

Implementation of the Revised Revenue Code in the Municipality of Laur: A Policy Analysis

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Abstract: A study was conducted in the Municipality of Laur to describe and analyze the Implementation of the Revised Revenue Code of the Local Government Unit of Laur. It focused on the policy processes: agenda setting, policy formulation, legitimization, implementation, monitoring and evaluation. The study was a qualitative historical design that systematically seeks to glean and interpret past events and information about the local law mentioned, advancement, and potential impacts through past events to anticipate the future. In addition, the methods utilized were through the conduct of documentary analysis adopted in the past research. It was revealed that each phase of the policy process affects the implementation of the local policy, the Revised Revenue Code. Therefore, the delay in the drafting, adoption, and implementation was caused by multifaceted problems from the legislator, the nature of the policy, and most importantly, the adverse reactions of the taxpayers. The significant finding is the resistance of the taxpayer to the increase in taxes imposed by the municipal government. As a result, the study presented a plan of action to solve the findings, including measures to be taken, objectives, and strategies. Furthermore, creating a timeline for the target and feasible years of revision to legislate local ordinances and policies affecting the local government unit operations is highly suggested.

Keywords: Revised Local Revenue Code, Local Government Unit, Policy Analysis, Local Ordinance, Taxpayer.

1. Introduction

There is today a broad agreement that governance is critical for development but much of the consensus about how governance matters is still very deficient. The liberal revolution in development economics and policy thinking that took place in the 1980s had a critical effect on the debate about the role of the state and therefore about the governance capabilities that developing countries should aim to achieve. The emerging good governance agenda defends the need in developing countries to have policies that stabilize property rights and engage in rule-of-law reforms, carry out anti-corruption and anti-rent seeking strategies, engage in democratization and accountability reforms, and sustain these through the mobilization of the poor through the prioritization of pro-poor spending by governments.

Indonesia's tax reform strategy had a measurable degree of success in meeting its stated objectives. In just three years, non-

oil revenues as a share of GDP rose nearly 50 percent. This success is largely attributable to the introduction of a VAT. The VAT also eliminated the cascading effects of earlier sales taxes and preferential tax treatment of imports over domestically manufactured goods. Further, business inputs and exports were spared from taxation. Indonesia carried out major changes in its tax system over a three three-year period. Its experience demonstrates that a developing country with the political will to undertake a major overhaul of its tax system can succeed in reaping significant economic benefits from such an initiative.

In addition, China conducted tax reforms in their local government as a coping mechanism to their emerging problems of discrimination and imbalance. They have evaluated their tax system and the other factors that contribute to inequality among the Chinese. Hence, it pinpoints changes that must be made to the tax code and fiscal interactions between the two levels of government (ADB, 2021). Therefore, reforms are proven methods of solving problems and fitting the new generation's demands.

In the Philippines, the central government funds Local Government Units through fees, local revenues, and any other taxes, local borrowings, foreign borrowing, and donations (Pelari, 2019). Local governments rely heavily on taxes and fees to fund government budgets, so modernization of the sector is more than justified.

In case of Laur, it is a third-class municipality in the province of Nueva Ecija but recently before year 2024 ends Laur was announced included in the list of upcoming first-class municipality. One of the reasons why Laur become first-class municipality is the Implementation of Revised Revenue Code. This code governs the levy, assessment, and collection of taxes, fees, charges, and other impositions within the territorial jurisdiction of the municipality (Municipal Ordinance No.2020-099 "Local Revenue Code").

2. Background of the Study

The Local Government Unit of Laur has an existing Revenue Code which was enacted on January 24, 1994 and implemented thereafter on the succeeding years. The first edition was approved on March 10, 2008 and seconded on April 2, 2014. It

is deemed rightful to adjust the existing tax rates being imposed based on the above foregoing premises to cope up with and to address the financial lacking for the implementation of several priority projects in connection with the transition, it is indispensable to have growth in the National Tax Allotment.

Moreover, this study described and analyzed the history of the policy implemented and the efficiency and implementation of Laur Municipality Revised Revenue Code of 2020. The analysis was imperative in enhancing revenue regeneration in ensuring the improved delivery of quality and necessary services, as well as the accessibility of resources to fund laudable programs and projects that indeed benefited the Laur community people.

This paper provides a policy analysis in the implementation of the Revised Revenue Code of the Local Government Unit of Laur states to intervene effectively and address market failures, are more effective to achieve improvements in resource mobilization and the efficiency of investment allocation.

3. Problem Statement

This study analyzed and described the implementation of the Revised Revenue Code in the Laur Municipality that answer the following questions:

1. How is the Revised Revenue Code in the City of Tarlac be described and analyzed in terms of:
 1. Agenda Setting
 2. Policy Formulation
 3. Policy Legitimation
 4. Policy Implementation
 5. Policy Monitoring and Evaluation
2. What are the problems encountered during the implementation of the Revised Revenue Code in the Municipality of Laur?
3. What plan of action can be proposed to enhance the implementation of the Revised Revenue Code in the Municipality of Laur?

4. Evaluation of the Local Revenue Code Manual

A. Agenda Setting

The Sangguniang Bayan Members excerpts an effort to provide a resolution revising the revenue code of the Municipality of Laur, Province of Nueva Ecija held at the session hall on November 16, 2020.

The treasurer further stated that the income the municipal generates from the said obsolete revenue code is outdated in relation to the economy. Therefore, this result in an adverse imbalance in the income since the basis are not parred with the inflation of the economy. Finally, this was the start of the crafting and legislating of the Municipal Ordinance No. 2020-099: This ordinance shall be known as the Revised Revenue Code of the Municipality of Laur, Province of Nueva Ecija.

