

REVISING THE PRESENT SYSTEM OF NATIONAL INTERNAL REVENUE ALLOTMENTS TO LOCAL GOVERNMENTS

PRESIDENTIAL DECREE NO. 144, March 03, 1973

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WHEREAS, under the National Internal Revenue Code and other existing laws, internal revenue allotments are apportioned among the local governments on the basis of various formulas for distribution;

WHEREAS, the present system of internal revenue allotments has resulted in a lopsided distribution of funds among the local government units such that a few provinces and cities receive greater shares while the majority receive less; and

WHEREAS, for purposes of administrative simplicity and efficiency and in order to establish a more equitable system of distribution of allotments and introduce the developmental concept in the allocation of funds to local governments, it has become imperative and compelling to revise the present internal revenue allotment system;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, in order to transform the tax system into an effective tool for the implementation of the desired changes such as income redistribution and reforms in our new society, do hereby order and decree that the present system of national internal revenue allotments to local governments be revised as herein provided:

- Twenty per centum (20%) of the collections from national internal revenue taxes not otherwise accruing to special funds and special accounts in the general fund shall accrue to local governments to be computed on the basis of the collections of the third fiscal year preceding the current fiscal year.

- This allotment shall be distributed as follows:

Thirty per centum (30%) to provinces

Forty-five per centum (45%) to municipalities

Twenty-five per centum (25%) to cities

- The share of each local government unit shall be determined on the basis of the following formula:

Seventy per centum (70%) — Population

Twenty per centum (20%) — Land Area

Ten per centum (10%) — Equal Sharing

- For the first three fiscal years of implementation of this Decree (FY's 1974, 1975 and 1976) the annual allotment of any local government shall not increase by more than fifteen per centum (15%) nor decrease by more than fifty per centum (50%) of its actual allotment during the fiscal year 1970-71. Thereafter, the shares of each local government shall be determined solely on the basis of Sections 1, 2 and 3 hereof.

- There is hereby created a Barrio Development Fund to be constituted of the ten percent shares of the barrios in real estate tax collections as provided under Republic Act No. 3590 (the Revised Barrio Charter) and annual

contributions from each province, city and municipality in an amount not exceeding P500 per barrio, which fund shall be spent solely for community development projects that would meet the requirements set forth by the Secretary of Local Government and Community Development. The Provincial Treasurer shall be the custodian of this fund and he shall maintain in his books a special account therefor. Releases of this fund shall be made through the Municipal Treasurer concerned who shall be responsible for the proper disbursement and accounting of the same.

- Each province, city and municipality shall appropriate in its annual general fund budget no less than twenty per centum (20%) of its annual allotment for development projects.

The development plans of the local units shall be subject to the approval of the Secretary of Local Government and Community Development, who shall issue the necessary guidelines for the purpose.

- In addition, five per centum (5%) of the collections from national internal revenue taxes not otherwise accruing to special funds and special accounts in the general fund shall accrue to a local government fund which shall be released by the President as financial aid to local governments or to projects.

- This revised allotment system shall take effect July 1, 1973.

- The Secretary of Finance shall issue the necessary rules and regulations for the prompt and effective implementation of this Decree.

All laws or parts of law inconsistent herewith are hereby revoked or modified accordingly.

Done in the City of Manila, this 3rd day of March, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR

Executive Secretary

In order to facilitate the implementation of this Presidential Order No. 144, the Department of Finance issued the following:

Finance Order No. 13 -73, dated April 5, 1973, on the allotments of revenues to local governments; and
Finance Provincial Circular No. 21-73, dated August 15, 1973, on the preparation and submittal of requests for financial aid from the Local Government Fund.

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