

# Barangay Tax Legislation and its Implementation for Community Development in the Province of Ilocos Sur

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## Abstract

*This study aimed primarily to know the status of barangay tax legislation and its implementation for community development in the province of Ilocos Sur. It also attempted to look into the profile of the respondents who were mostly barangay officials and some residents. It also attempted to know the following: 1) the sources of revenue for the barangay; 2) the sufficiency of these revenues for barangay development; 3) the hindrances to generate fund for the barangay; and 4) the factors affecting the formulation of policies/ordinances on the generation of income and its implementation for barangay development.*

*Gathered through the questionnaires as the primary tool, the data were supplemented by informal personal interviews. Findings show that barangay officials were incapable of generating funds for the barangay to make their barangays self-sufficient. There were many reasons cited. Economically, majority of the people were poor. Capital was lacking for small-scale business. Farm-to-market roads were terribly bad especially during rainy season. Politically, there was lack of strict implementation of ordinances. Brainstorming/discussion among barangay officials should be conducted. Socio-culturally, barangay officials were indolent, had low education, and were not united. The people didn't cooperate with their barangay officials and disliked the ordinances to be implemented. Most of the barangay folks had low income. They believed that collecting taxes make people poorer.*

*These economic, political, and socio-cultural factors were aggravated by the lack of technical assistance from the government or non-government organizations. And some places were isolated especially during rainy season.*

## Introduction

Development begins with the barangay, the smallest local government unit. Developed barangays mean a developed municipality or city; developed municipalities or cities mean a developed province; developed provinces connote a developed region; and finally, developed regions mean a developed state or country.

Knowledge of the status of and the factors affecting barangay tax legislation and implementation for countryside development in the province of Ilocos Sur will enable the local officials to work more effectively for development. Self-awareness or self-knowledge is the alpha or beginning of development. This is true in the case of humans, institutions and organizations.

Sponsored by Senator Aquilino Pimentel, then Secretary of the Department of Local Government (now Department of Interior and Local Government or DILG), the New Local Government Code of 1991 (RA 7160) was passed leading to the stronger powers of the local government units, i.e. power of taxation, police power, and others.

The Department of Local Government conducted seminar-workshops for the smooth implementation of the new local government code. These seminar-workshops were attended by local government officials.

A tax clinic was conducted by the University of Northern Philippines (UNP) Graduate School in the municipality of Santa Catalina, Ilocos Sur. The tax clinic offered subjects on the formulation and preparation of tax ordinances and tax code. The group found out that one barangay has a tax code; other barangays have tax ordinances. The barangay officials resolved to strengthen tax legislation and implementation in their own barangays.

An assessment of the barangay tax legislation and its implementation in the province of Ilocos Sur will provide materials for reference in social science subjects, particularly public administration. It will also serve as an eye opener to government officials, particularly the head/personnel of the DILG and the UNP Institute of Local Government and/or Extension Office. Results of the study will also provide these agency heads a basis for development ventures.

### Statement of the Problem

This study aimed to know the status of and the factors affecting barangay tax legislation and its implementation for community development in the province of Ilocos Sur. It specifically shed light to the following questions:

1. What is the profile of the respondents?
2. What are the sources of revenue for the barangay?
3. Are these revenues sufficient for barangay development?

4. What are the hindrances to generate funds for the barangay?
5. What are the factors affecting the formulation and implementation of policies/ordinances on generating income for barangay development?

### Scope and Limitation of the Study

This study was limited to the status of barangay tax legislation and its implementation for community development. It covered 12 municipalities and 115 barangays. The respondents of this study were 1,389 barangay officials, including the SK chairmen from the different barangays and municipalities.

### Review of Related Literature

Professor Romeo B. Ocampo (1991) in his paper "Decentralization and Local Autonomy: A Framework for Assessing Progress": observed the following:

1. Values, attitudes, and even competencies that have inured to centralized politics and government are likely to impede meaningful decentralization.
2. Limited resources, as always, could sustain local dependency.
3. On the other hand, our country's natural and cultural diversity, differing levels of economic development, and the desire of local communities to prove their untapped potential for self-government and development should provide a congenial ground for decentralization and local autonomy.

