

2016
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 824



INTRODUCED BY REP. MARCELINO "MARCY" R. TEODORO

EXPLANATORY NOTE

The 1987 Constitution recognizes the importance of local government units as reflected in its Article X, Section 6 which bestows that the "Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them." To translate this provision, RA 7160 otherwise known as the "Local Government Code of 1991," used the term, "national internal revenue taxes", which in essence is very different from what is truly provided by the Constitution.

This difference affected the amount of the Internal Revenue Allotment (IRA) the local government units (LGUs) receive only from the collection of national internal revenue taxes through the years. In effect, the LGUs are being short changed because of the limited base of the IRA fund. To correct this discrepancy, this proposed measure amends Section 284 of the Local Government Code by redefining "national taxes" to broaden the base of the source of the IRA to include "taxes, tariffs, dues, and fees collected by the Bureau of Internal Revenue, Bureau of Customs, Philippine Ports Authority, Department of Environment and Natural Resources, the Department of Foreign Affairs, and such other government agencies deputized by the Bureau of Internal Revenue to collect national taxes."

The amendment is coupled by the proposal to increase the share of the LGUs from the national taxes from 40% to 50%. This will promote and enhance local fiscal autonomy resulting to more dynamic LGUs and obtain the necessary development and empowerment of local communities.

In light of the foregoing, immediate passage of this bill is earnestly prayed and sought.

MARCELINO "MARCY" R. TEODORO
Representative, 1st District
City of Marikina

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 824

INTRODUCED BY REP. MARCELINO "MARCY" R. TEODORO

AN ACT INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS
FROM 40% OF THE NATIONAL INTERNAL REVENUE TAXES TO 50%
SHARE IN ALL NATIONAL TAXES, TO INCLUDE ALL THE NATIONAL
TAXES COLLECTED BY THE BUREAU OF INTERNAL REVENUE, BUREAU
OF CUSTOMS, PHILIPPINE PORTS AUTHORITY, DEPARTMENT OF
ENVIRONMENT AND NATURAL RESOURCES, THE DEPARTMENT OF
FOREIGN AFFAIRS AND SUCH OTHER GOVERNMENT AGENCIES
DEPUTIZED BY THE BUREAU OF INTERNAL REVENUE TO COLLECT
NATIONAL TAXES, AMENDING FOR THIS PURPOSE SECTION 284 OF
REPUBLIC ACT 7160, OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991

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

CHAPTER I

GENERAL PROVISIONS

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 on the
collection of the third fiscal year preceding the current fiscal year as follows:

- (a) xxxxxx
- (b) xxxxxx
- (c) xxxxxxxxx]

BEGINNING THE CALENDAR YEAR FOLLOWING THE EFFECTIVITY OF
THIS ACT, LOCAL GOVERNMENT UNITS SHALL HAVE A FIFTY
PERCENT (50%) SHARE IN ALL THE NATIONAL TAXES BASED ON THE
COLLECTION OF THE THIRD FISCAL YEAR PRECEDING THE CURRENT
FISCAL YEAR,

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 shares of local
government units in the proceeds of national taxes but in no case shall the
allotment be less than thirty percent (30%) of the collection of national internal

1 revenue taxes of the third fiscal year preceding the current fiscal year. [Provided,
2 further, That in the first year of the effectivity of this Code, the local government
3 units shall, in addition to the thirty percent (30%) internal revenue allotment
4 which shall include the cost of devolved functions for essential public services, be
5 entitled to receive the amount equivalent to the cost of devolved personal
6 services.]

7
8 AS USED IN THIS ACT, THE TERM, "NATIONAL TAXES" SHALL
9 INCLUDE, BUT NOT LIMITED TO, TAXES, TARIFFS, DUES, AND FEES
10 COLLECTED BY THE BUREAU OF INTERNAL REVENUE, BUREAU OF
11 CUSTOMS, PHILIPPINE PORTS AUTHORITY, DEPARTMENT OF
12 ENVIRONMENT AND NATURAL RESOURCES, THE DEPARTMENT OF
13 FOREIGN AFFAIRS, AND SUCH OTHER GOVERNMENT AGENCIES
14 DEPUTIZED BY THE BUREAU OF INTERNAL REVENUE TO COLLECT
15 NATIONAL TAXES.

16
17
18 **SECTION 2. *Repealing Clause.*** — All laws, presidential decrees, executive orders,
19 letters of instruction, rules and regulations which are inconsistent with any of the
20 provisions of this Act are hereby repealed or modified accordingly.

21
22 **SECTION 3. *Effectivity Clause.*** — This Act shall take effect fifteen (15) days after the
23 completion of its publication in the Official Gazette or in any newspaper of general
24 circulation.

25
26
27 Approved,