B. Policy Formulation

Essentially, the agenda of revising the municipal revenue

code is in accordance with its legal standing as an independent municipality in the province and was referred to its respective committee during a session held. In the case of Laur, numerous sessions had been conducted since it took long years before implementation. The formulation of the revenue code likewise necessitated the conduct of consultations with the heads of departments and offices with revenue-generating functions such as the Local Finance Committees. Creating the new revenue code is indeed necessary and required, as the Bureau of Local Government Finance and the Department of Finance have already questioned the municipalities for using an inappropriate revenue code. Additionally, the Bureau of Local Government Finance conducts conferences twice a year to evaluate the status of each local government unit.

Also, Local Government Units are authorized to and have the power to impose, collect and levy other fees and charges, likewise, to adjust tax rates, not often than every five (5) years but such an adjustment shall not exceed to ten percent (10%), as prescribed under R.A. 7160 otherwise known as the Local Government Code of the Philippines, particularly, Section 129 and 191.

On the other hand, the municipality's main objective was to pass and implement the revenue code accordingly to increase the local collection of the municipality appropriate to its state. It took hundreds of years before the municipality becomes first-class. During the construction of the revenue code, benchmarking to different municipality in the region was conducted to have an idea of creating, adopting, and aligning the revenue code and the imposed taxes by the municipality. In conceptualizing and formulating the revenue code, problems are inevitable – the leading cause of the delay in passing the revised revenue code. Over the years that it needed to be updated, new local taxes and fees were not incorporated in the old revenue code. Therefore, a huge adjustment was one of the challenges faced.

The policy formulation is a long process of study, consultation, meeting, hearing, amendment, and identification. It was not an easy legislation since it was passed on from different administrations, which had an immense impact prior to its implementation. Fortunately, this ordinance, the Revised Revenue Code, solved the problems of the municipality in terms of financial matters – revenue regeneration.

C. Policy Legitimation

Every local policy is addressed to the public – the affected community in making and passing legislation. Hence, it is a due process of legitimation and adoption. Furthermore, the Local Government Code of 1991 mandates that legislation must undergo numerous committee meetings and public hearings subject to the approval of the legislative body and the municipal mayor prior to the implementation of local law. Similarly, the revised revenue code of the Laur Municipality was introduced to the public from 2020 to present.

In the case of the Revised Revenue Code in the Laur Municipality, the only option to answer its revenue collection

problem is to update the obsolete revenue code, which does not match its class category as a local government unit. Hence, it is the most effective way to achieve its goal with the support of the concerned personnel such as the municipal mayor or chief executive, municipal vice mayor, councilors, finance committees, organizations, and others participating in the policy adoption.

In which the law further states that the increase and reform in the taxes must not be a burden to taxpayers. From other perspectives, on the part of the legislative, a primary concern after the legitimation of the Revised Revenue Code was the publication of the ordinance, not only to comply with the requirement of the Local Government Code but, more importantly, to ensure that the public is duly informed of the adjusted rates of taxes, fees, and charges which they are obliged to pay. Hence, it can be problematic once the policy is implemented if not adequately informed.

D. Policy Implementation

The Municipal Ordinance No. 2020-099 titled “The Revised Revenue Code of the Municipality of Laur, Province of Nueva Ecija” was implemented November 16, 2020, upon its approval by the Chief Executive or the Municipal Mayor (2020-2022.) Upon its implementation, it still needs to be a smooth sailing process, and there are still adverse reactions and problems encountered, which is inevitable in terms of policy legislation.

In this phase, the different departments of the Local Government Unit of Laur already enforce the approved revised ordinance, particularly the collection departments such as the Office of the Municipal Treasurer and Business Permit and Licensing Office. Thus, they are responsible for enforcing and implementing the local law as they are the central departments concerned. From the point of view of collectors, who experienced collecting taxes firsthand, they stated that problems were encountered during the implementation, and the usual resistance of taxpayers was one of the problems. It was not easy since many people still complain and keep saying that they were not informed. It takes a lot of explanations and computation on the part of the collector for the taxpayers – business owners – to understand. Therefore, proper dissemination is a factor in policymaking.

On the other hand, enforcing the ordinance has seen advantages and progress regarding socioeconomic stability or fiscal sustainability. These significant and visible changes have a massive impact on the general public's acceptance of the adjusted rates. After the implementation, quality services, and efficient processes were offered due to the advancement of offices in the Municipal Government of Laur, laudable programs were implemented, and meaningful projects – infrastructures were able to attain and be established.

E. Policy Monitoring and Evaluation

Many changes happened after the implementation of the Revised Revenue Code. One of these changes is based on the Department of Finance Department Order No. 074-2024

subject schedule of income classification for the first general income class reclassification of the provinces, cities and municipalities based on the income ranges under Republic Act No. 11964, the Municipal Government of Laur moving from third-class to first class.

The significant changes in the Municipal of Laur and the effectiveness of the Revised Revenue Code can be seen in the total revenue collected from 2020 to present. The main problem during the implementation of the code was the resistance of the taxpayer and the adverse reactions of the taxpayers. The need to increase the funds and revenue collection was attained by implementing the Revised Revenue Code in the Municipal Government of Laur.

5. Conclusion and Recommendation

To maintain the status of the Local Government Unit of Laur, the municipality should maintain the revised or updated local revenue code or develop a revenue plan that should include strategies to improve revenue collection, the duties of each office, and a master list of idle lands and delinquent taxpayers. The LGU should prioritize revenue generation and ensure taxes are equitable and uniform. Coordination with the stakeholders when revising fees and charges to ensure that rates are just and reasonable. Other ways to improve local government revenue include supporting local businesses, promoting public businesses, and supporting independent vendors.

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