Nolledo (1991) cites that Sec. 152, Article IV, Book II of the Local Government Code of 1991 provides the scope of the taxing powers of barangay as follows:

Sec. 152. Scope of Taxing Powers. The barangays may levy taxes, fees, and charges, as provided in this Article, which shall exclusively accrue to them:

a. **Taxes.** On stores or retailers with fixed business establishments with gross sales or receipts of the preceding calendar year of Fifty Thousand Pesos (P50,000.00) or less, in the cases of cities and Thirty Thousand Pesos (P30,000.00) or less, in the case of municipalities, at a rate not exceeding one percent (1%) on such gross sales or receipts.

b. **Service Fees or Charges.** Barangays may collect reasonable fees or charges for services rendered in connection with the regulation or the use of barangay-owned properties or service facilities such as palay, copra, or tobacco driers.

c. **Barangay Clearance.** No city or municipality may issue any license or permit for any business or activity unless a clearance is first obtained from the barangay where such business or activity is located or conducted. For such clearance, the sangguniang barangay may impose a reasonable fee. The application for clearance shall be acted upon within seven (7) working days from the filing thereof. In the event that

the clearance is not issued within the said period, the city or municipality may issue the said license or permit.

d. **Other Fees and Charges.** The barangay may levy reasonable fees and charges:

1. On commercial breeding of fighting cocks, cockfights and cockpits;
2. On places of recreation which charge admission fees; and
3. On billboards, signboards, neon signs and outdoor advertisements.

Two more are added under Sec. 154 and Sec. 155, Article V on Common Revenue-Raising Powers.

e. **Public Utility Charges.** Local government units (including barangay) may fix the rates for the operation of public utilities owned, operated and maintained by them within their jurisdiction. (Sec. 154, Article V, Book II, RA 7160);

f. **Toll Fees or Charges.** The sanggunian concerned may prescribe the terms and conditions and fix the rates for the imposition of toll fees or charges for the use of any public road, pier or wharf, waterways, bridge, ferry or telecommunication system funded and constructed by the local government unit concerned: Provided, that no such toll fees or charges shall be collected from officers and enlisted men of the Armed Forces of the Philippines and members of the Philippine National Police on mission, post office personnel delivering mail, physically-handicapped, and disabled citizens who are sixty five (65) years or older.

When public safety and welfare so requires, the Sanggunian concerned may discontinue the collection of the tolls, and thereafter the said facility shall be free and open for public use (Section 155, Article V, Book II, RA 7160).

Mendoza and Lim (1974) allege that local government is a combination of two elements: first, the right of local entities to administer their own affairs freely in accordance to their own will; and second, the right of the local citizenry to determine that will.

The first element is called corporate autonomy which requires a delineation of functions, a policy of strengthening local finance, and relaxation of central control.

The second element is called civic autonomy, which requires that local units constituted by the populace or their representatives, must determine the activities of local entities. The local government administration is managed and controlled by the local residents and not by the central government.

## **Research Design**

**Methodology.** The study used the descriptive method of research. The principal tool used in data gathering was an interview schedule. The purposive sampling

technique was employed since the respondents in this study were purely barangay officials.

**Statistical treatment.** The frequency count and percentage were used to treat all the data gathered. Ranking was also employed in determining the sources of income, reasons for the insufficiency of barangay funds, hindrances in the generation of income and implementation of barangay ordinances, and factors affecting the formulation of policies/ordinances and its implementation for barangay development.

## Discussion of Results

This portion presents the discussion of the results of the data gathered in this study.

### Profile of the Respondents

Table 1 presents the profile of the respondents in terms of sex, civil status, age, and position in the barangay.

**Table 1. Profile of the respondents.**

<b>CHARACTERISTIC</b>	<b>NO.</b>	<b>%</b>
<b>Sex</b>		
Male	961	69.19
Female	428	30.81
<b>Civil status</b>		
Single	155	11.16
Married	1165	83.87
Widow/er	43	3.10
Separated	16	1.15
No answer	10	0.72
<b>Age</b>		
21–30	182	13.10
31–40	324	23.33
41–50	460	33.12
51–60	506	22.03
61 & above	117	8.42
<b>Position in the barangay</b>		
Chairman	135	9.72
Barangay kagawad	846	60.91
Barangay secretary	131	9.43
Barangay treasurer	110	7.92
SK chairman	91	6.55
Tanod	12	0.86
Resident	64	4.61

The table shows that 69% of the respondents were male and 31% were female. Most of them (84%) were married, which implies that not only the single respondents have time to serve their community but also the married ones. The age range of the majority of the respondents was 31-60 years. Most of them were 41-50 years old (33%), 31-40 years old (23%), and 51-60 years old (22%). These show that majority of the respondents are mature enough to join barangay politics and to assume responsibilities for barangay development.

