



# **NATIONAL TAX RESEARCH CENTER**

## **Technical Assistance on Fees and Charges Manual**

December 21, 2022

## TABLE OF CONTENTS

I. INTRODUCTION .....	2
II. FEES AND CHARGES .....	3
III. THE TASK FORCE ON FEES AND CHARGES .....	4
IV. GENERAL PROCEDURES IN THE DETERMINATION OF THE RATE OF FEES AND CHARGES .....	7
V. COST VARIABLE DETERMINATION AND COST COMPUTATION GUIDELINES.....	8
A. Guidelines in the Build-Up of the Workflow Process .....	8
B. Cost Computation Template.....	8
C. Alternative Computation .....	18
VI. CITIZEN’S CHARTER: REQUEST FOR TECHNICAL ASSISTANCE .....	19

# I. INTRODUCTION

This Manual is prepared in accordance with DOF-DBM-NEDA Joint Circular No. 1-2013, implementing Administrative Order (AO) No. 31, s. 2012. It lays down the step-by-step procedures to assist and guide fee-collecting national government agencies (NGAs) and government-owned and/or -controlled corporations (GOCCs) in determining the appropriate rates of fees and charges according to the cost recovery principle.

It contains the general guidelines for the revision of fees and charges provided under the implementing guidelines of AO 31, and more importantly, it provides the cost computation template formulated by the NTRC as Secretariat to the Task Force on Fees and Charges. The cost computation template illustrates and explains the computation of all the direct and indirect cost variables associated with the service delivery, such as personnel salary, supplies and materials, tools and equipment, facilities, and utilities, among other costs.

This Manual also briefly explains the concept of fees and charges and traces the evolution of the powers and role of the Task Force on Fees and Charges in the imposition and collection of fees and charges. Lastly, it contains the relevant laws and issuance and the citizen's charter for the provision of technical assistance to NGAs and GOCCs, which opt to request assistance from the Task Force in determining the new and/or revised rates of fees and charges.

## II. FEES AND CHARGES

Fees and charges refer to levies imposed by NGAs and GOCCs on the direct recipients of public goods and services in the exercise of their mandated regulatory and service delivery functions. The basic principle behind the imposition of fees and charges is cost recovery which aims to relieve the government of its funding burden and promote equity by making the individuals receiving the services share in the burden of the expenses incurred in providing the service; thus, encouraging efficiency in the use and management of revenues from taxes and duties such that the cost of providing services will not compete for funding vis-à-vis priority programs and projects of the government.

Generally, the government can impose two (2) types of fees: an ordinary service fee, most commonly known as the user's fee, and a regulatory fee. In an ordinary service fee, the cost of providing the service is the consideration in coming up with the rate of fee. On the other hand, the regulatory fee is imposed in the exercise of the police power of the State. It serves as a policy instrument to discourage or regulate certain services or activities. In determining the rate of a regulatory fee, the rate must bear a reasonable relation to the probable expenses of regulation, taking into account not only the cost of direct regulation but also its incidental consequences (*Manila Electric Co. v. El Auditor General y la Comision de Servicios Publicos*, 1941)<sup>1</sup>.

To facilitate the exercise of regulatory and administrative functions of the government, Congress delegated to the agency, and department heads the power to regulate and administer the imposition, collection, and revision of fees and charges. This power is found in Batas Pambansa Blg. 325 and Section 54, Chapter 12, Book IV of the Revised Administrative Code of 1987, which provides that, for services required by law to be rendered for a fee, the heads of bureaus, offices, or agencies upon approval of the concerned department head, the continuing authority to revise their rates of fees and charges to recover the costs of services rendered. This delegated power to determine the rates of fees and charges became the basis of subsequent presidential issuances, the latest of which is AO 31, s. 2012.

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<sup>1</sup> The case, GR No. 47368, was cited in *Progressive Development Corporation vs. Quezon City*, G.R. No. L-36081, April 24, 1989.

### III. THE TASK FORCE ON FEES AND CHARGES

The Task Force on the Revision of Fees and Charges was created by virtue of AO No. 255, s. 1996, in consideration of the following:

1. The resource mobilization program of the Philippine Government has identified and considered fees and charges as a major source of revenue, hence, viewed as fitting to grow rather than diminish in value, which can be used as an alternative for increased taxation.

