

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

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 2474

INTRODUCED BY HON. MARCELINO "MARCY" R. TEODORO

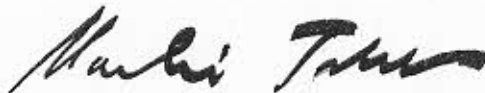
EXPLANATORY NOTE

The Local Government Code of 1991 (Republic Act No. 7160) mandates that power, responsibilities and functions should be decentralized from the central government to the local government units (LGU's) for a more efficient organization of structures to serve the needs of the people, since the LGU's are more connected with the concerns of the citizens on the ground. The law also has features that define the governing rules for such structuring, including the allotment of funds for the local government units.

The internal revenue allotment (IRA) is the funds allocated by the national government for the operations of the LGU's. Based on the Code, it is currently pegged at 40%. This percentage seems prohibitive, considering the expenses LGU's might incur as they fulfill responsibilities in the service of the people, such as potential increases in population, which translates to additional services and/or infrastructure and therefore, additional expenses.

To address the aforementioned issue, this bill seeks to amend several provisions in the Local Government Code to increase the internal revenue allotment of local government units. An increase is ideal for the optimum performance of the LGU's for the benefit of the community. In addition, this also proposes an automatic retention of the local government units' allotment to ensure the unhampered delivery of services and the fulfillment of their duties, notwithstanding exigencies that may arise. These amendments are all in line with the thrust of R.A. 7160, which is to develop and empower the LGU's.

In light of the foregoing, immediate passage of this bill is highly sought.



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AN ACT
INCREASING THE INTERNAL REVENUE ALLOTMENT OF LOCAL
GOVERNMENT UNITS (LGUs) AND AUTHORIZING ITS AUTOMATIC
RETENTION, AMENDING FOR THAT PURPOSE SECTION 284 AND 286 OF
RA. 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 is hereby amended 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 in 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 UNTIL THE SEVENTH YEAR [and thereafter], forty percent (40%);
 - (d) ON THE EIGHT YEAR, FIFTY PERCENT (50%);
 - (e) ON THE NINTH YEAR AND THEREAFTER SIXTY PERCENT (60%).
- x x x . . ."

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

"Section 286. **Automatic [Release] RETENTION of Shares** - a) The share of each local government unit shall be [release] RETAINED AUTOMATICALLY BY THE CONCERNED LOCAL GOVERNMENT UNIT, without need of any further action, [directly to] by the provincial, city, municipal 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) xxx..."

SEC. 3. All laws, issuances, rules and regulations inconsistent with the provisions of this Act are hereby amended, repealed or modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.