

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

04 SEP 15 P4:29

SENATE

RECEIVED BY: \_\_\_\_\_

S.B. No. 1782

Introduced by Senator **JINGGOY EJERCITO ESTRADA**

**EXPLANATORY NOTE**

When the Local Government Code was enacted in 1991, the intention of the framers of the law was to enable local government units (LGUs) to be more self sufficient and self reliant in responding to the need of their constituents.

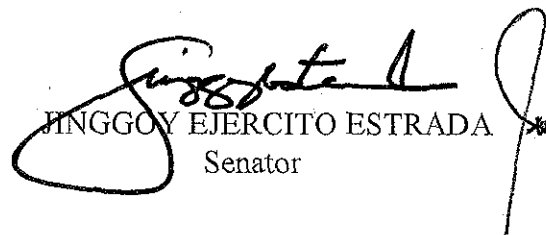
The noble objective was for the attainment of fiscal autonomy by the LGUs. In effect, several functions of national government agencies have been devolved to the LGUs. A significant provision in the Local Government Code (LGC) is to increase the allocation to LGUs from 11% to 40%. As time evolved however, it was determined that this amount proved insufficient in addressing the cost of economic development within their territorial jurisdiction. Hence Local Chief Executives line up before their respective Congressmen, Senators and the Office of the President including the different line agencies financial assistance to augment their scarce resources.

The realization of genuine autonomy through economic development remains a dream to some LGUs, especially those whose officials are political opponents of their Congressmen. It is therefore proposed in this measure to increase LGUs allotment from 40% to 60%.

This bill, if enacted into law, will not only benefit LGUs more from taxes collected in their respective jurisdiction but will also shorten the present bureaucratic intricacies where funds are first remitted to the national government before they are allocated to the LGUs. Provision for automatic retention of their respective shares are also provided here so that local legislative bodies could immediately appropriate funds for the LGUs priority development projects.

Local Government Officials are at the forefront in the delivery of basic services to our citizens. Let us give what is due them.

Hence, immediately passage of this bill is earnestly sought.

  
JINGGOY EJERCITO ESTRADA  
Senator

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**AN ACT  
INCREASING THE INTERNAL REVENUE ALLOTMENT OF LOCAL  
GOVERNMENT UNITS (LGUs) AND AUTHORIZING ITS AUTOMATIC  
RETENTION, AMENDING FOR THAT PURPOSE SECTION 284 AND 286 OF  
R.A. 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:*

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

“Section 284.- *Allotment of Internal Revenue Taxes* – Local Government  
Units shall have a share in the national internal revenue taxes based in 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%) [and];
- (c) On the third year UNTIL SEVENTH YEAR [and thereafter], forty percent (40%);
- (d) ON THE EIGHT YEAR, FIFTY PERCENT (50%);
- (e) ON THE NINTH YEAR AND THEREAFTER, SIXTY PERCENT (60%).

x x x . . .”

SEC. 2. Section 286 of the Republic Act 7160 is likewise hereby amended to  
read as follows:

“Section 286. *Automatic [Release] RETENTION of Shares* – a)

The share of each local government unit shall be [release] RETAINED  
AUTOMATICALLY BY THE CONCERNED LOCAL GOVERNMENT UNIT,  
without need of any further action, [directly to] By the provincial, city, municipal  
or barangay treasurer, as the case may be, on a quarterly basis within five (5) days

after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose.

b) x x x . . .”

SEC. 3. All laws, issuances, rules and regulations inconsistent with the provisions of this Act are hereby amended, repealed or modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of national circulation.

Approved,