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SENATE

Senate Bill No. 426



Introduced by Senator FRANCIS N. PANGILINAN

AN ACT
PROVIDING FOR THE SHARE IN THE NATIONAL TAXES OF LOCAL
GOVERNMENT UNITS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO.
7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

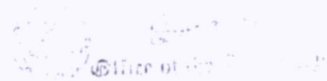
The local government units (LGUs) are at the front line in the delivery of government programs and services, and to fulfill this role, the 1987 Constitution provides that local government units should have a just share in the "national taxes." Specifically, *Section 6, Article X* of the Constitution provides that "*Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.*" However, Section 284 of the Local Government Code of 1991 provides that the LGUs shall have a share in the "national internal revenue taxes" which was interpreted by the National Government to include only the national internal revenue taxes collected by the Bureau of Internal Revenue.

Further, in fulfilling the role of the local government units in the delivery of government programs and services, Section 284, Chapter I, Title III of the Local Government Code of 1991 declares that the local government units (LGUs) shall have "on the third year and thereafter, forty percent (40%)" share in the "national internal revenue taxes."

To correct therefore "national internal revenue taxes" to "national taxes," and expand the source of funds for LGUs, as well as increase the current 40% share of LGUs to 50%, the passage of this measure is earnestly sought.



FRANCIS N. PANGILINAN



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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1.** – Beginning the fiscal year following the effectivity of this Act, local
2 government units shall have a fifty percent (50%) share in the national taxes (SNT) based
3 on the collection of the third fiscal year preceding the current fiscal year: *Provided, That*
4 in the event that the national government incurs an unmanageable public sector deficit,
5 the President of the Philippines is hereby authorized, upon the recommendation of the
6 Secretary of Finance, the Secretary of the Interior and Local Government, and the
7 Secretary of Budget and Management, and subject to consultation with the presiding
8 officers of both Houses of Congress and the presidents of various leagues of the local
9 government units, to make the necessary adjustments in the share in the national taxes of
10 local government units but in no case shall the share be less than forty percent (40%) of
11 the collection of national taxes of the third fiscal year preceding the current fiscal year.

12 **SEC. 2. Definition of Terms.** – As used in this Act:

13 a. *Local government units* shall refer to provinces, cities, municipalities, and
14 barangays.

1 b. *National taxes* shall refer to and include the national internal revenue taxes
2 collected by the Bureau of Internal Revenue, and the tariffs, duties, fees, and
3 charges, as well as the national internal revenue taxes, if any, collected by
4 the Bureau of Customs. National taxes shall likewise include value-added
5 taxes collected by both agencies.

6 c. *National internal revenue taxes* shall include the value-added taxes.

7 **SEC. 3.** The share in the national taxes created under this Act of each local
8 government unit shall be determined following the formula provided under Section 285
9 of Republic Act No. 7160.

10 **SEC. 4.** Each local government unit shall appropriate in its annual budget no less
11 than twenty percent (20%) of its share in the national taxes for development projects. The
12 Department of the Interior and Local Government shall be furnished with copies of the
13 development plans of local government units.

14 **SEC. 5.** The Secretary of Finance, in consultation with the Secretary of Budget and
15 Management, shall promulgate the necessary rules and regulations for a simplified
16 disbursement scheme designed for the speedy and effective enforcement of the
17 provisions of this Act.

18 **SEC. 6.** Section 284 under Chapter I, Title III of Republic Act No. 7160 and all laws,
19 presidential decrees, executive orders, letters of instruction, rules, and regulations which
20 are inconsistent with any of the provisions of this Act are hereby repealed or modified
21 accordingly.

22 **SEC. 7.** If any provision of this Act is declared invalid or unconstitutional, the other
23 provisions not affected by such declaration shall remain in full force and effect.

24 **SEC. 8.** This Act shall take effect fifteen (15) days after its complete publication in
25 the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,