

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



EIGHTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 2619

Introduced by **REP. ANTONIO T. ALBANO**

AN ACT
TO DEFINE THE NATIONAL TAXES REVENUE BASE, ENHANCE THE
JUST SHARE FROM THE NATIONAL TAXES
OF LOCAL GOVERNMENT UNITS,
AND RENAME THE "INTERNAL REVENUE ALLOTMENT" (IRA) TO
"NATIONAL TAX ALLOTMENT" (NTA), AMENDING FOR THE PURPOSE
CERTAIN PROVISIONS OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

The 1987 Constitution upholds local autonomy as a basic state policy. In addition to the power to create their own sources of revenues (Article X, Section 5, Constitution), local government units (LGUs) are also guaranteed *"a just share, as determined by law, in the national taxes which shall be automatically released to them"*.

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (LGC), provides a formula to determine the LGUs' just share in the national taxes. Under Section 284 thereof, Congress limited and fixed the percentage share of LGUs in national taxes only from the national "internal revenue" taxes instead of from "all national taxes" as ordained by the Constitution. Thus, the term "Internal Revenue Allotment" (IRA) was used

Almost three decades since the LGC was passed, the LGUs' share remains pegged at 40% of the national internal revenues collected during the third year prior to the current fiscal year. Although Section 521 of the LGC mandates a review of the LGUs' share at least once every five (5) years, the formula for the determination of the IRA remained unchanged for the past 28 years.

The 40% IRA share is equivalent to an annual average of only 16% of the National Government's annual budget, with the remaining 84% being spent by the National Government, inclusive of the debt service, in accordance with the appropriations law passed annually by Congress. This 16% share in the national budget is very low compared to the annual average share of sub-national governments in Southeast Asia and the Asian region, which are 23% and 34%, respectively.

This 16% annual average share is apportioned annually to all LGUs throughout the country which are comprised of 81 provinces, 145 cities, 1,478 municipalities and 41,102 barangays, in accordance with the fixed formula provided under Sections 284 and 285 of the Code. As frontliners in the delivery of public services, this measly 16% share of the budget pie is not sufficient to meet the growing demands of the constituents of a huge majority of the LGUs.

From 2015 to 2017, the average IRA dependency rates of provinces, cities and municipalities were at 79%, 40% and 78%, respectively because the LGC provisions on the *situs* of taxation is highly advantageous only to a handful of Metro Cities to the detriment of 99% of the LGUs.

The 2017 Statement of Receipts and Expenditures of LGUs show that out of the total locally generated revenues, 67% goes to cities, 19% to municipalities and only 14% is collected by the provinces because they have lesser taxing powers. Only cities and municipalities can impose business taxes under the Code. Of all the cities' total local revenues, 58% goes to Metro

Manila, and of this amount, 71% goes to the coffers of the top five Metro Cities namely Quezon City, Makati, Manila, Pasig and Taguig, where 86% of the head offices of local businesses, banks and financial institutions are located.

Thus, through the years, this lopsided local revenue-generating provisions of the Code further aggravated the widening gap or mismatch in revenues and expenditures of LGUs vis-à-vis the functions and responsibilities they are mandated to fulfil as frontline service providers, including those that are devolved to them. This impeded the delivery of goods and services in the countryside and consequently, exacerbated the worsening congestion problems in Metro Manila.

The current determination of the national taxes revenue base and the inaccurate computation of the IRA share of LGUs is, according to Supreme Court Chief Justice Bersamin, a “glaring contravention of our fundamental law”.

A study conducted by the League of Provinces of the Philippines (LPP) reveals that this resulted in a compounded IRA shortfall of about P1.5 Trillion covering FYs 1991-2019 attributable to the non-inclusion in the national tax revenue base of the following national taxes: (1) revenue collections of the Bureau of Customs (BOC) from VAT, documentary stamp taxes (DST), and excise taxes on imported goods, which accounts for about 74% of the IRA shortfalls; (2) taxes collected by ARMM and revenues from special funds such as tobacco, mining, franchises, ecozones, and deduction of the COA share, which accounts for about 18%; and (3) the remaining 8% of the IRA shortfalls due to other discrepancies between the computations of the BIR and DBM, and illegal deductions of the cost of devolved functions (CODEF) from the total IRA.

Thus, instead of the full 40% share mandated by law, LGUs are only actually receiving an average of about 30% of the collection of national taxes which is only 14% of the annual national budget (GAA).

As of FY 2019, the current actual IRA level is at P575 Billion or 15.7% of the P3.662 Trillion total annual budget as approved under R.A. 11260. The National Tax Research Commission (NTRC) estimates that the mandated full 40% level, based on the Supreme Court decision in the Mandanas and Garcia cases, should be P779 Billion which is equivalent to 21% share of the national budget for FY 2019. LPP estimates the full 40% to be higher at P799 Billion, or 21.8% share of the GAA.