Most of them were barangay kagawad (61%). This was expected because for every barangay involved in the study, seven barangay **kagawad** were taken as respondents. The others occupied the positions of barangay captain, barangay secretary/treasurer, SK chairman, and tanod. **Very few** (5%) were residents of the barangay.

### Sources of Revenue for the Barangay

Table 2 presents two groups of sources of revenues, namely: the main sources and other sources.

**Table 2. Sources of revenue for the barangay.**

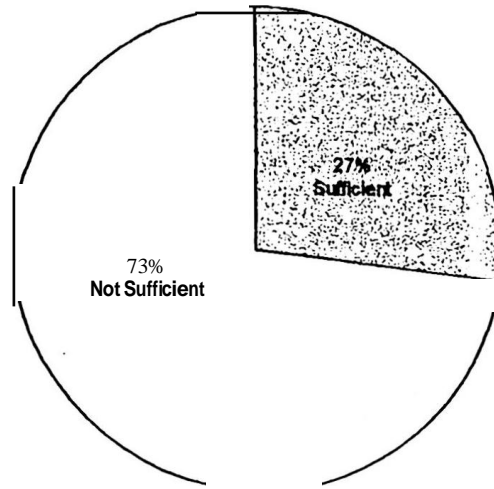
SOURCE OF REVENUE	NO.	%
<b>Main Sources</b>		
IRA/RA 7160	1019	73.36
Share from community taxes	1007	72.50
Share from Real Estate taxes	825	59.40
<b>Other Sources</b>		
Donations from:		
Politicians	423	30.45
<b>Abroad</b>	285	20.52
Pepsi, Coke, Tanduay	124	8.93
Firewood buyers	II	0.79
Barangay Chairman	2	0.14
Income from activities like:		
Benefit dance	515	37.08
Cockfighting	38	2.74
Raffle draws	50	3.60
Popularity contest	52	3.74
Barangay clearance	108	7.78
Fines from crime violators	36	1.50
Rentals of facilities (chairs, tables, kuliglig)	23	1.66
Tax on sari-sari stores	10	0.72
Profit from barangay cooperative store	10	0.72
70% share from fish cages	10	0.72
40% share from gravel and sand	3	0.22

**Main sources.** Majority of the respondents claimed that the revenue for the barangay comes from the Internal Revenue Allotment or IRA/RA 7160 (73.36%); share from community taxes (72.50%); and share from real estate taxes (59.40%).

**Other sources.** These sources can help augment the expenses of the barangay. These other sources are: 1) donation from politicians, abroad, Pepsi, Coke and Tanduay, firewood buyers, and barangay chairman; 2) income from activities like benefit dance, popularity contest, raffle draws, and cockfighting; 3) barangay clearance; 4) fines from crime violators; 5) rentals on facilities (chairs, tables, kuliglig, etc); 5) tax on sari-sari stores; 6) profit from barangay cooperative store; 7) 70% share from fish cages; and 8) 40% share from gravel and sand.

### Sufficiency of Barangay Funds

Figure I shows that most respondents (73%) claimed that their barangay funds were not sufficient to alleviate the standard of living at the barangay level. Only 27% of the respondents alleged that their barangay funds were sufficient. These respondents belonged to barangays with better livelihood projects.



**Figure 1. Sufficiency of barangay funds.**

The reasons why barangay funds were insufficient are presented in Table 3.

