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SENATE

S. No. 986

RECORDED

INDEXED

Introduced by Senator Ralph G. Recto

Explanatory Note

The enactment of Republic Act (R.A.) No. 7160 otherwise known as the Local Government Code of 1991 was a major step in bringing administrative and organizational reforms to our local government units (LGUs), highlighted by decentralization and local autonomy. LGUs are now mandated to deliver the priority needs and basic services of its communities such as agricultural services, health and social welfare services, information services, waste management and environmental protection, maintenance of roads and highways, infrastructure facilities and tourism development, among others.¹

As mandated in the Code, LGUs have the power to create and broaden their own sources of revenue coupled with the right to a just share in national taxes in order to discharge local powers and effectively carry out devolved functions.

The internal revenue allotment (IRA), is the share of the LGUs out of the national government's overall revenue collections. The Philippines consists of 80 provinces, 143 cities, 1,491 municipalities and 42,028 barangays. Since only a fraction of the 43,742 LGUs belong to the 1st and 2nd income classes,² most of these LGUs depend on their share from the IRA to perform their devolved powers and functions. Thus, majority of the LGUs have become dependent on their IRA and fails to exert effort to look for other resources to fund programs and projects.

More than 20 years since the enactment of the Code, most local governments have yet to exercise genuine autonomy from the national government and still lack the capability to become effective partners of the national government in national progress.

This bill seeks to promote good governance by LGUs through the amendment of Section 284 of the Code thereby increasing LGU share in the IRA from forty percent (40%) to fifty percent (50%). With the increase of their share in the national taxes, local governments are expected to ensure efficient and effective delivery of basic services; increase local government capacities to generate revenues, enhance financial management and improve the performance of public economic enterprises; and improve their mechanisms for transparency and accountability.

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


RALPH G. RECTO

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¹ Eleuterio C. Dumogho. "Relevant Provisions of Local Government Code." Comparative Study Tour on Local Government Administration and Management. 8 May 2006. http://pcij.org/blog/wp-docs/Dumogho_LGC_Relevant_Provisions.pdf

² National Statistical Coordination Board. Philippine Standard Geographic Code. <http://www.nscb.gov.ph/activestats/psgc>

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



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**AN ACT
STRENGTHENING LOCAL GOVERNMENT PARTICIPATION IN NATIONAL
DEVELOPMENT BY INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS
IN THE NATIONAL INTERNAL REVENUE TAXES, AMENDING FOR THE
PURPOSE SECTION 284 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:

1 **SECTION 1.** Section 284 of Republic Act No. 7160, otherwise known as the “Local
2 Government Code of 1991” is hereby amended to read as follows:

3 “Section 284. *Allotment of Internal Revenue Taxes.* - Local government units
4 shall have a share OF FIFTY PERCENT (50%) in the national internal revenue taxes
5 based on the collection of the third fiscal year preceding the current fiscal year. [as
6 follows:

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

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

9 (c) On the third year and thereafter, forty percent (40%).]

10 “X X X.”

11 **SEC. 2. *Separability Clause.*** If any provision of this Act is declared unconstitutional or
12 invalid, other parts or provision hereof not affected thereby shall continue to be in full force and
13 effect.

14 **SEC. 3. *Repealing Clause.*** All other laws, orders, decrees, issuances, circulars, rules and
15 regulations or parts thereof which are inconsistent with any of the provisions of this Act are
16 hereby repealed or modified accordingly.

17 **SEC. 4. *Effectivity Clause.*** This Act shall take effect fifteen (15) days from the date of
18 publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,