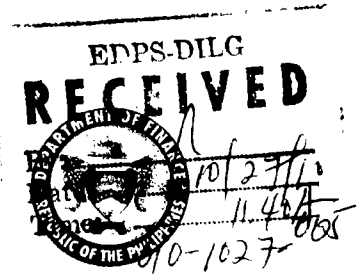




Republic of the Philippines
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
DEPARTMENT OF FINANCE



October 20, 2010

JOINT MEMORANDUM CIRCULAR NO. 2010-02

To : All Provincial Governors, City and Municipal Mayors, Provincial, City and Municipal Treasurers and Assessors, Regional Directors of the Bureau of Government Finance and DILG and Others Concerned

Subject : Guidelines in the Imposition of An "Additional Ad Valorem Tax on Idle Lands" and Other Related Provisions of the Local Government Code (LGC) of 1991, By Provinces, Cities and Municipality Within Metro Manila Area

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With reference to Section 236 of Republic Act No. 7160, otherwise known as the "Local Government Code (LGC) of 1991, providing that *"A province or city, or municipality within Metropolitan Manila Area (MMA), may levy on annual tax on idle lands at the rate not exceeding five percent (5%) of the assessed value of the property which shall be in addition to the basic real property tax"*, provinces, cities and municipalities within the MMA are hereby enjoined to observe the proper implementation of the said provision.

1.0 LEGAL BASES:

Section 236 of RA 7160 provides "Additional Ad Valorem Tax on Idle Lands at the rate not exceeding five percent (5%) of the assessed value of the property which shall be in addition to the basic real property tax".

Section 239 of RA 7160 provides that "The provincial, city or municipal assessor shall make and keep an updated record of all idle lands located within his area of jurisdiction. For purposes of collection, the provincial, city or municipal assessor shall furnish a copy thereof to the provincial or city treasurer who shall notify, on the basis of such record, the owner of the property or person having legal interest therein of the imposition of the additional tax".

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2.0 PURPOSE:

In general, this circular is issued to provide guidelines to LGUs in the implementation of Section 236 of the LGC and other related provisions.

The specific objectives are as follows:

- 2.1 To generate more revenues for the local government units (LGUs).
- 2.2 To enhance local economic development at the local levels through maximization of the idle lands for productive use.
- 2.3 To clarify the roles and responsibilities of the National Government Agencies involved in the implementation of this Circular.

3.0 DEFINITION OF TERMS:

When used in this Circular, the terms:

- 3.1 *Agricultural lands* are land devoted principally to the planting of trees, raising of crops, livestock and poultry, dairying, salt making, inland fishery and similar aqua-cultural activities and is not classified as mineral, timber, residential, commercial or industrial land. (Section 131, LGC)
- 3.2 *Actual Use* refers to the purpose for which the property is principally or predominantly utilized by the person in possession thereof. (Section 131, LGC)
- 3.3 *Ad Valorem Tax* is a levy on real property determined on the basis of a fixed proportion of the value of the property. (Section 131, LGC)
- 3.4 *Assessed Value* is the fair market value of the real property multiplied by the assessment level. It is synonymous to taxable value. (Section 131, LGC)
- 3.5 *Market Value* is the price agreed upon by the buyer and seller in the open market in the usual and ordinary course of legal trade and competition; the price and value of the article established or shown by sale, public or private, in the ordinary way of business; the fair value of property is between one who desires to purchase and one who desires to sell; the current price; the general or ordinary price for which property may be sold in that locality. (Definition of Terms, Manual on Real Property Appraisal and Assessment Operations, DOF, 2006)





4.0 COVERAGE

Section 237 of the LGC is quoted as follows:

“Section 237. Idle Lands Coverage. – For purposes of real property taxation, idle lands shall include the following:

- (a) Agricultural lands, more than one (1) hectare in area, suitable for cultivation, dairying, inland fishery, and other agricultural uses, one-half (1/2) of which remain uncultivated or unimproved by the owner of the property or person having legal interest therein. Agricultural lands planted to permanent or perennial crops with at least fifty (50) trees to a hectare shall not be considered idle lands. Lands actually used for grazing purposes shall likewise not be considered idle lands.
- (b) Lands, other than agricultural, located in a city or municipality, more than one thousand (1,000) square meters in area one-half (1/2) of which remain unutilized or unimproved by the owner of the property or person having legal interest therein.
- (c) Regardless of the land area, this likewise apply to residential lots in subdivisions duly approved by proper authorities, the ownership of which has been transferred to individual owners, who shall be liable for the additional tax: Provided, however, that individual lots of such subdivisions, the ownership of which has not been transferred to the buyer shall be considered as part of the subdivision, and shall be subject to the additional tax payable by subdivision owner or operator”.

