

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

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SENATE
Senate Bill No. **2045**

RECEIVED BY: *ja*

Introduced by Senator Aquilino "Koko" Pimentel III

EXPLANATORY NOTE

Article X, Section 6 of the 1987 Constitution provides that "local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them."

Section 284, Title III, Chapter I of the Local Government Code of 1991 declares that the local government units (LGUs) shall have a share in the "national internal revenue taxes."

This Bill, which I refer to as the "Bigger Pie, Bigger Slice" Bill, expands the source of funds for LGUs by changing "national internal revenue taxes" to "national taxes", which is still, if not more, compliant with the above constitutional mandate.

As front liners in the delivery of government services, LGUs have been given numerous mandates but, most of the time, the resources to fulfill these mandates have been overlooked and have not been coming to the LGUs.

This Bill seeks to give LGUs more resources to make them fulfill their role as front liners to their respective constituents.

The Bill achieves this by including in the "pie" all the collections of the Bureau of Customs.

Not only does this Bill seek to increase the source of funds given to LGUs under the above-quoted constitutional mandate, but it also increases the share of, or slice for LGUs in this bigger pie, from the present 40% to the proposed 50% share.

Aside from giving more resources to LGUs, another collateral result of this Bill is that it converts the fight against smuggling into a national and grassroots concern, because the LGUs will now be more sensitive on matters concerning smuggling operations for the simple reason that if the fight against smuggling succeeds, the BOC's collections will increase and which, in turn, will also increase the LGUs' share in the national taxes.

I foresee faster development and progress in the countryside with the enactment of this Bill, as barangays are also beneficiaries of this bill.

Hence, it is requested that this Bill be enacted as soon as possible for the benefit of all.

A. Pimentel III
AQUILINO "KOKO" PIMENTEL III

Introduced by Senator Aquilino "Koko" Pimentel III

AN ACT PROVIDING FOR THE SHARE IN THE NATIONAL TAXES OF LOCAL GOVERNMENT UNITS, AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

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

1 **SECTION 1.** Beginning the fiscal year following the effectivity of this Act,
2 local government units shall have a fifty percent (50%) share in the national taxes
3 ("SNT") based on the collection of the third fiscal year preceding the current
4 fiscal year; Provided, that in the event that the national government incurs an
5 unmanageable public sector deficit, the President of the Philippines is hereby
6 authorized, upon the recommendation of Secretary of Finance, Secretary of
7 Interior and Local Government, and Secretary of Budget and Management, and
8 subject to consultation with the presiding officers of both Houses of Congress
9 and the presidents of the various leagues of the local government units, to make
10 the necessary adjustments in the share in the national taxes of local government
11 units but in no case shall the share be less than forty percent (40%) of the
12 collection of national taxes of the third fiscal year preceding the current fiscal
13 year.

14

15 **SECTION 2.** As used in this Act:

16

17 (1) "Local Government Units" shall refer to provinces, cities,
18 municipalities, and barangays;

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20 (2) "National Taxes" shall refer to and include the national internal
21 revenue taxes collected by the Bureau of Internal Revenue, and the tariffs, duties,
22 fees, and charges, as well as the national internal revenue taxes, if any, collected
23 by the Bureau of Customs;

24

25 (3) "National Internal Revenue Taxes" shall include the value-added
26 tax;

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28 **SECTION 3.** The share in the national taxes created under this Act of
29 each local government unit shall be determined following the formula provided
30 under Section 285 of Republic Act No. 7160.

31

1 **SECTION 4.** Each local government unit shall appropriate in its annual
2 budget no less than twenty percent (20%) of its share in the national taxes for
3 development projects. Copies of the development plans of local government
4 units shall be furnished the Department of Interior and Local Government.

5
6 **SECTION 5.** The Secretary of Finance, in consultation with the Secretary
7 of Budget and Management, shall promulgate the necessary rules and
8 regulations for a simplified disbursement scheme designed for the speedy and
9 effective enforcement of the provisions of this Act.

10
11 **SECTION 6.** Section 284 under Chapter I, Title III of Republic Act No.
12 7160, and all laws, presidential decrees, executive orders, letters of instruction,
13 rules and regulations which are inconsistent with any of the provisions of this
14 Act are hereby repealed or modified accordingly.

15
16 **SECTION 7.** If, for any reason or reasons, any part or provision of this
17 Act shall be held to be unconstitutional or invalid, other parts or provisions
18 hereof which are not affected thereby shall continue to be in full force and effect.

19
20 **SECTION 8.** This Act shall take effect fifteen (15) days after its complete
21 publication in the Official Gazette or in any newspaper of general circulation.
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Approved,


AQUILINO "KOKO" PIMENTEL III