2. There is an apparent absence of a synchronized accounting and reporting system for collecting fees and charges by the agencies and bureaus concerned, which cause difficulties in establishing budgetary levels, targets, and priorities.<sup>2</sup>

Non-compliance of NGAs and GOCCs with EO No. 159, s. 1994, directing them to revise their fees and charges, EO 197 was issued, reiterating the same directive to increase their rates of fees and charges. In connection therewith, the Task Force was also reactivated via EO No. 218, s. 2000, to prevent indiscriminate and inappropriate increases in the rates of fees and charges and to review, where necessary, proposals from the agencies concerned before approval of their Department Secretaries. With that directive, DOF-DBM Joint Memorandum Circular No. 2000-2 was promulgated, giving the Task Force, in addition to its function of monitoring compliance on the revision of fees and charges and the synchronization of the accounting and reporting of collections from fees and charges from agencies concerned, the following functions:

1. Pass upon any request for exemption from EO 197;
2. Monitor compliance with EO 197 and subsequent revisions of fees and charges;
3. Provide technical assistance in upgrading the rates of fees and charges upon request of the agency concerned;
4. Review and recommend, on a continuing basis, the adjustment of the fees and charges of certain agencies before the same are approved by the Department Secretary or Head of the Agency concerned, based on the following criteria:
  - a. The agency's collections from fees and charges represent a major contribution to government revenues;
  - b. The fees collected by the agency are socially sensitive;
  - c. The fees have not been adjusted for the last five years from the effectivity of EO No. 197; and

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<sup>2</sup> Whereas clauses of AO 255.

- d. The fees are not intended merely to recover costs but rather to fulfill a regulatory function or control a particular activity<sup>3</sup>.

In July 2007, Memorandum Circular No. 137, s. 2007, was issued as a result of the Joint National Anti-Poverty Commission and National Economic and Development Authority (NEDA) Cabinet Group meeting, where the President and the Cabinet Members deemed it prudent for all heads of NGAs, including GOCCs, to seek NEDA Board clearance before authorizing the imposition of new fees or increase in existing fees. The NEDA Board clearance requirement made a revision of fees difficult; thus, AO No. 31, s. 2012 was issued to rationalize the imposition/revision of new/existing fees and charges and streamline the process, thereby removing the requirement for NEDA Board clearance.

Under the DOF-DBM-NEDA Joint Circular No. 1-2013, implementing the rules and regulations of AO 31, the following are also provided as functions and duties of the Task Force on Fees and Charges:

1. Monitor compliance of the concerned NGAs and GOCCs with AO 31, its implementing rules and regulations, and the actual imposition of enforcement by the NGAs of their new/revised fees and charges.

2. Based on the reports and documents submitted to the Task Force under Item 10 of the implementing rules and regulations, the Task Force may also direct the concerned agency to explain, clarify or further justify its new/revised rates.

In summary, the remaining powers of the Task Force on Fees and Charges are as follows:

1. Monitor compliance of the concerned NGAs and GOCCs with AO 31 and its implementing rules and regulations, as well as the actual imposition of enforcement by the NGAs of their new/revised fees and charges;

2. Based on the reports and documents submitted to the Task Force under Item 10 of the implementing rules and regulations, the Task Force may also direct the concerned agency to explain, clarify or further justify its new/revised rates; and

3. Provide technical assistance in determining the rates of fees and charges upon request of the agency concerned.

The current composition of the Task Force on Fees and Charges is as follows:

Department of Finance - Chairman

Department of Budget and Management - Co-Chairman,

Members:

Bureau of the Treasury

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<sup>3</sup> Section 7 of DOF-DBM Joint Circular No. 2000-2.

Commission on Audit

National Tax Research Center

The NTRC heads the Inter-Agency Technical Secretariat of the Task Force. As the Secretariat to the Task Force on Fees and Charges, it monitors compliance of fee-collecting NGAs to pertinent issuances and prepares responses/comments on queries/requests for technical assistance in connection with the requirements in the imposition of new fees and/or increase in existing fees, upon request by NGAs.

## IV. GENERAL PROCEDURES IN THE DETERMINATION OF THE RATE OF FEES AND CHARGES

The DOF-DBM-NEDA Joint Circular No. 1-2013, implementing the rules and regulations of AO 31 (IRR for brevity), provides the following general procedures in the imposition of new and/or revised rates of fees and charges:

1. Creation of Revision of Fees Committee (Item 6 of IRR);
2. Determination of rates of fees (Item 5 of IRR);
3. Publication and/or posting on the website and/or conspicuous places in the office (Item 5.5 of IRR);
4. Conduct of public hearing or stakeholder consultation (Item 5.5 of IRR);
5. The final revision of proposed fees (Item 5.5. of IRR);
6. Submission for approval to the head of the NGA or the GOCC board a report and recommendations regarding proposed new/revised fees and charges (Item 6.2.c and 7 of IRR);
7. Publication and/or posting on the website and/or conspicuous places in the office (Item 8 of IRR); and
8. The reportorial requirement to the Task Force on Fees and Charges (Item 10 of IRR).

