



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA



LOCAL BUDGET MEMORANDUM

No.: 88
September 14, 2023

To : Local Chief Executives (LCEs), Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Planning and Development Coordinators, Local Accountants, and All Others Concerned

Subject : **GUIDELINES ON THE USE OF SAVINGS OR UNUTILIZED SHARES OF LOCAL GOVERNMENT UNITS (LGUs) FROM EXCISE TAX ON LOCALLY MANUFACTURED VIRGINIA-TYPE CIGARETTES UNDER REPUBLIC ACT (RA) NO. 7171, AND BURLEY AND NATIVE TOBACCO EXCISE TAX PURSUANT TO RA NO. 8240, AS AMENDED BY RA NO. 10351, CHARGEABLE AGAINST THE ALLOCATIONS TO LGUs (ALGU) UNDER EXISTING GENERAL APPROPRIATIONS ACTS (GAAs) UNTIL FY 2019**

1.0 BACKGROUND

Local Budget Memorandum (LBM) Nos. 69,¹ 71,² 72,³ 73,⁴ 76,⁵ 79,⁶ and 81⁷ issued by the Department of Budget and Management (DBM) provide that the beneficiary LGUs are required to submit a list of programs and projects to the DBM as part of the supporting documents for the processing of the fund release of Shares in Excise Taxes from the collections of locally-manufactured Virginia-type cigarettes and Burley and Native tobacco excise taxes. The said list of programs and projects forms part of the Notice of Authority to Debit Account Issued (NADAI).

However, the implementation of the identified programs and projects showed there are significant amounts left unutilized or unexpended and considering the prevailing demands for the delivery of public services, it is imperative to revise the guidelines and policies on the utilization of shares of LGUs from the excise tax on locally manufactured Virginia-type cigarettes under RA No. 7171,⁸ and Burley and Native

Guidelines and Procedures in the Release and Utilization of the Shares of LGUs concerned from the following Collection Years of Excise Tax on Locally Manufactured Virginia-Type Cigarettes under RA No. 7171 and Burley and Native Tobacco Excise Tax Pursuant to RA No. 8240, as Amended, Chargeable against the ALGU under the following GAAs:

¹ CY 2012 Collections; FY 2014 GAA, RA No. 10633, Continuing Appropriations

² CY 2012 Collections; FY 2014 GAA, RA No. 10633, Continuing Appropriations

³ CY 2013 Collections; FY 2015 GAA, RA No. 10651

⁴ Cys 2008 to 2011 Collections; Fys 2010-2013 GAAs

⁵ Fys 2011, 2014 and 2015 Collections; FY 2016 GAA, RA No. 10717, Continuing Appropriations, and FY 2017 GAA, RA No. 10924

⁶ FY 2016 Collections; FY 2018 GAA, RA No. 10964, Continuing Appropriations dated June 14, 2019

⁷ FY 2017 Collections; FY 2019 GAA, RA No. 11260

⁸ An Act to Promote the Development of the Farmers in the Virginia Tobacco-Producing Provinces

tobacco excise taxes pursuant to RA No. 8240,⁹ as amended by RA No. 10351,¹⁰ chargeable against the Allocations to Local Government Units (ALGU) under existing GAAs until FY 2019.

2.0 PURPOSE

This LBM is being issued to (i) promote greater autonomy, transparency, and accountability in the identification and implementation of eligible programs and projects; and (ii) ensure full maximization of available LGU shares on tobacco excise taxes for the shares of LGUs released under LBM Nos. 69, 71, 72, 73, 76, 76-A,¹¹ 79, 81, and 81-A.¹²

3.0 GENERAL GUIDELINES

- 3.1 In accordance with existing guidelines issued by DBM, the responsibility and accountability in the identification and implementation of the eligible programs and projects of LGU shares on tobacco excise taxes shall rest upon the local chief executive (LCE) and other local officials concerned.
- 3.2 Section 160¹³ of the Government Accounting Manual (GAM) for LGUs, as prescribed by COA Circular No. 2020-004 dated January 31, 2020,¹⁴ ruled that the shares of LGUs from collections of tobacco excise taxes under RA Nos. 7171 and 8240 shall be maintained as special account under the General Fund.
- 3.3 Pursuant to Article 454 [b] [1] of the Implementing Rules and Regulations of Local Government Code of 1991 (RA No. 7160), savings refer to portions or balances as of any given point in the fiscal year or any programmed or allotted appropriation which remain free of any obligation or encumbrance and which are still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation was originally authorized, or which result from unobligated compensation and related costs pertaining to vacant positions and leaves of absence without pay.
- 3.4 Related thereto, consistent with Sections 26¹⁵ and 161¹⁶ of the GAM for LGUs, the use of savings or unutilized shares of LGUs on tobacco excise taxes, charged

