

IMPLEMENTING RULES AND REGULATIONS REPUBLIC ACT NO. 11693

IRR REPUBLIC ACT NO. 11683, October 17, 2022

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Pursuant to Section 2 of Republic Act No. 11683, entitled "An Act Amending Section 450 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, as Amended by Republic Act No. 9009, by Providing for the Requisites for the Conversion of a Municipality into Component City, and for Other Purposes", the Department of the Interior and Local Government (DILG), the Department of Finance (DOF), and the Department of Budget and Management (DBM) hereby promulgate the following rules and regulations implementing the provisions of the said Act.

RULE I GENERAL PROVISIONS

SECTION 1. Title. These Rules shall be known as the "Implementing Rules and Regulations of RA No. 11683".

SECTION 2. Purpose. These Rules are hereby promulgated to ensure the effective implementation of RA No. 11683 and to achieve the objectives thereof.

SECTION 3. Scope of Application. These Rules shall apply to the requirements of Section 450 of RA No. 7160, or the Local Government Code (LGC) of 1991, as amended by RA No. 9009 and RA No. 11683, for the purpose of conversion of a municipality or a cluster of barangays into a component city, and for other pertinent purposes.

The national tax allotment (NTA) portability shall be applied to all newly-created component cities, including those cities, including those cities previously created through the enactment of laws but whose corporate existence commenced after the enactment of RA No. 11683.

SECTION 4. Interpretation. These Rules shall be construed and applied in accordance with and in furtherance of the policies and objectives of the LGC of 1991, as amended by RA No. 11683. In case of doubt, ambiguity, or disagreement in the interpretation of these Rules, the DILG, the DOF, and the DBM shall be issue jointly the appropriate clarification's therefor.

RULE II

POLICY AND APPLICATION

SECTION 1. Requisites for Creation of a Component City. (a) A component city shall not be created unless either of the requisites enumerated under Section 1(a)(i) or Section 1(a)(ii) of this Rule are present.

(i) A municipality or a cluster of barangays may be converted into a component city should the following requisites on income and either population or land area are present:

(1) Income - A locally generated average annual income of not less than one hundred million pesos (Php 100,000,000.00) for the immediately preceding two (2) consecutive years based on 2000 constant prices, as certified by the DOF; and

(2) Population or Land Area - Population which shall not less than one hundred fifty thousand (150,000)

inhabitants, as certified by the Philippine Statistics Authority (PSA); or land area which must be contiguous with an area of at least one hundred (100) square kilometers, as certified by the Land Management Bureau (LMB).

(ii) A municipality or a cluster of barangays may be converted into a component city should the following requisites on income and either population or land area are present:

(1) Income - A locally generated average annual income of not less than four hundred million pesos (Php400,000,000.00) for the immediately preceding two (2) consecutive years based on 2012 constant prices, as certified by the DOF; Provided, That three (3) years after the effectivity of RA No. 11683 and every three (3) years thereafter, the threshold amount of four hundred million pesos (Php400,000,000.00) shall be increased by five percent (5%); and

(2) Population or Land Area - Population which shall not be less than one hundred thousand (100,000) inhabitants, as certified by the PSA; or land area which must be continuous with an area of at least one hundred (100) square kilometers, as certified by the LMB.

(b) The territorial jurisdiction of a newly-created city shall be properly identified by metes and bounds. The requirement on land area shall not apply where the city proposed to be created is composed of one (1) or more islands. The territory need not be contiguous if it comprises two (2) or more islands.

(c) The average locally generated annual income shall include the income accruing to the general fund, exclusive of specific funds, transfers, and nonrecurring income.

(d) The creation of a new component city shall not reduce the land area, population, and income of the original LGU or LGUs at the time of said creation to less than the prescribed minimum requirements.

(e) As part of the procedure for the creation of a component city, the following documents shall be attached to the petition for creation:

(i) Certification by the DOF that the average annual income of the proposed city meets the minimum income requirements and that its creation will not reduce the income of the original LGU or LGUs to less than the prescribed minimum;

(ii) Certification by the PSA as to population of the proposed city and that its creation will not reduce the population of the original LGUs to less than the prescribed minimum;

(iii) Certification by the LMB that the land area of the proposed city meets the minimum land area requirement and that its creation will not reduce the land area of the original LGU or LGUs to less than the prescribed minimum;

(iv) Map of the original LGU or LGUs, indicating the areas to be created into a city. The map shall be prepared by the provincial city, or district engineer, as the case may be, and shall clearly indicate the road network within the proposed city;

(v) Number and nature of existing and commercial establishments in the territory of the proposed city as certified by the PSA;

(vi) Sources of potable water supply for the inhabitants as certified by the Local Water Utilities Administration (LWUA) or the Metropolitan Waterworks and Sewerage System (MWSS), as the case may be;

(vii) Facilities, plans, and site for sewerage, garbage and waste disposal as certified by the local engineer; and

(viii) Such other information that the petitioners may deem relevant for consideration in the petition.

