


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

OFFICE OF THE CLERK)
9 AUG 11 P3:16

SENATE

S. No. **3381**

RECEIVED BY: 

Introduced by **Senator FRANCIS G. ESCUDERO**

EXPLANATORY NOTE

When the government embarked on a devolution process in 1991, local government units have been empowered with significant authorities and responsibilities.

The law provides for local government units to get their rightful share of the taxes and other revenues the National Government collects or generates, thus ensuring provinces, cities, towns and barangays a specific amount to fund their operations.

Delivery of services such as health, social welfare and agriculture has been entrusted to the annual internal revenue allotment.

But while the power and authority is devolved to the local level, limited funding for its operational cost has challenged the very agenda of devolution. Thus, programs that should directly benefit the people have been denied.

This proposal is but consistent with the constitutional prescription on the just share of local government units in the national taxes.

The just share of local government units, which is to be determined by law, is redefined in this bill. Such redefinition includes not only an increase in share but also the imposition of legislative measures to ensure that this share is received by local government units automatically, without hindrance and on time to deliver quality services.

It is in this foregoing light, among others, that this representation seeks the support of Congress for the immediate passage of this bill.




FRANCIS G. ESCUDERO

9 AUG 11 P3:16

SENATE

S. No. 3381

RECEIVED BY 

Introduced by Senator FRANCIS G. ESCUDERO

AN ACT
REDEFINING THE JUST SHARE OF LOCAL GOVERNMENT
UNITS IN THE INTERNAL REVENUE TAXES AMENDING
FOR THAT PURPOSE SECTIONS 284 AND 286 OF REPUBLIC
ACT NO. 7160, AS AMENDED, OTHERWISE KNOWN AS THE
LOCAL GOVERNMENT CODE OF 1991

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

1 SECTION 1. Section 284 of Republic Act No. 7160 is hereby amended
2 to read as follows:

3
4 "Section 284. *Allotment of Internal Revenue Taxes.* -
5 Local government units shall have a share in the national
6 internal revenue taxes based on the collection of the third
7 fiscal year preceding the current fiscal year as follows:

8 (a) On the first year of the effectivity of this Code, thirty
9 percent (30%);

10 (b) On the second year, thirty-five percent (35%); and

11 (c) On the third year and thereafter, forty percent (40%).
12 Provided, That in the event that the national government
13 incurs an unmanageable public sector deficit, the President
14 of the Philippines is hereby authorized, upon the
15 recommendation of Secretary of Finance, Secretary of
16 Interior and Local Government and Secretary of Budget and
17 Management, and subject to consultation with the presiding
18 officers of both Houses of Congress and the presidents of the
19 liga, to make the necessary adjustments in the internal
20 revenue allotment of local government units but in no case
21 shall the allotment be less than [thirty percent (30%)]
22 **FORTY PERCENT (40%)** of the collection of national
23 internal revenue taxes of the third fiscal year preceding the
24 current fiscal year: Provided, further That in the first year of
25 the effectivity of this Code, the local government units shall,

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

5 THE PROVISIONS IN THE FOREGOING
6 PARAGRAPH NOTWITHSTANDING, BEGINNING
7 FISCAL YEAR TWO THOUSAND AND NINE (2009), THE
8 INTERNAL REVENUE ALLOTMENT OF THE CURRENT
9 YEAR SHALL BE EQUIVALENT TO THE SUM OF: (A)
10 FORTY PERCENT (40%) OF THE COLLECTION OF
11 NATIONAL INTERNAL REVENUE TAXES OF THE
12 THIRD FISCAL YEAR PRECEDING THE CURRENT
13 FISCAL YEAR; AND (2) FIFTY PERCENT (50%) OF THE
14 DIFFERENCE BETWEEN THE COLLECTIONS OF
15 NATIONAL INTERNAL REVENUE TAXES OF THE
16 THIRD FISCAL YEAR AND OF THE SECOND FISCAL
17 YEAR PRECEDING THE CURRENT FISCAL YEAR.
18 WHERE THE COLLECTION IN THE PRECEDING
19 SECOND FISCAL YEAR IS LOWER THAN THE
20 COLLECTION IN THE PRECEDING THIRD FISCAL
21 YEAR, THE INTERNAL REVENUE ALLOTMENT SHALL
22 BE EQUIVALENT TO FORTY PERCENT (40%) OF THE
23 COLLECTION OF NATIONAL INTERNAL REVENUE
24 TAXES OF THE THIRD FISCAL YEAR PRECEDING THE
25 CURRENT FISCAL YEAR.

26 AT LEAST TEN PERCENT (10%) IN THE SHARE OF
27 LOCAL GOVERNMENT UNITS FROM THE NATIONAL
28 INTERNAL REVENUE TAX SHALL BE SOLELY
29 DEVOTED TO PROGRAMS AND PROJECTS
30 CONCERNING JOBS AND INCOME GENERATION,
31 AND/OR LIVELIHOOD.

32 SEC. 2. Section 286 of Republic Act No. 7160 is hereby amended
33 to read as follows:

34 "Section 286. *Automatic Release of Shares.* - (a) The
35 share of each local government unit shall be
36 **AUTOMATICALLY ALLOCATED, released AND**
37 **DIRECTLY REMITTED TO IT**, without need of any further
38 action, directly to the provincial, city, municipal or barangay
39 treasurer, as the case may be, on a quarterly basis within five
40 (5) days after the end of each quarter, and which shall not be
41 subject to any lien or holdback that may be imposed by the
42 national government for whatever purpose.

43 (b) Nothing in this Chapter shall be understood to diminish
44 the share of local government units under existing laws."

45 (C) ANY DELAY IN THE FULL REMITTANCE OF THE
46 SHARE OF EACH LOCAL GOVERNMENT UNIT AS
47 PROVIDED FOR IN THIS ACT SHALL IN ADDITION

1 ENTITLE THE LOCAL GOVERNMENT UNIT
2 CONCERNED TO AN INTEREST AT THE RATE OF SIX
3 PERCENT (6%) PER ANNUM APPLIED ON SAID SHARE
4 OR UNREMITTED PORTION THEREOF.”

5 SEC. 3. *Implementing Rules and Regulations.* The Secretaries of the
6 Department of Finance, the Department of Budget and Management and the
7 Department of the Interior and Local Government, and the presidents of the
8 liga shall promulgate the required rules and regulations for the speedy and
9 effective implementation of this Act.

10 SEC. 4. *Separability Clause.* If any provision or part hereof is held
11 invalid or unconstitutional, the remainder of the law or the provision not
12 otherwise affected shall remain valid and subsisting

13 SEC. 5. *Repealing Clause.* All laws, presidential decrees, executive
14 orders, proclamations and/or administrative regulations which are
15 inconsistent with the provisions of this Act are hereby amended, modified,
16 superseded or repealed accordingly.

17 SEC. 6. *Effectivity Clause.* This Act shall take effect fifteen (15)
18 days from its publication in at least two newspapers of national circulation.
19

20 *Approved,*