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Republic of the Philippines
Congress of the Philippines
Metro Manila
Seventeenth Congress
Third Regular Session

— ■ —

Begun and held in Metro Manila, on Monday, the twenty-third day of July, two thousand eighteen.

[REPUBLIC ACT NO. 11054]

AN ACT PROVIDING FOR THE ORGANIC LAW FOR THE BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6734, ENTITLED "AN ACT PROVIDING FOR AN ORGANIC ACT FOR THE AUTONOMOUS REGION IN MUSLIM MINDANAO," AS AMENDED BY REPUBLIC ACT NO. 9054, ENTITLED "AN ACT TO STRENGTHEN AND EXPAND THE ORGANIC ACT FOR THE AUTONOMOUS REGION IN MUSLIM MINDANAO"

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

ARTICLE XII

FISCAL AUTONOMY

SEC. 1. *Fiscal Autonomy.* – The Bangsamoro Government shall enjoy fiscal autonomy with the end in view of attaining economic self-sufficiency and genuine development. The Bangsamoro Government is entitled to all fund sources enumerated herein, and shall have the power to create its sources of revenues as provided in this Organic Law, which shall be spent in a programmatic, transparent, performance-based, and phased manner. It shall prepare its budget and allocate funds in accordance with an annual appropriations law passed by the Parliament.

SEC. 2. *Auditing.* – Pursuant to the Constitution, the Commission on Audit shall be the exclusive auditor of the Bangsamoro Government and its constituent local government units. The Bangsamoro Government shall establish an auditing body which shall have internal auditing responsibility in accordance with Republic Act No. 3456, otherwise known as the "Internal Auditing Act of 1962," as amended. The Bangsamoro Government shall implement transparency and accountability mechanisms consistent with open government practices and generally accepted financial management principles.

SEC. 3. *Local Government Finance.* – There is hereby created a Bangsamoro Regional Office of the Bureau of Local Government Finance under the Department of Finance which shall have the authority to coordinate, assist, and monitor the treasury and assessment operations of constituent local government units within the Bangsamoro Autonomous Region in pursuance of good governance and local autonomy. The regional office shall be guided by the standards set by the Department of Finance-Bureau of Local Government Finance including the requirements set for the appointment of local treasurers.

SEC. 4. *Bangsamoro Treasury Office.* – There is hereby created a Bangsamoro Treasury Office whose primary function is to receive and safeguard all the revenues generated and collected by the Bangsamoro Government. The Office shall be headed by a

Regional Treasurer who shall be appointed by the Chief Minister and whose term shall be determined by a law to be passed by the Parliament.

SEC. 5. *National Government Assistance.* – The National Government shall extend assistance to the Bangsamoro Government on tax administration and fiscal management, including capacity building and training programs, in accordance with the plans to be developed by the Bangsamoro Government in consultation with the National Government.

Sources of Revenues

SEC. 6. *Sources of Revenues.* – The Bangsamoro Government shall have the power to create its own sources of revenues and to levy taxes, fees, and charges, subject to the provisions of this Organic Law and consistent with the principles of equalization, equity, accountability, administrative simplicity, harmonization and economic efficiency, and fiscal autonomy. Such taxes, fees, and charges shall accrue exclusively to the Bangsamoro Government.

The sources of revenues of the Bangsamoro Government include, among others, the following:

- (a) Taxes, in accordance with the provisions of this Organic Law;
- (b) Fees and charges;
- (c) Annual block grant from the National Government;
- (d) Revenues or shares in revenues from the exploration, development, and utilization of natural resources derived from land or water areas or territories within the Bangsamoro territorial jurisdiction;
- (e) Share in the National Government's taxes, fees, and charges collected in the Bangsamoro territorial jurisdiction;

(f) Dividends from Bangsamoro government-owned or controlled corporations and other corporations, and shares from the dividends of national government-owned or controlled corporations and their subsidiaries in the Bangsamoro Autonomous Region as may be determined by the Intergovernmental Fiscal Policy Board;

