

## EN BANC

[ G.R. No. 199802, April 10, 2019 ]

CONGRESSMAN HERMILANDO I. MANDANAS; MAYOR EFREN B. DIONA; MAYOR ANTONINO AURELIO; KAGAWAD MARIO ILAGAN; BARANGAY CHAIR PERLITO MANALO; BARANGAY CHAIR MEDEL MEDRANO; BARANGAY KAGAWAD CRIS RAMOS; BARANGAY KAGAWAD ELISA D. BALBAGO, AND ATTY. JOSE MALVAR VILLEGAS, PETITIONERS, V. EXECUTIVE SECRETARY PAQUITO OCHOA; SECRETARY CESAR PURISIMA, DEPARTMENT OF FINANCE; SECRETARY FLORENCIO H. ABAD, DEPARTMENT OF BUDGET AND MANAGEMENT; COMMISSIONER KIM JACINTO-HENARES, BUREAU OF INTERNAL REVENUE; AND NATIONAL TREASURER ROBERTO TAN, BUREAU OF THE TREASURY, RESPONDENTS.

[G.R. No. 208488, April 10, 2019]

HONORABLE ENRIQUE T. GARCIA, JR., IN HIS PERSONAL AND OFFICIAL CAPACITY AS REPRESENTATIVE OF THE 2ND DISTRICT OF THE PROVINCE OF BATAAN, PETITIONER, V. HONORABLE [PAQUITO] N. OCHOA, EXECUTIVE SECRETARY; HONORABLE CESAR V. PURISIMA, SECRETARY, DEPARTMENT OF FINANCE; HONORABLE FLORENCIO H. ABAD, SECRETARY, DEPARTMENT OF BUDGET AND MANAGEMENT; HONORABLE KIM JACINTO-HENARES, COMMISSIONER, BUREAU OF INTERNAL REVENUE; AND HONORABLE ROZZANO RUFINO B. BIAZON, COMMISSIONER, BUREAU OF CUSTOMS, RESPONDENTS.

### R E S O L U T I O N

**BERSAMIN, C.J.:**

On July 3, 2018, the Court promulgated its decision, disposing -

**WHEREFORE**, the petitions in G.R. No. 199802 and G.R. No. 208488 are **PARTIALLY GRANTED**, and, **ACCORDINGLY**, the Court:

**1. DECLARES** the phrase "internal revenue" appearing in Section 284 of Republic Act No. 7160 (*Local Government Code*) **UNCONSTITUTIONAL**, and **DELETES** the phrase from Section 284.

Section 284, as hereby modified, shall henceforth read as follows:

**Section 284. Allotment of Taxes.** — Local government units shall have a share in the national 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%).

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 allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national 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%) 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 phrase "internal revenue" is likewise hereby **DELETED** from the related sections of Republic Act No. 7160 (*Local Government Code*), specifically Section 285, Section 287, and Section 290, which provisions shall henceforth read as follows:

**Section 285.** *Allocation to Local Government Units.* — The share of local government units in the allotment shall be collected 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 (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the 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.

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

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**Section 290.** *Amount of Share of Local Government Units.* — Local government units shall, in addition to the 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.

Article 378, Article 379, Article 380, Article 382, Article 409, Article 461, and related provisions of the Implementing Rules and Regulations of R.A. No. 7160 are hereby **MODIFIED** to reflect the deletion of the phrase "internal revenue" as directed herein.

Henceforth, any mention of "Internal Revenue Allotment" or "IRA" in Republic Act No. 7160 (*Local Government Code*) and its Implementing Rules and Regulations shall be understood as pertaining to the allotment of the Local Government Units derived from the national taxes;

**2. ORDERS the SECRETARY OF THE DEPARTMENT OF FINANCE; the SECRETARY OF THE DEPARTMENT OF BUDGET AND MANAGEMENT; the COMMISSIONER OF INTERNAL REVENUE; the COMMISSIONER OF CUSTOMS; and the NATIONAL TREASURER** to include **ALL COLLECTIONS OF NATIONAL TAXES** in the computation of the base of the *just share* of the Local Government Units according to the ratio provided in the now-modified Section 284 of Republic Act No. 7160 (*Local Government Code*) except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth.

For this purpose, the collections of national taxes for inclusion in the base of the *just share* the Local Government Units shall include, but shall not be limited to, the following:

(a) The national internal revenue taxes enumerated in Section 21 of the National Internal Revenue Code, as amended, 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 Autonomous Region in Muslim Mindanao, and 30% of all other national tax collected in the Autonomous Region in Muslim Mindanao.

The remaining 50% of the collections of value-added taxes and 70% of the collections of the other national taxes in the Autonomous Region in Muslim Mindanao shall be the exclusive share of the Autonomous Region in Muslim Mindanao pursuant to Section 9 and Section 15 of Republic Act No. 9054.

(d) 60% of the national taxes collected from the exploitation and development of the national wealth.

The remaining 40% of the national taxes collected from the exploitation and development of the national wealth shall exclusively accrue to the host Local Government Units pursuant to Section 290 of Republic Act No. 7160 (*Local Government Code*);

(e) 85% of the excise taxes collected from locally manufactured Virginia and other tobacco products.

The remaining 15% shall accrue to the special purpose funds created by Republic Act No. 7171 and Republic Act No. 7227;

(f) The entire 50% of the national taxes collected under Sections 106, 108 and 116 of the NIRC as provided under Section 283 of the NIRC; and

(g) 5% of the 25% franchise taxes given to the National Government under Section 6 of Republic Act No. 6631 and Section 8 of Republic Act No. 6632.

**3. DECLARES** that:

(a) The apportionment of the 25% of the franchise taxes collected from the Manila Jockey Club and Philippine Racing Club, Inc. — that is, five percent (5%) to the National Government; five percent (5%) to the host municipality or city; seven percent (7%) to the Philippine Charity Sweepstakes Office; six percent (6%) to the Anti-Tuberculosis Society; and two percent (2%) to the White Cross pursuant to Section 6 of Republic Act No. 6631 and Section 8 of Republic Act No. 6632 — is **VALID**;

(b) Section 8 and Section 12 of Republic Act No. 7227 are **VALID**; and, **ACCORDINGLY**, the proceeds from the sale of the former military bases converted to alienable lands thereunder are **EXCLUDED** from the computation of the national tax allocations of the Local Government Units; and

(c) Section 24 (3) of Presidential Decree No. 1445, in relation to Section 284 of the National Internal Revenue Code, apportioning one-half of one percent (1/2 of 1%) of national tax collections as the auditing fee of the Commission on Audit is **VALID**;

4. **DIRECTS** the Bureau of Internal Revenue and the Bureau of Customs and their deputized collecting agents to certify all national tax collections, pursuant to Article 378 of the