The most frequently mentioned reason (65.95%) was "lack of capital for small-scale business." If the residents had enough capital to put up a small-scale business, they would pay their tax regularly. The second reason claimed by 65.87% was "lack of employment for the people." The respondents believed that since the people were unemployed, the barangay officials should not impose tax to their constituents. That "farm to market roads are not good" was the third reason for insufficiency of funds in the

barangay. This was a perennial problem in the barangays. The peak of harvesting their products was immediately after the rainy season when farm to market roads are impassable. Consequently, the people could not sell their products because of the difficulty of transporting their goods.

**Table 3. Reasons for the insufficiency of barangay funds.**

REASON	NO.	%	RANK
Lack of capital for small-scale business	916	65.95	I
Lack of employment for the people	915	65.87	2
Farm to market roads are not passable.	868	62.49	3
Majority of the people are poor.	754	54.28	4
No strict implementation of ordinances	477	34.34	5
No barangay tax ordinance	460	33.12	6
Lack of knowledge about the ordinances in taxation	444	31.97	7
Lack of opportunities for income generating activities	427	30.74	8
Lack of know-how to generate funds	411	25.59	9
Barangay people do not like to pay taxes for their products.	334	24.05	10
Lack of concern for barangay development	279	20.09	II
Barangay people do not elect those with capabilities to become leaders.	269	19.37	12
Some barangays are isolated.	254	18.29	13
Vote buying is rampant.	228	16.41	14
No barangay tax code	225	16.20	15
Barangay officials are not resourceful and approachable.	210	15.12	16
Lack of leadership capabilities of some barangay officials	187	13.46	17
Lack of training in the preparation of barangay ordinances	151	10.87	18
Small share from IRA	96	6.91	19

That "majority of the people are poor" was the fourth reason. Poverty among the people due to unemployment leads to non-collection of tax.

"No strict implementation of ordinances" was the fifth reason, which lies on the poor political values of barangay leaders. The other reasons were: 1) barangay people do not elect those with capabilities to become leaders; 2) vote buying is rampant; 3) no barangay tax code; 4) barangay officials are not resourceful and approachable; and 5) lack of leadership capabilities of some barangay officials.



Very prominent among these reasons was poverty. It is poverty either among the people or of the government. The reasons which are due to the poverty among the people are:

1. lack of capital for small scale business
2. lack of employment for the people
3. majority of the people are poor
4. lack of opportunities, for income-generating activities.

And the reasons which are due to the poverty of the government include:

1. Farm to market roads are not good.
2. Some barangays are isolated.
3. The share from IRA was small.

### Hindrances to Generating Barangay Funds

The barangay officials could hardly generate funds and implement barangay ordinances due to some hindrances (Table 4).

**Table 4. Hindrances of barangay officials to generate funds and implement barangay ordinances.**

HINDRANCE	NO.	%	RANK
Barangay people are not cooperative (kanya-kanya style).	1132	81.50	1
Lack of training in the preparation of barangay ordinance	712	51.26	2
Lack of coordination and unity of barangay officials	605	43.56	3
Very low honorarium for barangay officials	552	39.74	4
Officials are afraid to implement strictly the ordinances for fear of not being re-elected.	524	37.72	5
Lack of knowledge in making legislation/ordinances and resolutions	511	36.79	6
Lack of interest of some officials	415	29.88	7
Poor residents	412	29.66	8
Barangay officials are indolent.	351	25.27	9
Barangay is not progressive.	340	24.48	10
No big source of income	286	20.59	11
Some residents are "pilosopo".	276	19.87	12

An analysis of these hindrances showed three categories of hindrances:

1. hindrances which are due to values of the people
2. hindrances which are technical in nature
3. hindrances which are financial in nature.

The hindrances which are due to the values of the people are:

1. Barangay people are not cooperative (kanya-kanya style) This hindrance ranked first (81.50%). This shows the significance of cooperation among the people for any development effort of the barangay leaders.
2. Lack of coordination and unity of barangay officials rank third (43.56%). The people and the barangay officials need to cooperate, to coordinate with one another and to unite.
3. Officials are afraid to implement strictly the ordinances for fear of not being re-elected ranked fourth (37.72%). In an interview, a respondent from Candon City alleged that the Sangguniang Barangay members are not exercising their taxing powers to protect their political ambitions. He further alleged that the share in the "topadas" are not recorded in the books of accounts.
4. Lack of interest of some officials (29.88%).
5. Barangay officials are indolent (27.27%).
6. Some residents are "pilosopo" (19.87%).