(g) Grants from economic agreements or conventions entered into by the Bangsamoro Government to which the National Government is a party;

(h) Grants, endowments, donations, foreign assistance, and other forms of aid;

(i) Loans and official development assistance;

(j) Shares and revenues generated from the operations of public utilities within the Bangsamoro territorial jurisdiction;

(k) Appropriations and other budgetary allocations from the National Government; and

(l) Tax of not more than ten percent (10%) of fair market value in the locality per cubic meter of ordinary stones, sand, gravel, earth, and other quarry resources, as defined in the National Internal Revenue Code, as amended, extracted from public lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters within its territorial jurisdiction, the proceeds of which shall be distributed as follows:

(1) Thirty percent (30%) to the Bangsamoro Government; and

(2) Seventy percent (70%) to the local government units where the sand, gravel, and other quarry resources are extracted, as follows:

(i) Thirty percent (30%) to the province;

(ii) Thirty percent (30%) to the component city or municipality; and

(iii) Forty percent (40%) to the barangay.

The constituent local government units in the Bangsamoro Autonomous Region shall continue to exercise the taxing powers granted under Republic Act No. 7160, as amended.

SEC. 7. Uniform and Equitable Taxation; Prohibition Against Confiscatory Taxes, Fees, and Charges. - The Parliament shall exercise, subject to the provisions of the Constitution, the power to levy taxes, fees, and charges, which shall inure solely to the benefit of the Bangsamoro Autonomous Region: *Provided*, That the principles of uniformity and equity in taxation shall be observed: *Provided, further*, That such shall not be unjust, excessive, oppressive, confiscatory, or contrary to public policy: *Provided, furthermore*, That their collection shall not be delegated to any private person.

The power to impose any tax under this Organic Law shall be exercised by the Parliament, through an appropriate legislation, which shall not be enacted without any prior public hearing conducted for the purpose. The Bangsamoro Government shall evolve a progressive, responsive, and culture sensitive system of taxation which shall, among other things, provide for incentives for the prompt payment of taxes and penalize tax evasion and delinquency.

Nothing in this provision shall preclude any future legislation on national taxes nor allow both National Government and Bangsamoro Government to impose similar taxes on the same entity.

SEC. 8. Tax Incentives. - The Parliament may grant tax exemptions and incentives under this Organic Law upon a vote of majority of all its members: *Provided*, That these tax exemptions and incentives shall not diminish national revenues: *Provided, further*, That the grant of tax exemptions and incentives administered by the Regional Board of Investments of the Autonomous Region in Muslim Mindanao as provided for in Executive Order No. 458, Series of 1991, in relation to Executive Order No. 226, Series of 1987, otherwise known as the "Omnibus Investments Code," shall continue to apply.

Nothing in this Organic Law shall be construed to alter, diminish, or repeal the incentives already granted and administered by investment promotion agencies of the National Government to existing locators or registered business entities.

SEC. 9. *Limitations on the Taxing Powers; Exceptions.* – Unless otherwise provided herein, the taxing power of the Bangsamoro Government shall not extend to the following:

(a) Income tax, except when levied on banks and other financial institutions;

(b) Customs duties, registration fees of vessels and wharfage on wharves, tonnage dues, and all other kinds of customs fees, charges, and dues except vessels which are registered by their owners with the Bangsamoro Government and wharfage on wharves constructed and maintained by the Bangsamoro Government or its constituent local government units;

(c) Taxes, fees, or charges and other impositions upon goods carried into or out of, or passing through the territorial jurisdictions of the provinces, cities, municipalities, or barangays in the Bangsamoro Autonomous Region in the guise of charges for wharfage, tolls for bridges or otherwise, or other taxes, fees, or charges in any form whatsoever upon such goods or merchandise, except tolls on bridges or roads constructed and maintained by the Bangsamoro Government or its constituent provinces, cities, municipalities, or barangays concerned;

