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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **1648**



Introduced By: **REPRESENTATIVE SALVIO B. FORTUNO**

EXPLANATORY NOTE

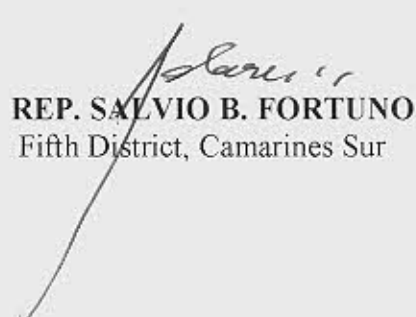
Many experts in local governments had pinned their hopes in the passage of Republic Act No. 7160 otherwise known as the Local Government Code of 1991. They believed that the issues and concerns prevalent before its passage will be cured by this landmark legislation. In fact, this law was considered as the linchpin of the administration of President Corazon C. Aquino as it explicitly devolves tremendous powers and responsibilities to local government units in pursuance with the decentralization policy enshrined in the Constitution.

However, almost two decades after its passage, many local government units have been persistently clamoring for the reversion of the devolved functions and responsibilities, specifically health services, to the national government. It is very apparent that the shares of local governments in the Internal Revenue Allotments (IRA) have not been sufficient in most cases to finance devolved responsibilities, particularly those local government units, which belong to lower income classifications. The root cause therefore of the grievance is money and there must be a legal way to find a source.

The Local Government Code of 1991 provides local government units with a share in the national internal revenue taxes, which, under the Republic Act No. 8424 otherwise known as the Tax Reform Act of 1997, include income tax, estate and donor's tax, Value-added tax, other percentage taxes, excise taxes, documentary taxes and such other taxes as are or hereafter maybe imposed and collected by the Bureau of Internal Revenue. The provision of the Tax Reform Act notwithstanding, the Value-added taxes being collected by the Bureau of Customs have not been included in the computation of the IRA. This effectively deprived the local government units of its just share in national internal revenue taxes amounting to billions of pesos.

This bill therefore seeks to include the Value Added Tax (VAT) being collected by the Bureau of Customs in the computation of the IRA share.

The approval of this bill will certainly help local governments in pursuing vital programs and projects, for which reasons, the approval of this bill is earnestly sought.


REP. SALVIO B. FORTUNO
Fifth District, Camarines Sur

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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1648

Introduced By: REPRESENTATIVE SALVIO B. FORTUNO

AN ACT
TO INCLUDE THE VALUE-ADDED TAX BEING COLLECTED BY THE
BUREAU OF CUSTOMS IN THE COMPUTATION OF THE SHARE OF LOCAL
GOVERNMENT UNITS IN THE NATIONAL INTERNAL REVENUE TAXES
PURSUANT TO THE FORMULA ENHRINED UNDER SECTION 285 OF
REPUBLIC ACT No. 7160 AS AMENDED 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. The Value-Added Tax (VAT) being collected by the Bureau of Customs for the Bureau of Internal Revenue (BIR) shall be included in the computation of national internal revenue taxes pursuant to the formula enshrined under Section 285 of Republic Act No. 7160 as amended otherwise known as the Local Government Code of 1991.

SEC. 2. The Department of Finance (DOF), in coordination with the Department of 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.

SEC. 3. This Act shall take effect fifteen (15) days after its publication in any newspaper of general circulation.

Approved,