5.0 PROCEEDS OF THE TAX ON IDLE LANDS

The proceeds of the additional real property tax on Idle Lands shall accrue to the respective general fund of the province or city where the land is located. In the case of municipality within the Metropolitan Manila Area, the proceeds shall accrue equally to the Metropolitan Manila Authority and the municipality where the land is located (Section 273 of the LGC).

6.0 EXEMPTION FROM THE LEVY OF THE ADDITIONAL AD VALOREM TAX ON IDLE LANDS

Owners of idle lands shall be exempted from payment of the additional levy by reason of force majeure, civil disturbance, natural calamity, or any cause or circumstances which physically or legally prevent the owners of property or person having legal interest therein from improving, utilizing or cultivating the same.



7.0 ENACTMENT OF THE NECESSARY ENABLING ORDINANCE OR REVENUE MEASURE

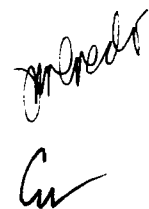
In the implementation hereof, there is a need for the enactment of an enabling ordinance by the local sanggunian concerned in accordance with pertinent provisions of the Code, specifically Sections 187, 188 and 189, quoted as follows:

Sec. 187. Procedure for Approval and Effectivity of Tax Ordinances and Revenue Measures: Mandatory Public Hearings. The procedure for approval of local tax ordinances and revenue measures shall be in accordance with the provisions of this Code: Provided, That public hearings shall be conducted for the purpose prior to the enactment thereof: Provided, further, That any question on the constitutionality or legality of tax ordinances or revenue measures may be raised on appeal within thirty (30) days from the effectivity thereof to the Secretary of Justice who shall render a decision within sixty (60) days from the date of receipt of the appeal: Provided, however, that such appeal shall not have the effect of suspending the effectivity of the ordinance and the accrual and payment of the tax, fee, or charge levied therein: Provided, finally, That within thirty (30) days after receipt of the decision or the lapse of the sixty-day period without the Secretary of Justice acting upon the appeal, the aggrieved party may file appropriate proceedings with a court of competent jurisdiction.

Sec. 188 Publication of Tax Ordinances and revenue Measures- Within ten (10) days after their approval, certified true copies of all provincial, city, and municipal tax ordinances or revenue measures shall be published in full for three (3) consecutive days in a newspaper of local circulation: Provided, however, That in provinces, cities and municipalities where there are no newspapers of local circulation, the same may be posted in at least two (2) conspicuous and publicly accessible places.

Sec. 189. Furnishing of Copies of Tax Ordinances and Revenue Measures – Copies of all provincial, city, and municipal and barangay tax ordinances and revenue measures shall be furnished the respective local treasurers for public dissemination.

Premises considered, local sanggunians of local government units concerned whose existing local tax ordinances or revenue codes do not include the levy of additional ad valorem tax on idle lands, are enjoined to enact an appropriate ordinance for the proper implementation of said provision.



8.0 ROLES AND RESPONSIBILITIES:

The following National Government Agencies shall endeavour to establish and share among themselves an information on idle lands and maintain an updated database in the implementation of this Circular.

8.1 Department of Finance- Bureau of Local Government Finance (BLGF)

- 8.1.1 Receive and validate LGUs' reports on Additional Ad Valorem Tax on Idle Lands proceeds
- 8.1.3 Provide necessary technical assistance to LGUs.

8.2 Department of the Interior and Local Government

- 8.2.1 Disseminate this Circular to all LGUs.
- 8.2.4 Monitor compliance of this Circular


In this regard, both the DILG and the DOF shall establish their respective mode of monitoring the enactment of an enabling ordinance or revenue code pursuant to the aforesaid provisions of the Code and the implementation thereof through the office of the sanggunian concerned, in case of the DILG and through the offices of the local treasurers and assessors, in the case of the DOF.


9.0 REPEALING CLAUSE:

All issuances, circulars, orders, and memoranda, part or parts of which are inconsistent with any of the provisions of this Circular are hereby repealed or modified accordingly.

10.0 EFFECTIVITY CLAUSE:

This Circular will take effect immediately.


CESAR V. PURISIMA
Secretary, DOF


JESSE M. ROBREDO
Secretary, DILG

