



**DEPARTMENT OF AGRICULTURE (DA)
DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)
NATIONAL TOBACCO ADMINISTRATION (NTA)**

Joint Memorandum Circular (JMC) No. 2020-1

Date : June 25, 2020

To : Local Chief Executives, 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 ALLOCATION, RELEASE, AND UTILIZATION OF THE SHARES OF LOCAL GOVERNMENT UNITS (LGUS) FROM THE REVENUES FROM EXCISE TAXES ON TOBACCO PRODUCTS PURSUANT TO REPUBLIC ACT (RA) NO. 8240, AS AMENDED BY RA NO. 10351, AND AS FURTHER AMENDED BY RA NO. 11346, AND COLLECTIONS FROM THE PROCEEDS OF THE EXCISE TAXES ON LOCALLY MANUFACTURED VIRGINIA-TYPE CIGARETTES PURSUANT TO RA NO. 7171, AS INCORPORATED IN RA NO. 8424, AS AMENDED**

1.0 RATIONALE

Section 14 of RA No. 11346¹ mandates the DBM, in consultation with the DA and NTA, to issue rules and regulations governing the allocation and disbursement of the funds allocated to tobacco-producing provinces, not later than one hundred eighty (180) days from the effectivity of the said law.

Accordingly, this JMC is being issued to prescribe the guidelines on the allocation, release, and utilization of the shares of LGUs from the (i) revenues from excise taxes on tobacco products pursuant to RA No. 8240,² as amended by RA No. 10351,³ and as further amended by RA No. 11346; and (ii) collections from the proceeds of the excise taxes on locally manufactured Virginia-type cigarettes pursuant to RA No. 7171,⁴ as incorporated in RA No. 8424,⁵ as amended.

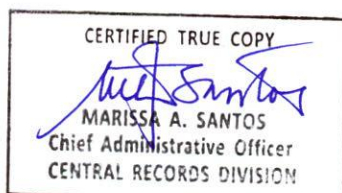
¹ An Act Increasing the Excise Tax on Tobacco Products, Imposing Excise Tax on Heated Tobacco Products and Vapor Products Increasing the Penalties for Violations of Provisions on Articles Subject to Excise Tax, and Earmarking a Portion of the Total Excise Tax Collection from Sugar-Sweetened Beverages, Alcohol, Tobacco, Heated Tobacco and Vapor Products for Universal Health Care, Amending for this Purpose Sections 144, 145, 146, 147, 152, 164, 260, 262, 263, 205, 288, and 289, Repealing Section 288(B) and 288(C), and Creating New Sections 263-A, 265-B, and 288-A of the National Internal Revenue Code of 1997, as Amended by Republic Act No. 10963, and for Other Purposes

² An Act Amending Sections 138, 140, & 142 of the National Internal Revenue Code, as Amended, and for Other Purposes

³ 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

⁴ An Act to Promote the Development of the Farmer in the Virginia Tobacco Producing Provinces

⁵ The National Internal Revenue Code of 1987



Specifically, this JMC intends to:

- a. Provide the specific guidelines on the allocation, release, and utilization of the shares of LGUs producing Burley and native tobacco from the excise taxes on tobacco products pursuant to Section 14 of RA No. 11346;
- b. Reiterate the guidelines prescribed under Office of the President Memorandum Circular No. 61-A, s. 1993⁶ on the allocation, release, and utilization of the shares of LGUs from the collections from the proceeds of the excise taxes on locally manufactured Virginia-type cigarettes pursuant to Section 16 of RA No. 11346;
- c. Provide guidance on the identification of programs and projects to be implemented by the beneficiary LGUs from their respective shares from tobacco excise taxes;
- d. Ensure a more strategic allocation and efficient and inclusive utilization of the shares of LGUs;
- e. Delineate the responsibilities of the DBM, DA, and NTA in the allocation, release, and utilization of the shares of LGUs from tobacco excise taxes;
- f. Emphasize the concomitant posting and reporting requirements to enhance transparency and accountability; and
- g. Institutionalize mechanisms to effectively monitor the utilization of the shares of LGUs and assess the impact of the fund allocations in terms of benefits derived.

