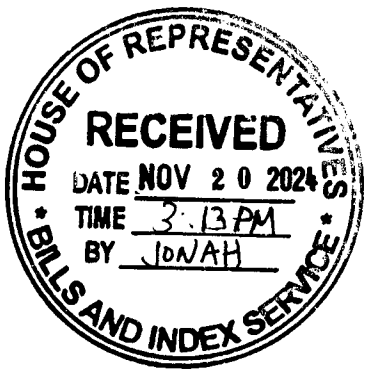
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



NINETEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 11121

Introduced by **Representative Jaime R. Fresnedi**

EXPLANATORY NOTE

This bill seeks to address the fiscal imbalance between cities and municipalities owing to their differing shares in the National Tax Allotment (NTA).

Republic Act No. 7160, or the Local Government Code of 1991, devolved basic services to local government units (LGUs). To fund these services, it mandated that LGUs will have a 40% share in the national internal revenue taxes. This is distributed in accordance with the type, land area, and population of LGUs.

Currently, cities are allocated 23% of the total fund for NTA, even though there are only 149 cities as compared to 1,493 municipalities, with the latter getting only 34% of the total NTA. In a 2009 study, the Japan International Cooperation Agency noted that the distribution system is unresponsive to the existing fiscal imbalances among LGUs. This can be seen in the trend of conversion. Since the conversion of cities is based on their income, it necessarily means that the current system gives more money to LGUs that already have much larger incomes than the norm.

To address this, the bill proposes to combine the NTA share for both cities and municipalities. Although cities, especially highly urbanized and independent component cities, have to fund a greater array of services, their higher income can compensate for the funding of these services. In the meantime, a greater share of the NTA will benefit the smallest and poorest municipalities.

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

JAIME R. FRESNEDI
Representative
Lone District, Muntinlupa City

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Quezon City, Metro Manila

NINETEENTH CONGRESS
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HOUSE BILL NO. 11121

Introduced by **Rep. Jaime R. Fresnedi**

AN ACT
REFORMING THE SHARE OF LOCAL GOVERNMENT UNITS IN THE INTERNAL REVENUE ALLOTMENT, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be referred to as the *"National Tax Allotment Reform Act".*

SEC. 2. *Declaration of Policy.* – It is the policy of the State to ensure that Local government units shall have a share in the national internal revenue taxes and that this share shall be as equitable as possible to ensure that all local government units are capacitated to perform the duties devolved to them by Republic Act No. 7160, or the Local Government Code of 1991.

To this end, the State shall ensure that municipalities, especially those with the lowest income, shall receive a greater share of the national internal revenue taxes.

SEC. 3. Sec. 285 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, is hereby amended to read as follows:

"Section 285. *Allocation to Local Government Units.* – The share of local government units in the internal revenue allotment shall be collected in the following manner:

(a) Provinces - Twenty-three percent (23%);

(b) Cities **AND MUNICIPALITIES – FIFTY-SEVEN PERCENT** ([23] **57%**); **AND**

(c) [Municipalities - Thirty-four percent (34%); and] **BARANGAYS – TWENTY PERCENT (20%)**

[(d) Barangays - Twenty percent (20%)]

"x x x x x."

SEC. 4. *Implementing Rules and Regulations.* – The Department of Interior and Local Government, the Department of Finance, and other relevant national agencies shall promulgate the rules and regulations for the proper implementation of this Act within six (6) months from its effectivity.

SEC. 5. *Repealing Clause.* – All Acts, Presidential Decrees, Executive Orders and Administrative Orders, Rules and Regulations and other such issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 6. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,