(d) Taxes, fees, or charges on agricultural and aquatic products when sold by marginal farmers or fisherfolk;

(e) Taxes on business enterprises certified by the Board of Investments or by the Parliament as pioneer or non-pioneer for a period of six (6) and four (4) years, respectively, from the date of registration;

(f) Excise taxes on articles enumerated under the National Internal Revenue Code of 1997, as amended, and taxes, fees, or charges on petroleum products;

(g) Percentage or value-added tax on sales, barter, or exchanges or similar transactions on goods or services except as otherwise provided by national law;

(h) Taxes on the gross receipts of transportation contractors and persons engaged in the transportation of passengers or freight by hire and common carriers by air, land, or water except as provided in this Organic Law;

(i) Taxes on premiums paid by way of reinsurance or retrocession;

(j) Taxes, fees, or other charges on Philippine products actually exported, except as otherwise provided by law enacted by the Congress of the Philippines;

(k) Taxes, fees, or charges on countryside and barangay business enterprises and cooperatives duly registered under Republic Act No. 6810, otherwise known as the "Magna Carta for Countryside and Barangay Business Enterprises," and Republic Act No. 6938, otherwise known as the "Cooperative Code of the Philippines," as amended; and

(l) Taxes, fees, or charges of any kind on the National Government, its agencies and instrumentalities, and local government units except on government-owned or controlled corporations or entities that are primarily organized to do business.

However, where all taxable elements are within the Bangsamoro territorial jurisdiction, the Parliament may impose the following taxes to the exclusion of the Bureau of Internal Revenue of the National Government:

(1) Capital Gains Tax. – Tax imposed on the gains presumed to have been realized by the seller from the sale, exchange, or other disposition of real properties, classified as capital assets, including *pacto de retro* sales and other forms of conditional sale;

(2) *Documentary Stamp Tax.* – Tax on documents, instruments, loan agreements, and papers evidencing the acceptance, assignment, sale, or transfer of the obligation, right or property incident thereto;

(3) *Donor's Tax.* – Tax on a donation or gift that is imposed on the gratuitous transfer of property between two (2) or more persons who are living at the time of the transfer. It shall apply whether the transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible; and

(4) *Estate Tax.* – Tax on the right of the deceased person to transmit to the lawful heirs and beneficiaries of the deceased person at the time of death and on certain transfers, which are made by law as equivalent to testamentary disposition.

In case the Parliament does not impose the abovementioned taxes, the Bureau of Internal Revenue of the National Government shall continue to levy and collect said taxes: *Provided*, That if the Bangsamoro Government shall impose them, the tax rates shall be pursuant to the National Internal Revenue Code of 1997, as amended: *Provided, further*, That in no case shall the abovementioned taxes be imposed and collected by both the Bureau of Internal Revenue and the Bangsamoro Government.

The Intergovernmental Fiscal Policy Board shall promulgate rules on the determination of taxable elements in relation to taxes (1) to (4) above, and the sharing of revenues from the collection of such taxes where the taxable elements are both situated within and outside of the Bangsamoro territorial jurisdiction. Any dispute between the National Government and the Bangsamoro Government arising from the imposition of the above taxes shall be resolved by the Intergovernmental Fiscal Policy Board.

SEC. 10. *Sharing of Taxes Collected by the National Government.* – National Government taxes, fees, and charges collected in the Bangsamoro Autonomous Region, other than tariff and customs duties, shall be shared as follows:

(a) Twenty-five percent (25%) to the National Government: *Provided*, That for the first ten (10) years following the effectivity of this Organic Law, this share shall accrue to the Bangsamoro Government: *Provided, further*, That after this first ten (10)-year period, upon petition of the Bangsamoro Government, the National Government may extend the period as it shall deem necessary; and

(b) Seventy-five percent (75%) to the Bangsamoro Government, inclusive of the shares of the constituent local government units.