In accordance with Item 6 of the IRR, NGAs and GOCCs shall order the creation of the **Revision of Fees Committee**, which shall be composed of the following:

Chairperson:	Undersecretary or 2 <sup>nd</sup> highest-ranking official of the NGA, or the President (or equivalent) of the GOCC
Vice Chairperson:	Head of the finance unit
Members:	Budget officer Accounting officer Chief of the division or the unit responsible for the collection or implementation Planning officer

The Revision of Fees Committee shall: (a) review existing fees and charges and conduct a study on the necessity of imposing new/revised ones, including the gathering of data on the costs of delivery of services to compute the appropriate rates that will recover such costs; (b) ensure guiding principles of AO 31, as well as the IRR, are observed; and (c) submit to the head of the NGA or the GOCC board a report and recommendations regarding proposed new/revised fees and charges, containing the results of a study, including the legal and material bases and justification for the proposed rates, as well as any comments or feedback received from the public.



## V. COST VARIABLE DETERMINATION AND COST COMPUTATION GUIDELINES

The imposition of new fees and the revision of existing fees should adhere to principles of cost recovery, efficient resource management, equity, and, whenever applicable, uniformity of similar or comparable services and the socio-economic impact of their imposition. However, some social services may be exempted from adhering to such principles in accordance with the general policy of the government. These social services include education and health services for the indigents and other social services provided by law.

### A. Guidelines in the Build-Up of the Workflow Process

Caplan (2006, p. 20) borrows the economic definition of cost as the resources sacrificed to achieve a specific objective, such as providing goods or services to a client. In accounting parlance, the aforementioned specific objectives are called, *cost objects*. The cost object is the thing we want to determine the cost of and in this Manual, it is the service to be rendered. (Caplan, 2006, p. 73)

The Revision of Fees Committee shall determine and construct a workflow process for the services their agency renders for which a fee is charged. Services rendered by government agencies follow a certain workflow, which is mainly based on their citizen's charter. The workflow shall contain the step-by-step activities in chronological order, which will serve as the basis for identifying all the cost variables necessary for the determination of fees and charges.

At each step of the workflow process, identify the following cost variables: personnel involved and their estimated time spent in performing the activity, the supplies and materials to be used, the necessary capital outlays, such as facilities, tools, and equipment, provision for utilities, and the indirect costs allocated to the service.

When relevant, the time spent can also be accounted for in the computation of imputed cost (e.g., time spent using a piece of equipment). Based on the workflow process, choose an appropriate time variable that will be used all throughout the cost computation process, whether months, days, hours, or minutes.

### B. Cost Computation Template<sup>4</sup>

The objective of the cost computation template is to come up with a fair measurement of the costs incurred to render the service. The template helps ensure that the rate of fees and charges follows the cost recovery principle. It generally contains the following variables with their corresponding values:

Type of Cost
Personnel Salary

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<sup>4</sup> The working cost computation template (in excel file format) is available with the Special Research and Technical Services Branch.

Supplies and Materials
Capital Outlay
Facility (rented or owned)
Tools and Equipment and other fixed costs
Utilities
Indirect Costs
<b>Total Cost</b>
<b>Rate of fee = Total Cost per Capita</b>

Costs can be categorized by their nature: personnel salary, supplies and materials, tools and equipment, facilities, and other costs. They can be further classified as either directly or indirectly related to a *cost object*.

Direct costs are expenses that can be conveniently and economically traced to a cost object; while, indirect cost is defined as the opposite of the latter. Indirect costs are either difficult to trace or constitute a significantly small amount and because of this, further steps shall be applied in an attempt to fairly assign indirect costs to several cost objects. (Crosson, S. V., & Needles, B. E., 2011, p. 47)

For example, the salary of the personnel rendering the service for which a fee is charged is a direct cost, while the salary of the personnel processing the payroll of all personnel within the agency indirectly contributes to the service delivery. The labor rendered by the personnel processing the payroll benefits several cost objects, and therefore, the salary of the payroll officer shall be further allocated to everyone who benefited.

### **1. Computation for personnel salary**

At each step of the workflow process, list the personnel directly involved and estimate the actual time spent performing the activity, exclusive of the queueing time. Personnel directly involved are those who are responsible for a specific activity in the workflow process.

Calculate the salaries and wages of all personnel involved in rendering the service proportionate to the time spent by each personnel.

