

HOUSE of REPRESENTATIVES  
House Bill No. 5588



Introduced by: MA. THERESA B. BONOAN-DAVID  
4<sup>th</sup> District, City of Manila

#### EXPLANATORY NOTE

The bill seeks to amend Section 290 of the Local Government Code which states that the internal revenue collections from the national wealth through mining, forestry, and fishery activities in the form of taxes, royalties, fees, charges, interests, fines or shares of the central government in any co-production, joint venture or production sharing agreements over such activities are to be shared with the local governments having jurisdiction over areas devoted to the utilization and development of the national wealth.

Under the law, local government units are entitled to 40% of the gross collections derived by the national government from the utilization of and development of the national wealth by private persons or entities.

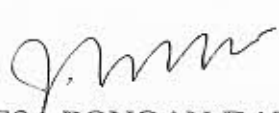
While private persons or entities pay their taxes to the national government pursuant to existing laws, the national government has not fully remitted to the local government units their share in the national wealth taxes. It is thus very unfortunate that LGUs have always been shortchanged of their share from the revenues, taxes, charges or fees paid by private persons or entities to the national government.

This is compounded by the fact that although section 286 of the same Code mandates the automatic release of the internal revenue allotments to LGUs, there is no similar provision as regards shares in the national wealth.

What further complicate this problem are the sites of payment of taxes by the private persons or entities. Some private persons and entities hold their principal offices in urban centers while their bases of operations are somewhere else. Under the Corporation Code, private persons or entities may pay their taxes to the national government at the place where they hold their principal offices, thereby depriving the host local government units the first crack at their shares in the said revenues.

There is therefore an urgent necessity to amend section 290 of the Local Government Code in order to mandate persons engaged in the utilization and development of national wealth to pay directly to the LGUs and the national government their shares in the national wealth taxes.

In view of the foregoing, the passage of this bill is earnestly sought.

  
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4<sup>th</sup> District, City of Manila

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**AN ACT**  
**AMENDING SECTION 290 OF REPUBLIC ACT NO. 7160,**  
**OTHERWISE KNOWN AS**  
**THE LOCAL GOVERNMENT CODE OF 1991**

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

**SECTION 1.** Section 290 of Republic Act No. 7160, entitled the "Local Government Code of 1991" is hereby amended to read as follows:

"Sec. 290. Amount of Share of Local Government Units. - Local government units shall, in addition to the internal revenue allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interest, or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction [.] **PROVIDED, THAT PERSONS, NATURAL OR JURIDICAL, ENGAGED IN THE UTILIZATION AND DEVELOPMENT OF THE NATIONAL WEALTH, SHALL PAY DIRECTLY THE ABOVE-MENTIONED FORTY PERCENT (40%) OF THEIR NATIONAL WEALTH TAXES TO THE HOST LOCAL GOVERNMENT UNITS AND THE REMAINING SIXTY PERCENT (60%) TO THE NATIONAL GOVERNMENT.**"

**SECTION 2. *Repealing Clause.*** - All laws, presidential decrees, executive orders, proclamations, rules and regulations, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

**SECTION 3. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days from its publication in the Official Gazette or in at least two (2) newspapers of general.

Approved.