This long-standing issue on the determination of the national taxes revenue base and the IRA was resolved by the Supreme Court when it decided with finality in favour of the joint petitions filed by Batangas Governor Hermilando "Dodo" Mandanas on January 9, 2012 (G.R. No. 199802), and subsequently on August 27, 2013 by the late Cong. Tet Garcia of the 2nd District of Bataan, duly represented by Bataan Gov. Abet Garcia (G.R. No. 208488). The Supreme Court ruled that the phrase "internal revenues" is unconstitutional and that the "Internal Revenue Allotment" (IRA) should, instead, be the "National Tax Allotment" of LGUs.

The Supreme Court, thus, ordered the National Government to prospectively include in the national tax revenue base, all the national revenue collections of the BIR, the Bureau of Customs (BOC), the ARMM and other non-BIR and non-BOC agencies, as well as the shares of the National Government from tobacco and mining taxes, special funds, special accounts, and all other national taxes, including the amounts earmarked

for the COA share so as to accurately determine the LGUs' rightful share and faithfully implement Section 6 of Article X of the 1987 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.*"

Pursuant to the Supreme Court decision on the Mandanas and Garcia cases promulgated on May 22, 2019, this Bill, seeks to clearly define the national taxes revenue base for the accurate computation of the LGUs' just share of national taxes and change the term "Internal Revenue Allotment"(IRA) to the LGUs' "National Tax Allotment" (NaTA).

This measure also consolidates and synchronizes all other pertinent provisions of other relevant laws and implementing rules and regulations on the determination of the LGUs' entitlements, particularly Republic Act No. 8424, otherwise known as the 1987 National Internal Revenue Code, as amended. It defines important terms and phrases being used and provides a more transparent procedure for its determination that guarantees the active participation of the LGUs (through their Leagues).

More importantly, the bill proposes enhancing or augmenting the LGUs' share which not only increases their capabilities to deliver services to the grassroots but can also help them adequately prepare for a shift to a federal form of government should it be instituted by the Duterte administration.

In sum, this measure, proposed to be known as the LGUs' NaTA Augmentation Bill, seeks to amend the pertinent provisions of the Local Government Code of 1991 on the guaranteed entitlements of the LGUs from all national taxes, as well as provide for a more equitable collection of locally generated revenues.

The approval of this measure will provide our LGUs the necessary additional resources that can better enable them to deliver needed basic services to the people, contribute more robustly to the country's GDP, and

become more active partners of the national government in national development.

The increase in the LGUs' share from both the national and local revenues will lead to more robust LGUs. The more robust our LGUs are, the better for the overall development of the country.

Under the premises, approval of this bill is strongly recommended.


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AN ACT

**TO CLEARLY DEFINE THE NATIONAL TAXES REVENUE BASE AND
ENHANCE THE JUST SHARE FROM THE NATIONAL TAXES OF THE LOCAL
GOVERNMENT UNITS, AND RENAME THE "INTERNAL REVENUE
ALLOTMENT" (IRA) TO NATIONAL TAX ALLOTMENT (NaTA), AMENDING
FOR THE PURPOSE, REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS
THE LOCAL GOVERNMENT CODE OF 1991**

*Beit enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

- 1 **SECTION 1. Declaration of Policy.** - It is the policy of the State to ensure
2 the autonomy of local governments and that local government units (LGUs) shall
3 have a just share, as determined by law, in the national taxes. All LGUs shall
4 enjoy fiscal autonomy and their just share from all national taxes shall be
5 automatically appropriated and automatically released directly to them without
6 need of any further action of the local governments. The utilization of their just
7 share from all national taxes shall be determined exclusively by the
8 Local governments based on the needs and priorities of their constituents, as
9 duly approved by their respective local councils or *Sanggunian*.

1 **SEC. 2. Definition of Terms.** - As used in this Act, the following terms
2 are defined as follows:

3 (a) **“Local Government Units (LGUs)”** refers to the territorial and
4 political subdivisions of the Republic of the Philippines comprising of
5 all the provinces, cities, municipalities, and barangays, including the
6 autonomous regions in Muslim Mindanao and the Cordilleras, as
7 provided by law. The Metro Manila Development Authority (MMDA),
8 created under RA 7924, is a special administrative region for the
9 National Capital Region (NCR), not an LGU.

10 (b) **“National Tax Allotment” or “NaTA”**, previously referred to as the
11 “Internal Revenue Allotment (IRA), shall refer to the just share of
12 LGUs from all national taxes or revenues actually realized or collected
13 by the national government,
14 including those collected by the Bureau of the Internal Revenue (BIR),
15 Bureau of Customs (BOC), and other agencies or instrumentalities of
16 the government. All terms in the Local Government Code (LGC)
17 pertaining to the Internal Revenue Allotment (IRA) shall hereinafter
18 be referred to as the LGUs’ National Tax Allotment or NaTA. The NaTA
19 shall be automatically appropriated by Congress and automatically
20 released by the Bureau of Treasury directly to the LGUs and its
21 determination shall be in accordance with Section 4 hereof.

