

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

EIGHTEENTH CONGRESS  
First Regular Session

HOUSE BILL NO. 3720



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Introduced by **HON. JOY MYRA S. TAMBUNTING**

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#### EXPLANATORY NOTE

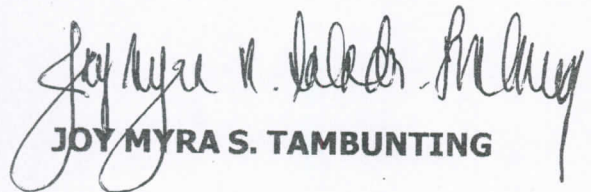
This legislation aims to provide and increase fiscal independence to the Local Government Units (LGUs) by providing additional source of funds in the form of an increase in its share in the national taxes.

The LGUs are the backbone of the government. They are in the forefront in pursuing national development and progress. They are the first responders in cases of disasters or calamities and they are also the prime movers of the executive mandate.

Enshrined in the 1987 Constitution, Article X, Section 6 which 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."

An increase of fifty percent (50%) would mean more funding and resources at the grass roots level for infrastructure development, livelihood programs and various social services.

It is in this light that the immediate passage of this bill is earnestly sought.

  
**JOY MYRA S. TAMBUNTING**

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

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

**SECTION 1.** Beginning the fiscal year following the effectivity of this Act, local government units shall have a fifty percent (50%) share in the national taxes based on the collection of the third fiscal year preceding the current fiscal year: *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 the 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 president of the various leagues of the local government units, to make the necessary adjustments in the share in the national taxes of local government units but in no case shall the share be less than forty percent (40%) of the collection of national taxes of the third fiscal year preceding the current fiscal year.

**SECTION 2.** As used in this Act:

- (1) "Local Government Units" shall refer to provinces, cities, municipalities and barangays;
- (2) "National Taxes" shall refer to and include the national internal revenue taxes collected by the Bureau of Internal Revenue and the tariffs, duties, fees, and charges as well as the national internal revenue taxes, if any collected by the Bureau of Customs;
- (3) "National Internal Revenue Taxes" shall include the value-added tax;



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

**SECTION 4.** Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its share in the national taxes for development projects. Copies of the development plans of local government units shall be furnished to the Department of Interior and Local Government.

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

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

**SECTION 7.** If, for any reason or reasons, any part or provision of this Act shall be held to be unconstitutional or invalid other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

**SECTION 8.** This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in any newspaper of general circulation:

Approved,