[DBM JOINT CIRCULAR NO. 2012-1 MARCH 8, 2012, March 08, 2012]

GUIDELINES AND PROCEDURES ON THE RELEASE OF THE SHARE OF LOCAL GOVERNMENT UNITS (LGUs) FROM THE GROSS INCOME EARNED BY ALL BUSINESSES WITHIN THE CAGAYAN SPECIAL ECONOMIC ZONE

TO :   ALL CONCERNED OFFICIALS OF THE DEPARTMENT OF BUDGET AND MANAGEMENT (DBM) AND THE DEPARTMENT OF FINANCE (DOF)

SUBJECT :   GUIDELINES AND PROCEDURES ON THE RELEASE OF THE SHARE OF LOCAL GOVERNMENT UNITS (LGUs) FROM THE GROSS INCOME EARNED BY ALL BUSINESSES WITHIN THE CAGAYAN SPECIAL ECONOMIC ZONE

1.0 Purpose

This circular is issued to implement Special Provision No. 4 of Section 1, Item XXXVI, Allocations to Local Government Units, of Republic Act No. 10147 or the FY 2011 General Appropriations Act, providing for the "Allocation and Release of LGU share in Gross Income Tax Paid by all Businesses and Enterprises within the Economic Zone".

Specifically, the objectives are as follows:

1.1 To provide procedural guidelines on the release of funds to Local Government Units (LGUs) which are collectively entitled to the one and one-half percent (1 1/2%) share in the gross income earned by all businesses within the Cagayan Special Economic Zone (CSEZ) pursuant to Republic Act No. 7922 entitled "An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other Purposes"; and

1.2 To delineate the responsibilities of the Department of Budget and Management (DBM) and the Department of Finance (DOF) in the allocation and release of the funds to the LGUs.

2.0 Guidelines

2.1 All registered enterprises which conduct their business activities inside the CSEZ shall, lieu of paying local and national taxes, pay to the BIR five percent (5%) final tax on their Gross Income Earned (GIE). GIE refers.to the gross sales or gross revenues derived from registered business activities within the CSEZ, net of