% of 1% on gross receipts of the preceding calendar year or not exceeding 1/20 of 1% of the capital investment of new businesses
4. Tax on delivery trucks and vans	Section 141	Not exceeding P500.00
5. Tax on sand, gravel, and other quarry resources	Section 138	Not exceeding 10% of the FMV in the locality per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources as defined by the National Internal Revenue Code (NIRC) of 1997, as amended
6. Professional tax	Section 139	Not exceeding P300.00

### III. REVENUE PERFORMANCE

#### A. By type of tax

Among the taxes levied by provinces, the chief revenue source is the property tax, which accounted for an average of 78.50% of the total tax revenue of provinces from 2016 to 2020. The tax on business and other taxes, on the other hand, accounted for 0.40% and 21.10%, respectively. (See Table 2.) Generally, the tax collection of provinces increased annually from 2016 to 2019 and declined in 2020.

**Table 2***Total Tax Revenue of Provinces by source, 2016-2020 (In million pesos)*

Source	2016	2017	2018	2019	2020	Average	Percentage Share (%)
A. Property Taxes	7,226.59	9,023.07	9,781.69	10,638.45	10,197.94	9,373.55	78.50
Basic RPT	2,973.30	3,746.54	4,037.86	4,423.90	4,241.87	3,884.70	32.53
SEF	4,253.05	5,276.23	5,741.14	6,213.40	5,955.86	5,487.94	45.96
Special levy	0.23	0.30	2.68	1.14	0.22	0.91	0.01
Idle Land Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B. Business tax	31.07	32.23	83.80	59.43	30.45	47.40	0.40
C. Other taxes	1,965.72	2,372.70	2,593.47	2,878.79	2,788.04	2,519.74	21.10
Amusement Tax	39.54	42.05	52.68	55.40	17.25	41.38	0.35
Franchise Tax	329.80	348.68	365.72	377.14	394.76	363.22	3.04
Tax on Delivery Trucks and Vans	128.99	145.69	160.22	168.91	147.63	150.29	1.26
Tax on Sand, Gravel, and Other Quarry Resources	720.95	781.14	976.75	1,085.07	1,189.65	950.71	7.96
Others*	746.43	1,055.14	1,038.10	1,192.27	1,038.76	1,014.14	8.49
<b>Total</b>	<b>9,223.37</b>	<b>11,427.99</b>	<b>12,458.97</b>	<b>13,576.67</b>	<b>13,016.44</b>	<b>11,940.69</b>	<b>100.00</b>

*Notes.* Taken from the Bureau of Local Government Finance (BLGF) data as of November 5, 2022.

\* - Includes Community Tax, Professional Tax, Real Property Transfer Tax, Fines and Penalties and Other Taxes.

As to the amount of tax collection, the total tax revenue of provinces reached an average of P11.94 billion from 2016 to 2020. The SEF and basic RPT, which accounted for 45.96% and 32.53% of the total tax revenue of provinces, averaged P5.49 billion and P3.88 billion, respectively. The idle land tax only attributed a minimal share of 0.01%. Although provinces have the authority to collect a special levy on lands especially benefited by public works projects or improvements funded by the concerned LGU, no revenue was recorded from 2016 to 2020.

The business tax includes the tax collection of provinces from businesses engaged in printing and/or publication of books, cards, posters, leaflets, handbills, certificates, receipts, pamphlets, and other similar printed materials. From 2016 to 2022, the business tax accounted 0.40% of the total tax revenue of provinces, with an average collection of P47.40 million annually.

On the average, from 2016 to 2020, tax revenues collected on sand, gravel, and other quarry resources amounted to P950.71 million, sharing 7.96% of the total

tax collection of provinces. On the other hand, local franchise tax collection amounted to P363.22 million, accounting for only 3.04% of the total tax collection. The tax collected from delivery trucks and vans amounting to P150.29 million only accounted for 1.26% of the total tax revenue of provinces. Other taxes imposed by provinces (i.e., amusement tax and others) accounted for 21.10% of the total tax revenue of provinces.

## B. By province

Among the provinces in the country, Bataan recorded the highest revenue averaging P1.25 billion annually from 2016 to 2020, which accounted for 10.49% of the total revenue of provinces. Bataan is one of the most progressive provinces in Region III. Its territorial jurisdiction situated within special economic zones, namely the Subic Special Economic and Freeport Zone and the Clark Freeport and Special Economic Zone, is one of the reasons for its high revenue collection.