22 (c) **“National Tax Revenue Base” (NTRB)** refers to the national tax
23 revenue collections of the National Government, which shall be used
24 as basis to determine the LGUs’ NaTA. Consistent with the Supreme
25 Court decision in G.R. No. 199802 and 208488 and in accordance
26 with existing laws, the determination of the National Tax Revenue
27 Base (NTRB) shall include, but shall not be limited to the following
28 national taxes collected by the national government:

- 29 1. The National Internal Revenue Taxes (NIRTs) enumerated in
30 Section 21 of RA No. 8424 as amended, otherwise known as the
31 National Internal Revenue Code (NIRC), to include the value-
32 added taxes (VATS) , excise taxes, and documentary stamp taxes
33 (DSTs) collected by the BIR and the BOC and all their deputized
34 agents;

- 1 2. Tariff and customs duties collected by the BOC;
- 2
- 3 3. 50% of the VATS collected in the ARMM, and 30% of all other
- 4 national taxes collected in the ARMM; the remaining 50% of the
- 5 VATS and 70% of the collections of the other national taxes in
- 6 the ARMM shall be the exclusive share of the ARMM pursuant
- 7 to Section 9 and Section 15 of R.A. No. 9054;
- 8 4. 60% of the national taxes collected from the exploitation and
- 9 development of the national wealth; the remaining 40% will
- 10 exclusively accrue to the host LGUs pursuant to Section 290 of
- 11 the Local Government Code;
- 12 5. 85% of the excise taxes collected from locally manufactured
- 13 Virginia and other tobacco products; the remaining 15% shall
- 14 accrue to the special purpose funds created pursuant to R.A. No.
- 15 7171 and R.A. No. 7227;
- 16 6. the entire 50% of the national taxes collected under Section 106,
- 17 Section 108 and Section 116 of the NIRC in excess of the
- 18 increase in collections for the immediately preceding year;
- 19 7. 5% of the franchise taxes in favour of the national government
- 20 paid by franchise holders in accordance with Section 6 of R.A.
- 21 No. 6631 and Section 8 of R.A. No. 6632;
- 22 8. the eVAT share of the National Government which includes
- 23 Value Added Tax and electronic VAT or "eVAT" which refers to
- 24 the internal revenue tax imposed under Sections 106 and 108 of
- 25 the NIRC collected both by the BIR for local products, goods and
- 26 services and by the BOC for imported goods and services.
- 27 Incremental collection from VAT refers to the excess in the
- 28 annual increase in actual collection of VAT in the immediately
- 29 preceding year over the annual increase in the second preceding
- 30 year, as provided by existing laws;
- 31 9. Such other taxes as are or hereafter may be imposed by Congress
- 32 and collected by the National Government and its
- 33 instrumentalities; and

1 10. The amount earmarked as auditing fee of the Commission on
2 Audit (COA) which, once determined, "shall not be deducted
3 prior to the computation of the share of LGUs in the National
4 Taxes" since earmarking is not the same as withholding (G.R.
5 148191). Section 24 (3) of PD 1445 and Sec. 284 of RA 8424 does
6 not diminish the base amount of national taxes that LGUs are to
7 share from and merely apportions *"one-half of one percent (1/2%*
8 *of 1%) of the collections from national internal revenue taxes not*
9 *otherwise accruing to Special Funds or Special Accounts in the*
10 *General Fund of the National Government"*.

11 (d) **"Actually Realized"** refers to taxes "actually collected" by the
12 National Government from the following sources: (1) External
13 revenues (2) Internal Revenues and (3) Other Revenues.

14
15 (e) **"External Revenues"** refers to the aggregate or gross import duties
16 or taxes currently or hereafter, may be imposed, actually collected,
17 and duly certified by the Bureau of Customs (BOC) from lawful
18 revenues from all imported articles and all other dues, fees, charges,
19 fines and penalties accruing under the tariff and customs laws, based
20 on the immediately preceding fiscal year, net of tax refunds and non-
21 cash collections, as annually submitted to the Bureau of Treasury
22 (BTr) and to the BIR. This includes the internal revenues collected by
23 the BOC on VAT and eVAT, excise taxes and documentary stamp
24 taxes on imported goods and services.