⁹ An act Amending Sections 138, 140, & 142 of the National Internal Revenue Code, as amended, and for other purposes

¹⁰ An Act Restructuring the Excise Tax on Alcohol and Tobacco Products by Amending Sections 141, 142, 143, 144, 145, 8, 131 and 288 of Republic Act No. 8424. Otherwise Known as the National Internal Revenue Code Of 1997, as Amended by Republic Act No. 9334, and for other Purposes

¹¹ Remaining Shares of Local Government Units (LGUs) from the FY 2015 Collections of excise Taxes on Locally Manufactured Virginia-Type Cigarettes under Republic Act (RA) No. 7171, Chargeable Against the FY 2017 General Appropriations Act (GAA), RA No. 10924

¹² Adjustment on the Computed Shares of Local Government Units from the FY 2017 Collections of Burley and Native Tobacco Excise Taxes Pursuant to Republic Act (RA) No. 8240, as Amended by RA No. 10351, Chargeable Against the FY 2019 General Appropriations Act (GAA), RA No. 11260

¹³ Section 160. Other Special Accounts under the General Fund. Other special accounts are required to be maintained under the General Fund, such as those pertaining to: (a) 20% of the share of the LGU from the internal revenue collections (20% Development Fund); (b) share from the national wealth; (c) share from the collection of Tobacco Excise Taxes under RA No. 7171, and RA No. 8240; (d) loans and bond issues; and (e) other contributions for special purposes.

¹⁴ Prescribing the Government Accounting Manual for Local Government Units

¹⁵ Section 26. Accounting for Unreleased/Unobligated Current Operating Appropriations/Allotments. Unreleased/Unobligated current operating appropriations/allotments shall be reverted back to the unappropriated funds at the end of the year. Utilization thereof shall be subject to the budget process. The unreleased/unobligated current operating appropriations/allotment of special purpose funds (20% Development Fund, Share from National Wealth and Share from Tobacco Excise Tax) shall only be appropriated within the same special purpose.

¹⁶ Section 161. Recording and books of accounts for Other Special Accounts under the General Fund Proper. xxx Utilization out of the funds received shall be in accordance with the purpose intended by the governing law or regulation. The disbursement process and recording of transactions are the same as those of the General Fund Proper.

against the ALGU under existing GAAs until 2019 shall be allowed; Provided, that the beneficiary LGUs shall submit the following to the DBM Regional Office

3.4.1 Request letter to be signed by the local chief executive (LCE), supported by the following: (i) approved sanggunian ordinance or resolution endorsing the list of programs and projects to be implemented; (ii) NADAI containing the released shares of beneficiary LGU on tobacco excise taxes and the original list of programs and projects previously identified by the beneficiary LGU; (iii) List of Programs and Projects with Savings or Unutilized Amount (Annex A); and (iv) Certificate of Availability of Funds; and

3.4.2 A certification under oath attesting that: (i) the local development council (LDC) resolution endorsing the Annual Investment Program (AIP) containing the programs and projects to be implemented was passed in the regular course of business, in accordance with applicable laws and policies; and (ii) a formal invitation to the proceedings for the deliberation and formulation of the pertinent AIP(s) was sent to and received by all the members of the LDC (Annex B).

3.5 It shall be the responsibility and accountability of the LCE to ensure that listed programs and projects to be implemented are consistent with the authorized uses of the funds:

Locally Manufactured Virginia-type Cigarettes (Section 2 of RA No. 7171)	Burley and Native Tobacco (Section 8 of RA No. 8240, as amended by RA No. 10351)
<p>The funds shall be utilized to advance the self-reliance of the tobacco farmers through:</p> <ul style="list-style-type: none"> a. Cooperative projects that will enhance better quality of products, increase productivity, guarantee the market and as a whole increase farmers' income; b. Livelihood projects, particularly the development of alternative farming system to enhance farmers' income; c. Agro-industrial projects that will enable tobacco farmers in the Virginia tobacco-producing provinces to be involved in the management and subsequent ownership of these projects such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization; and 	<p>The funds shall be exclusively utilized for programs in pursuit of the following objectives:</p> <ul style="list-style-type: none"> a. Programs that will provide inputs, training, and other support for tobacco farmers who shift to production of agricultural products other than tobacco including, but not limited to, high-value crops, spices, rice, corn, sugarcane, coconut, livestock and fisheries; b. Programs that will provide financial support for tobacco farmers who are displaced or who cease to produce tobacco; c. Cooperative programs to assist tobacco farmers in planting alternative crops or implementing other livelihood projects;

Locally Manufactured Virginia-type Cigarettes (Section 2 of RA No. 7171)	Burley and Native Tobacco (Section 8 of RA No. 8240, as amended by RA No. 10351)
d. Infrastructure projects such as farm-to-market roads	d. Livelihood programs and projects that will promote, enhance, and develop the tourism potential at tobacco-growing provinces: e. Infrastructure projects such as farm-to-market roads, schools, hospitals, and rural health facilities: and f. Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects, such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization.