The shares in taxes, fees, and charges provided under this section shall be separate and distinct from the annual block grant appropriated to the Bangsamoro Government under Section 15 of this Article.

SEC. 11. *Assessment and Collection of Taxes; Bangsamoro Revenue Office.* – The Parliament shall establish by law the Bangsamoro Revenue Office for the assessment and collection of Bangsamoro taxes, as well as all other collectible taxes in the Bangsamoro Autonomous Region.

Until such time that the Bangsamoro Revenue Office is established, tax collection shall be undertaken by the Bureau of Internal Revenue. The share of the Bangsamoro Government shall be retained by the National Government collecting agencies and remitted to the Bangsamoro Government in lump sum without need of an appropriations law.

Upon its establishment, the Bangsamoro Revenue Office shall start collecting such taxes regularly: *Provided*, That it shall report promptly all its collections to, and remit the share of, the National Government through a duly accredited government depository bank: *Provided, further*, That the National Government and the Bangsamoro Government shall share the costs of administering the tax collection as provided herein.

SEC. 12. *Payment of Taxes by Corporations, Partnerships, or Firms.* – Corporations, partnerships, or firms directly engaged in business in the Bangsamoro Autonomous Region shall pay

their corresponding taxes, fees, and charges in the province or city where the corporation, partnership, or firm is doing business.

Corporations, partnerships, or firms whose central, main, or head offices are located outside the Bangsamoro Autonomous Region but are doing business within its territorial jurisdiction, shall pay the income taxes for income derived from their business operations in the Bangsamoro Autonomous Region to the city or municipality where their branch offices or business operations or activities are located. The Bureau of Internal Revenue and the Bangsamoro Revenue Office shall agree on modalities for the filing of income tax returns through the Intergovernmental Fiscal Policy Board.

The Intergovernmental Fiscal Policy Board shall promulgate rules to implement this provision, including the determination of covered entities and the allocation of income for covered entities.

SEC. 13. *Share of the Constituent Local Government Units in Taxes Within the Bangsamoro Autonomous Region.* – The Parliament shall enact a law detailing the shares of constituent local government units in the seventy-five percent (75%) share of the Bangsamoro Government in the national taxes, fees, and charges collected in the Bangsamoro territorial jurisdiction.

SEC. 14. *Bangsamoro Tax and Revenue Code.* – The Parliament shall enact a Bangsamoro tax and revenue code, which shall cover the taxing powers of the Bangsamoro Government, in accordance with the Constitution and this Organic Law.

Block Grant

SEC. 15. *Annual Block Grant.* – The National Government shall provide an annual block grant which shall be the share of the Bangsamoro Government in the national internal revenue tax collections of the Bureau of Internal Revenue and collections of the Bureau of Customs. The amount shall be sufficient for the exercise of the powers and functions of the Bangsamoro Government under this Organic Law and in no case shall be less

than the last budget received by the Autonomous Region in Muslim Mindanao immediately before the establishment of the Bangsamoro Autonomous Region.

SEC. 16. *Block Grant Amount.* – For the budget year immediately following the year of the effectivity of this Organic Law, the amount of the block grant shall be equivalent to five percent (5%) of the net national internal revenue tax collection of the Bureau of Internal Revenue and the net collection of the Bureau of Customs from the third fiscal year immediately preceding the current fiscal year.

For purposes of this section, the net national internal revenue tax collections of the Bureau of Internal Revenue is the sum of all internal revenue tax collections of the Bureau of Internal Revenue during the base year less the internal revenue allotment of local government units, the amount released during the same year for tax refunds, payments for informers' reward, and any portion of internal revenue tax collections which are presently set aside, or hereafter earmarked under special laws for payment to third persons.

SEC. 17. *Automatic Appropriation.* – The annual block grant shall be automatically appropriated in the General Appropriations Act of the Congress of the Philippines to the Bangsamoro Government.

SEC. 18. *Regular Release.* – The block grant shall be released without need of any further action, directly and comprehensively to the Bangsamoro Government, and shall not be subject to any lien or holdback that may be imposed by the National Government for whatever purpose.

