

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session



HOUSE BILL NO. **6520**

Introduced by Representative Leo Rafael M. Cueva and Jesulito "Jess" A. Manalo

EXPLANATORY NOTE

Under Section 283 of the National Internal Revenue Code of 1997, the city or municipality is only entitled to twenty percent (20%) of the fifty percent (50%) national taxes collected under Section 106 (value added tax or VAT on the sale of goods), Section 108 (VAT on the sale of services) and Section 116 (other percentage taxes), in excess of the increase in collections for the immediately preceding year. This bill seeks to increase to forty percent (40%) the share of the city or municipality in the disposition of national internal revenue.

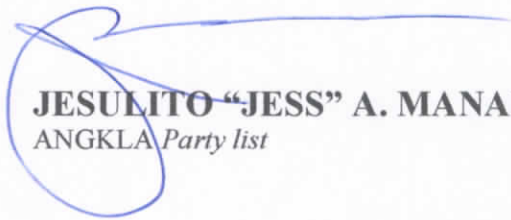
Section 150 of Republic Act No. 7160, otherwise known as the *Local Government Code of 1991*, provides for the allocation of shares of the city or municipality where such taxes are collected in accordance with the rules on the situs of the local business tax. However, some cities or municipalities fail to avail of their share which may be attributed to complicated procedure in adopting the rule on the situs of the local business tax. Also, the absence of computer linkages in the VAT payment stations makes it difficult for BIR to monitor and verify the accuracy of the share of cities and municipalities from the gross receipts of business taxpayers maintaining branches, plantations or factories in different localities. The share of cities and municipalities may not also be consistent as it is based on incremental collection from VAT. Moreover, cities and municipalities may be entitled to the share only if the increase in VAT collections exceeds the surplus in the preceding year.

Thus, the increase from twenty percent (20%) to forty percent (40%) of the fifty percent (50%) VAT and other percentage tax collections in excess of the increase in collections for the immediately preceding year will likewise increase the funds of cities and municipalities needed for the delivery of basic services to their constituents.

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



LEO RAFAEL M. CUEVA
2nd District-Negros Occidental



JESULITO "JESS" A. MANALO
ANGKLA Party list

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AN ACT
INCREASING THE SHARE OF CITIES OR MUNICIPALITIES IN THE
TAX COLLECTED IN THEIR AREA BY THE NATIONAL
GOVERNMENT, AMENDING FOR THE PURPOSE PRESIDENTIAL
DECREE NO. 1158, AS AMENDED, ALSO KNOWN AS THE "NATIONAL
INTERNAL REVENUE CODE OF 1997"

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

SECTION 1. Section 283 of Presidential Decree No. 1158, as amended, is hereby further amended to read as follows:

"Section 283. Disposition of National Internal Revenue.-
National internal revenue collected and not applied as herein above
provided or otherwise specially disposed of by law shall accrue to
the National Treasury and shall be available for the general purposes
of the Government, with the exception of the amounts set apart by
way of allotment as provided for under Republic Act No. 7160,
otherwise known as the Local Government Code of 1991.

“In addition to the internal revenue allotment as provided for in the preceding paragraph, fifty percent (50%) of the national taxes collected under Sections 106, 108 and 116 of this Code in excess of the increase in collections for the immediately preceding year shall be distributed as follows:

“(a) [~~Twenty percent (20%)~~] FORTY PERCENT shall accrue to the city or municipality where such taxes are collected and shall be allocated in accordance with Section 150 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991; and

“(b) [~~Eighty percent (80%)~~] SIXTY PERCENT (60%) shall accrue to the National Government.”

Section 2. ***Implementing Rules and Regulations.***- Within sixty (60) days from the effectivity of this Act, the Commissioner of Internal Revenue, in consultation with the Secretary of Finance, Secretary of Budget and Management and Secretary of Interior and Local Government shall issue a detailed implementing rules and regulations to carry out the provisions of this Act.

Section 3. **Effectivity.**- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,