Bataan is followed by Bulacan, Batangas, Rizal, Cavite, Pampanga, Pangasinan, Quezon Province, Cebu and Iloilo. (See Table 3.)

**Table 3**

*Provinces with Highest Tax Revenue, 2016-2020 (In million pesos)*

Rank	Province	2016	2017	2018	2019	2020	Average	Share to total revenue of provinces (%)
1	Bataan	724.28	1,296.81	1,323.90	1,451.99	1,465.11	1,252.42	10.49
2	Bulacan	762.01	1,026.23	920.14	1,132.92	1,038.52	975.96	8.17
3	Batangas	734.72	945.05	1,058.96	1,056.71	1,015.31	962.15	8.06
4	Rizal	818.75	851.61	951.22	1,041.24	917.95	916.15	7.67
5	Cavite	668.16	717.84	765.41	800.56	640.98	718.59	6.02
6	Pampanga	415.77	446.73	426.28	492.00	672.57	490.67	4.11
7	Pangasinan	302.13	343.91	416.54	376.34	376.43	363.07	3.04
8	Quezon	241.03	268.40	312.59	422.37	489.38	346.75	2.90
9	Cebu	263.24	278.01	311.61	447.65	353.97	330.90	2.77
10	Iloilo	177.82	198.49	317.61	436.49	278.79	281.84	2.36

*Note.* Taken from the BLGF data as of November 5, 2022.

On the other hand, Batanes recorded the lowest tax collection averaging only P3.35 million annually from 2016 to 2020. Similarly, the other provinces with the lowest revenue collection were Biliran, Camiguin, Siquijor, Eastern Samar, Kalinga, Western Samar, Dinagat Islands, Apayao, and Quirino. (See Table 4.) Provinces in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), formerly the

Autonomous Region in Muslim Mindanao, include Basilan (except Isabela City), Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi, were excluded in the ranking as the taxing power of these provinces are limited and bound by its enabling laws.

**Table 4**

*Provinces with Lowest Tax Revenue, 2016-2020 (In million pesos)*

Rank	Province	2016	2017	2018	2019	2020	Average	Share to total revenue of provinces (%)
1	Batanes	3.11	4.52	3.01	3.26	3.73	3.53	0.03
2	Biliran	7.75	9.46	8.45	7.68	11.17	8.90	0.07
3	Camiguin	7.44	7.93	10.75	11.38	10.51	9.60	0.08
4	Siquijor	8.90	11.30	11.27	11.68	12.24	11.08	0.09
5	Eastern Samar	7.68	11.95	12.79	12.41	12.88	11.54	0.10
6	Kalinga	9.09	10.32	15.15	17.12	16.51	13.64	0.11
7	Western Samar (Samar)	7.88	14.80	22.17	11.37	12.91	13.82	0.12
8	Dinagat Islands	19.35	15.79	10.75	11.04	14.30	14.25	0.12
9	Apayao	17.22	20.86	15.87	12.86	17.42	16.85	0.14
10	Quirino	13.81	16.80	19.34	17.33	16.98	16.85	0.14

*Note.* Taken from the BLGF data as of November 5, 2022.

Bataan recorded the highest collection in basic RPT and SEF with revenues of P2.33 billion and P3.32 billion, respectively, from 2016 to 2020. The province of Cavite, however, ranked 1<sup>st</sup> in terms of collection of idle land tax (P4.41 million), tax on delivery trucks and vans (P141.35 million), and other taxes (P691.89 million) while for business tax collection, the province of Camarines Norte ranked 1<sup>st</sup> with P58.62 million in revenue.

On the other hand, the province of Rizal has the highest total revenue of local amusement tax from 2016 to 2020, totaling P32.94 million. Meanwhile, the province of Bulacan surpassed the other provinces in terms of collection of franchise tax (P457.86 million). With reference to the collection of tax on sand, gravel, and other quarry resources, Pampanga recorded the highest collection totaling P1.50 billion. (See Table 5.)



