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REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

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SENATE

RECEIVED

S.B. No. 223

Introduced by SENATOR IMEE R. MARCOS

**AN ACT  
TO CLEARLY DEFINE THE NATIONAL TAXES REVENUE BASE, ENHANCE THE  
JUST SHARE FROM THE NATIONAL TAXES OF LOCAL GOVERNMENT UNITS,  
AND RENAME THE "INTERNAL REVENUE ALLOTMENT" (IRA) TO "NATIONAL  
TAX ALLOTMENT" (NaTA), AMENDING FOR THE PURPOSE CERTAIN  
PROVISIONS OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE  
LOCAL GOVERNMENT CODE OF 1991**

EXPLANATORY NOTE

The 1987 Constitution grants local government units (LGUs) the right to local autonomy. Section 6, Article X of the Constitution also guarantees that LGUs *"shall have a just share, as determined by law, in the national taxes which shall be automatically released to them."* Republic Act No. 7160, otherwise known as the Local Government Code of 1991, provides a formula to determine the LGUs' just share in the national taxes. Under Section 284 thereof, Congress limited and fixed the percentage share of LGUs only from the national "internal revenue" taxes, thus the term Internal Revenue Allotment otherwise known as IRA, instead of from all "national taxes" as ordained by the Constitution.

Almost three decades since the Code was passed, the LGUs' share has been pegged at 40% of the national revenues collected during the third year prior to the current fiscal year. Although Section 521 of the Code mandates a review of the LGUs' share at least once every five (5) years, the formula for the determination of the IRA, remained unchanged for the past 28 years.

The 40% IRA share is equivalent to an annual average of only 16% of the National Government's annual budget, with the remaining 84% being spent by the National Government, inclusive of the debt service, in accordance with the appropriations law passed annually by Congress. This 16% share in the national

budget is very low compared to the annual average share of sub-national governments in Southeast Asia and the Asian region, which are 23% and 34%, respectively.

This 16% annual average share is apportioned annually to all LGUs throughout the country, which is comprised of 81 provinces, 145 cities, 1,478 municipalities and 41,102 barangays, in accordance with the fixed formula provided under Sections 284 and 285 of the Code. As front-liners in the delivery of public services, this measly 16% share of the budget pie is not sufficient to meet the growing demands of the constituents of a huge majority of the LGUs.

For the period 2015-2017, the average IRA dependency rate of provinces, cities and municipalities were at 79%, 40% and 78%, respectively because the Code provisions on the *situs* of taxation is strategically highly advantageous to only a handful of Metro Cities to the detriment of 99% of the LGUs.

The 2017 Statement of Receipts and Expenditures of LGUs show that out of the total locally generated revenues, 67% goes to cities, 19% to municipalities and only 14% is collected by the provinces because they have lesser taxing powers. Only cities and municipalities can impose business taxes under the Code. Of all the cities' total local revenues, 58% goes to Metro Manila, and of this amount, 71% goes to the coffers of the top five Metro Cities, namely Quezon City, Makati, Manila, Pasig and Taguig, where 86% of the head offices of local businesses, banks and financial institutions are located.

Thus, through the years, this lopsided local revenue-generating provisions of the Code further aggravated the widening gap or mismatch in revenues and expenditures of LGUs vis-à-vis the functions and responsibilities they should fulfil as frontline service providers, including those that are devolved to them. This impeded the delivery of goods and services in the countryside and consequently, exacerbated the worsening congestion problems in Metro Manila.

The current determination of the national taxes revenue base and the inaccurate computation of the IRA share of LGUs is, according to SC Chief Justice Bersamin, a "glaring contravention of our fundamental law".

A study conducted by the League of Provinces of the Philippines (LPP) reveal that this resulted in a compounded IRA shortfall of about P1.5 Trillion covering FYs 1991-2019 attributable to the non-inclusion in the national tax revenue base of the following national taxes: (1) revenue collections of the Bureau of Customs (BOC) from VAT, documentary stamp taxes (DST), and excise taxes on imported goods, which accounts for about 74% of the IRA shortfalls; (2) taxes collected by ARMM and revenues from special funds such as tobacco, mining, franchises, ecozones, and deduction of the COA share, which accounts for about 18%; and (3) the remaining 8% of the IRA shortfalls due to other discrepancies between the computations of the BIR

and DBM, and illegal deductions of the cost of devolved functions (CODEF) from the total IRA.

Thus, instead of the full 40% share mandated by law, LGUs are only actually receiving an average of about 30% of the collection of national taxes or only 14% of the annual national budget (GAA).

As of FY 2019, the current actual IRA level is at P575 Billion or 15.7% of the P3.662 Trillion total annual budget as approved under R.A. 11260. The National Tax Research Commission (NTRC) estimates that the mandated full 40% level, based on the Supreme Court decision in the Mandanas and Garcia cases, should be P779 Billion which is equivalent to 21% share of the national budget for FY 2019. LPP estimates the full 40% to be higher at P799 Billion, or 21.8% share of the GAA.