- a. Gather data on the annual salary of each person involved. The 13<sup>th</sup>-month pay and other statutory benefits accorded to government employees may be incorporated into the annual salary to the extent mandated by law;
- b. Compute the salary per minute, per hour, or per day by dividing the annual salary by the appropriate time variable option;

For example, if the chosen time is in minutes, salary per minute is computed as follows:

$$\text{Annual salary} \div 126,720 \text{ working minutes in a year} = \text{Salary per minute}$$

- c. Multiply the actual time spent by the salary per minute or per hour to get the cost of each personnel.

$$\text{Minutes spent by the personnel on the service} \times \text{Salary per minute} = \text{Personnel cost}$$

Add all the computed costs of each person to come up with the total cost of personnel salary.

Personnel	Amount
Cost of personnel #1	xxx
Cost of personnel #2	xxx
Cost of personnel #3	xxx
<b>Sum of personnel cost</b>	<b>XXXX</b>

## 2. Computation for consumable and semi-expendable Items

Consumable items are non-reusable supplies and materials whose value is fully exhausted after one use (e.g., staple wire, bond paper, cotton ball). This includes reusable supplies and materials with consumable attributes (ballpoint pen, ink cartridge, log book).

Compute the cost of consumable items:

- List all the consumable items needed to execute the service and the corresponding number of pieces or times each item is used.
- Compute the cost of non-reusable supplies:

$$(1) \text{ Quantity} \times \text{Unit cost} = \underline{\text{Cost of non-reusable supplies.}}$$

e.g., One A4 folder costs P10.00. According to the process workflow, the service would consume 2 pieces of A4 folder.

$$2 \text{ pieces of A4 folder} \times P10.00 = \underline{P20.00 \text{ cost of folder consumed}}$$

- In some cases, non-reusable supplies are bought in bulk quantities but used per piece. The cost per piece should first be computed by dividing the price in bulk by the number of pieces it contains.

$$\text{Rate Per Piece} \times \text{No. Of Pieces Used} = \text{Imputed Cost}$$

e.g., One ream of bond paper contains 500 pages and costs P137.74. According to the process workflow, the service requires the use of 10 pieces of bond paper.

$$(500 \text{ pages} \div P137.74) \times 10 \text{ pieces used} = P36.30$$

- Compute the cost of reusable supplies:

$$(1) \text{ Quantity} \times (\text{Unit cost} \div \text{number of times it can be reused}) = \underline{\text{Cost of reusable supplies}}$$

e.g., A black original ink cartridge costs P865.28 and can print up to 170 pages. According to the process workflow, the service requires the printing of 10 pages of documents.

$$10 \text{ pages} \times (P865.28 \div 170 \text{ pages}) = \underline{P50.90 \text{ cost of ink cartridge consumed}}$$

On the other hand, semi-expendable items are items with a value of less than P50,000<sup>5</sup> but with a life expectancy of more than one year. The computation for semi-expendable items is slightly similar to consumable items except that the cost is based on usage. To compute the cost of semi-expendable items:

- a. List all the necessary semi-expendable items, as well as their price and quantity. Compute the initial cost by multiplying the quantity by its unit price.
- b. Determine for each item the number of times it is reusable or the presumed number of times the item would be used until its value would be fully depleted. The recommended useful life by the Commission on Audit may serve as the basis for the number of times reusable.
- c. Divide the cost over the number of times reusable to come up with the imputed cost of semi-expendable items.

*Example:*

<i>Item</i>	<i>Quantity</i>		<i>Price</i>	<i>=</i>	<i>Cost</i>	<i>÷</i>	<i>Times Reusable</i>	<i>=</i>	<i>Imputed Cost<sup>a</sup></i>
<i>Aircon</i>	<i>1</i>	<i>×</i>	<i>35,585.00</i>	<i>=</i>	<i>35,585.00</i>	<i>÷</i>	<i>1,320</i>	<i>=</i>	<i>26.96</i>
<i>LED Bulb</i>	<i>10</i>	<i>×</i>	<i>75.61</i>	<i>=</i>	<i>756.10</i>	<i>÷</i>	<i>264</i>	<i>=</i>	<i>2.86</i>
<i>Laptop</i>	<i>5</i>	<i>×</i>	<i>41,392.00</i>	<i>=</i>	<i>206,960.00</i>	<i>÷</i>	<i>792</i>	<i>=</i>	<i>261.31</i>
<i>Printer</i>	<i>2</i>	<i>×</i>	<i>10,189.00</i>	<i>=</i>	<i>20,378.00</i>	<i>÷</i>	<i>528</i>	<i>=</i>	<i>38.59</i>
<b><i>Total Cost of Semi-Expendable Items</i></b>									<b><i>≡ 329.72</i></b>

*Note.* <sup>a</sup> Quantity, price, and times reusable are assumed values.