3.6 The new programs and projects to be implemented by the beneficiary LGUs from their respective shares from tobacco excise taxes shall be in line with the policies, programs, and priorities set in the Agricultural and Fisheries Modernization Program and the Road Map for the Philippine Tobacco Industry, adopted by the Department of Agriculture (DA) and National Tobacco Administration (NTA) for the period. Moreover, beneficiary LGUs are highly encouraged to allocate at least twenty-five percent (25%) of their total share for cooperative programs, livelihood projects, and financial support for registered tobacco farmers.

3.7 In the identification of the list of programs and projects to be implemented, the beneficiary LGUs shall ensure the following:

3.7.1 Public consultations shall be conducted, with the assistance of the DA and NTA, with tobacco farmers duly identified by the NTA to determine the appropriate programs and projects beneficial to the said farmers.

3.7.2 The programs and projects to be implemented are included in the AIP prepared/formulated by the LDC and approved by the local sanggunian concerned.

3.8 Moreover, to ensure full maximization of resources and complementation of the new programs and projects to be implemented by the beneficiary LGUs from their respective shares, the local officials are strongly advised to perform cooperative undertakings with the other LGUs, consistent with Section 33¹⁷ of RA No. 7160.

¹⁷ SECTION 33. Cooperative Undertakings Among Local Government Units. - Local government units may, through appropriate ordinances, group themselves, consolidate, or coordinate their efforts, services, and resources for purposes commonly beneficial to them. In support of such undertakings, the local government units involved may, upon approval by the sanggunian concerned after a public hearing conducted for the purpose, contribute funds, real estate, equipment, and other kinds of property and appoint or assign personnel under such terms and conditions as may be agreed upon by the participating local units through Memoranda of Agreement.

- 3.9 In case the new program(s)/project(s) is/are to be undertaken by a cooperative, an authenticated or certified true copy of the Certificate of Registration from the Cooperative Development Authority shall be submitted by the cooperative to the LGU prior to the implementation of the program/project.
 - 3.9.1 The new programs and projects to be implemented by the beneficiary LGUs shall be those that:
 - 3.9.1.1 Exhibit market, technical, socio-economic organizational viability and financial feasibility;
 - 3.9.1.2 Enhance the capabilities of tobacco farmers to be independent and self-reliant;
 - 3.9.1.3 Promote upstream and downstream linkages with related and/or complementary agricultural activities; and
 - 3.9.1.4 Provide clear and verifiable proof of sustainability.
- 3.10 Upon receipt and evaluation of the beneficiary LGU's request to use savings or unutilized amounts from the original programs/projects, together with the necessary supporting documents per item 3.4 hereof, the DBM RO concerned shall endorse the said request to the DBM Central Office.
- 3.11 The endorsement by the DBM RO concerned of the LGU's request to use savings or unutilized amounts from the original programs/projects, together with the necessary supporting documents, shall serve as the basis of the DBM Central Office to issue a letter informing the LGU that they may utilize the savings or unutilized amounts for the authorized uses of the funds under the applicable law, i.e. funds previously released under RA No. 7171 shall be utilized for uses identified under RA No. 7171, while funds previously released under RA No. 8240, as amended by RA No. 10351 shall be utilized under uses identified under RA No. 8240, as amended by RA No. 10351. The DBM RO and Bureau of the Treasury shall be furnished with a copy of the letter for their reference.
- 3.12 The shares of the beneficiary LGUs from tobacco excise taxes shall be utilized exclusively for programs and projects provided in item 3.5 herein and treated as:
 - 3.12.1 Trust for those released under LBM Nos. 69 and 71; and
 - 3.12.2 Special account under the general fund for those released under LBM Nos. 72, 73, 76, 76-A, 79 and 81.
- 3.13 The utilization of the shares of the beneficiary LGUs shall be in accordance with the existing budgeting, accounting, and auditing rules and regulations, and other applicable laws.

4.0 POSTING/REPORTING REQUIREMENTS

- 4.1 Provisions from previous LBMs relative to posting and reporting requirements shall be maintained using the attached format (Annex C). In addition, the beneficiary LGUs shall comply with the posting requirements prescribed under the Revised Implementing Rules and Regulations of the Government Procurement Reform Act (RA No. 9184), and all relevant policies issued by the Government Procurement Policy Board.
- 4.2 Likewise, the beneficiary LGUs shall comply with the posting and reporting requirements as prescribed under the GAAs covering the subject shares to be utilized. The date of notice shall be considered the date of compliance with this requirement.

