

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 12 P1:51

SENATE

S. No. 394

RECEIVED BY

INTRODUCED BY SENATOR JOSEPH VICTOR "JV" G. EJERCITO

**AN ACT
STRENGTHENING LOCAL GOVERNMENT PARTICIPATION IN NATIONAL
DEVELOPMENT BY INCREASING THE SHARE OF LOCAL GOVERNMENT
UNITS IN NATIONAL TAXES, AMENDING FOR THE PURPOSE SECTION 284
OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991**

EXPLANATORY NOTE

Section 6, Article X of the 1987 Philippine 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."

Republic Act 7160 has somehow limited the very intention of the Constitution to promote and enhance local fiscal autonomy by limiting the just share of the local governments in the national wealth to internal revenues alone. In the Mandanas-Garcia ruling¹, the Supreme Court (SC) held with finality that all collections of national taxes, except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth, should be included in the computation of the base of the just share of local government units (LGUs).

Prior to the SC decision, the IRA accounts for merely 31.20 percent of total national taxes. With the correction made by the SC, LGUs are set to receive in full their mandated 40 percent national tax allocation (NTA). The NTA amounts to

¹ Congressman Hermilando I. Mandanas, et al. Vs. Executive Secretary Paquito N. Ochoa, Jr., et al./Honorable Enrique T. Garcia, Jr. Vs. Honorable Paquito N. Ochoa, Jr., et al., G.R. No. 199802/G.R. No. 208488. April 10, 2019

PhP959.04 billion or about 19.10 percent of the 2022 national budget. This is an increase of PhP185.24 billion from the IRA in 2021 or a growth rate of 23.90 percent.²

This legislative measure seeks to amend Section 284 of RA. 7160 by further broadening the national tax allotment of the LGUs to 50%. By giving the LGUs more fiscal space, their allocation for social services will also increase and the challenge of lack of funding for devolved functions can be addressed.

Ultimately, this bill is proposed to strengthen the local government participation to national development by helping the LGUs achieve genuine autonomy.

In view of the foregoing, the passage of this measure is earnestly sought.



JOSEPH VICTOR "JV" G. EJERCITO

² IRA in 2022 At A Glance, Senate Economic Planning Office, February 2022 (Accessed through https://legacy.senate.gov.ph/publications/SEPO/AAG%20IRA%20in%202022__21March2022.pdf)

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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, as amended, otherwise known
2 as the Local Government Code of 1991 is hereby amended to read as follows:

3 "SECTION 284. Allotment of [~~Internal Revenue~~] **NATIONAL** Taxes. –
4 Local government units shall have a share **OF FIFTY PERCENT (50%)**
5 in the national [~~internal revenue~~] taxes based on the collection of the
6 third fiscal year preceding the current fiscal year. [as follows:

7 (a) On the first year of the effectivity of this Code, thirty percent
8 (30%);

9 (b) On the second year, thirty-five percent (35%);

10 (c) On the third year and thereafter, forty percent (40%).]

11 Provided, That in the event that the national government incurs an
12 unmanageable public sector deficit, the President of the Philippines is
13 hereby authorized, upon the recommendation of Secretary of Finance,
14 Secretary of Interior and Local Government and Secretary of Budget and
15 Management, and subject to consultation with the presiding officers of

1 both Houses of Congress and the presidents of the "liga", to make the
2 necessary adjustments in the [~~internal-revenue~~] **NATIONAL TAX**
3 allotment of local government units but in no case shall the allotment be
4 less than thirty percent (30%) of the collection of national [~~internal~~
5 ~~revenue~~] taxes of the third fiscal year preceding the current fiscal year:
6 Provided, further, That in the first year of the effectivity of this Code,
7 the local government units shall, in addition to the thirty percent (30%)
8 [~~internal-revenue~~] allotment which shall include the cost of devolved
9 functions for essential public services, be entitled to receive the amount
10 equivalent to the cost of devolved personal services."

11 *Sec. 2. Implementing Rules and Regulations.* - The Secretaries of the
12 Department of Budget and Management and the Department of the Interior and Local
13 Government in coordination with the Department of Finance and the Bureau of
14 Internal Revenue, shall within ninety (90) days from the effectivity of this Act, jointly
15 formulate and promulgate rules and regulations to implement the provisions of this
16 Act.

17 *Sec. 3. Repealing Clause.* - All laws, presidential decrees, executive orders, rules
18 and regulations contrary to or inconsistent with the provisions of this Act are hereby
19 repealed or modified accordingly.

20 *Sec. 4. Effectivity.* - This Act shall take effect fifteen (15) days after its
21 publication in the Official Gazette or in at least two (2) newspaper of general
22 circulation.

Approved,