**Table 5***Provinces with the Highest Tax Collection, by Type of Tax, 2016-2020 (In million pesos)*

Type of tax	Province	Tax collection	Total tax collection of provinces	Share to total tax collection (%)
<b>A. Property Taxes</b>				
Basic RPT	Bataan	2,325.35	19,423.48	11.97
SEF	Bataan	3,321.93	27,439.69	12.11
Idle Land Tax	Cavite	4.41	4.57	96.56
<b>B. Business tax</b>				
	Camarines Norte	58.62	236.94	24.74
<b>C. Other taxes</b>				
Amusement Tax	Rizal	32.94	206.92	15.92
Franchise Tax	Bulacan	457.86	1,816.11	25.21
Tax on Delivery Trucks and Vans	Cavite	141.35	751.45	18.81
Tax on Sand, Gravel, and Other Quarry Resources	Pampanga	1,499.31	4,753.55	31.54
Others	Cavite	88.77	691.89	14.18

*Note.* Taken from the BLGF data as of November 5, 2022.

All 81 provinces recorded a collection on basic RPT and SEF. However, for idle land tax, only 9 provinces recorded tax collection. There were also provinces with no recorded revenues on various local taxes: 17 provinces<sup>5</sup> on amusement tax, 21 provinces<sup>6</sup> on business tax (tax on printing and publication businesses), 12 provinces<sup>7</sup> on franchise tax, 4 provinces<sup>8</sup> on delivery trucks and vans, and three provinces<sup>9</sup> on sand gravel and other quarry resources.

<sup>5</sup> Abra, Basilan, Cavite, Davao del Sur, Davao Occidental, Ifugao, Lanao del Sur, Maguindanao, Masbate, Palawan, Quirino, Siquijor, Sulu, Surigao del Norte, Tawi-Tawi, Western Samar (Samar), and Zamboanga del Sur.

<sup>6</sup> Agusan del Norte, Camarines Sur, Capiz, Cebu, Davao Occidental, Eastern Samar, Ilocos Norte, Ilocos Sur, Leyte, Misamis Oriental, Negros Occidental, Nueva Ecija, Palawan, Pangasinan, Siquijor, Sorsogon, Sulu, Surigao del Norte, Tawi-Tawi, Western Samar (Samar), and Zamboanga del Sur.

<sup>7</sup> Palawan, Albay, Masbate, Antique, Capiz, Basilan, Tawi-Tawi, Zamboanga Del Norte, Zamboanga Del Sur, Dinagat Islands, Surigao Del Norte, and Surigao Del Sur.

<sup>8</sup> Western Samar, Sulu, Tawi-Tawi, and Lanao del Sur.

<sup>9</sup> Basilan, Tawi-Tawi, and Lanao del Sur.

### C. By region

In terms of the performance of provinces from a regional perspective, the top three regions with the highest average tax collection for the years 2016 to 2020 were Regions III (P3.38 billion), closely followed by Region IV-A (P3.18 billion), and Region I (P769.26 million). Their top revenue performance may be attributed to high revenues collected by the provinces in Region III (Bataan, Bulacan, and Pampanga) and Region IV-A (Rizal and Cavite) which were among the top ten provinces with highest local tax collections. (See Table 6.)

**Table 6**

*Annual Average Local Tax Collection, by Region, 2016-2020 (In million pesos)*

Rank	Region	Average local tax collection	Average growth rate (%)
13	CAR	202.28	(3.56)
3	Region I	769.26	4.78
9	Region II	402.77	10.35
1	Region III	3,380.29	14.21
2	Region IVA	3,177.31	5.81
7	Region IVB	430.80	18.03
8	Region V	423.89	7.73
4	Region VI	731.15	10.29
5	Region VII	554.64	10.11
14	Region VIII	197.63	11.01
15	Region IX	145.75	11.87
6	Region X	498.93	15.78
10	Region XI	388.00	18.77
11	Region XII	335.99	10.10
12	Region XIII	269.33	20.54

*Notes.* Taken from BLGF Data as of November 5, 2022.

BARMM was excluded from the ranking as it was created only in 2018 and its taxing powers are limited and bound by its enabling laws.

On the other hand, the three regions with the lowest average local tax collections were Regions IX (P145.75 million), VIII (P197.63 million), and the Cordillera Administrative Region (CAR) (P202.28 million). The low collections for Region IX may be explained by the fact that it is only comprised of three provinces, albeit they are in the 1st and 2nd income classes; the CAR, on the other hand, is composed of 2nd to 4th income class provinces (PSA, 2022).

