

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

15TH CONGRESS
First Regular Session

HOUSE BILL NO. 1752

Introduced by **REP. SALVADOR H. ESCUDERO III**

EXPLANATORY NOTE

When the government embarked on a devolution process in 1991, local government units have been empowered with significant authorities and responsibilities.

The law provides for local government units to get their rightful share of the taxes and other revenues the National Government collects or generates, thus ensuring provinces, cities, towns and barangays a specific amount to fund their operations.

Delivery of services such as health, social welfare and agriculture has been entrusted to the annual internal revenue allotment.

But while the power and authority is devolved to the local level, limited funding for its operational cost has challenged the very agenda of devolution. Thus, programs that should directly benefit the people have been denied.

This proposal is but consistent with the constitutional prescription on the just share of local government units in the national taxes.

The just share of local government units, which is to be determined by law, is redefined in this bill. Such redefinition includes not only an increase in share but also the imposition of legislative measures to ensure that this share is received by local government units automatically, without hindrance and on time to deliver quality services.

It is in this foregoing light, among others, that this representation seeks the support of Congress for the immediate passage of this bill.


SALVADOR H. ESCUDERO III
Representative
1ST District, Sorsogon

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Introduced by **REP. SALVADOR H. ESCUDERO III**

AN ACT
REDEFINING THE JUST SHARE OF LOCAL GOVERNMENT UNITS IN THE
INTERNAL REVENUE TAXES AMENDING FOR THAT PURPOSE SECTIONS 284
AND 286 OF REPUBLIC ACT NO. 7160, AS AMENDED, OTHERWISE KNOWN AS
THE LOCAL GOVERNMENT CODE OF 1991

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

SECTION 1. Section 284 of Republic Act No. 7160 is hereby amended as to read as follows:

“Section 284. Allotment of Internal Revenue Taxes. - Local government units shall have a share in the 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 (35%); and
- (c) On the third year and thereafter, forty percent (40%). Provided, that in the event that the national government incurs and unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than [thirty percent (30%)] **FORTY PERCENT (40%)**

of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year; Provided, further that in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

THE PROVISIONS IN THE FOREGOING PARAGRAPH NOTWITHSTANDING, BEGINNING FISCAL YEAR TWO THOUSAND AND NINE (2009), THE INTERNAL REVENUE ALLOTMENT OF THE CURRENT YEAR SHALL BE EQUIVALENT TO THE SUM OF (A) FORTY PERCENT (40%) OF THE COLLECTION OF NATIONAL INTERNAL REVENUE TAXES OF THE THIRD FISCAL YEAR PRECEDING THE CURRENT FISCAL YEAR AND (2) FIFTY PERCENT (50%) OF THE DIFFERENCE BETWEEN THE COLLECTIONS OF NATIONAL INTERNAL REVENUE TAXES OF THE THIRD FISCAL YEAR AND OF THE SECOND FISCAL YEAR PRECEDING THE CURRENT FISCAL YEAR. WHERE THE COLLECTION IN THE PRECEDING SECOND FISCAL YEAR IS LOWER THAN THE COLLECTION IN THE %) OF THE COLLECTION OF NATIONAL INTERNAL REVENUE PRECEDING THIRD FISCAL YEAR, THE INTERNAL REVENUE ALLOTMENT SHALL BE EQUIVALENT TO FORTY PERCENT (40) TAXES OF THE THIRD FISCAL YEAR PRECEDING THE CURRENT FISCAL YEAR.

AT LEAST TEN PERCENT (10%) IN THE SHARE OF INTERNAL REVENUE TAX SHALL BE SOLELY DEVOTED TO PROGRAMS AND PROJECTS CONCERNING JOBS AND INCOME GENERATION, AND/OR LIVELIHOOD.

SEC. 2. Section 286 of Republic Act No. 7160 is hereby amended to read as follows:

*"Section 286. Automatic Release of Shares. – (a) The share of each local government unit shall be **AUTOMATICALLY ALLOCATED,***

released **AND DIRECTLY REMITTED TO IT**, without the need of any further action, directly to the provincial, city, municipality or barangay treasurer, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose.

(b) Nothing in this Chapter shall be understood to diminish the share of local government units under existing laws.”

(C) ANY DELAY IN FULL REMITTANCE OF THE SHARE OF EACH LOCAL GOVERNMENT UNIT AS PROVIDED FOR IN THIS ACT SHALL IN ADDITION ENTITLE THE LOCAL GOVERNMENT UNIT CONCERNED TO AN INTEREST AT THE RATE OF SIX (6%) PERCENT PER ANNUM APPLIED ON SAID SHARE OR UNREMITTED PORTION THEREOF.”

SEC. 3. *Implementing Rules and Regulations.* The Secretaries of the Department of Finance, the Department of Budget and Management and the Department of the Interior and Local Government, and the presidents of the liga shall promulgate the required rules and regulations for the speedy and effective implementation of this Act.

SEC. 4. *Separability Clause.* If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting

SEC. 5. *Repealing Clause.* All laws, presidential decrees, executive orders, proclamations and/or administrative regulations which are inconsistent with the provisions of this Act are hereby amended, modified, superseded or repealed accordingly.

SEC. 6. *Effectivity Clause.* This Act shall take effect fifteen (15) days from its publication in at least two newspapers of national circulation.

Approved,