This long-standing issue on the determination of the national taxes revenue base and the IRA was resolved by the Supreme Court when it decided with finality in favour of the joint petitions filed by Batangas Governor Hermilando "Dodo" Mandanas on January 9, 2012 (G.R. No. 199802), and subsequently on August 27, 2013 by the late Cong. Tet Garcia of the 2<sup>nd</sup> District of Bataan, duly represented by Bataan Gov. Abet Garcia (G.R. No. 208488). The Supreme Court ruled that the phrase "internal revenues" is unconstitutional and that the "Internal Revenue Allotment" (IRA) should be the "National Tax Allotment" of LGUs.

The Supreme Court, thus, ordered the National Government to prospectively include in the national tax revenue base, , all the national revenue collections of the BIR, the Bureau of Customs (BOC), the ARMM and other non-BIR and non-BOC agencies, as well as the shares of the National Government from tobacco and mining taxes, special funds, special accounts, and all other national taxes, including the amounts earmarked for the COA share so as to accurately determine the LGUs' rightful share and faithfully implement Section 6 of Article X of the 1987 Constitution which provides that "*LGUs shall have a just share, as determined by law, in the **national taxes** which shall be automatically released to them.*"

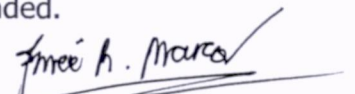
Pursuant to the Supreme Court decision on the Mandanas and Garcia cases promulgated on May 22, 2019, this Bill, seeks to clearly define the national taxes revenue base for the accurate computation of the LGUs' just share of national taxes and change the term "Internal Revenue Allotment" (IRA) to the LGUs' "National Tax Allotment."

This measure also consolidates and synchronizes all other pertinent provisions of other relevant laws and implementing rules and regulations on the determination of the LGUs' entitlements, particularly Republic Act No. 8424, otherwise known as the 1987 National Internal Revenue Code, as amended. It defines important terms and phrases being used and provides a more transparent procedure for its determination that guarantees the active participation of the LGUs (through their Leagues). More

importantly, the bill proposes enhancing or augmenting the LGUs' share which not only increases their capabilities to deliver services to the grassroots but can also help adequately prepare should a shift to a federal form of government be instituted by the Duterte administration.

In sum, this measure, proposed to be known as the LGUs' National Tax Allotment Augmentation Bill, seeks to amend the pertinent provisions of the 1991 Local Government Code on the guaranteed entitlements of the LGUs from all national taxes, as well as provide for a more equitable collection of locally generated revenues. The approval of this measure will provide our LGUs the necessary additional resources to better enable them to deliver needed basic services to the people, contribute more robustly to the country's GDP, become active partners in national development. Indeed, this bill promises positive impacts on the overall development of the country with the increase in the LGUs' share from both the national and local revenues. The more robust our LGUs are, the better for the overall development of the country.

Under the premises, approval of this bill is strongly recommended.


  
**IMEE R. MARCOS**



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**AN ACT**  
**TO CLEARLY DEFINE THE NATIONAL TAXES REVENUE BASE, ENHANCE**  
**THE JUST SHARE FROM THE NATIONAL TAXES OF THE LOCAL**  
**GOVERNMENT UNITS, AND RENAME THE "INTERNAL REVENUE**  
**ALLOTMENT" (IRA) TO NATIONAL TAX ALLOTMENT (NaTA), AMENDING**  
**FOR THE PURPOSE, 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. *Declaration of Policy.* - It is the policy of the State to ensure the  
2 autonomy of local governments and that local government units (LGUs) shall have  
3 a just share, as determined by law, in the national taxes. All LGUs shall enjoy  
4 fiscal autonomy and their just share from all national taxes shall be automatically  
5 appropriated and automatically released directly to them without need of any  
6 further action of the local governments. The utilization of their just share from all  
7 national taxes shall be determined exclusively by the local governments based on  
8 the needs and priorities of their constituents, as duly approved by their respective  
9 local councils or *Sanggunian*.

1           Sec. 2. *Definition of Terms.* - As used in this Act, the following terms are  
2 defined as follows:

3           (a) "Local Government Units (LGUs)" refers to the territorial and political  
4 subdivisions of the Republic of the Philippines comprising all the  
5 provinces, cities, municipalities, and barangays, including the  
6 autonomous regions in Muslim Mindanao and the Cordilleras, as  
7 provided by law. The Metro Manila Development Authority (MMDA),  
8 created under RA 7924, is a special administrative region for the  
9 National Capital Region (NCR), not an LGU.

10          (b) "National Tax Allotment" or "NaTA", previously referred to as the  
11 "Internal Revenue Allotment (IRA), shall refer to the just share of LGUs  
12 from all national taxes or revenues actually realized or collected by the  
13 national government, including those collected by the Bureau of the  
14 Internal Revenue (BIR), Bureau of Customs (BOC), and other agencies  
15 or instrumentalities of the government. All terms in the Local  
16 Government Code (LGC) pertaining to the Internal Revenue Allotment  
17 (IRA) shall hereinafter be referred to as the LGUs' National Tax  
18 Allotment or NaTA.

