


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



'16 JUL 21 P2:43

SENATE

RECEIVED BY: 

S. No. 822

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Introduced by Senator Ralph G. Recto

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**AN ACT**  
**TO INCLUDE IN THE COMPUTATION OF THE INTERNAL REVENUE**  
**ALLOTMENT (IRA), ALL THE NATIONAL INTERNAL REVENUE TAXES**  
**COLLECTED BY THE BUREAU OF INTERNAL REVENUE AND THE**  
**BUREAU OF CUSTOMS, AMENDING FOR THIS 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 Constitution provides that the local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.

In view of this constitutional mandate, Republic Act No. 7160, otherwise known as the Local Government Code of 1991 was enacted to achieve and promote the basic policy of local autonomy.

However, the Local Government Code of 1991 particularly Section 284 provides that the LGUs shall have a share in the "national internal revenue taxes" which was interpreted by the National Government to include only the national internal revenue taxes collected by the Bureau of Internal Revenue (BIR). Therefore, the national internal revenue taxes such as the value-added tax and excise taxes on the importation of goods collected by the Bureau of Customs (BOC) are not included in the computation of internal revenue allotment (IRA) share of LGUs.

The LGUs argue that the value-added tax and excise taxes collected by the BOC should be included in the allocation of IRA share because the said taxes are also "national internal revenue taxes" imposed under the National Internal Revenue Code (NIRC) of 1997, as amended. The BOC is only deputized by the BIR to collect such taxes on imported goods.

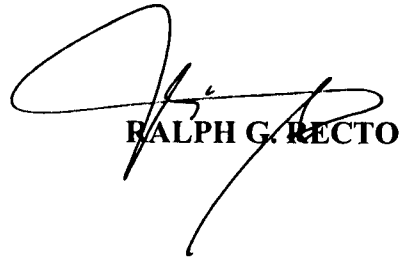
The LGUs have been deprived of their just share in the national internal revenue taxes collected on the importation of goods. For the years 2010 to 2014, the BOC collected an average of P244.3 Billion annually in value-added tax and excise taxes.<sup>1</sup>

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<sup>1</sup> BOC Annual Report/Collection Performance Report submitted to Congressional Oversight Committee on Comprehensive Tax Reform Program (COCCTRP)

The purpose and intent of this bill is to give the LGUs their just share in the national internal revenue taxes by clarifying its definition as referring to “national internal revenue taxes” imposed under the NIRC of 1997, as amended, collected by the BIR and the BOC.


In the light of the foregoing, immediate passage of this bill is earnestly sought.



**RALPH G. RECTO**

SENATE

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**REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL**  
**GOVERNMENT CODE OF 1991**

*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 is hereby amended to read  
2 as follows:

3           “Section 284. *Allotment of Internal Revenue Taxes.* - Local government units  
4 shall have a share in the national internal revenue taxes based on the collection of the  
5 third fiscal year preceding the current fiscal year as follows:

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

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

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

9           “xxx

10           **AS USED IN THIS ACT, THE TERM “NATIONAL INTERNAL**  
11 **REVENUE TAXES” SHALL INCLUDE INCOME TAX, ESTATE AND**  
12 **DONOR’S TAXES, VALUE-ADDED TAX, OTHER PERCENTAGE TAXES,**  
13 **EXCISE TAXES, DOCUMENTARY STAMP TAXES, AND SUCH OTHER**  
14 **TAXES COLLECTED BY THE BUREAU OF INTERNAL REVENUE; AND**  
15 **VALUE-ADDED TAX AND EXCISE TAXES ON IMPORTED GOODS**  
16 **COLLECTED BY THE BUREAU OF CUSTOMS.”**

1           **SEC. 2. *Implementing Rules and Regulations.*** – Within sixty (60) days from the  
2 effectivity of this Act, the Secretary of Finance and the Secretary of Budget and  
3 Management shall promulgate the necessary rules and regulations for the effective  
4 implementation of the provisions of this Act.

5           **SEC. 3. *Repealing Clause.*** – All laws, orders, decrees, rules and regulations, and  
6 other parts thereof inconsistent with the provisions of this Act are hereby repealed,  
7 amended or modified accordingly.

8           **SEC. 4. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its  
9 publication in Official Gazette or in at least two (2) national newspapers of general  
10 circulation

Approved,