

THIRTEENTH CONGRESS OF THE REPUBLIC }
OF THE PHILIPPINES }
FIRST REGULAR SESSION }

01 SEP 16 P3:14

SENATE OF THE PHILIPPINES (RECEIVED BY: )

S. NO. 1788

Introduced by Senator Juan M. Flavier

EXPLANATORY NOTE

The bill seeks to amend Section 290 of the Local Government Code which states that the 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, local government units are entitled to 40% of the gross collections derived by the national government from the utilization of 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 has not fully remitted to the local government units their share in the national wealth taxes. It is thus very unfortunate that LGUs have always been shortchanged of their share from the revenues, taxes, charges or fees paid by private persons or entities to the national government

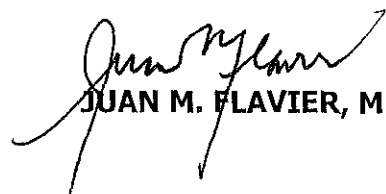
This is compounded by the fact that although section 286 of the same Code mandates the automatic release of the internal revenue allotments to LGUs, there is no similar provision as regards shares in the national wealth.

What further complicates this problem is the sites of payment of taxes by the private persons or entities. Some private persons and entities hold their principal offices in urban centers while their bases of operations are somewhere else. Under the Corporation Code, 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 the 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. The province was the source of the natural wealth but it did not get its fair share in the form of taxes.

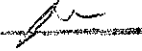
There is therefore an urgent necessity to amend section 290 of the Local Government Code in order to mandate persons engaged in the utilization and development of national wealth to pay directly to the LGUs and the national government their shares in the national wealth taxes.

In view of the foregoing, the immediate approval of this measure is hereby requested.


JUAN M. FLAVIER, MD, M.P.H.

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SENATE OF THE PHILIPPINES

S. NO. 1788

Introduced by Senator Juan M. Flavio

**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 the 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 forty percent (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, interest, 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 FORTY PERCENT (40%) OF THEIR NATIONAL WEALTH TAXES TO THE HOST LOCAL GOVERNMENT UNITS AND THE REMAINING SIXTY PERCENT (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,