### **3. Computation for tools and equipment**

Tools and equipment are items valued at P50,000.00 or more with a useful life of more than one year. The imputed cost of tools and equipment is based on the number of minutes or days they were used. For ease of computation, the straight-line depreciation method shall be used without accounting for any residual value.

Table 1 lays down the pre-computed time variable options to arrive at the cost per time variable. Output-based outlays are those used solely for a specific service while

<sup>5</sup> Effective FY 2022, the value for semi-expendable items is below P50,000.00 as per Commission on Audit Circular 2022-004, May 31, 2022 (effective FY 2022).

common capital outlays are used for multiple services or purposes. The cost of output-based outlays may simply be based on the number of working months/days/hours/minutes in a year, while common-use outlays are further computed to be proportionate to the actual time spent on the specific service.

**Table 1**

*Time Variable Options*

Particulars	Total Hours / Minutes in a Year	
	Output-based <sup>a</sup>	Common <sup>b</sup>
Months	12.00	12.00
Days	22.00	30.42
Hours	8.00	24.00
Minutes	60.00	60.00
Total Hours	2,112.00	8,760.00
Total Minutes	<b>126,720.00</b>	<b>525,600.00</b>

<sup>a</sup>Output-based – it is based on the number of working days in a year and working hours in a day.

<sup>b</sup>Common – it is based on the actual hours/minutes in a year.

Computation for the imputed cost of tools and equipment may be done as follows:

- a. First, determine the quantity and unit cost of each item.

Item	Quantity	Price	Initial Cost
Automobile	1	× 1,200,000	= 1,200,000
Aircon 3.0HP	2	× 68,000	= 136,000

- b. Compute the annual depreciation.

Item	Initial Cost	÷ Useful life	Annual Depreciation
Automobile	1,200,000	÷ 7	171,428.57
Aircon 3.0HP	136,000	÷ 5	27,200.00

- c. For tools and equipment that require repair and maintenance, the estimated repair and maintenance cost is 2% to 4%<sup>6</sup> of the computed cost.

Item	Annual Depreciation	Maintenance Cost (4%)	Annual Cost of Tools and Equipment
Automobile	171,428.57	6,857.14	178,285.71
Aircon 3.0HP	27,200.00	1,088.00	28,288.00

- d. Convert the annual cost of tools and equipment to per minute, per hour, or per day, depending on the time variable in the workflow process and the time variable option under Table 1. For example, the computation of

<sup>6</sup> The rate is based on the National Research Council (1996).

the cost per minute of output-based equipment is to divide its annual cost by 126,720 minutes based on Table 1.

- e. Multiply the cost per minute/hour/day by the number of minutes/hours/days each type of equipment was used.

For example:

$$\text{No. of minutes used} \quad \times \quad \text{Cost per minute} \quad = \quad \text{Cost of tools and equipment}$$

- f. Add all the computed costs of each item to come up with the total cost of tools and equipment.

Tools and equipment	Amount
Cost of tools and equipment #1	xx
Cost of tools and equipment #2	xx
Cost of tools and equipment #3	xx
<b>Sum of tools and equipment cost</b>	<b>XXXX</b>

#### **4. Computation for the cost of the facility**

The computation for the cost of the facility depends on the following:

- a. Total area required for the service in square meters (m<sup>2</sup>);
- b. the number of days/hours/minutes the area was used; and
- c. whether the facility is owned or rented.

Compute the rate per m<sup>2</sup> of the facility. The computation may differ depending on whether it is owned or rented. The straight-line annual depreciation method is the recommended basis for owned facilities, while the current monthly rental rate is a more appropriate basis for rented facilities. A provision for maintenance costs may be estimated at 4%<sup>7</sup> to 6%<sup>8</sup> of the annual or monthly rate, whichever is applicable.

- a. For owned facilities, divide the annual depreciation of the whole building over its total area to get the annual depreciation per m<sup>2</sup>.
- b. For rented facilities, divide the monthly rent of the whole building over its total area to get the monthly rate per m<sup>2</sup>.

<sup>7</sup> The rate of 4% is based on the National Research Council (1996).

<sup>8</sup> Computed based on the National Tax Research Center Annual Audit Report for December 31, 2021.

Convert the annual or monthly rate computed to a per day/hour/minute rate similar to the procedure for tools and equipment, then multiply the rate by the number of days/hours/minutes the facility used.

An illustrative example of owned facilities:

Based on the process workflow, a total of 30 m<sup>2</sup> is needed to render the service and it will be used for 48 minutes. The annual depreciation of the building the agency owns is valued at P1,000,000 with a total area of 1,000m<sup>2</sup>.