The hindrances which are technical in nature:

1. Lack of training in the preparation of barangay ordinance ranked second (51.26%).
2. Lack of knowledge in making legislation/ordinances and resolutions (36.79%).

The hindrances which are financial in nature are:

1. Very low honorarium for barangay officials (39.74%)
2. Poor residents (29.66%)
3. Barangay officials are indolent (25.27%).

### **Factors Affecting the Formulation and Implementation of Ordinances**

The factors affecting the formulation and implementation of ordinances/policies on generating income for barangay development are presented in Table 5.

"Lack of resources" was the most frequently mentioned factor (54%). In all the barangays had enough resources, there would be no problems. The next factor was "centralized politics and government". The researchers considered *this* a technical hindrance related to lack of autonomy of the barangay to carve its destiny. "Lack of eagerness of the community people to share their knowledge and potentials for the betterment of the community" was perceived by 48% of the respondents. They were no longer eager to think of different forms of income-generating activity. This might be due to the fact that the barangay officials have different attitudes toward progress. Therefore, they lost interest to share their knowledge and potentials.

**Table 5. Factors affecting the formulation and implementation of ordinances/policies on generating income for barangay development.**

<b>FACTOR</b>	<b>NO.</b>	<b>%</b>	<b>RANK</b>
Lack of resources	747	53.78	1
Centralized politics & government	699	50.32	2
Lack of eagerness of the community people to share their knowledge and potentials for the betterment of the community	671	48.31	3
Lack of strict implementation of ordinances	543	39.09	4
Poor transportation facilities during rainy season	514	37.00	5
Low education among barangay officials	456	32.83	6
Low income of barangay folks	388	27.93	7
Inability of residents to pay all kinds of taxes	373	26.85	8
Lack of interest of residents to cooperate with barangay officials	317	22.82	9
Some places are isolated.	294	21.17	10
Collecting taxes make people poor.	284	20.45	11
No brainstorming/discussion among the barangay officials	274	19.73	12
Varied culture	263	18.93	13
Barangay officials lack enough knowledge on their rights to formulate ways and means for their development	256	19.08	4
No unity among barangay officials	241	17.49	15
Lack of facilities	202	14.54	16

The researchers considered the primary factor as financial in nature. Other factors of this nature are:

1. poor transportation facilities during rainy season (37%)
2. low income of barangay folks (28%)
3. inability of residents to pay all kinds of taxes (27%)
4. some places are isolated (21%)
5. collecting taxes make people poor (20%)
6. lack of facilities (15%)

Out of the 16 factors, the other factors which are technical in nature are:

1. centralized politics and government (50%)
2. low education among barangay officials (33%)
3. lack of knowledge of barangay officials on their right to formulate ways and means for their development (18%)
4. no brainstorming/discussion among the barangay officials

The other factors were related to the values of the people, as follows:

1. lack of eagerness of the community people to share their knowledge and potentials for the betterment of the community (48%)
2. lack of strict implementation of ordinances (39%)
3. lack of interest of residents to cooperate with barangay officials (23%)
4. varied culture (19%)
5. no unity among barangay officials (17%)

## **Summary of Findings**

### **Profile of Respondents**

The respondents of the study were 69% male and 31% female. They were serving as barangay chairman, sangguniang barangay member, tanod, barangay secretary, barangay treasurer and some were residents.

Majority (84%) were married, 11% were single, 3% were widow/er, and few were separated. Most of which were 41–50 years old (33%), others were 31-- 40 (23%); and a little were 61 years old or older.

### **Sources of Revenue**

The respondents claimed that the main sources of revenue were the IRA/RA7160 (73%), share of community taxes (72%), and real estate taxes (59%). The other sources include donations from politicians (30%), abroad (20%), Pepsi, Coke and Tanduay (9%), firewood buyers (0.79%), and barangay chairmen (0.14%).

Additional income also came from activities like: benefit dance (37%), popularity contest and raffle draws, cockfighting, barangay clearance, fines from crime violators, rentals of facilities (chairs, tables, kuliglig, etc.), tax on sari-sari stores, profit from barangay cooperative store, 70% share from fish cages, and 40% share from gravel and sand.