SEC. 19. *Allocation of the Block Grant.* – The Parliament shall pass an annual appropriations law allocating the block grant to various agencies and programs according to the powers and functions of the Bangsamoro Government. The Parliament shall assign the highest budgetary priority to education, health, and social services as may be provided in its appropriations law. The Parliament shall not include the procurement of firearms, ammunition, armaments, and explosives in its annual

appropriations law from the block grant. Copies of the development plans of the Bangsamoro Government shall be furnished the Department of the Interior and Local Government. In the allocation of the block grant, the national laws and the budgeting rules and regulations implemented by the Department of Budget and Management and Department of the Interior and Local Government applicable to local government units shall apply.

The Bangsamoro Government's annual appropriations law shall set performance standards and targets for each sector. Any unspent amount in the current year's block grant shall revert to the Bangsamoro Treasury under a Special Fund for reappropriation: *Provided, however*, That any subsequent appropriation thereof shall follow the same conditions as provided in this section.

SEC. 20. *General Limitations.* – The use of funds shall be subject to the following limitations:

(a) The total appropriations, whether annual or supplemental, for Personal Services of the Bangsamoro Government for one (1) fiscal year shall not exceed forty-five percent (45%) of the total revenue sources of the Bangsamoro Government as provided under Section 6 of this Article. The appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated, and maintained by the Bangsamoro Government shall not be included in the annual budget or in the computation of the maximum amount for Personal Services. The appropriations for Personal Services of such economic enterprises shall be charged against their respective budgets;

(b) No official or employee shall be entitled to a salary rate higher than the maximum fixed for the position or other positions of equivalent rank by applicable laws or rules and regulations issued thereunder;

(c) The Bangsamoro Government shall not appropriate funds to provide any salaries, wages or any form of emoluments to officials and employees of the National Government;

(d) In cases of abolition of positions and the creation of new ones resulting from the abolition of existing positions in the Bangsamoro Government, such abolition or creation shall be made in accordance with Section 10, Article XVI of this Organic Law. The provisions of civil service laws, rules, and regulations shall apply suppletorily;

(e) Positions in the official plantilla for career positions that are occupied by incumbents holding permanent appointments shall be covered by adequate appropriations;

(f) No changes in designation or nomenclature of positions resulting in a promotion or demotion in rank or increase or decrease in compensation shall be allowed except when the position is actually vacant, and the filling of such positions shall be strictly made in accordance with civil service laws, rules, and regulations; and

(g) The creation of new positions and salary increases or adjustments shall not be made retroactive.

SEC. 21. *Deductions from the Block Grant; Exceptions.* – Twenty (20) years from the operationalization of the Bangsamoro Government, the following shall be deducted from the block grant:

(a) Revenues from the following taxes imposed and collected in the Bangsamoro territorial jurisdiction by the Bangsamoro Government three (3) years prior:

- (1) Capital Gains Tax;
- (2) Documentary Stamp Tax;
- (3) Donor's Tax; and
- (4) Estate Tax; and

(b) Share of the Bangsamoro Government in the income derived from the exploration, development, and utilization of natural resources, as provided under Section 34, Article XII of this Organic Law, collected three (3) years prior.

The amount allocated for the operation of the Bangsamoro Sustainable Development Board, as provided in Section 8, Article VI of this Organic Law, shall not be included in the amount herein to be deducted from the block grant. The abovementioned deduction shall not include the shares of constituent local government units and of indigenous communities in government income derived from the exploration, development, and utilization of natural resources under Sections 35 and 36 of this Article, respectively.

SEC. 22. Review of the Block Grant Formula. – The formula of the block grant, as provided above, shall be reviewed by the Intergovernmental Fiscal Policy Board five (5) years after its effectivity, and every five (5) years thereafter to consider, among others, the fiscal needs of the Bangsamoro Government and the actual revenues it shall be able to generate and to ensure that all block grant expenditures are transparent and performance-based: *Provided*, That if the National Government shall no longer have any representative in the Intergovernmental Fiscal Policy Board, the review shall be undertaken by the Intergovernmental Relations Body.

