

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4697

Introduced by **HONORABLE LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

EXPLANATORY NOTE

The Internal Revenue Allotment (IRA), in the enactment of the Local Government Code (LGC) of 1991, was designed to be an integral part of local governance and local government; Providing local governments with resources to fund the implementation of their respective programs and projects is considered an important aspect of strengthening local autonomy.

From being a mere legislative grant, we find in Section 6, Article X of the 1987 Constitution a provision on the IRA: "Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them."

The above-cited provision indicates that the IRA is both a matter of principle and policy; it is a major component of local government and governance, and even of national governance. Moreover, the IRA should be understood with the entirety of Article X on local government, which represents an expansion of local autonomy provided earlier under the 1973 Constitution.

The Supreme Court in *Ganzon v. Court of Appeals* explained local autonomy as follows:

"As the Constitution itself declares, local autonomy — means a more responsive and accountable local government structure instituted through a system of decentralization. The Constitution. . . liberate[s] the local governments from the imperialism of Manila. Autonomy, however, is not meant to end the relation of partnership and interdependence

between the central administration and local government units, or otherwise, to usher in a regime of federalism.”

Indeed, the underlying principles of Article X are local autonomy, including both fiscal autonomy and administrative autonomy, and decentralization.

However, the IRA or share of LGUs has remained at forty percent (40%) of the national taxes for over twenty years. Limited funding for the operational costs devolved to the LGUs proved to be a formidable challenge to the notion of devolution and self-reliance. As a result, programs that should serve the people have not been properly funded.

Achieving local autonomy by increasing the IRA prepares the way to achieving President Duterte’s vision of decentralization by federalism. There is not a more appropriate time than now to revisit “just share” as worded in the Constitution and redetermine the standard for compliance with this mandate to attain the progressive vision of the IRA of making each unit self-sustaining. Revisiting the LGU’s just share in the national taxes is being faithful to the constitutionally enshrined principles of decentralization and local administrative and fiscal autonomy that are the very foundations of the LGC.

This measure aims to increase the current share of the LGUs in national taxes and modify the current formulation of the IRA so that it will include all types of national taxes. These modifications seek to truly empower and challenge the LGUs to use the additional allocation in providing better services, creating more development projects and implementing different programs to further the interests of their constituents. Indeed, the autonomy and development of local governments is a most important aspect of regional and national development.

In particular, this bill seeks to amend sections 284 and 286 of the LGC of 1991 to include the following features:

- a. Increase the current IRA of LGUs from 40% to 60%;
- b. Include all forms of national taxes in the IRA computation; and
- c. Provide an automatic retention provision of the IRA.

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


LUIS RAYMUND “LRAY” F. VILLAFUERTE, JR.

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AN ACT INTENSIFYING LOCAL GOVERNMENT PARTICIPATION IN NATIONAL DEVELOPMENT BY INCREASING THE INTERNAL REVENUE ALLOTMENT OF LOCAL GOVERNMENT UNITS FROM 40% TO 60% OF ALL NATIONAL TAXES COLLECTED BY THE BUREAU OF INTERNAL REVENUE AND OTHER GOVERNMENT AGENCIES AND AUTHORIZING THE LGUS TO AUTOMATICALLY RETENTAIN THEIR IRA , AMENDING THE SECTION 284 AND 286 OF THE LOCAL GOVERNMENT CODE OF 1991

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

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 of 60% in the national internal revenue taxes based in the collection of the third fiscal year preceding the current fiscal year as follows:

- a. On the first year of the effectivity of this Code, fifty percent (50%);
- b. On the second year, fifty-five percent (55%)
- c. On the third year and thereafter, sixty percent (60%)"

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 40 percent (40%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year. [Provided, further, That in the first year of the effectivity of this Code, the local government units shall, in addition to the forty percent (40%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.]

National Taxes, in this act, pertains to all kinds of national taxes including, but not limited to, taxes, tariffs, dues and fees collected by the Bureau of Internal Revenue, Bureau of Customs, Philippine Ports Authority, Department of Environment and Natural Resources, Department of Foreign Affairs, Department of Transportation, Department of Trade and Industry and such other government agencies deputized by the Bureau of Internal Revenue to Collect National Taxes.

SECTION 2. Section 286 of the Republic Act 7160 is likewise amended to read as follows:

"Section 286 Automatic Retention of Shares - (a) The share of each local government unit shall be AUTOMATICALLY released and RETAINED by it, without need of any further action, directly to provincial, city, municipal or barangay, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the National Government for whatever purpose.

SEC. 3. All laws, issuances, rules and regulations inconsistent with the provisions this Act is hereby amended, repealed or modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of national circulation.