

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8019



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

It has been every Local Government Unit's constant battle cry, since the enactment of the Local Government Code of 1991, that they were not receiving their just share of national internal revenue tax collection or the Internal Revenue Allotment (IRA).

Among the complaints which constitutes such demand is the non-inclusion of the tax revenue generated from imposing value-added tax (VAT) on the goods imported into the country. Section 284, the national government contends, only provides that LGUs receive their share from the total collection of national internal revenue taxes, which does not include import taxes.

Imported goods, however, are already within the Philippine border after import taxes have already been levied, which makes any other taxes levied in addition as part of national internal revenue tax collection. Congress must therefore make it a priority to clarify this incertitude through legislation that revenues collected from imposing value-added tax on imported goods are actually part of national internal revenue and by virtue of this, part of the IRA.

The passage of this bill would surely provide for our LGUs greater leeway to pursue economic development and fund programs geared towards the overall improvement of their respective constituents.

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


REP. GARY C. ALEJANO

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AN ACT
TO ENHANCE THE SHARE OF LOCAL GOVERNMENT UNITS IN INTERNAL
REVENUE TAXES

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

1 **SEC. 1.** Section 284 of the Code is hereby amended to read as follows:

2
3 **“SEC. 284. Allotment of Internal Revenue Taxes.** - Local government units shall
4 have a share in the national internal revenue taxes **INCLUSIVE OF VALUE ADDED**
5 **TAXES PAID ON IMPORTS** based on the collection of the third fiscal year preceding the
6 current fiscal year as follows:

- 7
8 (a) On the first year of the effectivity of this Code, thirty percent (30%);
9 (b) On the second year, thirty-five percent (35%); and
10 (c) On the third year and thereafter, forty percent (40%).

11
12 *Provided,* That in the event that the national government incurs an unmanageable
13 public sector deficit, the President of the Philippines is hereby authorized, upon the
14 recommendation of Secretary of Finance, Secretary of Interior and Local Government and
15 Secretary of Budget and Management, and subject to consultation with the presiding officers
16 of both Houses of Congress and the presidents of the "liga", to make the necessary
17 adjustments in the internal revenue allotment of local government units but in no case shall
18 the allotment be less than thirty percent (30%) of the collection of national internal revenue
19 taxes of the third fiscal year preceding the current fiscal year: *Provided, further,* That in the
20 first year of the effectivity of this Code, the local government units shall, in addition to the

1 thirty percent (30%) internal revenue allotment which shall include the cost of devolved
2 functions for essential public services, be entitled to receive the amount equivalent to the
3 cost of devolved personal services.”
4

5 **SEC. 2. *Repealing Clause.*** - All general and special laws, acts, city charters, decrees,
6 executive orders, proclamations and administrative regulations, or part or parts thereof which are
7 inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.
8

9 **SEC. 3. *Separability Clause.*** - If, for any reason or reasons, any part of provision of this Act
10 shall be held unconstitutional or invalid, other parts or provisions hereof which not affected thereby
11 shall continue to be in full force and effect.
12

13 **Section 4. *Effectivity Clause.*** - This Act shall take effect after fifteen (15) days from its
14 publication in the Official Gazette or in two (2) newspaper of general circulation.

Approved,