19          (c) "National Tax Revenue Base" (NTRB) refers to the national tax revenue  
20 collections of the National Government, which shall be used as basis to  
21 determine the LGUs' NaTA. Consistent with the Supreme Court decision  
22 in G.R. No. 199802 and 208488 and in accordance with existing laws,  
23 the determination of the National Tax Revenue Base (NTRB) shall

1 include, but shall not be limited to the following national taxes collected  
2 by the national government:

- 3 1. The National Internal Revenue Taxes (NIRTs) enumerated in  
4 Section 21 of RA No. 8424 as amended, otherwise known as the  
5 National Internal Revenue Code (NIRC), to include the value-  
6 added taxes (VATS), excise taxes, and documentary stamp taxes  
7 (DSTs) collected by the BIR and the BOC and all their deputized  
8 agents;
- 9 2. Tariff and customs duties collected by the BOC;
- 10 3. 50% of the VAT collected in the ARMM, and 30% of all other  
11 national taxes collected in the ARMM; the remaining 50% of the  
12 VAT collected and 70% of the collections of the other national  
13 taxes in the ARMM shall be the exclusive share of the ARMM  
14 pursuant to Section 9 and Section 15 of R.A. No. 9054;
- 15 4. 60% of the national taxes collected from the exploitation and  
16 development of the national wealth and the remaining 40% will  
17 exclusively accrue to the host LGUs pursuant to Section 290 of  
18 the Local Government Code;
- 19 5. 85% of the excise taxes collected from locally manufactured  
20 Virginia and other tobacco products; and the remaining 15% shall  
21 accrue to the special purpose funds created pursuant to R.A. No.  
22 7171 and R.A. No. 7227;

- 1                   6. the entire 50% of the national taxes collected under Section 106,  
2                   Section 108 and Section 116 of the NIRC in excess of the  
3                   increase in collections for the immediately preceding year;
- 4                   7. 5% of the franchise taxes in favour of the national government  
5                   paid by franchise holders in accordance with Section 6 of R.A.  
6                   No. 6631 and Section 8 of R.A. No. 6632;
- 7                   8. the eVAT share of the National Government which includes Value  
8                   Added Tax and electronic VAT or "eVAT" which refers to the  
9                   internal revenue tax imposed under Sections 106 and 108 of the  
10                  NIRC collected both by the BIR for local products, goods and  
11                  services and by the BOC for imported goods and services.  
12                  Incremental collection from VAT refers to the excess in the  
13                  annual increase in actual collection of VAT in the immediately  
14                  preceding year over the annual increase in the second preceding  
15                  year, as provided by existing laws;
- 16                  9. Such other taxes as are or hereafter may be imposed by  
17                  Congress and collected by the National Government and its  
18                  instrumentalities; and
- 19                  10. The amount earmarked as auditing fee of the Commission on  
20                  Audit (COA) which, once determined, "shall not be deducted prior  
21                  to the computation of the share of LGUs in the National Taxes"  
22                  since earmarking is not the same as withholding (G.R. 148191).  
23                  Section 24 (3) of PD 1445 and Sec. 284 of RA 8424 does not



1                   diminish the base amount of national taxes that LGUs are to  
2                   share from and merely apportions *"one-half of one percent*  
3                   *(1/2% of 1%) of the collections from national internal revenue*  
4                   *taxes not otherwise accruing to Special Funds or Special Accounts*  
5                   *in the General Fund of the National Government"*.

6           (d) "Actually Realized" refers to taxes "actually collected" by the National  
7           Government from the following sources: (1) External revenues (2)  
8           Internal Revenues and (3) Other Revenues.

9           (e) "External Revenues" refers to the aggregate or gross import duties or  
10           taxes currently or hereafter, may be imposed, actually collected, and  
11           duly certified by the Bureau of Customs (BOC) from lawful revenues  
12           from all imported articles and all other dues, fees, charges, fines and  
13           penalties accruing under the tariff and customs laws, based on the  
14           immediately preceding fiscal year, net of tax refunds and non-cash  
15           collections, as annually submitted to the Bureau of Treasury (BTr) and  
16           to the BIR. This includes the internal revenues collected by the BOC on  
17           VAT and eVAT, excise taxes and documentary stamp taxes on imported  
18           goods and services.

19           (f) "Internal Revenues" refers to the aggregate or gross internal revenue  
20           taxes as currently provided under RA 8424 as amended, the National  
21           Internal Revenue Code, and those that may hereafter be provided by  
22           law to be imposed, actually collected, and duly-certified by the Bureau  
23           of Internal Revenue (BIR), with regard to all internal revenue taxes,

1 tariffs, duties, fees, and charges and services, collected by the BIR and  
2 by all its duly deputized agents as currently or hereinafter to be  
3 provided by law; the internal revenues collected by the Bureau of  
4 Customs (BOC) on VAT and eVAT, excise taxes and documentary stamp  
5 taxes on imported goods and services, and internal revenue taxes, as  
6 provided under Sec. 21 of R.A. No. 8424, the National Internal Revenue  
7 Code of 1997, as amended, and shall include the following for both  
8 domestic or local sources and foreign sources or imported goods and  
9 services, to wit:

10 *"(a) income tax;*

11 *(b) estate and donors' taxes;*

12 *(c) Value-added taxes (VAT);*

13 *(d) other percentage taxes;*

14 *(e) excise taxes;*

15 *(f) documentary stamp taxes; and*

16 *(g) such other taxes as are or hereafter may be imposed and*  
17 *collected by the Bureau of Internal Revenue (BIR)."*

