

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

House Bill No. **2742**



Introduced by Rep. HERMILANDO I. MANDANAS

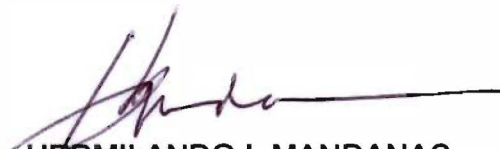
EXPLANATORY NOTE

As a consequence of the recent decision of the Supreme Court in the case *Province of Batangas vs. Executive Secretary*, the national government has accumulated total liabilities to local governments amounting to around P45 Billion.

In order to provide a mechanism for national government to repay the said liabilities, especially at a time of severe financial strain on the part of national government, the present bill proposes that local treasurers be authorized to collect national internal revenue taxes. The entire amount collected shall be remitted to the National Treasury, although by way of incentive, local governments shall be allowed to retain 50% of the excess in the event they exceed the collection targets set by the Bureau of Internal Revenue. The said excess shall be considered a credit which shall offset the liabilities owed by national government to the local government unit concerned. Furthermore, in pursuit of inter-local cooperation, local government units without receivables from the national government are also authorized to assign their credit to local governments that have collectibles from national government. The remaining 50% of the excess, on the other hand, will still accrue to the national government.

What this bill proposes therefore empowers local governments to help national government in two ways: (1) by helping reduce national government's liabilities to local governments; (2) by providing an incentive for local government to collect more, the excess being shared 50-50 by national and local governments, thus creating a win-win situation for them.

Approval of this bill is earnestly urged in order to assist the national government in its efforts to increase revenues while at the same time further advancing decentralization by empowering local governments to collect national taxes.


HERMILANDO I. MANDANAS
2nd District, Batangas

**AN ACT
CONSTITUTING LOCAL TREASURERS AS AGENTS OF THE
COMMISSIONER OF INTERNAL REVENUE, AMENDING FOR THIS
PURPOSE SECTION 12 OF THE NATIONAL INTERNAL REVENUE CODE,
PROVIDING FOR AN INCENTIVE SCHEME FOR THE COLLECTION BY
LOCAL GOVERNMENT UNITS OF NATIONAL TAXES, AND FOR OTHER
PURPOSES**

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

SECTION. 1. – Section 12 of the National Internal Revenue Code is hereby amended to read as follows:

"SEC. 12. Agents and Deputies for Collection of National Internal Revenue Taxes. - The following are hereby constituted agents of the Commissioner:

- (a) The Commissioner of Customs and his subordinates with respect to the collection of national internal revenue taxes on imported goods;
- (b) The head of the appropriate government office and his subordinates with respect to the collection of the energy tax;
- (c) Banks duly accredited by the Commissioner with respect to receipt of payments of internal revenue taxes authorized to be made through banks; and
- (d) **Provincial, city, municipal and barangay treasurers with respect to national internal revenue taxes in the revenue region or district to which they belong.**
 - (1) Provincial, city, municipal and barangay treasurers shall coordinate with the revenue region or district to which they belong. The latter shall specify collection targets that the said treasurers should meet.**
 - (2) All amounts collected by provincial, city, municipal and barangay treasurers shall be remitted to the National Treasury. Should the local treasurer exceed the target set by their revenue region or district, fifty percent (50%) of the excess shall be retained by the said treasurer on behalf of the local government unit concerned, as a credit against which the national government will offset any existing liability to the local government by way of unremitted internal revenue allotment or other liabilities.**

43 **(3) A local government unit to which the national**
44 **government has no existing liability but which exceeds its**
45 **collection target may assign fifty percent (50%) of the**
46 **excess to other local government units to which the**
47 **national government has existing liabilities. The amount so**
48 **assigned shall be offset by the national government against**
49 **its existing liabilities to the assignee.**

50 **(4) The Secretary of Finance and the Secretary of Budget**
51 **and Management shall formulate the rules and regulations**
52 **to implement the provisions of this Section.**

53 XXXXXXXXXX "

54 **SEC. 2. - All laws, presidential decrees, executive orders, letters of**
55 **instruction, rules and regulations or parts thereof inconsistent with the provisions**
56 **of this Act are hereby repealed or modified accordingly.**

57 **SEC. 3. - This Act shall take effect fifteen (15) days after its complete**
58 **publication in at least two (2) newspapers of general circulation.**

59 **Approved.**