25 (f) **"Internal Revenues"** refers to the aggregate or gross internal revenue
26 taxes as currently provided under RA 8424 as amended, the National
27 Internal Revenue Code, and those that may hereafter be provided by
28 law to be imposed, actually collected, and duly-certified by the
29 Bureau of Internal Revenue (BIR), with regard to all internal revenue
30 taxes, tariffs, duties, fees, and charges and services, collected by the
31 BIR and by all its duly deputized agents as currently or hereinafter
32 to be provided by law; the internal revenues collected by the Bureau

- a. Department of Education's (DepEd's) Real Property Tax
- b. Bureau of Fire (BFP's) Fire Code Tax
- c. Department of Public Work and Highway's (DPWH's) Flood Control Tax;
- d. Commission on Higher Education's (CHED's) and National Commission/ NCAA's Travel Tax;
- e. Department of Environment's (DENR's) Forest Charges;
- f. Land Transportation Office's (LTO's) Motor Vehicle Users' Tax;
- g. Bureau of Immigration and Deportations' (BID's) Immigration Tax; and
- h. Other taxes that may be hereafter imposed, as provided by law.

(h) "Special Funds" or "Special Accounts" shall refer to the special shares of host LGUs, the determination of which is based on special laws enacted by Congress. Only the mandated share of host LGUs from these special funds or accounts shall be excluded from the computation of the LGUs' NaTA, as these are intended by law to be entitlements of LGUs in addition to their respective shares from national taxes (SNT). While the mandated share of the National Government from these special funds or special accounts shall necessarily be included as part of the total revenue base which shall be made as the basis for the computation of the LGUs' NaTA.

(e) "Automatic Release" of the NaTA refers to the setting aside and release of the LGUs' NaTA without need or required performance of any action by the LGUs in order to receive the just share accruing to them from the national coffers, and which shall not be subject to any lien or retention or delay that may be imposed by the National Government, whether by Congressional action through the General

1 Appropriations Act or by executive issuances, resolutions, guidelines,
2 circulars, and regulations.

3 (f) **“Cost of Devolved Functions” (CODEF)** refers to the expenses
4 necessary for LGUs to deliver the services devolved to them by the
5 National Government under Sec. 284 of RA 7160 and Art. 381 of AO
6 270, the IRR of the Local Government Code. It is up to the concerned
7 LGUs how much amount or what percentage of the IRA due them
8 should be set aside to cover the expenses to be incurred for such
9 devolved functions and activities, as approved by their respective local
10 councils in their annual budget.

11 **SEC. 3. National Tax Allotment** - The term “Internal Revenue
12 Allotment” or IRA, shall henceforth be known as the local government units’
13 “National Tax Allotment” or NaTA since it covers not only the shares from
14 internal revenues, but also shares from external revenues collected by the
15 National Government.

16 All valid adjustments, changes, modifications, or alterations in any of
17 the factors affecting the computation of the NaTA such as population and
18 land area, including the creation of new LGUs by Congress as well as final
19 and executory court decisions made effective not later than June 15 of the
20 current fiscal year, shall only be considered and implemented by the DBM in
21 the subsequent fiscal year from receipt by the DBM of the notice of said
22 change, and only after prior consultations with the Leagues of Provinces,
23 Cities, Municipalities and Barangays. After June 15, all valid adjustments in
24 the LGUs’ NaTA shall only be prospectively implemented by the Department
25 of Budget and Management (DBM) in the following year, Provided, that in no
26 case, shall the DBM adjust the LGUs’ NaTA once the LGUs have approved
27 their respective annual budgets.

28 LGUS shall include in their budget all income derived from both local
29 and external sources, the amount of their NaTA, as determined by the
30 Department of Finance (DOF) and duly-certified by the Bureau of Treasury,

1 and receipts from borrowings, which shall be approved by their respective
2 Sanggunians.

3 Enforcement of the Personnel Services limitations under Section 325 (a)
4 and 331 (b) of R.A. 7160 shall be waived to enable LGUS to implement the
5 Universal Health Care law.

6 The IRA and all LGU shares appropriated herein shall be directly
7 released by the BTr to the LGU beneficiaries through authorized government
8 servicing banks.

9 **SEC. 4. Allotment and Determination of NaTa** - Section 284 of
10 Republic Act No. 7160 as amended, otherwise known as the Local
11 Government Code of 1991, is hereby amended to read as follows:

12 **Sec. 284.** Allotment [~~of Internal Revenue~~] AND DETERMINATION OF
13 LOCAL GOVERNMENT UNITS' NATIONAL TAX ALLOTMENTS (NaTA). -
14 IN ACCORDANCE WITH SECTION 6, ARTICLE X OF THE 1987
15 CONSTITUTION, BEGINNING THE FISCAL YEAR FOLLOWING THE
16 EFFECTIVITY OF THIS ACT, ALL Local government units shall have a
17 JUST share in ALL the national [internal revenue] taxes, TO BE
18 HEREINAFTER REFERRED TO AS THEIR NATIONAL TAX ALLOTMENT
19 OR NaTA, WHICH SHALL BE AUTOMATICALLY APPROPRIATED BY
20 VIRTUE OF SEC. 4 OF RA 9358, AND AUTOMATICALLY RELEASED TO
21 THEM.