18 The Bureau of Treasury (BTr) shall include in its certification all  
19 revenues from all national taxes collected by BIR, BOC, other  
20 agencies and instrumentalities of the government, and all its  
21 deputized agents and deputies as enumerated under Sec. 12, Title I  
22 of RA 8424, which includes the following:

1                   "(a) *The Commissioner of Customs and his subordinates with*  
2                                 *respect to the collection of national internal revenue taxes,*  
3                                 *particularly VAT and excise taxes on imported goods;*

4                   (b) *The head of the appropriate government office and his*  
5                                 *subordinates with respect to the collection of energy tax;*  
6                                 *and*

7                   (c) *Banks duly accredited by the Commissioner with respect to*  
8                                 *receipt of payments internal revenue taxes authorized to*  
9                                 *be made through bank."*

10               (g) "Other Revenues" refers to the other taxes, tariffs actually  
11                                 realized or collected by non-BIR, non-BOC or other offices and  
12                                 national government instrumentalities duly certified by the  
13                                 Bureau of Treasury (BTr), such as but not limited to the  
14                                 following:

15                   a.     Department of Education's (DepEd's) Real Property Tax

16                   b.     Bureau of Fire (BFP's) Fire Code Tax

17                   c.     Department of Public Work and Highway's (DPWH's)  
18                                 Flood Control Tax;

19                   d.     Commission on Higher Education's (CHED's) and National  
20                                 Commission/ NCAA's Travel Tax;

21                   e.     Department of Environment's (DENR's) Forest Charges;

22                   f.     Land Transportation Office's (LTO's) Motor Vehicle Users'  
23                                 Tax;

1 g. Bureau of Immigration and Deportations' (BID's)  
2 Immigration Tax; and

3 h. Other taxes that may be hereafter imposed, as provided  
4 by law.

5 (h) "Special Funds" or "Special Accounts" shall refer to the special  
6 shares of host LGUs, the determination of which is based on  
7 special laws enacted by Congress. Only the mandated share of  
8 host LGUs from these special funds or accounts shall be excluded  
9 from the computation of the LGUs' NaTA, as these are intended  
10 by law to be entitlements of LGUs in addition to their respective  
11 shares from national taxes (SNT). While the mandated share of  
12 the National Government from these special funds or special  
13 accounts shall necessarily be included as part of the total revenue  
14 base which shall be made as the basis for the computation of the  
15 LGUs' NaTA.

16 (e) "Automatic Release" of the NaTA refers to the setting aside and  
17 release of the LGUs' NaTA without need or required performance of any  
18 action by the LGUs in order to receive the just share accruing to them  
19 from the national coffers, and which shall not be subject to any lien or  
20 retention or delay that may be imposed by the National Government,  
21 whether by Congressional action through the General Appropriations Act  
22 or by executive issuances, resolutions, guidelines, circulars, and  
23 regulations.

1 (f) "Cost of Devolved Functions" (CODEF) refers to the expenses necessary  
2 for LGUs to deliver the services devolved to them by the National  
3 Government under Sec. 284 of RA 7160 and Art. 381 of AO 270, the IRR  
4 of the Local Government Code. It is up to the concerned LGUs how  
5 much amount or what percentage of the IRA due them should be set  
6 aside to cover the expenses to be incurred for such devolved functions  
7 and activities, as approved by their respective local councils in their  
8 annual budget.

9  
10 Sec. 3. *National Tax Allotment.* - The term "Internal Revenue Allotment" or  
11 IRA, shall henceforth be known as the local government units' "National Tax  
12 Allotment" or NaTA since it covers not only the shares from internal revenues, but  
13 also shares from external revenues collected by the National Government.

14 All valid adjustments, changes, modifications, or alterations in any of the  
15 factors affecting the computation of the NaTA such as population and land area,  
16 including the creation of new LGUs by Congress as well as final and executory  
17 court decisions made effective not later than June 15 of the current fiscal year,  
18 shall only be considered and implemented by the DBM in the subsequent fiscal  
19 year from receipt by the DBM of the notice of said change, and only after prior  
20 consultations with the Leagues of Provinces, Cities, Municipalities and Barangays.  
21 After June 15, all valid adjustments in the LGUs' NaTA shall only be prospectively  
22 implemented by the Department of Budget and Management (DBM) in the

1 following year, Provided, that in no case, shall the DBM adjust the LGUs' NaTA  
2 once the LGUs have approved their respective annual budgets.

3 LGUS shall include in their budget all income derived from both local and  
4 external sources, the amount of their NaTA, as determined by the Department of  
5 Finance (DOF) and duly-certified by the Bureau of Treasury, and receipts from  
6 borrowings, which shall be approved by their respective Sanggunians.

7 Enforcement of the Personnel Services limitations under Section 325 (a)  
8 and 331 (b) of R.A. 7160 shall be waived to enable LGUS to implement the  
9 Universal Health Care law.

10 The IRA and all LGU shares appropriated herein shall be directly released  
11 by the BTr to the LGU beneficiaries through authorized government servicing  
12 banks.

