

[PRESIDENTIAL DECREE NO. 1741, October 31, 1980]

GOVERNING THE COMPUTATION OF NATIONAL INTERNAL REVENUE ALLOTMENTS TO LOCAL GOVERNMENT UNITS

WHEREAS, internal revenue allotments are apportioned among local government units on the basis of the Tax Code, P.D. No. 144 (as amended) and various other laws;

WHEREAS, it is necessary to rationalize the system of national revenue allotments to local government units, in the light of the termination of P.D. No. 1231 on December 31, 1980 and the various forms in which national assistance is presently extended to local government units;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby Order and Decree:

SECTION 1. *Statement of Policy.*—It shall be the policy of the State to strengthen the fiscal operations of local government units, consistent with the principle of decentralization in government operations. Part of the collections of the national government obtained from internal revenue sources shall accrue to local government units, comprising national assistance to the said local government units. The amount of assistance shall be determined, taking into account local requirements and available national funds, particularly as determined by the cost of implementing the national development plan.

SEC. 2. *Magnitude of Assistance.*—A maximum of twenty per cent (20%) of national internal revenue taxes shall be available for national assistance to local government units: *Provided*, That the national revenue used as basis in computation shall exclude receipts accruing to Special or Fiduciary Funds and to Special Accounts in the General Fund, amounts authorized by law to be used by the collecting agency, and amounts recorded as income of the General Fund but which are charged to appropriations in the General or other Appropriations Laws.

The amount of assistance shall be computed on the basis of collections received by the national government during the third fiscal year preceeding the fiscal year during which the assistance is distributed. Compliance shall be reckoned taking into account general budgetary assistance and assistance specifically intended for local schools, reforestation projects, or other priority local activities supported by the national government.

SEC. 3. *Allocation.*—The total amount available shall be allocated among local government units as follows: provinces—thirty per cent (30%); municipalities—forty-five per cent (45%); and cities—twenty-five per cent (25%).

The share of each local government unit shall be determined on the basis of population—seventy per centum (70%); land area—twenty per centum (20%); and equal sharing—ten per centum (10%).

SEC. 4. *Rate of Change.* —The annual allotment of any local government unit shall not increase by more than twenty-five per cent (25%) of, nor shall be less than, its actual allocation for the preceding year, except when otherwise approved by the