Republika ng Pilipinas
Lungsod Quezon
SANGGUNIANG PANLUNGSOD
(City Council)

PR91-98

Resolution No. NC- 603, S-91

RESOLUTION
APPROVING THE TAX CREDIT PROGRAM OF THE CITY GOVERNMENT, THE RATIONALE AS WELL AS THE FEATURES AND IMPLEMENTING GUIDELINES THEREOF IS HEREWITH ATTACHED AND MADE AN INTEGRAL PART HEREOF, AND AUTHORIZING THE HONORABLE CITY MAYOR, BRIGIDO R. SIMON, JR., TO ENTER INTO A MEMORANDUM OF AGREEMENT WITH ANY CITY TAXPAYER FOR THE LATTER TO FINANCE THE COST OF IDENTIFIED AND APPROVED INFRASTRUCTURE PROJECTS, THE AMOUNT TO BE TREATED AS TAX CREDIT AND TO BE APPLIED TO THE PAYMENT OF REAL PROPERTY TAX DUE ON HIS PROPERTIES LOCATED IN QUEZON CITY.

Introduced by Councilors Guillermo C. Altuna, George Canseco, Melencio M. Castelo, Emilio G. Tamayo, Alberto M. Galarpe and Ricardo R. Del Rosario.
Co-Introduced by Councilors Jose J. Paculdo, Wilma Amoranto-Sarino, Teodoro N. Ramos, Reynaldo A. Calalay, Alicia A. Herrera, Isidro R. Saludes, Edgardo S. Serrano, Norberto C. Cabigao, Jorge L. Banal, Elizabeth C. Gaba, Eduardo F. David, Laoag A. Paras, Cielito "Mahal" Del Mundo, Alfredo A. Francisco (Fred Montilla), Herminio "Butch" C. Bautista, Francis P. N. Pangilinan, Roberto A. Miguel, Herbert M. Bautista and Jesus M. Cellano, Jr.

WHEREAS, the city government has identified infrastructure development as a critical concern to be addressed in the interest of its constituency;

WHEREAS, the financial resources of the city are insufficient to meet the totality of funding requirements for all infrastructure development works;

WHEREAS, the city government is empowered to avail of external credit financing to finance the prosecution of such infrastructure development works pursuant to the provisions of PD 752;

WHEREAS, in line with the foregoing, the city government has come up with a TAX CREDIT PROGRAM as a means to finance said infrastructure development, through financing agreements with its taxpayers who will loan the city government against their future tax liability to the city;

WHEREAS, individual and corporate taxpayers are willing to participate in such Tax Credit Program to express their support for the city's development efforts towards accelerating the delivery of services to the general public;

WHEREAS, such Tax Credit Program is financially beneficial to the city in the light of steep inflation and escalation in the cost of infrastructure projects;

WHEREAS, considering that the implementation of such program will hasten the development of the city through the early execution of selected infrastructure projects.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF QUEZON CITY IN SESSION ASSEMBLED, to approve, as it does hereby approve, the Tax Credit Program of the city government, the retionale as well as the features and implementing guidelines thereof is herewith attached and made an integral part hereof.

RESOLVED, FURTHER, to authorize the Honorable City Mayor, Brigido R. Simon, Jr., to enter into a Memorandum of Agreement with any city taxpayers for the latter to finance the cost of identified and approved infrastructure projects, the amount to be treated as tax credit and to be applied to the payment of Real Property Tax due on his properties located in Quezon City.

ADOPTED September 4, 1991

VICENTE C. SOTTO, III
Vice Mayor
Presiding Officer

ATTESTED:

VICENTE A. ALVAREZ
City Secretary

QUEZON CITY GOVERNMENT
TAX CREDIT PROGRAM

I. RATIONALE:

With the ever-growing population and increasing pace in the life of the City, the Quezon City Government is faced with tremendous pressures in the amount and quality of services it must provide for its public. Notwithstanding the substantial growth in its financial and budgetary resources, the demands for funds continue to outpace the sums that can be made available.

The City is fortunate to have in its midst a responsive and responsible citizenry, who continue to believe in the sincerity of the City Government and the dynamism that it espouses. Thus, the City Government has conceived of a program that will muster this goodwill among its citizens and convert this into a financial resource thatcould help bolster the funds of the City for implementing a thorough infrastructure development program.

The resultant program is dubbed the Tax Credit Program. It is a credit financing scheme that will be resorted to by the City Government, with its taxpayers as creditors and their future real estate tax liabilities as means for repayment. The credits that may be availed of under the Program will be used exclusively to finance the implementation of identified infrastructure projects that will improve the City's physical development.