13

14 Sec. 4. *Allotment and Determination of NaTa.* - Section 284 of Republic  
15 Act No. 7160 as amended, otherwise known as the Local Government Code of  
16 1991, is hereby amended to read as follows:

17 "Sec. 284. Allotment [~~of Internal Revenue~~] **AND DETERMINATION OF**  
18 **LOCAL GOVERNMENT UNITS' NATIONAL TAX ALLOTMENTS**  
19 **(NaTA). – IN ACCORDANCE WITH SECTION 6, ARTICLE X OF THE**  
20 **1987 CONSTITUTION, BEGINNING THE FISCAL YEAR FOLLOWING**  
21 **THE EFFECTIVITY OF THIS ACT, ALL** Local government units shall have  
22 a JUST share in ALL the national [internal revenue] taxes, **TO BE**  
23 **HEREINAFTER REFERRED TO AS THEIR NATIONAL TAX**

1 **ALLOTMENT OR NaTA, SHALL BE AUTOMATICALLY APPROPRIATED**  
2 **BY VIRTUE OF SEC. 4 OF RA 9358, AND AUTOMATICALLY**  
3 **RELEASED TO THEM.**

4 **THE NATIONAL REVENUE BASE SHALL BE** based on the **TOTAL**  
5 collections **ACTUALLY REALIZED OR ACTUALLY COLLECTED BY THE**  
6 **NATIONAL GOVERNMENT, AS DEFINED IN SECTION 2, ITEM NO. 4**  
7 **OF THIS ACT, WHICH SHALL BE RECKONED FROM** [of] the [third]  
8 **SECOND** fiscal year preceding the current fiscal year. **THE LGUs'**  
9 **NATIONAL TAX ALLOTMENT OR NaTA SHALL BE COMPUTED** as  
10 follows:

11 (a) On the first year [of] **FOLLOWING** the effectivity of this [Code]  
12 **ACT, [thirty percent (30%)] FORTY PERCENT (40%);**

13 (b) On the second year, [thirty five (35%)] **FORTY-FIVE** percent  
14 **(45%); [and]**

15 (c) On the third **TO THE SIXTH** year, [and thereafter], [forty]  
16 **FIFTY** percent [(40%)] **(50%); AND**

17 **(D) ON THE SEVENTH YEAR AND THEREAFTER, SIXTY**  
18 **PERCENT (60%).**

19 Provided, That, in the event that the national government incurs an  
20 unmanageable public sector deficit, the President of the Philippines is  
21 authorized, upon the recommendation of Secretary of Finance, Secretary of  
22 Interior and Local Government and Secretary of Budget and Management,  
23 and subject to PRIOR consultation with the presiding officers of both

1 Houses of Congress and the presidents of the [~~"liga"~~] **LEAGUES OF**  
2 **PROVINCES (LPP), CITIES (LCP), MUNICIPALITIES (LMP) AND**  
3 **BARANGAYS (LNB)**, to make the necessary adjustments in the [~~internal~~  
4 ~~revenue—allotment~~] **NATIONAL TAX ALLOTMENT (NaTA)** of local  
5 government units, but in no case shall the allotment be less than [~~thirty~~]  
6 **FORTY** percent [~~(30%)~~] **(40%)** of the **TOTAL** collections **ACTUALLY**  
7 **REALIZED** from **ALL** national [~~internal-revenues~~] taxes, **BASED ON** [~~of~~]  
8 the [~~third~~] **SECOND** fiscal year preceding the current fiscal year;"

9 Sec. 5. *Allocation to LGUs.* - Section 285 of Republic Act No. 7160 as  
10 amended, otherwise known as the Local Government Code of 1991, is hereby  
11 amended to read as follows:

12 "Section 285. *Allocation to Local Government Units.* - The share of local  
13 government units in the [~~internal~~] **NATIONAL** [~~revenue—allotment~~]  
14 **TAXES, HEREINAFTER REFERRED TO AS NATIONAL TAX**  
15 **ALLOTMENT OR NaTA**, shall be [~~collected~~] **APPORTIONED** as provided  
16 [~~for in the Local Government Code,~~] **HEREIN**, Provided, That, the share  
17 of each province, city, [~~and~~] municipality **AND BARANGAY** shall be  
18 determined on the basis of the formula provided in the Local Government  
19 Code; Provided, further, That the share of each barangay with a population  
20 of not less than one hundred (100) inhabitants shall not be less than  
21 [~~Eighty~~] **ONE HUNDRED SIXTY** thousand pesos [~~(P80,000.00)~~]  
22 (P160,000) per annum chargeable against the twenty percent (20%) share  
23 of the barangay from [~~the internal-revenue allotment~~] **ITS NATIONAL**



1           **TAX ALLOTMENT (NaTA)**, and the balance to be allocated on the basis of  
2           the formula provided in the Local Government Code; and Provided, finally,  
3           That, the financial requirements of barangays created by local government  
4           units after the effectivity of this [Code] **ACT** shall be the responsibility of  
5           the local government unit concerned **DURING THE INITIAL YEAR OF**  
6           **ITS OPERATION. THEREAFTER, THE DBM SHALL INCLUDE THE**  
7           **NEW BARANGAYS IN THE DETERMINATION OF ITS RESPECTIVE**  
8           **NaTA IN ACCORDANCE WITH THE DEADLINE SET HEREIN."**

9           Sec. 6. *Automatic Release of NaTA.* - Section 286 of the Code is hereby  
10          amended to read as follows:

11          "Section 286. *Automatic Release of* **THE NATIONAL TAX ALLOTMENT**  
12          **[Shares] FROM ALL NATIONAL TAXES TO ALL LOCAL GOVERNMENT**  
13          **UNITS. –**

14          (a) The **JUST** share of each local government unit shall be  
15          **AUTOMATICALLY** released **BY THE BUREAU OF TREASURY,**  
16          without need of any further action **OR FULFILMENT OF ANY**  
17          **REQUIREMENT BY THE LGUS,** directly to the provincial, city,  
18          municipal or barangay treasurer, as the case may be, on a  
19          [quarterly] **MONTHLY** basis within five (5) days after the end of  
20          each [quarter] **MONTH,** and which shall not be subject to any  
21          **KIND OF DEDUCTIONS,** lien **OR** holdback, **OR DELAYS** that may  
22          be imposed by the national government, **EITHER BY**  
23          **LEGISLATION THROUGH THE GENERAL APPROPRIATIONS**

1           **ACT OR BY EXECUTIVE OR ADMINISTRATIVE FIATS,** for  
2 whatever purpose. **ALL REVENUE GUIDELINES ON THE NaTA,**  
3 **OCD AND DBCC RESOLUTIONS, MEMORANDUM CIRCULARS,**  
4 **DEPARTMENT ORDERS AND OTHER ADMINISTRATIVE FIATS**  
5 **CONCERNING THE SHARE IN NATIONAL TAXES (SNT) SHALL**  
6 **BE CONSISTENT WITH ALL THE PROVISIONS OF THIS ACT**  
7 **AND OTHER PERTINENT EXISTING LAWS.**

8           (b) Nothing in [~~this Chapter~~] **THE LOCAL GOVERNMENT CODE, AS**  
9 **AMENDED HEREIN,** shall be understood to diminish the JUST  
10 share of local government units.

11           (C) **FOR PURPOSES OF CONSISTENCY, TRANSPARENCY AND**  
12 **ACCURACY IN DETERMINING THE TOTAL REVENUES AND**  
13 **THE JUST SHARE FROM NATIONAL TAX ALLOTMENT (NATA)**  
14 **OF LGUS, THE FOLLOWING PROCESS SHALL STRICTLY BE**  
15 **OBSERVED:**

- 16           1. **DETERMINATION OF INDICATIVE REVENUES SHALL BE**  
17 **UNDERTAKEN IN CONSULTATION WITH THE NaTA**  
18 **TECHNICAL COMMITTEE AS CREATED UNDER SECTION 8**  
19 **OF THIS ACT AT LEAST THIRTY (30) DAYS PRIOR TO THE**  
20 **SUBMISSION OF ITS ANNUAL GROSS REVENUE**  
21 **COLLECTIONS TO THE BUREAU OF TREASURY;**
- 22           2. **CERTIFICATION OF TAX REVENUES FOR THE ENSUING**  
23 **FISCAL YEAR BASED ON THE SECOND YEAR PRECEDING**

1 THE CURRENT FISCAL YEAR AND SUBMISSION OF THE  
2 SAME TO THE BUREAU OF TREASURY ON OR BEFORE  
3 THE DESIGNATED DEADLINE SET BY THE LATTER.

4 2.1. THE BIR SHALL CERTIFY THE TOTAL NATIONAL  
5 INTERNAL REVENUES IT ACTUALLY REALIZED OR  
6 ACTUALLY COLLECTED, INCLUDING THOSE  
7 TAXES COLLECTED BY ALL ITS DEPUTIZED  
8 AGENTS UNDER SEC. 21 OF RA 8424, AS HEREIN  
9 DEFINED;

10 2.2. THE BOC SHALL CERTIFY THE TOTAL NATIONAL  
11 INTERNAL AND EXTERNAL REVENUES IT  
12 ACTUALLY REALIZED OR ACTUALLY COLLECTED,  
13 INCLUDING THOSE COLLECTED BY ITS  
14 DEPUTIZED AGENTS AS UNDER THE CUSTOMS  
15 CODE, AS HEREIN DEFINED; AND

16 2.3. OTHER CONCERNED AGENCIES SHALL CERTIFY  
17 THEIR RESPECTIVE TAX COLLECTIONS.

18 3. THE DULY-CERTIFIED REVENUES SUBMITTED TO THE  
19 BTR SHALL BE THE SOLE BASIS FOR THE  
20 DETERMINATION OF THE LGUS' NATIONAL TAX  
21 ALLOTMENT (NaTA), WHICH SHALL BE AUTOMATICALLY  
22 APPROPRIATED AND AUTOMATICALLY RELEASED  
23 DIRECTLY TO THE LGUS.

