



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Seventeenth Congress
First Regular Session

HOUSE BILL NO. **4192**



Introduced By:
REP. FRANCISCO JOSE F. MATUGAS II
1ST District, Surigao del Norte (*Siargao Island*)

EXPLANATORY NOTE

Article X Section 6 of the Philippine Constitution provides that "local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them". It is therefore mandated that LGUs receive not just a share in the national taxes but that the said share be "just".

Under the Local Government Code of 1991, the LGUs share in the national internal revenue taxes is merely forty percent (40%), based on the collection of the third fiscal year preceding the current fiscal year. After two decades of its implementation, the said share is already deemed insufficient for local government units, particularly those belonging to lower income classifications or lower fiscal capacity. This, considering the enormous powers and responsibilities devolved to them. For this reason, many LGUs have been clamoring that some devolved functions and responsibilities, such as health services, be reassigned or transferred back to the national government. It is thus, high time that the share of the LGUs in internal revenue taxes be increased.

Similarly, the Constitution explicitly states that LGUs shall have a just share in the "national taxes". This means that LGUs have a right to taxes collected by the national government other than the internal revenue taxes collected by BIR. Therefore, this bill seeks to increase the share of local government units by including the Value Added Tax (VAT), being collected by the Bureau of Customs, in the computation of internal revenue taxes.

For these reasons, approval of this bill is earnestly sought.

FRANCISCO JOSE F. MATUGAS II



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INTRODUCED BY REPRESENTATIVE FRANCISCO JOSE F. MATUGAS II

AN ACT INCREASING THE SHARE OF LOCAL GOVERNMENT UNITS IN
THE NATIONAL INTERNAL REVENUE TAXES, AMENDING FOR THE
PURPOSE SECTION 284 OF 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:*

1 **SECTION 1.** The first paragraph of Section 284 of Republic Act No. 7160,
2 otherwise known as the Local Government Code of 1991, is hereby amended to read
3 as follows:

4
5 "SECTION 284. Allotment of Internal Revenue Taxes. - Local
6 Government units shall have a share in the national internal revenue
7 taxes based on the collection of the current fiscal year as follows:

- 8
9 (a) On the first year of the effectivity of this Code, thirty percent
10 (30%);
11
12 (b) On the second year, thirty-five (35%); [and]
13
14 (c) On the third year, [and thereafter], **AND UNTIL FISCAL**
15 **YEAR 2016**, forty percent (40%); [:]
16
17 (d) **FOR FISCAL YEAR 2017, FIFTY PERCENT (50%);**

1 (e) FOR FISCAL YEAR 2018 AND THEREAFTER, SIXTY
2 PERCENT (60%).
3

4 x x x x x x''
5

6 SEC. 2. The collections of the Bureau of Internal Revenue (BIR), including the
7 Value Added Tax (VAT) and excise tax on imported goods being collected by the
8 Bureau of Customs, shall be included in the computation of national internal
9 revenue taxes.
10

11 SEC. 3. The Department of Finance (DOF), in coordination with the
12 Department of Budget and Management (DBM), Department of Interior and Local
13 Government (DILG) and the leagues of local government units shall issue the
14 necessary rules and regulations within sixty (60) days after the effectivity of this Act.
15

16 SEC. 4. *Repealing Clause.* All laws, presidential decrees, executive orders
17 presidential proclamations, issuances, rules and regulations or parts thereof which
18 are inconsistent with the provisions of this Act are hereby repealed or amended
19 accordingly.
20

21 SEC. 5. *Effectivity Clause.* This act shall take effect fifteen (15) days from its
22 publication in the *Official Gazette* or in a newspaper of general circulation.
23

24 Approved,