

FIFTEENTH CONGRESS)
OF THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

House Bill No. 1893

Introduced by Representative Ben P. Evardone

EXPLANATORY NOTE

The share of local government units (LGUs) from national taxes is mandated under Section 6, Article X of the Constitution which provides that LGUs shall have a just share, as determined by law, in the national taxes which shall be automatically released to them. The earmarking is intended, among others, to augment local resources to ensure that the minimum level of basic services is delivered to the LGUs' constituents. Under the Local Government Code (LGC), LGUs are given shares from national tax revenues in the form of Internal Revenue Allotment (IRA) and proceeds from the utilization and development of national wealth. Additionally, revenues from other national taxes are shared with some LGUs under special laws, such as a share from the value added tax (VAT), share from excise taxes on locally-manufactured Virginia type cigarettes and share from the income earned of businesses and enterprises located within the ecozones.

To fully facilitate for fiscal autonomy in the local level, this bill seeks to set forth amendments to Sections 284 and 286 of R.A. 7160, otherwise known as the Local Government Code (LGC) of 1991.

The internal revenue allotment (IRA) of local governments has been the lifeblood of many of them as far as operations at the local level is concerned. On average, the IRA already accounts for 65% of the total income of LGUs. This makes the IRA their biggest revenue source. Needless to say, local executives highly rely on their IRA share in order to provide the necessary basic public services for their constituents.

Once enacted, this bill would spell out the entitlement of the Local Government Units (LGUs) to 40% of the national taxes, not just the national internal revenue taxes. The expansion of their share to cover the national taxes as a whole, would translate to improved delivery of services and opportunities to their constituents.

A handwritten signature in black ink, appearing to be "Ben P. Evardone".

BEN P. EVARDONE

Representative, Lone District of Eastern Samar

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AN ACT
AMENDING SECTIONS 284 AND 286 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 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%) 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.)

1 SECTION 2. Section 286 of RA 7160 is hereby amended and shall read as follows:
2

3 Section 286. Automatic Release of Shares. - (a) The share of each local
4 government unit **IS CONSIDERED OBLIGATED AND IT** shall be
5 released, without need of any further action, directly to the provincial, city,
6 municipal or barangay treasurer, as the case may be, on a **MONTHLY OR**
7 quarterly basis within five (5) days after the end of each **MONTH OR** quarter,
8 (and which)
9

10 **(B) SAID SHARE** shall not be subject to any lien or holdback that
11 may be imposed by the (national) **CENTRAL** government for whatever
12 purpose. the share of local government units under existing laws.
13

14 ((b)) (C) Nothing in this Chapter shall be understood to diminish
15

16 SECTION 3. All laws, decrees, executive orders, proclamations, rules and
17 regulations, or parts thereof inconsistent herewith are hereby repealed or modified
18 accordingly.
19

20 SECTION 4. Separability Clause. - If any provision of this Act is held invalid *or*
21 unconstitutional, the other provisions not affected hereby shall remain valid and
22 subsisting.
23

24 SECTION 5. This Act shall take effect fifteen (15) days after its publication in at least
25 two (2) national newspapers of general circulation.
26

27 Approved,