<i>Annual depreciation of the building</i>	÷	<i>Area of the building</i>	=	<i>Annual Depreciation per m<sup>2</sup></i>	×	<i>Required area</i>	=	<i>Annual cost per m<sup>2</sup> of the required area</i>
P1,000,000	÷	1000 m <sup>2</sup>	=	P1000 per m <sup>2</sup>	×	30 m <sup>2</sup>	=	P30,000
<i>(cont.) Annual cost per m<sup>2</sup> of the required area</i>	÷	<i>Working minutes in a year</i>	=	<i>Per minute depreciation per m<sup>2</sup></i>	×	<i>Number of minutes spent</i>	=	<u><i>Imputed facility cost</i></u>
P30,000	÷	126,720	=	P0.24 per m <sup>2</sup>	×	48 minutes	=	<u>P11.52</u>

An illustrative example of rented facilities:

Based on the process workflow, a total of 30 m<sup>2</sup> is needed to render the service and it will be used for 48 minutes. The monthly rent of the building is valued at P100,000 with a total area of 500m<sup>2</sup>.

<i>Monthly rent of the building</i>	÷	<i>Area of the building</i>	=	<i>Monthly rent per m<sup>2</sup></i>	×	<i>Required area</i>	=	<i>Monthly rent per m<sup>2</sup> of the required area</i>
P100,000	÷	500 m <sup>2</sup>	=	P200 per m <sup>2</sup>	×	30 m <sup>2</sup>	=	P6,000
<i>(cont.) Monthly rent per m<sup>2</sup> of the required area</i>	÷	<i>Working minutes in a month</i>	=	<i>Per minute rent per m<sup>2</sup></i>	×	<i>Number of minutes spent</i>	=	<u><i>Imputed facility cost</i></u>
P6,000	÷	10,560	=	P0.57 per m <sup>2</sup>	×	48 minutes	=	<u>P27.36</u>

**5. Computation for the cost of electric consumption**

List all the semi-expendable items, tools, and equipment requiring the use of electricity, their quantity, and kilowatt-hour (kWh) consumption.

Multiply the kWh consumption of each appliance by its quantity and the rate of electricity per kWh to arrive at the cost of electric consumption per hour. If the processing time is in days or minutes, convert the cost of electric consumption per hour accordingly.

Finally, the imputed cost of electric consumption is the product of the computed daily/hourly/minute rate and the actual days/hours/minutes spent using the appliances.

Illustrative example:

<i>Appliance</i>	<i>kWh</i>	<i>×</i>	<i>Quantity</i>	<i>×</i>	<i>Rate of Electricity/KWH</i>	<i>=</i>	<i>Cost/Hr</i>	<i>×</i>	<i>No. of Hours Used</i>	<i>=</i>	<i>Total Cost (F= D x E)</i>
<i>LED bulb 40W</i>	<i>0.04 kWh</i>	<i>×</i>	<i>10</i>	<i>×</i>	<i>11.8</i>	<i>=</i>	<i>4.72</i>	<i>×</i>	<i>280</i>	<i>=</i>	<i>P1,321.60</i>

**6. Computation for the cost of water utilization**

To get the total cost of water utilization, estimate the cubic meter (m<sup>3</sup>) used for the delivery of the service and multiply it by the rate per m<sup>3</sup>.

Illustrative example:

<i>m<sup>3</sup> Used</i>	<i>×</i>	<i>Cost of Water per Meter<sup>3</sup></i>	<i>=</i>	<i>Cost of Water Utilization</i>
<i>0.05</i>	<i>×</i>	<i>50</i>	<i>=</i>	<i>P2.50</i>

**7. Computation for the cost of gas consumption**

Determine the MJ or BTU consumption rating per hour of the appliance and divide it by the energy content per kilogram (Table 2) to get the appliance's LPG consumption per hour in kilograms.

Finally, multiply the LPG consumption per hour in kilograms by the cost of LPG per kilogram to come up with the cost of gas consumption. The cost of LPG per hour may be derived by computing the cost of one LPG tank over the number of kilograms it contains.