II. FEATURES OF THE PROGRAM:

The program draws its legal basis from P.D. 752, which allows local government units to avail of credit financing for the prosecution of priority development projects whenever its existing financial resources prove inadequate. In the context of this Law, the Tax Credit Program becomes a facile mode of financing that has erstwhile been unexplored.

Under this program, the loan offered by the taxpayer to finance developmental project/s shall be repaid through the application of payments on his realty taxes due on his properties in Quezon City. These loans are limited to the amount of realty taxes to be paid within one year but not more than five (5) years. Moreover, the City Government shall repay a 12% interest per annum on the loan amount exclusively of the 10% discount applied on advance/up-to-date taxes paid.

III. IMPLEMENTING GUIDELINES:

1. The taxpayer prepares an offer to partici-

pate in the program by submitting a formal proposal stating therein a project which he desires to finance and the approximate amount which he is willing to fund the project with.

2. The City Planning and Development Office shall assess the viability of the proposed project and its priority value, from a socio-economic standpoint. Thereafter, it shall endorse the proposed project to the City Engineer's Office for the preparation of official plans and specifications and detailed cost estimates. All these documents are then forwarded to and recommended for approval by the City Mayor.

3. Upon the approval by the City Mayor, the City Treasurer shall issue forthwith a Schedule of Repayments (sample of which is hereto attached) on the realty tax due on the properties of the taxpayer that would correspond to the amount of the loan, the annual 12% interest due and the usual 10% discount on the real property tax.

4. A Memorandum of Agreement (MOA) shall then be executed by and between the City Government, represented by the Mayor, and the taxpayer as required under the provisions of Section 9, PD 752. The Schedule of Repayments issued by the City Treasurer and the plans, specifications and detailed cost estimates prepared by the City Engineer shall form part of the MOA.

The MOA shall be in the prescribed form, a sample of which is hereto attached. The salient provisions are as follows:

a. The City Government shall pay to the taxpayer for the payments advanced, an interest of 12% per annum in pursuance with the provision of Presidential Decree No. 752 to be applied yearly in graduated rates for the period covered in the Memorandum of Agreement but in no case shall it exceed five (5) years.

b. Application of payments shall be made yearly, computed on the basis of existing rates corresponding to the year/period for which tax payment is being applied.

c. The 12% interest rate shall be credited with the usual 10% discount in advance/up-to-date payments, unless voluntarily waived and/or subsequent laws be enacted removing the said 10% discount in which case, the

computation and application of payments shall be adjusted accordingly.

d. The computation and application of advanced payments shall be subject to revision/increase of taxes that may be imposed in the future.

e. The amount advanced by the taxpayer shall be used solely for the approved project and no expenditures of any kind for any other purpose shall be made unless for justifiable reasons and only upon written consent of the taxpayer, subject to approval of proper authorities. Provided; however, that after completion of the project, the said amount or any part remaining thereof, may be disbursed and expended by the City Government in its normal operations and for any purpose as may be deemed warranted in the interest of the service.

f. The loan advanced by the taxpayer shall be limited to a maximum amount equivalent to five (5) years of his real property tax payments.

5. Upon the perfection of the MOA, the taxpayer shall release to the City Treasurer the amount of the loan.

6. The construction and implementation of projects shall be subject to the conditions as provided under PD 1594.

7. In case the cost of the project is higher than the amount of the offer, but not lower than the amount equivalent to 75% of the cost of the project, the City Government may allot funds or seek additional financing to cover the total cost of the project, subject to availability of funds for the purpose.

8. The City Treasurer shall reflect on the books of accounts and in the taxpayer's tax record the loan repayments yearly.

All are hereby enjoined to comply with the above stated guidelines for the effective implementation of the program.

Recommending Approval:

EMILIO E.P. FESTEJO
City Administrator

APPROVED BY:

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement, made and entered into this _____ day of _____, 1991 in Quezon City, Metro Manila, by and between the QUEZON CITY GOVERNMENT represented by the City Mayor, Honorable BRIGIDO R. SIMON, JR., of legal age, Filipino, married with postal address at New City Hall, Diliman, Quezon City, hereinafter referred to as the PARTY OF THE FIRST PART

- and -

_____, a corporation duly organized and existing under the laws of the Philippines, represented by _____ as authorized by its Board of Directors, likewise of legal age, married with postal address at _____ _____ and hereinafter referred to as the PARTY OF THE SECOND PART:

W I T N E S S E T H:

That, among the developmental projects of the PARTY OF THE FIRST PART which have been approved by the City Council in the 1991 budget, is the (name of the project) _____ located at _____.

That, the PARTY OF THE SECOND PART has offered to advance the cost of the project which the PARTY OF THE FIRST PART shall repay thru staggered application of the amount involved, by way of tax credit, to the payment of realty taxes due on the former's properties in Quezon City:

That, PARTY OF THE FIRST PART hereby accepts the offer of the PARTY OF THE SECOND PART.

