

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



Office of the Secretary

'18 APR 26 P3:41

SENATE

RECEIVED BY

S.B. No. 1788

Introduced by Senator **SONNY ANGARA**

**AN ACT
TO ENHANCE THE SHARE OF LOCAL GOVERNMENT UNITS IN INTERNAL
REVENUE TAXES**

EXPLANATORY NOTE

Since the passage of the Republic Act 7160, otherwise known as the Local Government Code, LGUs have complained that they do not receive their just share of national internal revenue tax collection or the Internal Revenue Allotment (IRA).

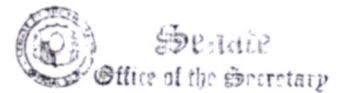
A key complaint lies in the non-inclusion of the tax revenue generated from the imposition of the value-added tax (VAT) on the goods imported into the country. The national government argues that Section 284 only provides that the LGUs receive their share from the collection of national internal revenue taxes not taxes imposed on import goods or import taxes.

However, the imported goods are already considered within the border after the import taxes have been levied making any other taxes levied in addition as part of national internal revenue tax collection. It is therefore necessary to clarify this in legislation that the collections from the imposition of the VAT on imported goods are part of national internal revenue and consequently, part of the IRA.

In view of the foregoing, approval of this bill is earnestly sought.

SONNY ANGARA

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*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
2 Local Government Code of 1991, hereinafter referred to as the "Code", is hereby
3 amended to read as follows:

4 **"SEC. 284. Allotment of Internal Revenue Taxes.** – Local government units
5 shall have a share in the national internal revenue taxes **INCLUSIVE OF**
6 **VALUE ADDED TAX AND EXCISE TAXES ON IMPORTED GOODS** based
7 on the collection of the third fiscal year preceding the current fiscal year as
8 follows:

- 9 (a) On the first year of the effectivity of this Code, thirty 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 incurs an
13 unmanageable public sector deficit, the President of the Philippines is hereby
14 authorized, upon the recommendation of Secretary of Finance, Secretary of
15 Interior and Local Government and Secretary of Budget and Management,
16 and subject to consultation with the presiding officers of both Houses of

1 Congress and the presidents of the "liga", to make the necessary adjustments
2 in the internal revenue allotment of local government units but in no case shall
3 the allotment be less than thirty percent (30%) of the collection of national
4 internal revenue taxes of the third fiscal year preceding the current fiscal year:
5 *Provided, further,* That in the first year of the effectivity of this Code, the local
6 government units shall, in addition to the thirty percent (30%) internal revenue
7 allotment which shall include the cost of devolved functions for essential
8 public services, be entitled to receive the amount equivalent to the cost of
9 devolved personal services."

10 **SEC. 2. Repealing Clause.** – All general and special laws, acts, city charters,
11 decrees, executive orders, proclamations and administrative regulations, or part or
12 parts thereof which are inconsistent with any of the provisions of this Act are hereby
13 repealed or modified accordingly.

14 **SEC. 3. Separability Clause.** – If, for any reason or reasons, any part of
15 provision of this Act shall be held unconstitutional or invalid, other parts or provisions
16 hereof which not affected thereby shall continue to be in full force and effect.

17 **SEC. 4. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its
18 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,