22 THE NATIONAL REVENUE BASE SHALL BE based on the TOTAL
23 collections ACTUALLY REALIZED OR ACTUALLY COLLECTED BY THE
24 NATIONAL GOVERNMENT, AS DEFINED IN SECTION 2, ITEM NO. 4
25 OF THIS ACT, WHICH SHALL BE RECKONED FROM [~~of~~] the SECOND
26 [~~third~~] fiscal year
27 preceding the current fiscal year. THE LGUs' NATIONAL TAX
28 ALLOTMENT OR NaTA SHALL BE COMPUTED as follows:

29 (a) On the first year FOLLOWING [~~of~~] the effectivity of this [Code]
30 ACT, [thirty percent (30%)] FORTY PERCENT (40%);

1 (b) On the second year, [thirty-five (35%)]] FORTY-FIVE percent
2 (45%); [and]

3 (c) On the third TO THE SIXTH year, [and thereafter], [forty] FIFTY
4 percent [(40%)] (50%); AND

5 (D) ON THE SEVENTH YEAR AND THEREAFTER, SIXTY PERCENT
6 (60%).

7 Provided, That in the event that the national government incurs an
8 unmanageable public sector deficit, the President of the Philippines is
9 hereby authorized, upon the recommendation of Secretary of Finance,
10 Secretary of Interior and Local Government and Secretary of Budget and
11 Management, and subject to PRIOR consultation with the presiding
12 officers of both Houses of Congress and the presidents of the ["liga"]
13 LEAGUES OF PROVINCES (LPP), CITIES (LCP), MUNICIPALITIES (LMP)
14 AND BARANGAYS (LNB), to make the necessary adjustments in the
15 [internal revenue allotment] NATIONAL TAX ALLOTMENT (NaTA) of local
16 government units, but in no case shall the allotment be less than [thirty]
17 FORTY percent [(30%)] (40%) of the TOTAL collections ACTUALLY
18 REALIZED of ALL national [internal revenues] taxes, BASED ON [of] the
19 [third] SECOND fiscal year preceding the current fiscal year;

20 REGIONAL OFFICES OF NATIONAL AGENCIES OR OFFICES
21 WHOSE FUNCTIONS ARE DEVOLVED TO LOCAL GOVERNMENT
22 UNITS AS PROVIDED IN THE CODE SHALL BE PHASED OUT WITHIN
23 ONE (1) YEAR FROM THE APPROVAL OF THIS ACT. SAID NATIONAL
24 AGENCIES AND OFFICES MAY ESTABLISH SUCH FIELD UNITS AS
25 MAY BE NECESSARY BUT ONLY FOR MONITORING PURPOSES AND
26 ONLY AS FAR AS PROVIDING TECHNICAL ASSISTANCE TO LOCAL
27 GOVERNMENT UNITS AND SHALL NOT BE DIRECTLY IMPLEMENTING
28 LOCAL PROGRAMS AND PROJECTS WITHOUT PRIOR APPROVAL
29 FROM THE LGUS CONCERNED. THE PROPERTIES, EQUIPMENT, AND
30 OTHER ASSETS OF THESE REGIONAL OFFICES SHALL BE
31 DISTRIBUTED TO THE LOCAL GOVERNMENT UNITS IN THE REGION
32 IN ACCORDANCE WITH THE IMPLEMENTING RULES AND
33 REGULATIONS OF THE CODE, AS AMENDED.

1 **SEC. 5. Allocation to LGUs** - Section 285 of Republic Act No. 7160 as
2 amended, otherwise known as the Local Government Code of 1991, is hereby
3 amended to read as follows:

4 **Section 285.** *Allocation to Local Government Units.* - The share of]local
5 government units in the [internal] NATIONAL [revenue allotment]
6 TAXES, HEREINAFTER
7 REFERRED TO AS NATIONAL TAX ALLOTMENT OR NaTA, shall be
8 [collected] APPORTIONED as provided [for in the Local Government
9 Code,] HEREIN, Provided, however, That the share of each province,
10 city, [and] municipality AND BARANGAY shall be determined on the
11 basis of the formula, as provided for in the Local Government Code;
12 Provided, further, That the share of each barangay with a population of
13 not less than one hundred (100) inhabitants shall not be less than
14 [~~Eighty~~] ONE HUNDRED SIXTY thousand [~~{(P80,000.00)}~~] (P160,000) per
15 annum chargeable against the twenty percent (20%) share of the
16 barangay from [the internal revenue allotment] ITS NATIONAL TAX
17 ALLOTMENT (NaTA), and the balance to be allocated on the basis of the
18 formula as provided for in the Local Government Code; and Provided,
19 finally, That the financial requirements of barangays created by local
20 government units after the effectivity of this ACT [Code] shall be the
21 responsibility of the local government unit concerned DURING THE
22 INITIAL YEAR OF ITS OPERATION; THEREAFTER, THE DBM SHALL
23 INCLUDE THE NEW BARANGAYS IN THE DETERMINATION OF ITS
24 RESPECTIVE NaTA IN ACCORDANCE WITH THE DEADLINE SET
25 HEREIN.

