

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Constitution Hills, Quezon City

**FIFTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 1493**

---

**Introduced by: REP. MEL SENEN S. SARMIENTO**

---

**EXPLANATORY NOTE**

This legislative measure seeks to amend Sections 284 and 286 of Republic Act 7160, otherwise known as the Local Government Code of 1991.

The internal revenue allotment (IRA) is used by local government units for operational expenses and delivery of basic services. This has been the lifeblood of many of them as far as operations at the local level are concerned. Presently, 40% of the local taxes collected by the Bureau of Internal Revenue becomes the IRA allocated to the LGUs. However, this has not been enough to promote real development at the local level.

This measure seeks to amend this. Under this proposed bill, the local government units will be entitled to a forty percent (40%) share of the national taxes and internal revenue combined. This is consistent with the mandate under Article X, Section 6 of the 1987 Constitution that "Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them."

By broadening the share of local governments to go beyond internal revenue and to include all taxes further promotes and enhances local financial autonomy.

The approval of this bill is therefore earnestly requested.

  
**MEL SENEN S. SARMIENTO**

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Constitution Hills, Quezon City

**FIFTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 1493**

---

**Introduced by: REP. MEL SENEN S. SARMIENTO**

---

**AN ACT**  
**AMENDING SECTIONS 284 OF REPUBLIC ACT 7160, OTHERWISE**  
**KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991**

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

**SECTION 1.** Section 284 of RA 7160 is hereby amended and shall read as follows:

Section 284. (Allotment) **SHARE** of (Internal Revenue)  
**NATIONAL** taxes. **UPON APPROVAL OF THIS CODE, AS AMENDED,**  
(L) local government units (shall have a) **ARE ENTITLED TO A FORTY**  
**PERCENT (40%)** share (in the) **OF** national (internal revenue) taxes based on the  
collection of the third fiscal year preceding the current fiscal year. (as follows:)

- ((a) On the first year of the effectivity of this Code, thirty percent (30%);  
(b) On the second year, thirty-five percent (35%); and  
(c) On the third year and thereafter, forty percent (40%). Provided, That in the  
event that the national government incurs an unmanageable public sector deficit, the  
President of the Philippines is hereby authorized, upon the recommendation of

1 Secretary of Finance, Secretary of Interior and Local Government and Secretary of  
2 Budget and Management, and subject to consultation with the presiding officers of  
3 both Houses of Congress and the presidents of the liga, to make the necessary  
4 adjustments in the internal revenue allotment of local government units but in no case  
5 shall the allotment be less than thirty percent (30%) of the collection of national  
6 internal revenue taxes of the third fiscal year preceding the current fiscal year:  
7 Provided, further That in the first year of the effectivity of this Code, the local  
8 government units shall, in addition to the thirty percent (30%) internal revenue  
9 allotment which shall include the cost of devolved functions for essential public  
10 services, be entitled to receive the amount equivalent to the cost of devolved personal  
11 services.)  
12

13 **SECTION 2. Repealing Clause.** – All laws, decrees, executive orders, proclamations, rules  
14 and regulations, or parts thereof inconsistent herewith are hereby repealed or modified  
15 accordingly.  
16

17 **SECTION 3. Separability Clause.** – If any provision of this Act is held invalid or  
18 unconstitutional, the other provisions not affected hereby shall remain valid and subsisting.  
19

20 **SECTION 4. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its  
21 publication in at least two (2) national newspapers of general circulation.  
22

23 Approved,