2.0 GUIDELINES

2.1 Allocation of the Shares of LGUs

- 2.1.1 The fund equivalent to five percent (5%) of the revenues collected from excise tax on tobacco products pursuant to RA No. 8240, as amended by RA No. 10351, and as further amended by RA No. 11346, but not exceeding Four Billion Pesos (PhP 4,000,000,000.00), shall be computed based on actual collections, as certified by the Bureau of Internal Revenue (BIR), for the second calendar year preceding the year of distribution. The collections in FY 2020, the initial year of effectivity of RA No. 11346, shall be distributed to the beneficiary LGUs in FY 2022.

Meanwhile, the incremental revenue on tobacco excise taxes collected in FYs 2018 and 2019 shall be distributed in FYs 2020 and 2021, respectively, in the rate and manner provided under the applicable laws and issuances at the time of their collection, specifically Section 8 of RA No. 8240, as incorporated in Section 288 (B) of RA No. 8424, as amended by RA No. 10351, and DBM-BIR-NTA Joint Circular (JC) No. 2009-1,⁷ as amended.

⁶ Amending Memorandum Circular No. 61 Prescribing the Guidelines for the Implementation of R.A. No. 7171 dated January 9, 1992.

⁷ Guidelines and Procedure on the Release of the Share of Local Government Units Producing Burley and Native Tobacco Products from the Fifteen Percent (15%) of the Incremental Revenue Collected from the Excise Tax on Tobacco Products

- 2.1.2 The fund equivalent to fifteen percent (15%) of the collections from the proceeds of the excise taxes on locally manufactured Virginia-type cigarettes pursuant to RA No. 7171, but not exceeding Seventeen Billion Pesos (PhP 17,000,000,000.00), shall be computed based on the actual collections, as certified by the Bureau of Internal Revenue (BIR), for the second calendar year preceding the year of distribution. The collections in FY 2020, the initial year of effectivity of RA No. 11346, shall be distributed to the beneficiary LGUs in FY 2022.

Meanwhile, the proceeds of the excise taxes on locally manufactured Virginia-type cigarettes collected in FYs 2018 and 2019 shall be distributed in FYs 2020 and 2021, respectively, in the rate and manner provided under the applicable laws and issuances at the time of their collection, specifically Section 3 of RA No. 7171 and Memorandum Circular No. 61-A, s. 1993, as incorporated in Section 289 of RA No. 8424.

- 2.1.3 The NTA shall prepare a certification showing the list of qualified tobacco-producing LGUs and their corresponding volume of production (in kilograms) for the second year preceding the year of distribution. The said certification shall be submitted by the NTA to the DA not later than March 15 of the current fiscal year for review, approval, and endorsement to the DBM.
- 2.1.4 Upon review and approval of the certification prepared and submitted by the NTA, the DA shall endorse the same to the DBM not later than April 15 of the current fiscal year. A copy of the DA-approved Certificate of Volume Production shall be published in the official website of the NTA.
- 2.1.5 Based on the amount appropriated in the pertinent General Appropriations Act (GAA) and the governing special/general provisions provided under the same GAA, and NTA-certified list of tobacco-producing LGUs and their corresponding volume of production, the DBM shall compute the individual share of the beneficiary LGUs from tobacco excise taxes.

2.2 Release of the Shares of LGUs

- 2.2.1 The corresponding Special Allotment Release Order(s) and Notices of Cash Allocations (NCAs) shall be comprehensively released by the DBM to the Bureau of the Treasury (BTr) and Authorized Government Servicing Banks (AGSBs), respectively, consistent with Department of Finance (DOF)-DBM JC No. 2016-1⁸ dated January 4, 2016 and applicable Special and/or General Provisions under the pertinent GAA.

⁸ Guidelines for the Direct Release of Funds by the BTr to LGUs in FY 2016 and Thereafter

- 2.2.2 Upon receipt of the Advices of NCA Issued, the BTr shall release the corresponding Advices to Debit Account (ADAs) to the AGSBs concerned. In parallel, the BTr shall inform the beneficiary LGUs of their released shares through the issuance of Notices of ADA Issued.