1                   4. THE FOLLOWING PROCESS OF DETERMINING THE  
2                   NATIONAL TAX REVENUE BASE (NTRB) AND THE LGUS'  
3                   NaTA SHALL BE STRICTLY OBSERVED BY THE  
4                   CONCERNED AGENCIES:

5                   4.1 THE BTR SHALL TRANSMIT THE DULY-CERTIFIED  
6                   TOTAL NaTA AMOUNT DUE FOR ALL LGUS AND FOR  
7                   THE RESPECTIVE PROVINCES, CITIES,  
8                   MUNICIPALITIES AND BARANGAYS TO DOF AND  
9                   DBM;

10                  4.2 THE BLGF-DOF SHALL DETERMINE THE LGUS'  
11                  AGGREGATE SHARE IN NATIONAL TAX ALLOTMENT  
12                  (NaTA) AS WELL AS THE RESPECTIVE SHARES OF  
13                  THE PROVINCES, CITIES, MUNICIPALITIES AND  
14                  BARANGAYS AND THE INDIVIDUAL NaTA SHARES  
15                  OF ALL LGUS PURSUANT TO SEC. 4 OF THIS ACT  
16                  AND SECTIONS 284 AND 285 OF RA 7160, AND  
17                  SHALL TRANSMIT THE SAME TO THE BTR;

18                  4.3 THE BTR SHALL DULY CERTIFY THE LGUS' NaTA  
19                  FOR THE ENSUING FISCAL YEAR AND TRANSMIT  
20                  THE SAME TO THE DBM, COPY FURNISHED THE  
21                  LEAGUES OF PROVINCES, CITIES, MUNICIPALITIES  
22                  AND BARANGAYS;

1                   **4.4 THE DBM SHALL AUTOMATICALLY INCLUDE THE**  
2                   **LGUS' NaTA, AS DETERMINED BY THE DOF AND**  
3                   **DULY-CERTIFIED BY THE BTR, IN THE PROPOSED**  
4                   **ANNUAL NATIONAL EXPENDITURE PROGRAM**  
5                   **(NEP) UNDER ITEMS FOR AUTOMATIC**  
6                   **APPROPRIATION FOR INCLUSION IN THE GENERAL**  
7                   **APPROPRIATIONS ACT FOR THE ENSUING FISCAL**  
8                   **YEAR.**

9                   **4.5 THE DBM SHALL ISSUE THE LOCAL BUDGET**  
10                   **MEMORANDUM TO ALL LGUS INFORMING THEM OF**  
11                   **THEIR RESPECTIVE NaTA, AND SHALL TRANSMIT**  
12                   **THE SAME TO THE BTR, COPY FURNISHED ULAP**  
13                   **AND THE LGU LEAGUES (LPP, LCP, LMP AND LNB);**

14                   **4.6 THE BTR SHALL AUTOMATICALLY SET ASIDE**  
15                   **THE DULY-CERTIFIED NaTA OF LGUS FOR ITS**  
16                   **AUTOMATIC RELEASE ON A MONTHLY BASIS**  
17                   **DIRECTLY TO THE CONCERNED LGUS AS HEREIN**  
18                   **PROVIDED;**

19                   **4.7 THE ISSUANCE OF DBCC OF A RESOLUTION**  
20                   **AMENDING DBCC RESOLUTION 2003-02 ON THE**  
21                   **DETERMINATION AND ALLOTMENT OF THE LGUS'**  
22                   **NaTA IN ACCORDANCE WITH THE PROVISIONS OF**  
23                   **THIS ACT, AFTER PRIOR CONSULTATION WITH THE**

1 PRESIDENTS OF THE LEAGUES OF PROVINCES,  
2 CITIES, MUNICIPALITIES AND BARANGAYS.

3 4.8 ISSUANCE OF DBM OF A LOCAL BUDGET  
4 MEMORANDUM (LBM) TO ALL LGUS ON THE NaTA  
5 GENERAL GUIDELINES IN ACCORDANCE WITH THE  
6 PROVISIONS OF THIS ACT;

7 4.9 ISSUANCE OF PROVINCES AND HIGHLY-  
8 URBANIZED CITIES OF THEIR RESPECTIVE  
9 PROVINCIAL BUDGET MEMORANDUMS TO THEIR  
10 COMPONENT CITIES AND MUNICIPALITIES WITH  
11 REGARD TO THEIR LOCAL BUDGET PRIORITIES;  
12 AND

13 4.10 ISSUANCE OF COMPONENT CITIES AND  
14 MUNICIPALITIES OF THEIR RESPECTIVE LOCAL  
15 BUDGET MEMORANDUMS TO ALL THEIR  
16 BARANGAYS WITH REGARD TO THEIR LOCAL  
17 BUDGET PROGRAMS AND PROJECTS FOR  
18 IMPLEMENTATION.

19 FURTHER, ALL NATIONAL INTERNAL AND EXTERNAL  
20 REVENUES COLLECTED AND NOT APPLIED OR OTHERWISE  
21 SPECIALLY DISPOSED OF BY LAW, AS PROVIDED IN SEC. 283,  
22 CHAPTER 1, TITLE XI OF RA 8424 AS AMENDED, OR THE  
23 NATIONAL INTERNAL REVENUE CODE, SHALL ACCRUE TO THE

1 NATIONAL TREASURY AND SHALL BE AVAILABLE FOR THE  
2 GENERAL PURPOSES OF THE GOVERNMENT, WITH THE  
3 EXCEPTION OF THE AMOUNTS SET APART FOR [(I.E. IRA)] THE  
4 LOCAL GOVERNMENT UNITS' NATIONAL TAX ALLOTMENT  
5 (NaTA).