26 **SEC. 6.** Automatic Release of NaTA - Section 286 of the Code is hereby
27 amended to read as follows:

28 **Section 286.** *Automatic Release of* THE NATIONAL TAX ALLOTMENT
29 [*Shares*] FROM ALL NATIONAL TAXES TO ALL LOCAL GOVERNMENT
30 UNITS. -

1 (a) The JUST share of each local government unit shall be
2 AUTOMATICALLY released BY THE BUREAU OF TREASURY,
3 without need of any further
4 action OR FULFILMENT OF ANY REQUIREMENT BY THE LGUS,
5 directly to the provincial, city, municipal or barangay treasurer, as
6 the case may be, on a [quarterly] MONTHLY basis within five (5)
7 days after the end of each [quarter] MONTH, and which shall not
8 be subject to any KIND OF DEDUCTIONS, lien OR holdback, OR
9 DELAYS that may be imposed by the national government, EITHER
10 BY LEGISLATION THROUGH THE GENERAL APPROPRIATIONS
11 ACT OR BY EXECUTIVE OR ADMINISTRATIVE
12 FIATS, for whatever purpose. ALL REVENUE GUIDELINES ON THE
13 NaTA,
14 OCD AND DBCC RESOLUTIONS, MEMORANDUM CIRCULARS,
15 DEPARTMENT ORDERS AND OTHER ADMINISTRATIVE FIATS
16 CONCERNING THE SHARE IN NATIONAL TAXES (SNT) SHALL BE
17 CONSISTENT WITH ALL THE PROVISIONS OF THIS ACT AND
18 OTHER PERTINENT EXISTING LAWS.

19 (b) Nothing in [this Chapter] THE LOCAL GOVERNMENT CODE, AS
20 AMENDED HEREIN, shall be understood to diminish the JUST
21 share of local government units.

22 (C) FOR PURPOSES OF CONSISTENCY, TRANSPARENCY AND
23 ACCURACY IN DETERMINING THE TOTAL REVENUES AND THE
24 JUST SHARE FROM NATIONAL TAX ALLOTMENT (NATA) OF
25 LGUS, THE FOLLOWING PROCESS SHALL STRICTLY BE
26 OBSERVED:

27 1. DETERMINATION OF INDICATIVE REVENUES SHALL BE
28 UNDERTAKEN IN CONSULTATION WITH THE NaTA
29 TECHNICAL COMMITTEE AS CREATED UNDER SECTION 8 OF
30 THIS ACT AT LEAST THIRTY (30) DAYS PRIOR TO THE
31 SUBMISSION OF ITS ANNUAL GROSS REVENUE
32 COLLECTIONS TO THE BUREAU OF TREASURY;

1 2. CERTIFICATION OF TAX REVENUES FOR THE ENSUING
2 FISCAL YEAR BASED ON THE SECOND YEAR PRECEDING
3 THE CURRENT FISCAL YEAR AND SUBMISSION OF THE SAME
4 TO THE BUREAU OF TREASURY ON OR BEFORE THE
5 DESIGNATED DEADLINE SET BY THE LATTER.

6 2.1. THE BIR SHALL CERTIFY THE TOTAL NATIONAL
7 INTERNAL REVENUES IT ACTUALLY REALIZED OR
8 ACTUALLY COLLECTED, INCLUDING THOSE TAXES
9 COLLECTED BY ALL ITS DEPUTIZED AGENTS UNDER
10 SEC. 21 OF RA 8424, AS HEREIN DEFINED;

11 2.2. THE BOC SHALL CERTIFY THE TOTAL NATIONAL
12 INTERNAL AND EXTERNAL REVENUES IT ACTUALLY
13 REALIZED OR ACTUALLY COLLECTED, INCLUDING
14 THOSE COLLECTED BY ITS DEPUTIZED AGENTS AS
15 UNDER THE CUSTOMS CODE, AS HEREIN DEFINED;
16 AND

17 2.3. OTHER CONCERNED AGENCIES SHALL CERTIFY THEIR
18 RESPECTIVE TAX COLLECTIONS.

19 3. THE DULY-CERTIFIED REVENUES SUBMITTED TO THE BTR
20 SHALL BE THE SOLE BASIS FOR THE DETERMINATION OF
21 THE LGUS' NATIONAL TAX ALLOTMENT (NaTA), WHICH SHALL
22 BE AUTOMATICALLY APPROPRIATED AND AUTOMATICALLY
23 RELEASED DIRECTLY TO THE LGUS.

