


SENATE

'19 JUL -8 P2:35

S. No. 269

RECEIVED BY: _____



Introduced by Senator Ralph G. Recto

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

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 instituting administrative and organizational reforms in our local government units (LGUs), which was highlighted by devolution and local autonomy. LGUs are now mandated to deliver the priority needs and basic services such as agricultural services, health and social welfare services, information services, waste management and environmental protection, maintenance of roads, 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 81 provinces, 145 cities, 1,489 municipalities and 42,045 barangays.² Since only a fraction of the 43,760 LGUs belong to the 1st and 2nd income classes,³ most of these LGUs depend on their share from the IRA to perform their devolved powers and functions. Majority of the LGUs have become dependent on their IRA share and fail to exert effort to generate other revenues to fund programs and projects.

Twenty-eight years since the enactment of the Code, most local governments have yet to exercise genuine autonomy from the national government. LGUs still lack the capability to become effective partners of the national government in national progress.

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 DILG Facts and Figures. https://www.dilg.gov.ph/PDF_File/factsfigures/dilg-facts-figures-2019411_35347a185e.pdf. (Accessed June 18, 2019)

³ National Statistical Coordination Board. Provincial Summary: Number of Provinces, Cities, Municipalities and Barangays, By Region.

http://www.nscb.gov.ph/activestats/psgc/PSA_PSGC_SUMMARY_ASOFDEC2015.pdf

This bill seeks to promote fiscal decentralization 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. Local governments will have increased capacities to allocate funds, enhance financial management, improve the performance of public economic enterprises; and strengthen the 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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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. *Implementing Rules and Regulations.*** The Secretaries of the Department of
12 Budget and Management and the Department of the Interior and Local Government in
13 coordination with the Department of Finance and the Bureau of Internal Revenue, shall within
14 ninety (90) days from the effectivity of this Act, jointly formulate and promulgate rules and
15 regulations to implement the provisions of this Act.

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

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

Approved,