

SIXTEENTH CONGRESS)
OF THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES
House Bill No. 1817

Introduced by Representative Ben P. Evardone
Lone District, Eastern Samar

EXPLANATORY NOTE

The share of local government units (LGUs) from national taxes is mandated under Section 6, Article X of the Constitution which provides that LGUs shall have a just share, as determined by law, in the national taxes which shall be automatically released to them. The earmarking is intended, among others, to augment local resources to ensure that the minimum level of basic services is delivered to the LGUs' constituents. Under the Local Government Code (LGC), LGUs are given shares from national tax revenues in the form of Internal Revenue Allotment (IRA) and proceeds from the utilization and development of national wealth. Additionally, revenues from other national taxes are shared with some LGUs under special laws, such as a share from the value added tax (VAT), share from excise taxes on locally-manufactured Virginia-type cigarettes and share from the income earned of businesses and enterprises located within the ecozones.

To fully facilitate for fiscal autonomy in the local level, this bill seeks to set forth amendments to Sections 284 and 286 of R.A. 7160, otherwise known as the Local Government Code (LGC) of 1991.

The Internal Revenue Allotment (IRA) of local governments has been the lifeblood of many of them as far as operations at the local level is concerned. On average, the IRA already accounts for 65% of the total income of LGUs. This makes the IRA their biggest revenue source. Needless to say, local executives highly rely on their IRA share in order to provide the necessary basic public services for their constituents.

Once enacted, this bill would spell out the entitlement of the Local Government Units (LGUs) to 40% of the national taxes, not just the national internal revenue taxes. The expansion of their share to cover the national taxes as a whole, would translate to improved delivery of basic services and opportunities to their constituents.

Hence, approval of this bill is earnestly sought.


BEN EVARDONE

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AN ACT
AMENDING SECTIONS 284 AND 286 OF REPUBLIC ACT 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:

1 **SECTION 1.** Section 284 of RA 7160 is hereby amended to read as follows:
2

3 “Section 284. [Allotment] **SHARE** of [Internal Revenue] **NATIONAL** taxes.—
4 **UPON APPROVAL OF THIS CODE, AS AMENDED, [L]** local government units [shall
5 have a] **ARE ENTITLED TO A FORTY PERCENT (40%)** share [in the] national internal
6 revenue taxes based on the collection of the third fiscal year preceding the current fiscal year.
7 [as follows:]
8

9 (a) On the first year of the effectivity of this Code, thirty percent (30%);
10

11 (b) On the second year, thirty-five percent (35%); and
12

13 (c) On the third year and thereafter, forty percent (40%). Provided, that in the event
14 that the national government incurs an unmanageable public sector deficit, the
15 President of the Philippines is hereby authorized, upon the recommendation of
16 Secretary Finance, Secretary of Interior and Local Government and Secretary of
17 Budget and Management, and subject to consultation with the presiding officers
18 of both Houses of Congress and the presidents of the liga, to make the necessary
19 adjustments in the internal revenue allotment of local government units but in no
20 case shall the allotment be less than thirty percent (30%) of the collection of
21 national internal revenue taxes of the third fiscal preceding the current fiscal
22 year: Provided further, That in the first year of the effectivity of this Code, the
23 local government units shall, in addition to the thirty percent (30%) internal
24 revenue allotment which shall include the cost of devolved functions for essential
25 for essential public services, be entitled to receive the amount equivalent to the
26 cost of devolved personal services.”
27

28 **SECTION 2.** Section 286 of RA 7160 is hereby amended and shall read as follows:
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30 “Section 286. Automatic Release of Shares. - (a) The share of each local government
31 unit **IS CONSIDERED OBLIGATED AND IT** shall be released, without need of any

1 further action, [directly to] **BY** the provincial, city, municipal or barangay treasurer, as the
2 case may be, on a **MONTHLY OR** quarterly basis within five (5) days after the end of each
3 **MONTH OR** quarter, and which shall be subject to any lien or holdback that may be
4 imposed by the national government for whatever purpose.
5

6 **(B) SAID SHARE** shall not be subject to any lien or holdback that may be imposed by the
7 [National] **CENTRAL** Government for whatever purpose.
8

9 [(b)] **(C)** Nothing in this Chapter shall be understood to diminish the share of local
10 government units under existing laws.
11

12 **SECTION 3.** All laws, decrees, executive orders, proclamations, rules and regulations, or
13 parts thereof inconsistent herewith are hereby repealed or modified accordingly.
14

15 **SECTION 4.** Separability Clause. — If any provision of this Act is held invalid or
16 unconstitutional, the other provisions not affected hereby shall remain valid and subsisting.
17

18 **SECTION 5.** This Act shall take effect fifteen (15) days after its publication in at least two
19 (2) national newspapers of general circulation.
20

21 **Approved,**