**Table 2**

*LPG- Propane Consumption Conversion Chart*

<i>LPG – Propane Unit of Measure</i>	<i>Megajoules (MJ)</i>	<i>British Thermal Unit (BTU)</i>
<i>1 kg</i>	<i>49</i>	<i>46,452</i>

*Note.* The table is adapted from Hahn (2018, June 8). LPG - propane gas consumption calculation per hour by burner size. Elgas. Retrieved from <https://www.elgas.com.au/blog/2042-how-do-i-calculate-the-lpg-propane-consumption-per-hour>

Illustrative example:

A gas burner with a rating of 14,000 BTU, which will be used for 2 hours based on the process workflow, and an 11-kilogram LPG tank, which costs P660.00, will be computed as follows:

<i>MJ or BTU rating of the appliance</i>	<i>÷</i>	<i>Energy content per kilogram</i>	<i>=</i>	<i>Gas consumption per hour in kg</i>
<i>14,000 BTU</i>	<i>÷</i>	<i>46,452 BTU</i>	<i>=</i>	<i>0.30</i>



<i>Hours spent</i>	×	<i>Gas consumption per hour in kg</i>	×	<i>Cost of LPG per kg</i>	=	<i>Cost of Gas Consumption</i>
2 hours	×	0.30	×	P60.00	=	P36.00

The cost of LPG per kg is derived as follows:

<i>Unit cost</i>	÷	<i>Content in kg</i>	=	<i>Cost of LPG per kg</i>
P660.00	÷	11kg	=	P60.00

## **8. Computation for the cost of other subscriptions**

This section identifies all other direct costs incurred to render the service which is paid on a subscription basis (e.g., internet, Office 365, subscription to an online library of journals). To compute the total cost, the monthly or yearly rate of subscription would be converted to a per day/hour/minute rate and will be multiplied by the number of days/hours/minutes the item was used.

### **Illustrative example:**

Based on the process workflow, the internet will be used for 30 minutes. The monthly subscription is billed at P2,899.00 per month.

<i>Subscription</i>	<i>Cost per minute</i>	×	<i>No. of minutes spent</i>	=	<i>Allocated Cost</i>
Internet, Plan 2899	0.27	×	30	=	8.10

## **9. Computation for indirect costs and all other costs**

Indirect costs are expenses that are necessary but are not easily traceable to the service, and thus, the amount can only be estimated and allocated among all the services benefiting from these expenses. The following are the different ways of allocating indirect costs:

- a. Computed indirect costs – The expenses identified as indirectly used in the rendering of the service are itemized and computed the same way as those directly related to the service, then divided by the usage, or the number of people using the same item. The sum of all indirect cost items shall be divided by the total direct cost per capita. The percentage derived will be multiplied and added to the total direct cost.

The following are the indirect cost percentages that can be used to fairly and conveniently determine the indirect proportion of each indirect cost:

Cost Item	Indirect Cost Percentage <sup>9</sup>
Labor	1.13% to 2.00%
Supplies and Materials	0.37% to .50%
Tools and Equipment	1.47% to 1.50%
Facility	.50% to 0.55%

- b. Averaging the indirect cost – The percentage of indirect cost for a particular type of direct cost variable, e.g., labor, supply, etc., is determined by averaging the computed indirect cost of different costings similar to or closely related to the service for which a fee is computed.

Illustrative example:

Individual indirect labor computation

Qualification 1	(Indirect labor cost/Total labor cost) = Indirect labor percentage 1
Qualification 2	(Indirect labor cost/Total labor cost) = Indirect labor percentage 2
Qualification 3	(Indirect labor cost/Total labor cost) = Indirect labor percentage 3

Indirect labor percentage formulation

(Indirect labor percentages 1 + 2 + 3 + 4 + ..../Number of qualifications) = Indirect labor percentage
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**Table 3**

Sample computation of indirect labor using derived indirect cost percentage

Direct labor cost .....	XXXXX
Indirect labor computation	
Direct labor.....	XXXXX
X Indirect labor percentage.....	XXXXX
Indirect labor cost charged .....	XXXXX
<b>Total labor cost (Direct and Indirect) .....</b>	<b>XXXX</b>

**10. Rate of fee**

Consistent with the cost-recovery principle, the total cost computed is also the maximum per capita rate of fee chargeable to the service transaction. In summary, the total cost is the sum of attributable direct costs and allocated indirect costs. (Table 4.)

**Table 4**

<sup>9</sup> Computed based on the average of the technical assistance rendered by the National Tax Research Center for the year 2021 to the Technical Education and Skills Development Authority.

