

24 JUN 13 A11:32

SENATE

S.B. No. **2710**

RECEIVED BY

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT INSTITUTING THE NATIONAL TAX ALLOTMENT

EXPLANATORY NOTE

Article X Section 6 of the 1987 Constitution states that "*Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.*"

On July 3, 2018, the Supreme Court, in *Mandanas et al vs. Ochoa*, GRN 199802, ruled that that the just share of LGUs should not be based solely on national internal revenue taxes but all national taxes, including, but not limited to:

- (a) national internal revenue taxes enumerated in Section 21 of the National Internal Revenue Code,
- (b) tariffs and custom duties collected by the Bureau of Customs,
- (c) 50% of value-added tax collected in the Autonomous Region of Muslim Mindanao, and 30% of all other national tax collections in the Autonomous Region of Muslim Mindanao,
- (d) 60% of national taxes from the national wealth,
- (e) 85% of excise taxes from locally manufactured tobacco products,
- (f) 50% of national taxes collected under Sections 106, 108, and 116 of the National Internal Revenue Code, as provided under Section 283 of the same law, and
- (g) 5% of the franchise taxes under Section 6 of RA 6631 and RA 6632.

This bill seeks to institutionalize the *Mandanas* ruling and the direct remittance of the National Tax Allotment to Local Government Units to facilitate accurate and prompt distribution of the National Tax Allotment.

For the abovementioned reasons, the immediate passage of this bill is earnestly sought.

Imee H. Marcos
IMEE R. MARCOS

24 JUN 13 A11:32

SENATE

S.B. No. 2710

RECEIVED BY



Introduced by **SENATOR IMEE R. MARCOS**

AN ACT INSTITUTING THE NATIONAL TAX ALLOTMENT

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

SECTION 1. *Short Title.* This act shall be known as the "*National Tax Allotment Act*".

SEC. 2. Section 284 of Republic Act (R.A.) No. 7160 otherwise known as the "Local Government Code of 1991" as amended, is hereby further amended to read as follows:

"Section 284. *Allotment of* ~~[Internal Revenue]~~ **NATIONAL Taxes.** - Local government units shall have a share in the 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, THE COLLECTION FROM THE NATIONAL TAXES, WITHOUT ANY DEDUCTION, WHICH ARE FOR INCLUSION IN THE BASE OF THE JUST SHARE FOR LOCAL GOVERNMENT UNITS SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE FOLLOWING:

- 1 (i) THE NATIONAL INTERNAL REVENUE TAXES
2 ENUMERATED IN SECTION 21 OF THE NATIONAL
3 INTERNAL REVENUE CODE (NIRC), AS AMENDED,
4 AS COLLECTED BY THE BUREAU OF INTERNAL
5 REVENUE AND THE BUREAU OF CUSTOMS;
6 (ii) TARIFF AND CUSTOMS DUTIES COLLECTED BY
7 THE BUREAU OF CUSTOMS;
8 (iii) 25% OF THE NATIONAL TAXES COLLECTED IN
9 THE BANGSAMORO AUTONOMOUS REGION, AS
10 PROVIDED IN ARTICLE XII, SECTION 10 OF
11 REPUBLIC ACT NO. 11054 OTHERWISE KNOWN
12 AS THE "ORGANIC LAW FOR THE BANGSAMORO
13 AUTONOMOUS REGION IN MUSLIM MINDANAO";
14 (iv) 60% OF THE NATIONAL TAXES COLLECTED FROM
15 THE EXPLOITATION AND DEVELOPMENT OF THE
16 NATIONAL WEALTH;
17 (v) 85% OF THE EXCISE TAXES COLLECTED FROM
18 LOCALLY MANUFACTURED VIRGINIA AND OTHER
19 TOBACCO PRODUCTS;
20 (vi) ENTIRE 50% OF THE NATIONAL TAXES
21 COLLECTED UNDER SECTIONS 106, 108, AND 116
22 OF THE NIRC, AS PROVIDED UNDER SECTION 283
23 OF THE NIRC; AND
24 (vii) 5% OF THE 25% FRANCHISE TAXES GIVEN TO
25 THE NATIONAL GOVERNMENT UNDER SECTION 6
26 OF REPUBLIC ACT NO. 6631 AND SECTION 8 OF
27 REPUBLIC ACT NO. 6632.