SEC. 23. Development Programs and Projects. – Immediately after the ratification of this Organic Law, and for another five (5) years thereafter, the National Government shall provide for additional funds that will subsidize expenditures for development projects and infrastructure in the Bangsamoro Autonomous Region, including provincial and municipal roads, in accordance with a development plan formulated by the Bangsamoro Government. The National Government and the Bangsamoro Government, through the Intergovernmental Relations Body, shall agree on the amount and manner of the release of said amount to the Bangsamoro Government.

Loans

SEC. 24. Foreign and Domestic Loans; Bonds, Notes, and Obligations. –

(a) **Loans, Credits, and Other Forms of Indebtedness.** – The Bangsamoro Government may contract loans, credits, and other forms of indebtedness to finance the construction,

installation, improvement, expansion, operation or maintenance of public utilities, infrastructure facilities, housing projects, acquisition of real property, implementation of other capital investment projects, and for the development and welfare of the people of the Bangsamoro.

Subject to acceptable credit worthiness, and in compliance with the Constitution, relevant laws and regulations, such loans may be secured from domestic and foreign lending institutions, except foreign and domestic loans requiring sovereign guaranty, whether explicit or implicit, which would require the approval of the National Government.

The Parliament by a vote of the majority of all its members may authorize the Chief Minister to contract such domestic or foreign loans.

The National Government shall assist the Bangsamoro Government in complying with the requirements for a speedy issuance of the sovereign guaranty to finance local infrastructure and other socioeconomic development projects in accordance with the Bangsamoro Development Plan. Within thirty (30) days from the submission by the Bangsamoro Government of its application for sovereign guaranty, the National Government shall inform the Bangsamoro Government of the actions taken on the application.

(b) **Bonds, Notes, Debentures, and Obligations.** – The Bangsamoro Government shall have the authority to issue bonds, debentures, securities, collaterals, notes, obligations, and other debt papers or documents, as well as redeem or retire the same, pursuant to a law enacted by the Parliament, to finance self-liquidating and income-producing development or livelihood projects pursuant to the priorities established in its development plan.

(c) **Payment of Loans and Indebtedness.** – The Bangsamoro Government shall appropriate in its annual budget the amounts sufficient to pay its incurred loans and indebtedness: *Provided*, That the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular sources of revenue,

excluding those coming from grants, endowments, donations, loans, foreign assistance and official development assistance of the Bangsamoro: *Provided, further*, That not more than twenty percent (20%) of the block grant shall be utilized for loan payments.

(d) *Publication.* – Any domestic or foreign-assisted loan and the purpose thereof shall be published once a week for two (2) consecutive weeks in at least one (1) newspaper of general circulation in the Bangsamoro Autonomous Region.

SEC. 35. *Official Development Assistance.* – The Bangsamoro Government may avail of official development assistance, upon review and approval of the National Government in accordance with Republic Act No. 8152, otherwise known as the "*Official Development Assistance Act of 1996*," as amended, to achieve inclusive growth and poverty reduction through the implementation of priority development projects.

Grants and Donations

SEC. 36. *Grants and Donations.* – Departments, bureaus, offices, and state universities and colleges of the Bangsamoro Government may accept donations, contributions, grants, bequests, or gifts, in cash or in kind, from domestic or foreign sources for purposes relevant to their functions.

In case of such grants or donations from governments of foreign countries, their agencies and instrumentalities or multilateral institutions or organizations, acceptance thereof shall be subject to the prior clearance and approval by the President or his authorized representative.

The Intergovernmental Fiscal Policy Board shall promulgate rules for the implementation of this section.

