



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

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 2162

Introduced by : **Honorable GEORGE P. ARNAIZ**

EXPLANATORY NOTE

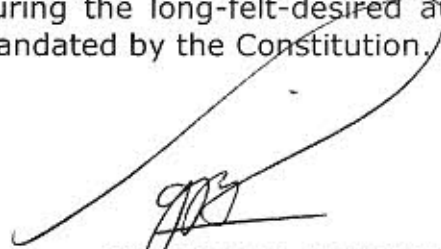
Republic Act No. 7160 otherwise known as the Local Government Code of 1991 explicitly devolves gargantuan powers and responsibilities to local government units in pursuance with the decentralization policy enshrined in the Constitution. This law was considered as the linchpin of the administration of President Corazon C. Aquino. Many experts in local governance had shared the view that for the decentralization policy to succeed, the devolution of powers to local government units must be accompanied by financial requirements from the national government. This might be one of the reasons the framers of the Local Government Code of 1991 not only enhanced the taxing powers of local government units but also granted a forty percent (40%) share from national internal revenue taxes.

It is worthy to emphasize however, that more than a decade after the passage of this landmark legislation, many local government units had been persistently clamoring for the reversion of the devolved functions and responsibilities, specifically health services, to the national government. Suffice it to say that the forty percent (40%) share from national internal revenue taxes is not sufficient enough to shoulder the cost of devolved functions and responsibilities, particularly those local government units, which belong to lower income classifications.

This bill therefore seeks to increase the share of local government units in the national internal revenue taxes, including the Value Added Tax (VAT being collected by the Bureau of Customs

from forty percent (40%) to fifty percent (50%) for a 50-50 sharing scheme.

The approval of this important piece of legislation will serve as concrete gesture towards ensuring the long-felt-desired autonomy of local government units as mandated by the Constitution.

A handwritten signature in black ink, appearing to be 'G. Arnaiz', is written over a large, faint, curved line that spans across the text area.

GEORGE P. ARNAIZ
Representative
2nd District, Oriental Negros



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AN ACT
TO INCREASE THE SHARE OF LOCAL GOVERNMENT UNITS IN
THE NATIONAL INTERNAL REVENUE TAXES, AMENDING FOR
THE PURPOSE SECTION 284 OF REPUBLIC ACT NO. 7160
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 otherwise known as the Local Government Code of 1991 is hereby amended 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 percent (35%); [and]
- (c) On the third year, [and thereafter], **UNTIL DECEMBER 31, 2008**, forty percent (40%); [:]
- (d) **FROM JANUARY 1 TO DECEMBER 31, 2011, FORTY-FIVE PERCENT (45%); AND**

(e) **BEGINNING JANUARY 1, 2012, AND THEREAFTER,
FIFTY PERCENT (50%):**

X X X

X X X

SECTION 2. The collections of the Bureau of Internal Revenue (BIR), including the Value Added Tax (VAT) being collected by the Bureau of Customs, shall be included in the computation of national internal revenue taxes.

SECTION 3. The Department of Finance (DOF), in coordination with the Budget and Management (DBM), Department of Interior and Local Government (DILG) and the leagues of local government units shall issue the necessary rules and regulations within sixty (60) days after the effectivity of this Act.

SECTION 4. This Act shall take effect fifteen (15) days after its publication in at least two newspapers of general circulation.

Approved,