2.3 Utilization of the Shares of LGUs

- 2.3.1 Pursuant to Sections 14 and 16 of RA No. 11346, the shares of LGUs from tobacco excise taxes shall be utilized for the following program objectives:

Burley and Native Tobacco (Section 14)	Locally Manufactured Virginia-type Cigarettes (Section 16)
<p>Programs that will promote economically viable alternatives for tobacco farmers and workers such as:</p> <ol style="list-style-type: none"> 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; Programs that will provide financial support for tobacco farmers who are displaced or who cease to produce tobacco; Cooperative programs to assist tobacco farmers in planting alternative crops or implementing other livelihood projects; Livelihood programs and projects that will promote, enhance, and develop the tourism potential of tobacco-growing provinces; Infrastructure projects such as farm-to-market roads, bridges, schools, hospitals, rural health facilities and irrigation systems; and 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. 	<p>Programs that will further advance self-reliance and expand viable alternatives for Virginia-tobacco farmers and workers through:</p> <ol style="list-style-type: none"> Cooperative projects that will enhance better quality of products, increase productivity, guarantee the market and as a whole increase farmers' income; Livelihood projects particularly the development of alternative farming systems to enhance farmers' income; 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; Infrastructure projects such as farm-to-market roads, bridges, schools, hospitals, rural health facilities, and irrigation systems; Programs and projects that will promote, enhance, and develop the tourism potential of Virginia tobacco-growing provinces; and Programs that will provide financial assistance for tobacco farmers that were displaced or who cease to produce tobacco.

- 2.3.2 The programs and projects to be implemented by the beneficiary LGUs from their respective shares from tobacco excise taxes shall be included in their respective duly approved Local Development Investment Programs and Annual Investment Programs.
- 2.3.3 The 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 DA and 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.
- 2.3.4 In the identification of the list of programs and projects to be implemented, the beneficiary LGUs shall, with the assistance of the DA and NTA, conduct public consultations with tobacco farmers duly identified by the NTA to determine the appropriate programs and projects beneficial to the said farmers.
- 2.3.5 Moreover, to ensure full maximization of resources and complementation of the 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 33⁹ of the Local Government Code of 1991 (RA No. 7160).
- 2.3.6 The programs and projects to be implemented by the beneficiary LGUs shall be those that:
- 2.3.6.1 Exhibit market, technical, socio-economic and organizational viability and financial feasibility;
 - 2.3.6.2 Enhance the capabilities of tobacco farmers to be independent and self-reliant;
 - 2.3.6.3 Promote upstream and downstream linkages with related and/or complimentary agricultural activities; and
 - 2.3.6.4 Provide clear and verifiable proof of sustainability.

2.4 Treatment of the Shares of LGUs

The shares of the beneficiary LGUs from tobacco excise taxes shall be treated as a special account under the general fund of the LGUs, to be utilized exclusively for programs and projects pursuant to Sections 14 and 16 of RA No. 11346 and its guidelines.

⁹ 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.



3.0 OTHER DUTIES AND RESPONSIBILITIES OF THE AGENCIES CONCERNED

In addition to the other duties and responsibilities that may be found elsewhere in this JMC, the agencies concerned shall perform the following:

3.1 DA and NTA

- 3.1.1 In coordination with the appropriate government agencies, initiate updates and amendment to the Agricultural and Fisheries Modernization Program and prepare a Road Map for the Philippine Tobacco Industry;
- 3.1.2 Issue guidelines prescribing the specific programs and projects that may be implemented by the beneficiary LGUs consistent with Sections 14 and 16 of RA No. 11346 and resolve issues concerning the eligibility or propriety of programs and projects that may be implemented by the beneficiary LGUs;
- 3.1.3 Assist in the consultation/workshops to be conducted by the local officials concerned with the tobacco farmers to facilitate the identification of the appropriate programs and projects to be implemented by the beneficiary LGUs;
- 3.1.4 Implement an efficient system of documentation and reporting of tobacco production based on the record of acceptances of the tobacco trading centers and other NTA-licensed tobacco buyers in the LGUs;
- 3.1.5 Update regularly the registry of tobacco farmers and post the same in the respective websites of the DA and NTA;
- 3.1.6 Institutionalize a mechanism to monitor the utilization and measure the impact of the shares of the beneficiary LGUs; and
- 3.1.7 Prepare an annual report on the utilization of the shares of the beneficiary LGUs, and post the same in the DA and NTA websites.