Economic Agreements and Conventions

SEC. 27. *Economic Agreements.* – Subject to the provisions of the Constitution, the Bangsamoro Government shall evolve a system of economic agreements and trade compacts to generate block grants for regional investments and improvements of

regional economic structures which shall be authorized by a law enacted by the Parliament. Pursuant to specific recommendations of a regional economic and development planning body which shall be created by the Parliament, the Bangsamoro Government may assist its constituent local government units in their requirements for counterpart funds for foreign-assisted projects.

SEC. 28. *Cultural Exchange, and Economic and Technical Cooperation.* – The Bangsamoro Government may establish linkages for cultural exchange, economic and technical cooperation with countries having diplomatic relations with the Philippines upon review and approval of the National Government. The Bangsamoro Government may recommend to the National Government the assignment of qualified persons in Philippine embassies and consulates, and their participation in international delegations.

SEC. 29. *Benefits from Conventions.* – The Bangsamoro Government shall be entitled to benefits resulting from conventions to which the National Government is a party. Such benefits shall be equitable, considering the available human and material resources and comparative advantage of the Bangsamoro Autonomous Region, as well as its socioeconomic conditions and needs.

Government-Owned or Controlled Corporations

SEC. 30. *Government-Owned or Controlled Corporations.* – Upon coordination with the National Government, the Parliament shall have the power to create government-owned or controlled corporations in compliance with the provisions of Republic Act No. 10149, otherwise known as the "*GOCC Governance Act of 2011*," by a grant of legislative charter, or under *Batas Pambansa Blg. 68*, otherwise known as "*The Corporation Code of the Philippines*." *Provided*, That those duly registered with the Securities and Exchange Commission may likewise operate outside the Bangsamoro Autonomous Region.

The Parliament may create pioneering firms and other business entities to boost economic development in the Bangsamoro Autonomous Region.

SEC. 31. *Existing Government-Owned or Controlled Corporations Operating Exclusively in the Bangsamoro Autonomous Region.* – The Bangsamoro Government shall have the authority and control over existing government-owned or controlled corporations operating exclusively in the Bangsamoro Autonomous Region after determination by the Intergovernmental Fiscal Policy Board of their feasibility: *Provided*, That they shall have the option to transfer their operations outside of the Bangsamoro Autonomous Region, which shall be effected through the necessary changes in their governing boards.

SEC. 32. *Existing Government-Owned or Controlled Corporations in the Bangsamoro Autonomous Region.* – The Bangsamoro Government shall be represented in the board of directors or in the policy-making bodies of government-owned or controlled corporations that operate a substantial portion of their businesses directly or through their subsidiaries in the Bangsamoro Autonomous Region or where the Bangsamoro Government has a substantial interest.

The Intergovernmental Fiscal Policy Board shall determine the extent of the participation of the Bangsamoro Government as well as its shares from the results of the operations of these corporations and their subsidiaries based on a formula that it shall determine: *Provided*, That the Bangsamoro Government shall have at least one (1) seat in the governing boards of the said corporations.

SEC. 33. *Southern Philippines Development Authority and Al-Amanah Islamic Investment Bank.* – Within six (6) months from the establishment of the Bangsamoro Transition Authority, the Intergovernmental Fiscal Policy Board shall determine the participation of the Bangsamoro Government in the Al-Amanah Islamic Investment Bank of the Philippines and the Southern Philippines Development Authority as provided in Presidential Decree No. 690, as amended. In the event of the transfer of ownership or disposal of any property of the Southern Philippines Development Authority, the local government unit where the property is located shall have the preferential right to acquire the property.

Sharing in the Exploration, Development,
and Utilization of Natural Resources

SEC. 34. *Sharing in Exploration, Development, and Utilization of Natural Resources.* – Government revenues generated from the exploration, development, and utilization of all natural resources in the Bangsamoro Autonomous Region, including mines and minerals, shall pertain fully to the Bangsamoro Government. In the case of uranium and fossil fuels such as petroleum, natural gas, and coal, the same may be co-managed and the revenues shared equally between the National Government and Bangsamoro Government, subject to the limitations provided in the Constitution.

