

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1089



Introduced by **HON. LUIS RAYMUND “LRAY” F. VILLAFUERTE, JR.,
HON. MIGUEL LUIS R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G. HORIBATA
AND HON. NICOLAS ENCISO VIII**

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 RA '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.

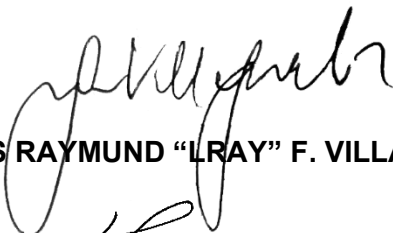
Achieving local autonomy by increasing the IRA prepares the way to achieving President Duterte's vision of decentralization by federalism. There IS not a more appropriate time than now to revisit "just share" as worded in the Constitution and predetermine the standard for compliance with this mandate 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 LGU's 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.


MIGUEL LUIS R. VILLAFUERTE


TSUYOSHI ANTHONY G. HORIBATA


NICOLAS ENCISO VIII

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AN ACT
**INTENSIFYING LOCAL GOVERNMENT PARTICIPATION IN NATIONAL
DEVELOPMENT BY INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS
IN NATIONAL TAXES, AMENDING FOR THE PURPOSE SECTION 284 OF
REPUBLIC ACT NO. 7160, AS AMENDED, OTHERWISE KNOWN AS THE “LOCAL
GOVERNMENT CODE OF 1991”**

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

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

“SECTION 284. *Allotment of [Internal Revenue]* **NATIONAL Taxes.** – Local government units shall have a share of national [internal revenue] taxes based on 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, thirty percent (30%)
- (b) On the second year, thirty-five percent (35%);
- (c) On the third year and thereafter, [forty percent (40%)] **FIFTY PERCENT (50%):**

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 the 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 [internal revenue] **NATIONAL TAX** allotment of local government units but in no case shall the allotment be less than thirty percent (30%) 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 thirty percent (30%) [internal revenue] **NATIONAL TAX** 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.”

SECTION. 2. All laws, decrees, executive orders, rules and regulations contrary to or inconsistent with any provision of this Act are hereby repealed or amended accordingly.

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

Approved,