3.2 DBM

- 3.2.1 Program the corresponding shares of LGUs in the collections of tobacco excise taxes, pursuant to RA No. 11346, as duly certified by the Bureau of Internal Revenue, and include appropriate and necessary policies in the special and/or general provisions of the pertinent National Expenditure Program, to be submitted to Congress for purposes of providing the appropriations to cover the amounts equivalent to the shares of LGUs from tobacco excise taxes, based on actual BIR collection for the second calendar year preceding the year of distribution; and
- 3.2.2 Release the shares of the beneficiary LGUs in accordance with existing cash programming, budgeting, accounting, and auditing rules and regulations, and other applicable laws, rules and regulations.



4.0 POSTING AND REPORTING REQUIREMENTS

- 4.1 The beneficiary LGUs shall prepare quarterly reports on fund utilization and status of program/project implementation using the attached format (Annex A), and said reports shall be posted within twenty (20) days from the end of each quarter on the LGU's website, and in at least three (3) conspicuous public places in the locality for transparency and accountability, consistent with the Full Disclosure Policy of the Department of the Interior and Local Government.
- 4.2 The beneficiary LGUs shall also submit the quarterly reports on fund utilization and status of program/project implementation to the DA/NTA, DBM and DOF-Bureau of Local Government Finance concerned within thirty (30) days after the end of each quarter.
- 4.3 Likewise, the beneficiary LGUs shall comply with the posting requirements prescribed under RA No. 9184 (The Government Procurement Reform Act), its Revised IRR, and all relevant policies issued by the Government Procurement Policy Board.
- 4.4 Finally, the beneficiary LGUs shall comply with the posting and reporting requirements as may be prescribed in the pertinent GAA.

5.0 RESPONSIBILITY AND ACCOUNTABILITY

The responsibility and accountability in the identification and implementation of programs and projects and proper utilization and disbursement of the shares of LGU, including compliance to the posting and reporting requirements as prescribed under Item 4.0 of this JMC, shall rest upon the local chief executive and other local officials concerned. It is also the responsibility of the said local officials to ensure that the funds are utilized strictly in accordance with applicable budgeting, accounting, and auditing rules and regulations, and pertinent provisions of RA No. 9184 and its Revised IRR.

6.0 CASES FOR RESOLUTION

Interpretation of the provisions of this JMC, including relevant items not covered herein, shall be referred to the NTA, for joint resolution by the DA, DBM, and NTA.

7.0 SEPARABILITY CLAUSE

If any provision of this JMC is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.



8.0 REPEALING CLAUSE

All provisions of existing guidelines that are not consistent with this JMC are hereby revised, modified and/or repealed accordingly.

9.0 EFFECTIVITY

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


WILLIAM D. DAR
Secretary, DA


WENDEL E. AVISADO
Secretary, DBM



DEPARTMENT OF AGRICULTURE

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ROBERTO R. BONOAN
OIC-Administrator, NTA

SHARES OF LOCAL GOVERNMENT UNITS FROM TOBACCO EXCISE TAXES
Report on Fund Utilization and Status of Project Implementation
For the Quarter Ended _____

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

Certified correct by: The Local Finance Committee (LFC)

Attested by:

 Local Budget Officer

 Local Chief Executive

 Local Treasurer

 Local Planning and Development Coordinator

Instructions:

1. The report shall be prepared by the LFC, in coordination with the other local officials concerned (e.g. city accountant on the allotment, obligation and disbursements; city engineer on the status of infrastructure projects, as may be applicable).
2. The fund source shall be based on the NDAI issued to the city.
3. The type of project shall be identified, consistent with the Project Menu of this Circular.
4. Amount received refers to the amount received by the city as its allocation. It is the amount indicated in the NDAI. Obligation refers to the total amount obligated by the city as of reporting period. Disbursement refers to the total amount paid by the city as of reporting period.
5. The status of project(s) refers to the percentage of physical completion as of reporting period.