

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1757



Introduced by: **REP. PROSPERO A. PICHAY, JR.**

EXPLANATORY NOTE

The power of government to tax the consumption of individuals and corporations carries with it the co-extensive responsibility to direct public expenditures with financial prudence. More importantly, the State should ensure that public resources generated from its power of taxation are in the least restored to the latter, in the form of human capital and economic investment, such as health and education, agricultural facilities and services, housing, environmental protection and support for training and capability building for the poor.

The imposition and subsequent expansion of the expanded value-added tax system was enacted in the context of undermaximized income tax collections and the expanding financial requirements to growth. However, the accountability of government as to the use of newly raised revenues remains to be seen.

This bill thus proposed to allocate fifty percent (50%) of total value-added tax (VAT) collections for a period of five years beginning fiscal year 1999 to health (25%), education (25%), agricultural facilities and services (25%), housing (15%), environmental protection, and support for training and capability building for the poor (5%). This bill shall serve to directly finance programs for social reform and poverty alleviation and institutional intervention mechanisms, without having to be subjected to the bureaucracy's layers of discretion.

If we take for example the VAT collections in 1996 by the Bureau of Internal Revenue (BIR) which amounted to P40.93 billion, fifty percent (50%) of this would be P20.465 billion. Of this amount, around P5.12 billion would have gone to education; P5.12 billion to health; P5.12 billion to agricultural facilities; P3.07 billion to housing; P1.02 billion to environmental protection, and P1.02 billion to training and capability building.

With the effectivity of Republic Act No. 8241 which amended Republic Act No. 7716, otherwise known as the Expanded Value Added Tax Law, on January 1 this year, VAT collections are expected to increase and as such, it means higher allocation for social services as provided for in this bill.

The allocation of these revenues will immediately respond to the inadequacy of primary and secondary education facilities by augmenting the capital outlay for schoolrooms and other similar facilities. It addresses the need for enhanced technical education by appropriating funds for the Technical Education and Skills Development Authority (TESDA). It provides for scholarships to qualified indigent students particularly in fourth to sixth-class municipalities to upgrade the quality of education of our citizenry.

It will also address insufficiency of emoluments for our health workers, including the long-overdue compensation of barangay health workers, which has not been given funding beyond support on a "best efforts" basis. It allocates funds for farm inputs, post-harvest facilities, and infrastructure support.

Furthermore, the bill also recognizes the need to provide additional funds for socialized housing more specifically, to the community mortgage program which caters to the urban poor.

Environmental protection is likewise accorded support for reforestation and solid waste management. Training and capability building support is given to people's organizations in order to improve the absorptive capacity of the poor for micro-finance and economically productive endeavors.

All earmarked funds shall be spent in accordance with the limitation defined by the bill, intended to ensure the judicious use of such funds, namely: that the earmarked funds cannot be used to augment the maintenance and other operating expenses of any national government agency or local government unit or their subdivisions.

Approval of this bill is earnestly sought especially in the light of the growing demand for a more progressive fiscal policy responsive to the needs of our economy and the people on whom it thrives.

PROSPERO A. PICHAY, JR.



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AN ACT

ALLOCATING FIFTY PERCENT OF VALUE-ADDED TAX COLLECTIONS TO HEALTH AND EDUCATION SERVICES, AGRICULTURAL FACILITIES AND SERVICES, HOUSING, ENVIRONMENTAL PROTECTION, AND OTHER SOCIAL SERVICES THEREBY AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. A new section, to be numbered two hundred eighty-seven, shall be added to Chapter 2, Title XI of the National Internal Revenue Code, to read as follows:

“SEC. 287. **DISPOSITION OF PROCEEDS OF VALUE-ADDED TAX.** – (A) *IN GENERAL.* - FIFTY PERCENT (50%) OF THE VALUE-ADDED TAX COLLECTED UNDER TITLE IV OF THIS CODE SHALL BE ALLOCATED TO EXPENDITURES FOR HEALTH AND EDUCATION SERVICES, IRRIGATION AND POST-HARVEST FACILITIES, HOUSING, ENVIRONMENTAL PROTECTION, AND TRAINING AND CAPABILITY BUILDING PROGRAMS FOR MICRO-FINANCES, FOR A PERIOD OF FIVE YEARS IN THE FOLLOWING PROPORTIONS:

EDUCATION	25%
HEALTH	25%
AGRICULTURAL FACILITIES AND SERVICES	25%
HOUSING	15%
ENVIRONMENTAL PROTECTION	5%
TRAINING AND CAPABILITY BUILDING PROGRAMS	5%.