#### IV. ASSESSMENT OF THE TAXING POWERS OF PROVINCES

##### A. Taxing power of provinces vis-à-vis municipalities, cities, and barangays

As discussed earlier, the taxing powers of provinces is limited to local taxes enumerated in Table 1. Further, the collection of provinces from the RPT and tax on sand, gravel, and other quarry resources are shared with the municipality and barangay. In contrast, the province's amusement tax collection is shared only with the municipality. Table 7 compares the tax assignments of provinces vis-à-vis municipalities, cities, and barangays under the LGC of 1991, as amended.

**Table 7**

*Taxing Power of LGUs Under the LGC of 1991, as Amended*

Type of taxes	Provinces	Municipalities	Cities	Barangays
Basic RPT	Y	*	Y	*
SEF	Y	*	Y	X
Transfer Tax of Real Property	Y	X	Y	X
Idle Land Tax	Y	X	Y	X
Local business tax	X	Y	Y	X
Tax on printing and publication businesses	Y	X	Y	X
Amusement Tax	Y	*	Y	X
Franchise Tax	Y	X	Y	X
Tax on Delivery Trucks and Vans	Y	X	Y	X
Tax on Sand, Gravel, and Other Quarry Resources	Y	*	Y	*
Professional Tax	Y	X	Y	X
Community tax	X	Y	Y	**

*Notes.* Taken from the LGC of 1991, as amended.

X – The LGU has no authority to levy tax.

Y – The LGU has the authority to levy tax.

\* - The LGU shares in the proceeds of tax of the province.

\*\* - The LGU shares in the proceeds of tax of the municipality.

Although provinces in the country, except those in the BARMM, have similar taxing powers, there is a significant difference in their tax bases, or the amount of income, property, assets, consumption, transaction, or another economic activity subject to taxation by a tax authority (Tax Foundation, n.d.). Also, while provinces have distinct taxing capacities, their mandated responsibilities are the same across all

provinces. Section 17(b)(3) enumerates explicitly the basic services and facilities that the provinces are responsible for promoting and providing to the general welfare.

These are the following provisions:

1. Agricultural extension and on-site research services and facilities;
2. Industrial research and development services;
3. Supervision, control, and review of the Department of Environment and Natural Resource enforcement of forestry laws;
4. Health services;
5. Social welfare services;
6. Provincial buildings, jails, freedom parks, and other public assembly areas and similar facilities;
7. Infrastructure facilities (i.e., provincial roads and bridges, flood control, etc.);
8. Programs and projects for low-cost housing and other mass dwellings;
9. Investment support services;
10. Upgrading and modernization of tax information and collection services;
11. Inter-municipal telecommunication services; and
12. Tourism development and promotion programs.

Further, the provision of the LGC of 1991, as amended, which provides that tax rates can only be adjusted once in five years and by no more than 10%, is restrictive, especially for taxes, the rates of which are specified in nominal peso terms (i.e., professional tax and tax on delivery vans and trucks).

On the other hand, although the LGUs are directed to revise the schedule of market values (SMVs) of real properties pursuant to Section 212 of the LGC of 1991, as amended, and the Department of Interior and Local Government (DILG) and Department of Finance (DOF) Joint Memorandum Circular (JMC) No. 2010-01,<sup>10</sup> only a few provinces have done a general revision since the enactment of the LGC in 1991. Table 8 shows the list of provinces with the last revision on their SMVs as of March 2019. The outdated SMVs of most provinces imply outdated assessment levels, thus, undervalued RPT collection.

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<sup>10</sup> Subject: Enjoying all Provinces, Cities and the Municipalities of Pateros, Metro Manila to Prepare the Schedule of Market Values (SMVs) of Real Property and to Conduct the General Revision of Property Assessments in their Respective Jurisdictions (October 20, 2010).

