

14th Congress of the Republic)
of the Philippines)
1st Regular Session)

7 JUN 30 P2:03

SENATE
SB 118

RECEIVED BY: _____

Introduced by Senator Aquilino Q. Pimentel, Jr.

Explanatory Note

This legislative measure seeks to amend Sections 284 and 286 of Republic Act 7160, otherwise known as the Local Government Code of 1991.

Under this bill, the local government units are entitled to a forty percent (40%) share of national taxes. This is consistent with the mandate under Article X, Section 6 of the 1987 Constitution that "Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them."

Furthermore, it is proposed that the share of each local government unit shall be released, without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case may be, on a monthly or quarterly basis within five (5) days after the end of each month or quarter. Said share shall not be subject to any lien or holdback that may be imposed by the Central government.

The internal revenue allotment (IRA) of local governments has been the lifeblood of many of them as far as operations at the local level is concerned. The IRA shares, as contemplated in the proposed amendments, are enhanced and broadened to include sharing in national taxes. Broadening the share of local governments to go beyond internal revenue and to include all taxes, is one of the more radical amendments being proposed.

This is consistent with the promotion and enhancement of local financial autonomy.

The approval of this bill is therefore, earnestly requested.


AQUILINO Q. PIMENTEL, JR.

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AN ACT AMENDING SECTIONS 284 AND 286 OF REPUBLIC ACT 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:

SECTION 1. Section 284 of RA 7160 is hereby amended and shall read as follows:

Section 284. (Allotment) **SHARE** of (Internal Revenue) **NATIONAL** taxes. **UPON APPROVAL OF THIS CODE, AS AMENDED, (L) local government units (shall have a) ARE ENTITLED TO A FORTY PERCENT (40%) share (in the) OF national (internal revenue) taxes based on the collection of the third fiscal year preceding the current fiscal year. (as follows:)**

- ((a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and

(c) On the third year and thereafter, forty percent (40%). Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.)

SECTION 2. Section 286 of RA 7160 is hereby amended and shall read as follows:

Section 286. Automatic Release of Shares. - (a) The share of each local government unit **IS CONSIDERED OBLIGATED AND IT** shall be released, without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case may be, on a **MONTHLY OR** quarterly basis within five (5) days after the end of each **MONTH OR** quarter, (and which)

(B) SAID SHARE shall not be subject to any lien or holdback that may be imposed by the (national) **CENTRAL** government for whatever purpose.

((b)) (C) Nothing in this Chapter shall be understood to diminish the share of local government units under existing laws.

SECTION 3. All laws, decrees, executive orders, proclamations, rules and regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. Separability Clause. - If any provision of this Act is held invalid or unconstitutional, the other provisions not affected hereby shall remain valid and subsisting.

SECTION 5. This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,