*Summary of the Schedule of Costs and Expenses in the Computation of the Rate of Fees and Charges*

Particulars	Estimated cost incurred
Direct Costs (attributable)	
Personnel salary	xxx
Consumable items	xxx
Semi-expendable items	xxx
Facilities	xxx
Tools and equipment	xxx
Other direct costs (utilities)	xxx
Indirect costs (allocated)	xxx
<b>Total cost and rate per capita</b>	<b>XXXX</b>

**C. Alternative Computation**

**Pro-rating maintenance and other operating expenses (MOOE)**

As an alternative to direct costing, it may impute a certain percentage of the agency budget for MOOE as provision for office supplies and utilities, if data is readily available, and other expenses deemed relevant (e.g., tools, equipment, etc.) by the particular unit/s of the agency rendering service. The generated amount serves as a ballpark figure to aid the agencies in determining how much should be charged for the services rendered to recover the costs expended on the same. The agency may opt to round off the amount to the nearest whole figure, while others may consider charging more than the estimated costs, especially for certain regulated services.

Estimated MOOE or incidental expenses divided by the time variable options below equals cost per time variable. The cost per activity equals the cost per time variable multiplied by the time spent in an activity where MOOE or incidental expenses may be involved.

There are cases, however, where the agency does not have the pertinent information or finds it difficult to estimate the amounts required in the process mentioned above, and this is true in cases where the service for which a fee is collected is just a minor activity or merely incidental to the major function of the office.

While an estimate of the cost for the service rendered may be determined based on the above alternative method, the result could only be used as a comparative/reference cost estimate.

## VI. CITIZEN'S CHARTER: REQUEST FOR TECHNICAL ASSISTANCE

**Availability of Service:** Monday – Friday from 8:00 am to 5:00 pm

**Clientele:** NGAs and GOCCs performing governmental functions for a fee.

**Required documents:**

### For the revision of existing fees

1. Letter-request signed by the head of the office or his/her authorized representative indicating the following:
  - a. The request for technical assistance;
  - b. The legal basis and/or authority of the requesting NGA/GOCC from law or issuance to impose and collect fees and charges; and
  - c. A short statement on the socio-economic impact of the imposition/revision of fee;
2. Workflow/procedures involved in the delivery of service;
3. The current schedule of fees proposed to be revised with the date of last imposition and revision/s;
4. List of stakeholders/clientele of the service

### For the imposition of new fees

1. Letter-request signed by the head of the office or his/her authorized representative indicating the following:
  - a. The request for technical assistance;
  - b. The legal basis and/or authority of the requesting NGA/GOCC from law or issuance to impose and collect fees and charges; and
  - c. A short statement on the socio-economic impact of the imposition/revision of fee;
2. Workflow/procedures involved in the delivery of service;
3. List of stakeholders/clientele of the service

**How to avail of the service:**

<b>STEP</b>	<b>APPLICANT/CLIENT</b>	<b>ACTIVITY</b>	<b>DURATION OF ACTIVITY</b>	<b>DIVISION/PERSON-IN-CHARGE</b>	<b>FEEES</b>	<b>FORM/ DOCUMENT</b>
1	Submits a request to NTRC for technical assistance (through email, walk-in, or courier)	Receives request for technical assistance and checks attached documents.  If the documents are complete, sets a meeting with the Revision of Fees Committee (Committee). If not complete, advises the client to submit all necessary documents to expedite the evaluation of the request.	10 minutes	Technical Staff of the Special Research and Technical Services Branch (SRTSB)	None	Letter request with supporting documents
2	Meets with the Secretariat (through face-to-face or online platforms e.g. Google Meet/Zoom). Apprises the Secretariat about the fee to be imposed/ revised.	Meets (face-to-face or online platform) with the Committee to explain the template to be used in calculating the costs involved in the provision of service and assists the Committee in accomplishing the same.	6 days	SRTSB Chief and Technical Staff	None	Cost Computation Template
3	Presents to the Secretariat the	Reviews, evaluates, and finalizes the rates of fees	4 days	SRTSB Chief and Technical Staff	None	Accomplished Cost Computation

STEP	APPLICANT/CLIENT	ACTIVITY	DURATION OF ACTIVITY	DIVISION/PERSON-IN-CHARGE	FEES	FORM/DOCUMENT
	accomplished template (through face-to-face meetings or online platforms)	and charges (face-to-face meeting or online platform)				Template and recommended rate of fee
4	Provides the Secretariat with the number of clients availing or may avail of the service. (Optional)	Estimates the revenue impact of the new and/or revised rate of fee.	1 day	SRTSB Chief and Technical Staff and NTRC Executive Director	None	Revenue impact estimate
5		Releases/ transmits via email or courier the estimated actual costs and recommended rate of a fee to requesting NGA/GOCC and provides a copy to NTRC for record purposes.	30 minutes	Planning and Coordinating Branch Staff / SRTSB Chief	None	Client Satisfaction Rating Form, revenue impact estimate, and recommended rate of fee
TOTAL: 11 days and 40 minutes						
<b>END OF TRANSACTION</b>						

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