5.0 RESPONSIBILITY AND ACCOUNTABILITY

As provided in item 3.1 herein, it is the responsibility and accountability in the identification and implementation of the eligible programs and projects, and the proper utilization and disbursement of the LGU shares shall rest upon the LCE and other local officials concerned.

Further, it is also the responsibility and accountability of the said local officials to ensure that the LGU shares are utilized strictly in accordance with RA No. 7171 and RA No. 8240, as amended by RA No. 10351, as the case may be, and applicable budgeting, accounting, and auditing rules and regulations, and the pertinent provisions of RA No. 9184.

6.0 AMENDATORY CLAUSE

All provisions of LBM Nos. 69, 69-A,¹⁸ 71, 72, 73, 76, 76-A, 79, 81, and 81-A that are not affected by the foregoing amendment shall remain in full force and effect.

7.0 EFFECTIVITY

This Memorandum shall take effect immediately upon its complete publication in the Official Gazette or in newspaper of general circulation.


AMENAH F. PANGANDAMAN
Secretary



¹⁸ Amendments to Items 3.3.2 and 5.1 of Local Budget Memorandum (LBM) No. 69 dated February 18, 2015

**List of Programs and Projects with Savings or Unutilized Amount
<Beneficiary LGU Name>**

Fund Source	Date of Notice of Authority to Debit Account Issued (NDAI)	Source Project	
		Name/Title of Program/Project	Savings/ Unutilized Amount (in PhP)

Prepared by:

Reviewed by:

Approved by:

Local Planning and Development Coordinator

Local Budget Officer

Local Chief Executive

REPUBLIC OF THE PHILIPPINES)
CITY OF _____) S.S.

x-----x

OMNIBUS SWORN STATEMENT

I, the undersigned, attest to the veracity of the following:

1. The local development council (LDC) resolution endorsing the Annual Investment Program (AIP) containing the programs and projects to be implemented out of the shares of the Local Government of _____ from the collections of tobacco excise taxes pursuant to Republic Act (RA) No. 7171 and RA No. 8240, as amended by RA No. 10351, was passed in the regular course of business, in accordance with applicable laws and policies:
 - a. _____
 - b. _____
 - c. _____
2. A formal invitation to the proceedings for the deliberation and formulation of the pertinent AIP(s) was sent by my Office to and received by all the members of the LDC.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of [month] [year] at [place of execution].

[Insert NAME OF LOCAL CHIEF EXECUTIVE]
[Insert Signatory's Legal Capacity]
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of [month] [year] at [place of execution], Philippines. Affiant is personally known to me and was identified by me through competent evidence of identity as defined in the 2004 Rules on Notarial Practice (A.M. No. 02-8-13-SC). Affiant exhibited to me his/her [insert type of government identification card used], with his/her photograph and signature appearing thereon, with no. _____ issued on ____ at ____.

Witness my hand and seal this ____ day of [month] [year].

NAME OF NOTARY PUBLIC

Serial No. of Commission _____
Notary Public for _____ until _____
Roll of Attorneys No. _____
PTR No. _____ [date issued], [place issued]
IBP No. _____ [date issued], [place issued]

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

Share of Local Government Units from the Collection of Tobacco Excise Taxes under RA Nos. 7171 and 8240
Report on Fund Utilization and Status of Program/Project Implementation
For the Quarter Ended _____

Fund Source	Date of Notice of Authority to Debit Account Issued (NADAI)	Type of Program/Project	Name/Title of Program/Project	Specific Location	Mechanism/ Mode of Implementation	Estimated Number of Beneficiaries	Amount			Estimated Period of Completion	Program/Project Status
							Received	Obligation	Disbursement		

Prepared by: The Local Finance Committee (LFC)

Attested by:

Local Budget Officer

Local Chief Executive

Local Treasurer

Local Planning and Development Coordinator

Instructions:

- The report shall be prepared by the LFC in coordination with the other local officials concerned (e.g., local accountant on the allotment, obligation and disbursements; local engineer on the status of infrastructure projects, as may be applicable).
- The fund source shall be based on the NADAI issued by the Bureau of the Treasury to LGUs.
- The type of program/project shall be identified consistent with the authorized uses enumerated under this LBM.
RA No. 7171 - Cooperative projects; livelihood projects; agro-industrial projects; or infrastructure projects
RA No. 8240, as amended - Support programs for tobacco farmers shifting to production of other agricultural products; programs that will provide financial support for tobacco farmers who are displaced or who cease to produce tobacco; cooperative programs; livelihood programs and projects; agro-industrial projects; or infrastructure projects
- Amount received refers to the amount received by the LGU as its share; it is the amount indicated in the NADAI. Obligation refers to the total amount obligated by the LGU as of reporting period. Disbursement refers to the total amount paid by the LGU as of reporting period.
- The estimated period of completion refers to the projected date (month and year) to complete the program/project.
- The status of programs/projects refers to the percentage of physical completion as of reporting period.