**Table 8**

*List of Provinces and the Years of Effectivity of Last Revision of Their Schedule of Market Values*

Province/Provinces	Year of Effectivity	Expected Year of Revision	Estimated Number of Years Overdue for Revision
Tarlac	2000	2002	20
Lanao del Sur	2002	2004	18
Aurora, Guimaras	2003	2005	17
Misamis Oriental	2007	2009	13
Leyte	2008	2010	12
La Union	2009	2011	11
Apayao, Batangas, Antique, Biliran, Eastern Samar, Zamboanga Sibugay	2010	2012	10
Pangasinan, Romblon	2011	2013	9
Cagayan, Laguna, Capiz	2012	2014	8
Mountain Province, Northern Samar	2013	2015	7
Benguet, Zambales, Southern Leyte, Sulu, Tawi-Tawi	2014	2016	6
Ifugao, Ilocos Sur, Quirino, Oriental Mindoro, Lanao del Norte, Sultan Kudarat, Maguindanao	2015	2017	5
Sorsogon, Bohol, Davao Occidental	2016	2018	4
Negros Oriental, Zamboanga del Sur, Camiguin	2017	2019	3
Batanes, Nueva Vizcaya, Bulacan, Nueva Ecija, Rizal, Occidental Mindoro, Palawan, Albay, Camarines Norte, Aklan, Iloilo, Bukidnon, Misamis Occidental, Davao del Sur, North Cotabato, Surigao del Norte, Surigao del Sur, Negros Occidental	2018	2020	2
Catanduanes, Western Samar, South Cotabato, Agusan Del Sur, Basilan	2019	2021	1
Bataan, Pampanga, Quezon, Marinduque, Cebu, Zamboanga del Norte, Davao Oriental, Dinagat Islands	2020	2022	Updated
Ilocos Norte, Camarines Sur, Davao de Oro, Davao del Norte, Sarangani	2021	2023	Updated
Cavite, Masbate	2022	2024	Updated
Abra, Kalinga, Siquijor, Agusan del Norte	2023	2025	Updated

*Note:* Gathered from the BLGF, as of May 23, 2022.

## B. Revenue performance of provinces vis-à-vis municipalities and cities

The variation in the taxing power and tax base of the LGUs entail differences in the tax revenue performance and collection. As compared to Table 7, the taxing power of cities relative to provinces and municipalities is broader. However, it is important to highlight that cities are mandated to provide all the basic services and facilities which both municipalities and provinces are in charge of pursuant to Section 17(b)(4) of LGC of 1991, as amended.

The Philippines' five-year local tax revenue collection presents a more detailed behavior of the revenue performance of LGUs. A quick look at Table 9 shows an upward trend in the collection of LGUs, which might prove that they are relatively becoming efficient in the collection of local revenues. However, it can also be observed that the local tax collection of provinces grew relatively slower at 9.44% on the average from 2016 to 2020, than the collection of municipalities and cities, at 12.41% and 11.53%, respectively. (See Table 9.)

**Table 9**

*Tax Revenue Collection, by LGU, 2016-2020 (In Million Pesos)*

Year	Provinces	Cities	Municipalities
2016	9,223.37	96,832.25	17,555.70
2017	11,427.99	113,620.41	19,917.44
2018	12,458.97	130,078.32	23,792.49
2019	13,576.67	143,320.75	25,756.35
2020	13,016.44	149,210.82	27,938.76
Average	11,940.69	126,612.51	22,992.15
Average growth rate	9.44%	11.53%	12.41%

*Note.* Taken from the BLGF data as of November 5, 2022.

## C. Tax effort of provinces

To further assess the taxing powers of provinces, their respective tax efforts are computed. The tax effort is defined as the ratio between actual revenue and tax capacity (Fenochietto & Pessino, 2013) and shows whether the collection of taxes is efficient by using its available instruments. Regions with high tax efforts can be considered to have levels of development that are appropriate to their tax capacity. A possible explanation could be the high demands for public expenditure. These regions are comprised of LGUs that are efficient in collecting taxes with “low levels of evasion” (Fenochietto & Pessino, 2013). Applying the same analogy, it can be assumed that the regions with relatively low levels of tax effort encounter problems

in tax collection, or are not collecting effectively or efficiently enough for the past five years.

This study used provinces' local tax revenue and the gross domestic product (GDP) to estimate the tax effort. Note, however, that due to lack of provincial data, the GDP of each province which excludes the GDP of component cities and municipalities, was used in the estimation. To calculate the GDP by province, the percentage share of the Bureau of Internal Revenue (BIR) collection by province,<sup>11</sup> gross regional domestic product (GRDP),<sup>12</sup> and the share of local tax collection of provinces to total local tax collection of LGUs by province were used. Further, 20 provinces<sup>13</sup> whose national tax collection includes tax collection of another province and five provinces belonging to the BARMM were excluded in the estimation of tax effort.