6 IN ADDITION TO THE LGUS' NaTA, AS PROVIDED IN THE  
7 PRECEDING PARAGRAPH, FIFTY PERCENT (50%) OF THE  
8 NATIONAL TAXES COLLECTED UNDER SECTIONS 100, 102, 112,  
9 113, AND 114 OF THE TAX CODE UNDER RA 8424, IN EXCESS  
10 OF THE INCREASE IN COLLECTIONS FOR THE IMMEDIATELY  
11 PRECEDING YEAR SHALL BE ALLOCATED IN ACCORDANCE  
12 WITH SECTION 150 OF REPUBLIC ACT NO. 7160, OTHERWISE  
13 KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, TO BE  
14 DISTRIBUTED AS FOLLOWS:

15 (A) TWENTY PERCENT (20%) SHALL ACCRUE TO THE CITY OR  
16 MUNICIPALITY WHERE SUCH TAXES ARE COLLECTED;

17 (B) TEN PERCENT (10%) SHALL ACCRUE TO THE PROVINCE  
18 WHERE SUCH TAXES ARE COLLECTED;

19 (C) FIFTEEN PERCENT (15%) SHALL ACCRUE TO THE REGION  
20 WHERE SUCH TAXES ARE COLLECTED, THROUGH THE  
21 REGIONAL DEVELOPMENT COUNCIL, TO FINANCE THE  
22 DULY-APPROVED PRIORITY INFRASTRUCTURE AND  
23 COMMUNICATION PROJECTS WITHIN THE REGION; AND

1           **(D)       FIFTY-FIVE PERCENT (55%) SHALL ACCRUE TO THE**  
2           **NATIONAL GOVERNMENT WHICH SHALL BE INCLUDED AS**  
3           **PART OF THE NATIONAL TAX REVENUE BASE USED AS**  
4           **BASIS TO COMPUTE THE LGUs' NaTA."**

5           *Sec. 7. Updating of Income Classification of LGUs.-* The Department of  
6 Finance (DOF ) shall immediately update the income classification of all LGUs to  
7 reflect the changes in their financial position resulting from the increased  
8 revenues as provided herein, in accordance with established parameters set by  
9 the said department, within six months from the effectivity of this Act, and shall  
10 regularly update the same every three years thereafter, to be approved by the  
11 President of the Philippines through an executive order to be issued for this  
12 purpose.

13           *Sec. 8. Creation of a NaTA Technical Committee. -* A technical committee  
14 for the validation of the determination of the revenue base and the LGUs' share in  
15 national taxes is hereby created, to be composed of the following:

- 16           (A) BTR Deputy Treasurer for Accounting Service – Chairman;  
17           (B) DOF Undersecretary for Revenue Operations Group – Co-Chairman  
18           (C) DBM Undersecretary for Local Government and Regional Operations Group  
19           – Vice-Chairman;  
20           (D) DILG Undersecretary for Local Government – Co-Vice-Chairman;  
21           (E) Chief, BIR Revenue Accounting Division; BOC Deputy Commissioner for  
22           Revenue Collection and Monitoring Group, BLGF - DOF Director; Secretary-  
23           General or Executive Directors of ULAP, LPP, LCP, LMP, and LNB ;



1 Committee Secretaries of the Senate and House committees on  
2 appropriations and local government - Members

3 The NaTA Technical Committee shall convene annually to validate the indicative  
4 total national revenue base at least thirty (30) days prior to the submission of the  
5 BIR,BOC and concerned agencies of their respective indicative gross revenue  
6 collections of the immediately preceding year for the determination of the LGUs'  
7 national tax allotment (NaTA) for the ensuing year. The NaTA Technical  
8 Committee may likewise convene whenever it deems necessary.

9 The BIR, BOC and non-BIR agencies concerned shall present their  
10 indicative revenues of the preceding year to the NaTA Technical Committee for the  
11 prospective fiscal year, for validation and prior concurrence of the Presidents of  
12 the Leagues of Provinces, Cities, Municipalities and Barangays prior to its  
13 certification of the same, which will be used as basis by the DBM for inclusion in  
14 the annual national expenditure program (NEP) under automatic appropriation and  
15 in its local budget memorandum to be issued to all LGUs for this purpose.

16 Congress, through the Committee on Appropriations of both Houses, shall  
17 have the oversight power and function to monitor the rightful determination of the  
18 revenue base and the mandated computation of the LGUs' NaTA, with prior  
19 consultation with the Presidents of the Leagues of Provinces, Cities, Municipalities  
20 and Barangays. THE DBM shall ensure the development of a software system for  
21 the automation of the computation of the LGUs' NaTA in consultation with the  
22 NaTA Technical Committee.

1           Sec. 11. *Repealing Clause.* -- All general and special laws, acts, city  
2 charters, decrees, executive orders, proclamations and administrative regulations,  
3 or part or parts thereof which are inconsistent with any of the provisions of this  
4 Act are hereby repealed or modified accordingly.

5           Sec. 12. *Separability Clause.* -- If, for any reason or reasons, any part of  
6 provision of this Act shall be held unconstitutional or invalid, other parts or  
7 provisions hereof which not affected thereby shall continue to be in full force and  
8 effect.

9           Sec. 13. - *Effectivity Clause.* -- This Act shall take effect thirty (30) days  
10 after its publication in the Official Gazette or in at least two (2) national  
11 newspapers of general circulation.

Approved,