In the case of Mandanas vs Executive Secretary (G.R. No. 199802, July 03, 2018) the Supreme Court ruled with finality that the phrase "internal revenue" appearing in Section 284 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991 is unconstitutional and ordered it deleted from the law along with other references to the same. It basically ruled that all references to "internal revenue" in connection with the computation of the Internal Revenue Allotment (IRA) is unconstitutional and the ruling therefore widened the base amounts for the computation of the IRA.

As such, this bill is filed to amend the Local Government Code of 1991 to reflect the ruling of the Supreme Court.

In view of the foregoing, immediate approval of this measure is earnestly requested.

RUFUS B. RODRIGUEZ
AN ACT
AMENDING SECTIONS 284, 285, 287 AND 290 OF REPUBLIC ACT NO. 7160 OR 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 Republic Act No. 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 284. Allotment of [Internal Revenue] 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 cralaw  
(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.

THE NATIONAL TAXES TO BE INCLUDED IN THE BASE FOR COMPUTING THE JUST SHARE OF THE LOCAL GOVERNMENT UNITS (LGUS) SHALL INCLUDE BUT NOT BE LIMITED TO THE FOLLOWING:

A) THE NATIONAL INTERNAL REVENUE TAXES ENUMERATED IN SECTION 21 OF THE NATIONAL INTERNAL REVENUE CODE
COLLECTED BY THE BUREAU OF INTERNAL REVENUE AND THE BUREAU OF CUSTOMS;

B) TARIFF AND CUSTOMS DUTIES COLLECTED BY THE BUREAU OF CUSTOMS;

C) 50% OF THE VALUE-ADDED TAXES COLLECTED IN THE BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO, AND 30% OF ALL OTHER NATIONAL TAX COLLECTED IN THE BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO;

D) 60% OF THE NATIONAL TAXES COLLECTED FROM THE EXPLOITATION AND DEVELOPMENT OF THE NATIONAL WEALTH;

E) 85% OF THE EXCISE TAXES COLLECTED FROM LOCALLY MANUFACTURED VIRGINIA-TYPE CIGARETTES AND OTHER TOBACCO PRODUCTS;


G) 5% OF THE 25% FRANCHISE TAXES GIVEN TO THE NATIONAL GOVERNMENT UNDER SECTION 8 OF REPUBLIC ACT NO. 6631 AND SECTION 8 OF REPUBLIC ACT NO. 6632.

SECTION 2. Section 285 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 285. Allocation to Local Government Units. - The share of local government units in the [internal revenue] allotment shall be allocated in the following manner:
(a) Provinces - Twenty-three percent (23%);
(b) Cities - Twenty-three percent (23%);
(c) Municipalities - Thirty-four percent (34%); and
(d) barangays - Twenty percent (20%)

Provided, however, That the share of each province, city, and municipality shall be determined on the basis of the following formula:
(a) Population - Fifty percent (50%);
(b) Land Area - Twenty-five percent (25%); and
(c) Equal sharing - Twenty-five percent (25%)

Provided, further, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand pesos (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the [internal revenue] allotment, and the balance to be allocated on the basis of the following formula:
(a) On the first year of the effectivity of this Code:
   (1) Population - Forty percent (40%); and
   (2) Equal Sharing - Sixty percent (60%)

(b) On the second year:
   (1) Population - Fifty percent (50%); and
   (2) Equal Sharing - Fifty percent (50%)

(c) On the third year and thereafter:
   (1) Population - Sixty percent (60%); and
   (2) Equal Sharing - Forty percent (40%)

Provided, finally, That the financial requirements of barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned.

SECTION 3. Section 287 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 287. Local Development Projects. - Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual [internal revenue] allotment for development projects. Copies of the development plans of local government units shall be furnished the Department of Interior and Local Government.

SECTION 4. Section 290 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 290. Amount of Share of Local Government Units. - Local government units shall, in addition to the [internal revenue] allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interests, or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction.

SECTION 5. Separability Clause – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 6. Repealing Clause – All other laws, Acts, Presidential Decrees, Executive Orders, Presidential Proclamations, issuances, rules and regulations, or parts thereof which are contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,