Provinces with high tax effort show that they are relatively collecting taxes efficiently. Among the provinces with estimated tax effort, Bataan, the top province with the highest local tax collection (See Table 3.), has the highest average tax effort at 4.19%, followed by the provinces of Rizal, Bohol, Cebu, Davao Oriental, Bulacan, Quezon, Quirino, Batangas, and Nueva Vizcaya. (See Table 10.)

**Table 10**

*Provinces with Highest Tax Effort, 2016-2020 (In Million Pesos)*

Rank	Province	Average GDP	Average local tax collection	Tax effort (%)
1	Bataan	29,872.96	1,252.42	4.19
2	Rizal	47,498.46	916.15	1.93
3	Bohol	7,489.62	136.69	1.83
4	Cebu	22,335.90	330.90	1.48
5	Davao Oriental	2,823.85	38.09	1.35
6	Bulacan	74,032.22	975.96	1.32
7	Quezon	28,431.42	346.75	1.22
8	Quirino	1,390.72	16.85	1.21
9	Batangas	85,459.41	962.15	1.13
10	Nueva Vizcaya	9,551.43	91.00	0.95

*Notes.* Average GDP excludes the GDP of its component cities and municipalities.

Tax effort is the ratio of actual revenue and tax capacity, represented by local tax collection and estimated provincial GDP, respectively.

<sup>11</sup> Gathered from the BIR.

<sup>12</sup> Gathered from the Philippine Statistics Authority.

<sup>13</sup> These are the provinces of Kalinga/Apayao, Batanes/Cagayan, Iloilo/Guimaras, Negros Oriental/Siquijor, Biliran/Leyte, Camiguin/Misamis Oriental, Davao Del Norte/Davao De Oro, Davao Del Sur/Davao Occidental, Sarangani/South Cotabato, and Dinagat Islands/Surigao Del Norte.

The low tax effort can be explained by the nominal local tax collection, attributable to constraints such as the weak capacity to implement and administer local tax codes, obsolete tax assessment and collection system, outdated valuation, compliance issues, and extensive fiscal exemptions, among others. Of the 10 provinces with the lowest tax effort, only the province of Western Samar, which revised its SMV in 2019, was compliant with the mandated SMV revision under the LGC of 1991, as amended, and DILG-DOF JMC 2010-01. (See Table 11.)

**Table 11**

*Provinces with Lowest Tax Effort, 2016-2020 (In Million Pesos)*

Rank	Province	Average GDP	Average local tax collection	Tax effort (%)
1	Aurora	41,380.26	34.29	4.19
2	Zamboanga Sibugay	21,555.29	24.88	1.93
3	Western Samar (Samar)	11,763.02	13.82	1.83
4	Tarlac	68,841.18	121.25	1.48
5	Southern Leyte	9,839.12	24.00	1.35
6	Catanduanes	8,635.59	22.26	1.32
7	Eastern Samar	4,260.32	11.54	1.22
8	Zamboanga Del Norte	17,094.13	50.06	1.21
9	Benguet	33,600.82	105.24	1.13
10	Abra	5,582.15	17.81	0.95

*Notes.* Average GDP excludes the GDP of its component cities and municipalities.  
Tax effort is the ratio of actual revenue and tax capacity, represented by local tax collection and estimated provincial GDP, respectively.

## V. CONCLUSION

The revenues collected by the provinces act as the barometer to gauge their income-generating capacity. There is, however, a wide disparity in the country's income-generating capacity of different provinces.

The main reasons for the low tax collection in some provinces can be attributed to several factors such as the administration of local tax codes, their method of tax assessment and valuation, and compliance issues. Provinces with undeveloped land areas and fewer businesses have lower tax collections. Moreover, cities and municipalities that collect taxes on behalf of the provinces, may also contribute to the low collection effort of provinces.

Nonetheless, the government's thrust to increase investments outside Metro Manila, strategies and policies on rural development, and the digitalization of the tax collection system that will enable swift transaction and easy retrieval of data for tax payments for provinces, could lead to significant increases in local tax collections, which are necessary in the implementation of projects and programs benefitting their constituents within their jurisdictions.



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