### **Sufficiency of Barangay Funds**

Seventy-three percent of the respondents claimed that barangay funds were insufficient. The top five reasons for the insufficiency of funds were: lack of capital from small scale business (65.95%), lack of employment for the people (65.87%), poor farm to market roads (62%), poverty of the majority of the people (54%); and no strict implementation of ordinances (34%).

## Hindrances to Generating Barangay Funds

The hindrances of barangay officials to generate funds and implement barangay ordinances were classified as follows:

1. Values-related hindrances, i.e., barangay people are not cooperative (kanya-kanya style)
2. Technical hindrances, i.e., lack of training in the preparation of barangay ordinance
3. Financial hindrances i.e., very low honorarium for barangay officials.

## Factors Affecting the Formulation and Implementation of Ordinances

These factors were classified as:

1. **Financial factors** - lack of resources; poor transportation facilities during rainy season; low income of barangay folks; inability of residents to pay all kinds of taxes; some places are isolated; collecting taxes make people poor; and lack of facilities.
2. **Technical factors** - centralized politics and government; low education among barangay officials; barangay officials lack knowledge on their right to formulate ways and means for their development; and lack of brainstorming/discussion among the barangay officials.
3. **Values-related factors** - lack of eagerness of the community people to share their knowledge and potential; lack of strict implementation of ordinances; lack of interest of resident to cooperate with barangay officials; varied culture; and no unity among barangay officials.

## Conclusions

Based on the aforementioned findings, the following conclusions are drawn:

- I. The barangay officials are male, married, and 41–50 years old.
2. The barangay revenue is derived mainly from IRA RA 7160, share from community taxes, and real estate taxes.
3. Barangay funds are not sufficient for barangay development due to lack of capital for small-scale business, lack of employment for the people, poor farm to market roads, poverty of the majority of the people, and no strict implementation of ordinances.
4. The top four hindrances to generating barangay funds are lack of cooperation among barangay people, lack of training in the preparation of barangay ordinance, lack

of coordination and unity of barangay officials, and very low honorarium for barangay officials. The hindrances of barangay officials to generate barangay funds are classified as: values-oriented hindrances, technical hindrances, and financial hindrances.

The factors affecting the formulation and implementation of ordinances are categorized into three, to wit: financial; technical, and values-related.

The five most prevalent factors are: lack of resources, centralized politics and government, lack of eagerness of the community people to share their knowledge and potentials for the betterment of the community, lack of strict implementation of ordinances; and poor transportation facilities during rainy season.

## **Recommendations**

Based on the conclusions drawn, the following suggestions are hereby forwarded:

1.. To augment the barangay share from IRA/Ra 7160 and other taxes, the barangay officials should try to find linkages whereby they could generate funds to finance livelihood projects to alleviate the standard of living in their own community.

2. To uplift the standard of living in the barangay, the barangay officials should initiate livelihood activities for their own people.

3. To supplement the insufficiency of barangay funds, the barangay chairman, secretary, and treasurer should find time to go around the barangay and collect their community taxes. These barangay officials should not simply wait for the barangay share of the community taxes.

4. In the event that barangay officials lack the knowledge of formulating tax ordinances, they should invite knowledgeable people to train them.

5. To help the less privileged barangay folks, the barangay officials should not only pay attention to their own livelihood but should also include in their plans the welfare of the less privileged barangay folks.

6. The barangay officials should be humble enough to tap their barangay mates who possess the knowledge and capability to initiate any kind of income generating activity.

7. To change the negative attitude of barangay folks towards a progressive life, the barangay officials, in coordination with the higher authorities, should initiate moves to spur every family in their barangay to do "sariling sikap" provided it is legal.

8. The DILG office in each municipality should furnish all barangays the samples of tax code and/or tax ordinance which could serve as a basis for formulating their tax code and/or tax ordinance appropriate for the conditions of their own barangays.

9. The DILG should widen their concern to be able to see the status, problems, and needs of every barangay in the country especially the underprivileged and depressed.

10. The UNP Extension Office may conduct a survey of barangays having no tax code and tax ordinances and later train them on tax code and/or tax ordinance preparation as part of its extension activities.

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