24 4. THE FOLLOWING PROCESS OF DETERMINING THE NATIONAL
25 TAX REVENUE BASE (NTRB) AND THE LGUS' NaTA SHALL BE
26 STRICTLY OBSERVED BY THE CONCERNED AGENCIES:

27 4.1 THE BTR SHALL TRANSMIT THE DULY-CERTIFIED TOTAL
28 NaTA AMOUNT DUE FOR ALL LGUS AND FOR THE
29 RESPECTIVE PROVINCES, CITIES, MUNICIPALITIES AND
30 BARANGAYS TO DOF AND DBM;

31 4.2 THE BLGF-DOF SHALL DETERMINE THE LGUS'
32 AGGREGATE SHARE IN NATIONAL TAX ALLOTMENT
33 (NaTA) AS WELL AS THE RESPECTIVE SHARES OF THE

1 PROVINCES, CITIES, MUNICIPALITIES AND BARANGAYS
2 AND THE INDIVIDUAL NaTA SHARES OF ALL LGUS
3 PURSUANT TO SEC. 4 OF THIS ACT AND SECTIONS 284
4 AND 285 OF RA 7160, AND SHALL TRANSMIT THE SAME
5 TO THE BTR;

6 4.3 THE BTR SHALL DULY CERTIFY THE LGUS' NaTA FOR
7 THE ENSUING FISCAL YEAR AND TRANSMIT THE SAME TO
8 THE DBM, COPY FURNISHED THE LEAGUES OF
9 PROVINCES, CITIES, MUNICIPALITIES AND BARANGAYS;

10 4.4 THE DBM SHALL AUTOMATICALLY INCLUDE THE LGUS'
11 NaTA, AS DETERMINED BY THE DOF AND DULY-
12 CERTIFIED BY THE BTR, IN THE PROPOSED ANNUAL
13 NATIONAL EXPENDITURE PROGRAM (NEP) UNDER
14 ITEMS FOR AUTOMATIC APPROPRIATION FOR
15 INCLUSION IN THE GENERAL APPROPRIATIONS ACT FOR
16 THE ENSUING FISCAL YEAR.

17 4.5 THE DBM SHALL ISSUE THE LOCAL BUDGET
18 MEMORANDUM TO ALL LGUS INFORMING THEM OF
19 THEIR RESPECTIVE NaTA, AND SHALL TRANSMIT THE
20 SAME TO THE BTR, COPY FURNISHED ULAP AND THE
21 LGU LEAGUES (LPP, LCP, LMP AND LNB);

22 4.6 THE BTR SHALL AUTOMATICALLY SET ASIDE THE
23 DULY-CERTIFIED NaTA OF LGUS FOR ITS AUTOMATIC
24 RELEASE ON A MONTHLY BASIS DIRECTLY TO THE
25 CONCERNED LGUS AS HEREIN PROVIDED;

26 4.7 THE ISSUANCE OF DBCC OF A RESOLUTION
27 AMENDING DBCC RESOLUTION 2003-02 ON THE
28 DETERMINATION AND ALLOTMENT OF THE LGUS' NaTA
29 IN ACCORDANCE WITH THE PROVISIONS OF THIS ACT,
30 AFTER PRIOR CONSULTATION WITH THE PRESIDENTS
31 OF THE LEAGUES OF PROVINCES, CITIES,
32 MUNICIPALITIES AND BARANGAYS.

33 4.8 ISSUANCE OF DBM OF A LOCAL BUDGET
34 MEMORANDUM

(LBM) TO ALL LGUS ON THE NaTA GENERAL
GUIDELINES

IN ACCORDANCE WITH THE PROVISIONS OF THIS ACT;

4.9 ISSUANCE OF PROVINCES AND HIGHLY-URBANIZED
CITIES OF THEIR RESPECTIVE PROVINCIAL BUDGET
MEMORANDUMS TO THEIR COMPONENT CITIES AND
MUNICIPALITIES WITH REGARD TO THEIR LOCAL
BUDGET PRIORITIES; AND

4.10 ISSUANCE OF COMPONENT CITIES AND
MUNICIPALITIES OF THEIR RESPECTIVE LOCAL BUDGET
MEMORANDUMS TO ALL THEIR BARANGAYS WITH
REGARD TO THEIR LOCAL BUDGET PROGRAMS AND
PROJECTS FOR IMPLEMENTATION.