All costs incurred in the production of the required documents shall be borne by the petitioning LGUs.

SECTION 2. National Tax Allotment (NTA) Portability. In order to minimize the effect of conversion, the newly-converted cities shall bring their respective allotments derived from the national taxes as municipalities to the allotment of cities. The amount shall be equivalent to the newly-converted cities' most recent NTA shares as municipalities. The amount shall be equivalent to the newly-converted cities' most recent NTA shares as municipalities. The resulting allocation shall be distributed based on population, land area, and equal sharing as prescribed in Section 285 of RA No. 7160. The said portability shall be effective for a period of three (3) years from conversion into cityhood.

Adjustments in the NTA brought about this Section shall only be considered and implemented by the DBM in the subsequent fiscal year from receipt by the DBM of the notice of the said change.

ILLUSTRATION:

In 2022, Municipality A was converted into a component city (named as City A) after it was ratified through affirmative votes cast in a plebiscite. Municipality A has a current NTA share of Php100.0 million. For FY 2023 the total NTA share of LGUs is estimated to be at Php1.0 trillion. In the computation of the FY 2023 NTA share of cities and municipalities, the following steps shall be followed:

Step 1. Determine the NTA application per LGU level based on Section 285 of RA No. 7160.

2023 NTA: Php1.0 trillion

LGU Level

Allocation

Total NTA Shares

Provinces

23%

230,000,000,000

Cities

23%

230,000,000,000

Municipalities

34%

340,000,000,000

Barangays

20%

200,000,000,000

Total

100%

1,000,000,000,000

Step 2. Subtract the current annual NTA share of the newly-converted city from the aggregate share of municipalities and add it to the aggregate share of cities:

LGU Level

Allocation

Total Adjusted NTA Shares

Provinces

23.00%

230,000,000,000

Cities

23.10%

230,100,000,000

Municipalities

33.90%

339,900,000,000

Barangays

20.00%

200,000,000,000

Total

100.00%

1,000,000,000,000

Step 3. Allocate the shares based on the following formula: For provinces, cities and municipalities:

- (a) Population - Fifty percent (50%);
- (b) Land Area - Twenty-five percent (25%); and
- (c) Equal sharing - Twenty-five percent (25%)

For barangays:

Php80,000 for each barangay with a population of not less than one hundred (100) inhabitants;

The balance is allocated as follows:

(a) Population - Sixty percent (60%); and

(b) Equal sharing - Forty percent (40%)

The amount of share of Municipality A to be transferred to the allocation of the cities shall be the same for three years (FYs 2023 to 2025).

In the fourth year of the City's conversion, i.e., FY 2026, the NTA portability shall no longer be applied to Municipality A.

RULE III

DUTIES AND RESPONSIBILITIES OF AGENCIES CONCERNED

SECTION 1. Duties and Responsibilities. In addition to the specific duties that may be found elsewhere in these Rules, the following agencies shall:

(a) In the case of the DOF:

- i. Issue the guidelines on issuance of computation and certification of average annual income for conversion, of an LGU;
- ii. Compute and issue the updated threshold amount in accordance with Section 1(a)(ii)(1), Rule II, of these Rules; and
- iii. Update regularly such guidelines, as may be necessary.

(b) In the case of DBM:

- i. Compute the NTA shares of LGUs;
- ii. Apply the mechanisms of NTA portability provided in this IRR whenever there is a newly-converted city; and
- iii. Issue additional guidelines, as may be necessary.

(c) In the case of the DILG:

- i. Cause the widest dissemination of the information on RA No. 11683 and its IRR to all LGUs;
- ii. Solicit updates on the proof of creation and/or conversion of cities from LGUs and share the same with the DBM or DOF; and
- iii. Update regularly such guidelines, as may be necessary.

RULE IV

FINAL PROVISIONS

SECTION 1. Repealing Clause. All orders, rules, regulations, memoranda, circulars, resolutions, and other issuances contrary to or inconsistent with the provisions of RA NO. 11683 and these Rules are hereby repealed or modified accordingly.

SECTION 2. Separability Clause. If any provision of these Rules shall be declared invalid or unconstitutional, the remaining part or provisions not otherwise affected shall remain in force.

SECTION 3. Effectivity. These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved this October 17, 2022 in Manila, Philippines .

(SGD.) ATTY. BENJAMIN C. ABALOS, JR.

Secretary, DILG

(SGD.) BENJAMIN E. DIOKNO

Secretary, DOF

(SGD.) AMENAH F. PANGANDAMAN

Secretary, DBM

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