28 Provided, That in the event that the national government incurs
29 an unmanageable public sector deficit, the President of the
30 Philippines is hereby authorized, upon the recommendation of
31 the Secretary of Finance, Secretary of Interior and Local
32 Government, and Secretary of Budget and Management, and
33 subject to consultation with the presiding officers of both
34 Houses of Congress and the presidents of the liga, to make the
35 necessary adjustments in the ~~[internal revenue]~~ **NATIONAL**
36 **TAX** allotment of local government units but in no case shall
37 the allotment be less than thirty percent (30%) of the collection
38 of national ~~[internal revenue]~~ taxes of the third fiscal year
39 preceding the current fiscal year: Provided, further, That in the
40 first year of the effectivity of this Code, the local government
41 units shall, in addition to the thirty percent (30%) ~~[internal~~
42 ~~revenue]~~ **NATIONAL TAX** allotment which shall include the
43 cost of devolved functions for essential public services, be

1 entitled to receive the amount equivalent to the cost of
2 devolved personal services."

3 SEC. 3. Section 293 of R.A. No. 7160 otherwise known as the "Local Government
4 Code of 1991" as amended, is hereby further amended to read as follows:

5 **"Section 293. Remittance of the Share of Local Government**
6 **Units.** - The share of local government units from the utilization
7 and development of national wealth shall be remitted in
8 accordance with Section 286 of this Code: Provided, however,
9 That **PERSONS, NATURAL OR JURIDICAL, INCLUDING**
10 **[in the case of any]** government [agency] **AGENCIES** or
11 government-owned or -controlled corporationS engaged in the
12 utilization and development of the national wealth, **[such**
13 **share]** shall **[be]** directly remit**[ted]** to the provincial, city,
14 municipal or barangay treasurer **OF THE HOST LOCAL**
15 **GOVERNMENT CONCERNED ITS FORTY PERCENT**
16 **(40%) SHARE DERIVED FROM NATIONAL WEALTH**
17 **TAXES UNDER SECTION 290 OF THIS CODE AND THE**
18 **REMAINING SIXTY PERCENT (60%) TO THE NATIONAL**
19 **GOVERNMENT** concerned within five (5) days after the end of
20 each quarter."

21 SEC. 4. Section 521 of R.A. No. 7160 otherwise known as the "Local Government
22 Code of 1991" as amended, is hereby further amended to read as follows:

23 **"Section 521. Mandatory Review ~~[Every Five Years.]~~ -**
24 Congress shall undertake a mandatory review of this Code at
25 least once every five (5) years and as often as it may deem
26 necessary, with the primary objective of providing a more
27 responsive and accountable local government structure.
28 **PROVIDED THAT, EVERY THREE (3) YEARS AFTER THE**
29 **EFFECTIVITY OF THIS ACT, THE PHILIPPINE**
30 **INSTITUTE FOR DEVELOPMENT STUDIES (PIDS) SHALL**
31 **SUBMIT FOR CONSIDERATION OF CONGRESS AN**
32 **ASSESSMENT OF THE TRUE COST OF DEVOLVED**
33 **FUNCTIONS AND RECOMMEND AN ADJUSTMENT OF**
34 **THE NATIONAL TAX ALLOTMENT, AS MAY BE**
35 **NECESSARY."**

36 SEC. 5. *Separability Clause.* – If for any reason any part or provision of this Act
37 shall be deemed unconstitutional or invalid, the other sections or provisions hereof shall
38 not be affected and shall remain in force and effect.

1
2 SEC. 6. *Repealing Clause.* – All laws, decrees, executive issuances, rules and
3 regulations inconsistent with this Act are hereby repealed or modified accordingly.
4

5 SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its
6 publication in the Official Gazette or in a newspaper of general circulation.

Approved,