FURTHER, ALL NATIONAL INTERNAL AND EXTERNAL REVENUES
COLLECTED AND NOT APPLIED OR OTHERWISE SPECIALLY
DISPOSED OF BY LAW, AS PROVIDED IN SEC. 283, CHAPTER 1,
TITLE XI OF RA 8424 AS AMENDED, OR THE NATIONAL INTERNAL
REVENUE CODE, 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 FOR [(I.E. IRA)] THE LOCAL GOVERNMENT UNITS'
NATIONAL TAX ALLOTMENT (NaTA). IN ADDITION TO THE LGUS'
NaTA, AS PROVIDED IN THE PRECEDING PARAGRAPH, FIFTY
PERCENT (50%) OF THE NATIONAL TAXES COLLECTED UNDER
SECTIONS 100, 102, 112, 113, AND 114 OF THE TAX CODE UNDER
RA 8424, IN EXCESS OF THE INCREASE IN COLLECTIONS FOR THE
IMMEDIATELY PRECEDING YEAR SHALL BE ALLOCATED IN
ACCORDANCE WITH SECTION 150 OF REPUBLIC ACT NO. 7160,
OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF
1991, TO BE DISTRIBUTED AS FOLLOWS:

(A) TWENTY PERCENT (20%) SHALL ACCRUE TO THE CITY OR
MUNICIPALITY WHERE SUCH TAXES ARE COLLECTED;

(B) TEN PERCENT (10%) SHALL ACCRUE TO THE PROVINCE
WHERE SUCH TAXES ARE COLLECTED;

1 (C) FIFTEEN PERCENT (15%) SHALL ACCRUE TO THE REGION
2 WHERE SUCH TAXES ARE COLLECTED, THROUGH THE
3 REGIONAL DEVELOPMENT COUNCIL, TO FINANCE THE DULY-
4 APPROVED PRIORITY INFRASTRUCTURE AND
5 COMMUNICATION PROJECTS
6 WITHIN THE REGION; AND

7 (D) FIFTY-FIVE PERCENT (55%) SHALL ACCRUE TO THE
8 NATIONAL GOVERNMENT WHICH SHALL BE INCLUDED AS
9 PART OF THE NATIONAL TAX REVENUE BASE USED AS BASIS
10 TO COMPUTE THE LGUs' NaTA"
11

12 **SEC. 7. Updating of Income Classification of LGUs.** - The Department
13 of Finance (DOF) shall immediately update the income classification of all
14 LGUs to reflect the changes in their financial position resulting from the
15 increased revenues as provided herein, in accordance with established
16 parameters set by the said department, within six months from the effectivity
17 of this Act, and shall regularly update the same every three years thereafter,
18 to be approved by the President of the Philippines through an executive order
19 to be issued for this purpose.

20 **SECTION 8. Creation of a NaTA Technical Committee.** - A technical
21 committee for the validation of the determination of the revenue base and the
22 LGUs' share in national taxes is hereby created, to be composed of the
23 following:

24 BTR Deputy Treasurer for Accounting]Service – Chairman;

25 (a) DOF Undersecretary for Revenue Operations Group – Co-B
26 Chairman

27 (b) DBM Undersecretary for Local Government and Regional
28 Operations Group – Vice-Chairman;

29 (c) DILG Undersecretary for Local Government – Co-Vice-Chairman;

1 (d) Chief, BIR Revenue Accounting Division; BOC Deputy
2 Commissioner for Revenue Collection and Monitoring Group, BLGF
3 _DOF Director ; Secretary-general or Executive Directors of ULAP, LPP,
4 LCP, LMP, and LNB ; Committee Secretaries of the Senate and House
5 committees on appropriations and local government: Members The
6 NaTA Technical Committee shall convene annually to validate the
7 indicative total national revenue base at least thirty (30) days prior to
8 the submission of the BIR,BOC and concerned agencies of their
9 respective indicative gross revenue collections of the immediately
10 preceding year for the determination of the LGUs' national tax allotment
11 (NaTA) for the ensuing year. The NaTA Technical Committee may
12 likewise convene whenever it deems necessary.

13 The BIR, BOC and non-BIR agencies concerned shall present their
14 indicative revenues of the preceding year to the NaTA Technical
15 Committee for the prospective fiscal year, for alidation and prior
16 concurrence of the Presidents of the Leagues of Provinces, Cities,
17 Municipalities and Barangays prior to its certification of the same,
18 which will be used as basis by the DBM for inclusion in the annual
19 national expenditure program (NEP) under automatic appropriation
20 and in its local budget memorandum to be issued to all LGUs for this
21 purpose.

22 Congress, through the Committee on Appropriations of both Houses,
23 shall have the oversight power and function to monitor the rightful
24 determination of the revenue base and the mandated computation of the
25 LGUs' NaTA, with prior consultation with the Presidents of the Leagues
26 of Provinces, Cities, Municipalities and Barangays. THE DBM shall
27 ensure the development of a software system for the automation of the
28 computation of the LGUs' NaTA in consultation with the NaTA Technical
29 Committee.

30 **SEC. 11. - Repealing Clause.** All general and special laws, acts, city
31 charters, decrees, executive orders, proclamations and administrative
32 regulations, or part or parts thereof which are inconsistent with any of the
33 provisions of this Act are hereby repealed or modified accordingly.

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

5 **SECTION 13. - *Effectivity Clause.*** This Act shall take effect thirty (30)
6 days after its publication in the Official Gazette or in at least two (2) national
7 newspapers of general circulation.

Approved.