



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 2619



Introduced by:
REP. FRANCISCO T. MATUGAS
1ST District, Surigao del Norte (Siargao Island)

EXPLANATORY NOTE

Article X Section 6 of the Philippine Constitution provides that "local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them". It is therefore mandated that LGUs receive not just a share in the national taxes but that the percentage of its share must be considered "just".

The LGUs share forty percent (40%) of the national revenue taxes based on the collection of the third fiscal year preceding the current fiscal year pursuant to the provisions of the Local Government Code of 1991. However, after two decades from its implementation, the said share is deemed insufficient for local government units, particularly those belonging to lower income classifications or lower fiscal capacity, considering the enormous powers and responsibilities devolved to them. This is why, many LGUs have been clamoring for some devolved functions and responsibilities such as health services to be reassigned or transferred back to the national government.

The Constitution also explicitly states that the LGUs shall have a just share in the "national taxes". This means that the LGUs have a right to taxes collected by the national government other than the internal revenue taxes collected by BIR. Therefore, this bill seeks to increase the share of local government units in the national internal revenue taxes, including the Value Added Tax (VAT) being collected by the Bureau of Customs, from forty percent (40%) to sixty percent (60%).

For these reasons, approval of this bill is earnestly sought.

FRANCISCO T. MATUGAS



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**AN ACT INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS IN
THE NATIONAL INTERNAL REVENUE TAXES, AMENDING FOR THE
PURPOSE SECTIONS 284 OF REPUBLIC ACT 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:*

1 SECTION 1. Section 284 of Republic Act No. 7160 otherwise
2 known as the Local Government Code of 1991 is hereby amended
3 as follows:

4
5 "SECTION 284. Allotment of Internal Revenue Taxes. -Local
6 Government units shall have a share in the national
7 internal revenue taxes based on the collection of the
8 current fiscal year as follows:

- 9
10 (a) On the first year of the effectivity of this Code,
11 thirty percent (30%);
12
13 (b) On the second year, thirty-five (35%); [and]
14
15 (c) On the third year, [and thereafter], **UNTIL**
16 **DECEMBER 31, 2014**, forty percent (40%); [:]
17
18 (d) **FROM JANUARY 1 TO DECEMBER 31, 2015, FIFTY**
19 **PERCENT (50%)**

1 **(e) BEGINNING JANUARY 1, 2016 AND THEREAFTER,**
2 **SIXTY PERCENT (60%)**

3
4 X X X X X X
5

6 SECTION 2. The collections of the Bureau of Internal Revenue
7 (BIR), including the Value Added Tax (VAT) being collected by the
8 Bureau of Customs, shall be included in the computation of
9 national internal revenue taxes.

10
11 SECTION 3. The Department of Finance (DOF), in coordination
12 with the Budget and Management (DBM), Department of Interior
13 and Local Government (DILG) and the leagues of local
14 government units shall issue the necessary rules and regulations
15 within sixty (60) days after the effectivity of this Act.
16

17 SECTION 4. This Act shall take effect fifteen (15) days following
18 the completion of its publication in the *Official Gazette* or in two (2)
19 national newspapers of general circulation.
20

21 Approved,