



PHILLIPINES– January 2019

REMINDERS FOR LOCAL BUSINESS TAXES AND REAL PROPERTY TAXES FOR 2019 1

Reminders for local business taxes and real property taxes for 2019

BUSINESS entities must pay their local business taxes (LBT) with the local government unit (LGU) every year.

For businesses that annually pay LBT, the following are the deadlines for paying in key Cebu cities:

- Cebu City: Friday, Jan. 25, 2019, as extended by the Cebu City Hall, with one-stop shops for paying LBT and other LGU permits and licenses at Robinsons Galleria Cebu.
- Mandaue City: Sunday, Jan. 20, 2019 at Mandaue City Hall. Offices will be open on weekends for this purpose.
- Lapu-Lapu City: Sunday, Jan. 20, 2019 at Lapu-Lapu City Hall. Offices will be open on weekends for this purpose.

On the other hand, businesses that pay LBT quarterly must pay the due taxes and fees within the first 20 days of January and on the first month of each subsequent quarter.

The amount due depends on the paying entity's line of business and the LGU's pertinent laws and regulations. The LBT for 2019 must be based on gross sales or receipts for 2018. Businesses must submit a sworn declaration of gross sales or receipts in lieu of the audited financial statements, if they have not yet been prepared.

Failure to pay LBT, fees and other LGU fees on time will result in the payment of a surcharge of 25 percent of the amount of unpaid taxes, fees or charges. A monthly interest of two percent will also be imposed on the surcharge until such amount is fully paid, with the total interest not to exceed 72 percent or a total of 36 months' interest.

The following businesses are exempt from paying LBT, but are still required to secure a mayor's permit:

- Pioneer and non-pioneer Board of Investment-registered enterprises entitled to income tax holiday;
- Businesses that produce, manufacture, refine, distribute, or sell oil, gasoline, and other petroleum products; and
- Cooperatives registered with the Cooperative Development Authority.

Regional operating headquarters and Philippine Economic Zone Authority (Peza)-registered enterprises are exempt from securing a mayor's permit, subject to pertinent rules and regulations in the respective enterprise's LGU.

Entities must also pay the real property tax (RPT) imposed on real property such as land, buildings, machinery considered real property, and other improvements. RPT accrues every January of each year. The tax must be paid either in full on or before every March 31st, or in quarterly installments on or before the last day of each calendar quarter. Entities must submit to the

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LGU a sworn declaration of the value of newly acquired real property, machinery, or additional improvements within 60 days from acquiring, installing, or completing the property.

RPT is based on a certain tax rate (two percent and one percent for Metro Manila and other regions, respectively) multiplied by the property's assessed value. Late payment of RPT will result in two percent monthly interest on the amount due, but the interest will not exceed 72 percent or a total of 36 months' interest.

Peza-registered enterprises under income tax holiday are not exempt from paying RPT on land and buildings, but are exempt from RPT on machinery for three years. Meanwhile, Peza-registered enterprises that have transitioned from income tax holiday to the gross income tax regime are exempt from paying RPT on land, buildings, or machinery considered real property, except for RPT on land owned by an economic zone developer.

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