(B) *ALLOCATION FOR EDUCATION.* – OF THE TOTAL ALLOCATION FOR EDUCATION AS PROVIDED IN PARAGRAPH (A) HEREOF:

- (1) *ELEMENTARY AND SECONDARY EDUCATION.* - FIFTY PERCENT (50%) SHALL BE ALLOCATED FOR ELEMENTARY AND SECONDARY EDUCATION FOR: (A) THE ACQUISITION AND IMPROVEMENT OF SITES; (B) THE CONSTRUCTION, REPLACEMENT, REHABILITATION AND REPAIR OF BUILDINGS, CLASSROOMS, LIBRARIES, WORKSHOPS, TOILETS AND OTHER STRUCTURES; AND (C) FURNITURE, FIXTURES, AND EQUIPMENT SUCH AS, BUT NOT LIMITED TO, DESKS, CHAIRS, LABORATORY AND WORKSHOP IMPLEMENTS, COMPUTERS, BOOKS, AND OTHER BASIC AND ESSENTIAL TOOLS FOR LEARNING WHOSE BENEFICIAL USE SHALL EXCEED ONE (1) YEAR. THIS FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF EDUCATION, CULTURE AND SPORTS.
- (2) *TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA).* - (A) TWENTY PERCENT (20%) SHALL BE ALLOCATED AS PROVIDED FOR IN SECTION 31 OF REPUBLIC ACT NO. 7796, ESTABLISHING THE TESDA DEVELOPMENT FUND, WHICH SHALL BE UTILIZED EXCLUSIVELY FOR GRANTS AND ASSISTANCE TO TRAINING INSTITUTIONS, INDUSTRIES, LOCAL GOVERNMENT UNITS FOR UPGRADING THEIR CAPACITIES AND TO DEVELOP AND IMPLEMENT TRAINING ACTIVITIES. (B) TEN PERCENT (10%) SHALL BE ALLOCATED FOR SCHOLARSHIP GRANTS FOR TECHNICAL EDUCATION AND SKILLS DEVELOPMENT IN THE DIFFERENT REGIONS, AS PROVIDED FOR IN SECTION 32 OF REPUBLIC ACT 7796, TO BE ADMINISTERED BY THE TESDA.
- (3) *SCHOLARSHIP ASSISTANCE PROGRAM FOR QUALIFIED INDIGENT STUDENTS.* – TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR SCHOLARSHIP GRANTS FOR QUALIFIED INDIGENT STUDENTS. PRIORITY SHALL BE GIVEN TO QUALIFIED INDIGENT STUDENTS COMING FROM FOURTH TO SIXTH-CLASS MUNICIPALITIES. THE

SCHOLARSHIP FUND SHALL BE ADMINISTERED BY THE COMMISSION ON HIGHER EDUCATION (CHED).

(C) *ALLOCATION FOR HEALTH.* – OF THE TOTAL ALLOCATION FOR HEALTH AS PROVIDED IN PARAGRAPH (A) HEREOF:

- (1) *BARANGAY HEALTH WORKERS.* – THIRTY PERCENT (30%) SHALL BE ALLOCATED FOR THE ALLOWANCE OF BARANGAY HEALTH WORKERS AS DEFINED BY REPUBLIC ACT NO. 7883. THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF HEALTH IN CONSULTATION WITH THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT.
- (2) *PUBLIC HEALTH WORKERS.* – TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR THE ADDITIONAL COMPENSATION FOR PUBLIC HEALTH OFFICERS AS PROVIDED FOR IN SECTION 20 OF REPUBLIC ACT NO. 7305, OTHERWISE KNOWN AS THE MAGNA CARTA OF PUBLIC HEALTH WORKERS, TO BE ADMINISTERED BY THE DEPARTMENT OF HEALTH. HOWEVER, BARANGAY HEALTH WORKERS ALREADY INCLUDED IN THE PRECEDING PARAGRAPH SHALL BE EXCLUDED IN THIS SECTION.
- (3) *FIELD HEALTH AND HOSPITAL SERVICES.* – TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR MEDICINES AND MEDICAL EQUIPMENT FOR HEALTH FACILITIES DEVOLVED TO LOCAL GOVERNMENT UNITS UNDER REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE. THIS FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF HEALTH IN CONSULTATION WITH THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT.
- (4) *NATIONAL HEALTH INSURANCE PROGRAM.* – THIRTY PERCENT (30%) SHALL BE ALLOCATED FOR THE NATIONAL HEALTH INSURANCE FUND, AS PROVIDED FOR IN SECTIONS 24 AND 46 OF REPUBLIC ACT NO. 7875, OTHERWISE KNOWN AS THE NATIONAL HEALTH INSURANCE ACT OF 1995, TO BE ADMINISTERED BY THE PHILIPPINE HEALTH INSURANCE CORPORATION.

