

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 43



Introduced by: **REPRESENTATIVE EMILIO C. MACIAS II**

EXPLANATORY NOTE

Section 25, Article II of the Constitution provides that *"the State shall ensure the autonomy of local governments"*. This expressed Constitutional mandate effectively served as a guiding principle for the framers of Republic Act No. 7160 otherwise known as the Local Government Code of 1991, which devolved basic services and facilities to local government units. Everybody agrees that the devolution of health functions and facilities can be considered as the most meaningful features under the Local Government Code. It is therefore expected that more money shall be infused by the national government for health care function considering its grave importance as manifested in Section 15, Article II of the Constitution provides that *"the State shall protect and promote the right to health of the people and instill health consciousness among them."* Notwithstanding this mandate however, governors often complain of inadequate funding from the national government for such devolved functions, especially health services and facilities. This situation has been aggravated by the fact that the cost of devolved functions (CODEF) remains at 1993 level or value, which make them really hard to cope up or maintain health care functions under the present level or value.

Some members of Congress observed that quite a large number of governors do not give so much attention to health care delivery services as can be gleaned from the lack of priority in the allocation of funds for such services. But this problem can be avoided if the just share of local government units in national internal revenue taxes are given to them like the Value Added Tax (VAT) collection made by the Bureau of Customs (BOC) on behalf of the Bureau of Internal Revenue (BIR) pursuant to a Memorandum of Agreement entered into by and between these agencies.

It is worthy to mention that for Calendar Year 2001, the Bureau of Customs collected a whopping amount of Forty Seven Billion Two Hundred Forty Nine Million Three Hundred Ninety Four Thousand and One Hundred Fifty Four Pesos (P47,249,394,154.00) from the Value Added Tax alone. By intentionally excluding this amount in the computation of the share in the national internal revenue taxes' collections, local government units were shortchanged by Eighteen Billion Eight Hundred Ninety Nine Million Seven Hundred Fifty Seven Thousand Six Hundred Sixty One and Sixty Pesos (P18,899,757,661.60), the amount equivalent of 40% share of local government unit, which could be translated to two hundred fifty pesos (P250.00) for every Filipino.

It is therefore the intention of this measure to rectify this glaring error, if not a flagrant violation of the law, by explicitly mandating the national government agencies concerned to set aside the forty percent (40%) share of local government units in the VAT collected by the BOC for the BIR to be distributed equitably to provinces and highly urbanized cities, with devolved health care functions and facilities, according to population in their respective territorial jurisdiction. The primary objective is to augment the funding exclusively for health care services of provinces and highly urbanized cities, which both absorbed the bulk of devolved health care functions and facilities. It must be clarified that population of each province or highly urbanized city shall be the sole basis in determining the allocation of their shares.

Let us remember that the promotion of health is always an urgent business of society because it is not only the very foundation of an active and useful life but also the right of every Filipino.

In view of the foregoing reasons, the immediate approval of this important piece of legislation is earnestly sought.



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INTRODUCED BY: REPRESENTATIVE, EMILIO C. MACIAS II

AN ACT
TO SET ASIDE THE FORTY PERCENT (40%) SHARE OF LOCAL GOVERNMENT UNITS FROM THE VALUE ADDED TAX (VAT) COLLECTED BY THE BUREAU OF CUSTOMS FOR THE BUREAU OF INTERNAL REVENUE TO AUGMENT THE FUNDING EXCLUSIVELY FOR BASIC HEALTH CARE SERVICES AND FACILITIES DEVOLVED TO PROVINCES AND HIGHLY URBANIZED CITIES

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

SECTION 1. There shall be set aside an amount equivalent to forty percent (40%) of the total Value Added Tax (VAT) collected by the Bureau of Customs for the Bureau of Internal Revenue to augment the funding exclusively for basic health care services and facilities devolved to provinces and highly urbanized cities.

SEC. 2. The share of each province or highly urbanized city, with devolved health care services and facilities, shall be distributed equitably on the basis of population within its territorial jurisdiction.

SEC. 3. The Department of Budget and Management and the Department of Interior and Local Government, in coordination with the Leagues of Provinces and Cities, shall promulgate the necessary rules and regulations to implement the provisions of this Act.

SEC. 4. This Act shall take effect upon its approval.

Approved,