NOW, THEREFORE, the PARTIES hereto mutually agree to implement the foregoing premises under the following terms and conditions, to wit -

1. The PARTY OF THE SECOND PART shall conform to the attached Schedule of Repayments as prepared and issued by the City Treasurer on all his/her properties for the period that would correspond to the amount of ₱_____ required for the project, the annual 12% interest due and the usual 10% discount provided in the succeeding sections, which per computation, cover the years _____ to _____, inclusive.

2. Upon execution of the MOA, the PARTY OF THE SECOND PART shall accordingly release to the City Treasurer, in behalf of the PARTY OF THE FIRST PART, the amount of ₱_____.

3. The amount received from the PARTY OF THE FIRST PART shall be treated as tax credit and accordingly booked in the Book of Accounts as government borrowings;

4. In pursuance with the provisions of Presidential Decree No. 752, the PARTY OF THE FIRST PART shall pay to the PARTY OF THE SECOND PART for the payments advanced, an interest of 12% per annum to be applied yearly in graduated rates for the period covered in this Memorandum of Agreement against outstanding advances;

5. Application of payments shall be made yearly computed on the basis of existing tax rates corresponding to the year/period for which tax payment is being applied in accordance with the attached Schedule of Repayments. The 12% interest rates provided in the preceeding paragraph shall be credited with the usual 10% discount in advance/up-to-date payments, unless subsequent laws be enacted removing the said 10% discount in which case, the computation and application of payments shall be adjusted accordingly;

6. The computation and application of advanced payments shall be subject to revision should there be increase of taxes that may be imposed in the future;

7. The amount advanced by the PARTY OF THE SECOND PART shall be used solely for the (name of the project) _____ located at _____ and no expenditures of any kind for any other purpose shall be made unless for justifiable reasons and only upon written consent of the PARTY OF THE SECOND PART, subject to approval of proper authorities, PROVIDED: however, that after completion of the project the said amount or any part remaining thereof, may be disbursed and expended by the PARTY OF THE FIRST PART in its normal operations and for any purpose as may be deemed warranted in the interest of the service;

8. Implemehtation of the Memorandum of Agreement shall be subject to implementing guidelines of the Tax Credit Program as approved under Resolution No. _____ S-91 of the City Council, existing laws, the usual accounting and auditing regulations and approval of proper authorities.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date and place aforementioned.

TAXPAYER

By:

QUEZON CITY GOVERNMENT

By:

PROFORMA FINANCING AGREEMENT

I, _____, hereby agree to finance the construction improvement, development of _____ in the estimated amount of _____.

I understand that the above mentioned amount will be applied and treated as tax credit on the payment of my realty taxes due on my real properties in Quezon City namely:

Location/Measurement of Properties	Amount of Tax
1)	
2)	
3)	

It is further understood that the taxes will be applied on the following terms:

Period	Tax Payment
1st year	
2nd year	

Attached are the supporting documents required namely:

1. Copy of tax declaration
2. Copy of tax receipts for previous year
3. Council Resolution of Tax Credit Program

Conforme: City Mayor
City Treasurer

_____
Name of Taxpayer

_____, 19___

HON. BRIGIDO R. SIMON, JR.
City Mayor
Quezon City

Dear Sir:

In response to the credit financing program of the City, we would like to offer a loan in the amount of ₱_____ to finance the development of (name of project) _____.

We understand that the repayment of the loan is subject to the guidelines set under this program.

Best regards.

Very truly yours,

Taxpayer

SAMPLE

SCHEDULE OF REPAYMENTS

YEAR	A BASE AMOUNT OR BALANCE ON THE FIRST DAY OF THE YEAR (C&D)	B YEARLY TAX DUE/PAYABLE ON THE 1st DAY OF THE YEAR (A-B)	C BALANCE FOR YEAR SUBJECT TO 12% INTEREST	D 12% INTERST ON THE BALANCE	E TOTAL AMORTIZATION EXPENSES FOR THE YEAR (B&D)
1991	₱3,000,000.00	₱ 646,095.70	₱2,353,904.30	₱ 282,468.52	₱928,564.22
1992	2,636,372.82	674,728.35	1,961,728.35	235,397.34	910,125.69
1993	2,197,041.61	703,302.89	1,493,738.92	179,248.67	882,551.56
1994	1,672,987.59	703,302.89	969,684.70	116,362.16	819,665.05
1995	1,086,046.86	703,302.89	382,743.97	45,929.28	749,232.17
1996	428,673.25	428,673.25	-	-	428,673.25
		₱3,859,405.97		₱ 859,405.97	₱4,718,811.94