

Republic of the Philippines
House of Representatives
Quezon City

20th Congress
First Regular Session

HOUSE BILL No. **6262**



Introduced by HON. MAURICIO G. DOMOGAN

EXPLANATORY NOTE

This Bill seeks to amend Section 290 of Republic Act no. 7160, otherwise known as the Local Government Code of 1991 by explicitly providing for the direct remittance of the local government unit's share in national wealth taxes.

Section 290 of RA 7160 states that internal revenue collections from the national wealth through mining, forestry, and fishery activities in the form of taxes, royalties, fees, charges, interests, fines or shares of the central government in any co-production, joint venture or production sharing agreements over such activities are to be shared with the local governments having jurisdiction over areas devoted to the utilization and development of the national wealth.

Under the law, host local government units are entitled to 40% of the gross collections derived by the national government from the utilization and development of the national wealth by private persons or entities.

While private persons or entities pay their taxes to the national government pursuant to existing laws, the national government is not fully compliant with its obligation to remit to the host local government unit their shares in the national wealth taxes. It is thus very unfortunate that local government units have always been shortchanged of their share from the revenues, taxes, charges or fees paid by private persons or entities to the national government.

This is compounded by the fact that although Section 286 of the same Code mandates the automatic release of the national tax allotment to local government units, there is no similar provision as regards shares to the national wealth.

What further complicates this problem is the situs of payment of taxes by the private persons or entities. Some private persons and entities hold their principal offices in urban centers outside the host government units while their bases of operations are somewhere else. Under the Corporation Code, the private persons or entities may pay their taxes to the national government at the place where they hold their principal offices, thereby depriving the host local government units a first crack at their shares in the said revenues.

A good example of this situation is the Province of Benguet which is the host of Lepanto Consolidated Mining Company, Benguet Corporation, Philex Mining Company, Benguet Exploration, Black Mountain, Itogon-Suyoc Mines, Western Minolco, Sto. Nino Mines, among others, and some of them were widely known as the top producers of gold and copper concentrates in the Far East during their prime years. Unfortunately, the host communities are still poor up to this day. They got its natural wealth but did not secure its fair share. It is a pity.

Furthermore, in support of this policy direction, it bears emphasizing that existing national legislation already recognizes the principle of direct remittance of shares to LGUs. Section 24 of RA 7916, otherwise known as the Special Economic Zone Act of 1995, expressly mandates that the share of the LGU from the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted directly to the municipality or city where the enterprise is located.

This statutory scheme clearly demonstrates that when the law intends to empower LGUs, it allows direct release of their shares, free from intermediaries. If such a mechanism is applied in the case of economic zones, there is strong legal and policy basis to adopt the same approach for LGU's shares derived from national wealth taxes under Section 290 of the Local Government Code.

There is, therefore, an urgent necessity to amend Section 290 of the Local Government Code to mandate persons, natural or juridical, engage in the utilization and development of national wealth to pay directly to the local government units and the national government what are due to them respectively from what they are obligated to pay as national wealth taxes.

Approval of this measure is hereby strongly enjoined.



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**AN ACT AMENDING SECTION 290 OF REPUBLIC ACT NO. 7160,
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 290 of Republic Act no. 7160 entitled the "Local Government Code of 1991" is hereby amended to read as follows:

"Sec. 290. Amount of Share of Local Government Units. – Local government units shall, in addition to the internal revenue allotment, have a share of 40% of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees or charges, including related surcharges, interests, or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction;**Provided, that persons natural or juridical engaged in the utilization and development of the national wealth, shall pay directly the abovementioned 40% of their national wealth taxes to the host local government units and the remaining 60% to the national government.**

Sec. 2. All laws, executive orders, decrees, rules and regulations or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

Sec. 3. This Act shall take effect upon approval.

Approved.