(D) *ALLOCATION FOR AGRICULTURAL FACILITIES AND SERVICES.* – THE WHOLE AMOUNT SHALL BE ALLOCATED FOR COMMUNAL IRRIGATION SYSTEMS, POST-HARVEST FACILITIES INCLUDING MECHANICAL AND SOLAR DRYERS AND WAREHOUSES, SEED AND ORGANIC FERTILIZER SUBSIDIES, AND FARM-TO-MARKET ROADS IN LEGISLATIVE DISTRICTS WITH SIGNIFICANT AGRICULTURAL ACTIVITIES, TO BE ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE.

(E) *ALLOCATION FOR HOUSING.* – THE WHOLE AMOUNT SHALL BE ALLOCATED TO SOCIALIZED HOUSING, MORE SPECIFICALLY TO THE COMMUNITY MORTGAGE PROGRAM TO BE ADMINISTERED BY THE HOUSING AND URBAN DEVELOPMENT AND COORDINATING COUNCIL.

(F) *ALLOCATION FOR ENVIRONMENTAL PROTECTION.* – OF THE TOTAL ALLOCATION FOR ENVIRONMENTAL PROTECTION AS PROVIDED IN PARAGRAPH (A) HEREOF:

- (1) *REFORESTATION.* – SIXTY PERCENT (60%) SHALL BE ALLOCATED FOR REFORESTATION PROGRAMS, TO BE ADMINISTERED BY THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES.
- (2) *SOLID WASTE MANAGEMENT.* – (A) TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR ENVIRONMENT-FRIENDLY SOLID WASTE MANAGEMENT FOR METRO MANILA TO BE ADMINISTERED BY THE METRO MANILA DEVELOPMENT AUTHORITY. (B) TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR ENVIRONMENT-FRIENDLY SOLID WASTE MANAGEMENT FOR OTHER HIGHLY URBANIZED CENTERS AS DEFINED BY REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE, TO BE ADMINISTERED BY THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT.

(G) *ALLOCATION FOR TRAINING AND CAPABILITY BUILDING.* – THE FULL AMOUNT SHALL BE ALLOCATED FOR TRAINING AND CAPABILITY

BUILDING OF PEOPLE'S ORGANIZATIONS, COOPERATIVES, AND NON-GOVERNMENTAL ORGANIZATIONS TO EMPOWER THE POOR SECTOR OF SOCIETY AND INCREASE ITS ABSORPTIVE CAPACITY FOR MICRO-FINANCE. THIS FUND SHALL BE ADMINISTERED BY THE PRESIDENTIAL COMMISSION TO FIGHT POVERTY.

(H) AT NO TIME SHALL ANY PORTION OF THE EARMARKED FUNDS TO BE USED TO AUGMENT MAINTENANCE AND OTHER OPERATING EXPENSES OF ANY NATIONAL GOVERNMENT AGENCY, GOVERNMENT OWNED OR CONTROLLED CORPORATIONS, LOCAL GOVERNMENT UNITS OR THEIR SUBDIVISIONS.

SEC. 2. *Coverage of this Act.* – The allocation of value-added tax revenues shall commence in the fiscal year within which this Act shall take effect for a period of five (5) years.

SEC. 3. *Repealing Clause.* – All laws, executive order, rules and regulations, or parts thereof, inconsistent with this Act are hereby repealed, amended or modified accordingly. The provisions of this Act shall not be repealed, amended or modified, unless expressly provided in subsequent general or special laws.

SEC. 4. *Separability Clause.* – If, for any reason, any part or provision of this Code shall be held to be unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 5. *Effectivity.* – This Act shall take fifteen (15) days after is publication either in the *Official Gazette* or in a newspaper of general circulation.

Approved,