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SENATE
P.S. RES. NO. 493

RECEIVED BY: 

Introduced by Senator Manny B. Villar

RESOLUTION
URGING THE COMMITTEES ON LOCAL GOVERNMENT AND WAYS AND MEANS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, AS TO THE ADEQUACY OF THE CURRENT SET UP ON THE INTERNAL REVENUE ALLOTMENT OF THE LOCAL GOVERNMENT UNITS (LGUS) AND THE EQUITABLE DISTRIBUTION OF TAXES COLLECTED FROM BUSINESSES HAVING DIFFERENT PRINCIPAL OFFICES, PLANTS OR FACTORY LOCATIONS WITH THE INTENTION OF HELPING THE LGUS TO REASONABLY RECEIVE THEIR JUST SHARE OF GOVERNMENT RESOURCES.

Whereas, Article X, Section 6 of the 1987 Philippine Constitution provides that “[l]ocal government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them;”

Whereas, in Article X, Section 5 of the 1987 Constitution it also provides that “[e]ach local government unit shall have the power to create its own sources of revenues and to levy taxes, fees and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments;”

Whereas, the Local Government Code (LGC) of 1991 provides:

Section 284 “[a]llotment 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 c.) on the third year and thereafter, forty percent (40%);

Section 285 “[a]llocation to Local Government Units (LGU). - 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%)

Section 290 “[a]mount 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 143 allows the LGU to impose business tax, this however is divided as follows, as provided in Sec. 150 of the LGC: "(1) Thirty percent (30%) of all sales recorded in the principal office shall be taxable by the city or municipality where the principal office is located; and (2) Seventy percent (70%) of all sales recorded in the principal office shall be taxable by the city or city or municipality where the factory is located; and (2) Forty percent (40%) to the city or municipality where the plantation is located. (d) In cases where a manufacturer, assembler, producer, exporter or contractor has two (2) or more factories, project offices, plants, or plantations located in different localities, the seventy percent (70%) sales allocation mentioned in subparagraph (b) of subsection (2) above shall be prorated among the localities where the factories, project offices, plants, and plantations are located in proportion to their respective volumes of production during the period for which the tax is due. (e) The foregoing sales allocation shall be applied irrespective of whether or not sales are made in the locality where the factory, project office, plant, or plan is located;"

Whereas, from the foregoing, the main sources of revenue on the part of the LGU are: a) from the national government, i. internal revenue allotment, ii. share from taxes, fees and charges collected from the development and utilization of national wealth, iii. other grants and subsidies, iv. debt relief program and from those that are b) locally generated i. real property taxes, ii. business taxes, iii. other local taxes, iv. regulatory fees, v. operation of local economic enterprises, vi. tolls and users charges;

Whereas, both the Constitution and the LGC were enacted to provide a more responsive and accountable local government that is able to provide ample support to its residents by virtue of devolution;

Whereas, considering the burden of devolution, which entails exacting functions and responsibilities, and the present sharing of the internal revenue allotment between the national government and the local government units, it is inevitable that LGUs face budgetary constraints which limits their capability to provide the needed services to their constituents;

Whereas, this budgetary constraint is worsened by the seeming inequitable distribution of taxes collected from businesses which is divided depending on the situs of the businesses particularly between the principal office vis a vis a plant or a factory thereof;

NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, to urge the Committees on Local Government and Ways and Means to conduct an inquiry, in aid of legislation, as to the adequacy of the current set up on the internal revenue allotment of the Local Government Units (LGUs) and the equitable distribution of taxes collected from businesses having different principal offices, plants or factory locations with the intention of helping the LGUs to reasonably receive their just share of government resources.

Adopted,


Manny Villar