SEC. 35. *Share of the Constituent Local Government Units.* – The share of the Bangsamoro Government in the revenues referred to in the immediately preceding section shall be inclusive of those for its constituent local government units.

The share of the Bangsamoro Government is hereby apportioned as follows: thirty percent (30%) to the Bangsamoro Government; and to all its constituent local government units, twenty percent (20%) to the provinces; fifteen percent (15%) to the cities; twenty percent (20%) to the municipalities; and fifteen percent (15%) to the barangays.

SEC. 36. *Share of Indigenous Communities.* – Indigenous peoples and communities shall have an equitable share of the revenues generated from the exploration, development, and utilization of natural resources that are found within the territories covered by a native, traditional, or customary title in their favor, which shall be provided by a law to be passed by the Parliament detailing the sharing mechanism and percentages: *Provided*, That the rights and privileges granted to indigenous peoples by Republic Act No. 8371 and other laws pertaining to indigenous peoples shall not be diminished.

Intergovernmental Fiscal Policy Board

SEC. 37. *Functions.* – The Intergovernmental Fiscal Policy Board created under Section 4, Article VI of this Organic Law shall have the following functions:

(a) Recommend the necessary fiscal policy adjustments by undertaking periodic reviews of the taxing powers, tax base, rates, wealth sharing arrangements, and sources of revenues of the Bangsamoro Government vis-à-vis its development needs;

(b) Address disputes between the National Government and the Bangsamoro Government involving the collection of capital gains tax, documentary stamp tax, donor's tax, and estate tax;

(c) Determine the extent of the participation of the Bangsamoro Government in the board of directors or the policy-making bodies of government-owned or controlled corporations that operate a substantial portion of their businesses directly or through their subsidiaries in the Bangsamoro Autonomous Region or where the Bangsamoro Government has substantial interest;

(d) Determine the participation of the Bangsamoro Government in the operations of government-owned or controlled corporations and their subsidiaries operating in the Bangsamoro Autonomous Region, and its shares from the results of said operations;

(e) Determine the participation of the Bangsamoro Government in the *Al-Amanah* Islamic Investment Bank of the Philippines, and the Southern Philippines Development Authority, subject to the provisions of Section 33 of this Article; and

(f) Define the modalities for the filing of income tax returns for corporations or firms whose central, main, or head offices are located outside the Bangsamoro Autonomous Region but are doing business within its territorial jurisdiction to determine the income realized from such operations in the Bangsamoro Autonomous Region, which shall be attributed as income derived therein and subject to the sharing scheme between the National Government and the Bangsamoro Government.

SEC. 38. *Composition of the Intergovernmental Fiscal Policy Board.* - The Intergovernmental Fiscal Policy Board shall be composed of the heads or representatives of the appropriate departments and agencies of the National Government and heads

or representatives of the ministries and offices in the Bangsamoro Government: *Provided*, That the Secretary of Finance and the Minister of the appropriate ministry from the Bangsamoro Government shall be its co-chairpersons: *Provided, further*, That the Secretary of Budget and Management, Secretary of Trade and Industry, and the Director-General of the National Economic and Development Authority shall be members thereof.

SEC. 39. *Meetings and Annual Report.* - The Intergovernmental Fiscal Policy Board shall meet at least once every six (6) months or as often as necessary, and shall adopt its own rules of procedure for the conduct of its meetings.

An annual report shall be submitted by the Intergovernmental Fiscal Policy Board to the National Government and the Bangsamoro Government, and shall be made available to the public.

SEC. 40. *Full Disclosure Policy.* - The Bangsamoro Government adopts a policy of full disclosure of its budget, finances, bids and public offerings, and shall provide protocols for the guidance of local authorities in the implementation of said policy which shall include, among others, the posting of the Summary of Income and Expenditures, and the participation of representatives from civil society in the budget process. The same policy shall apply to its constituent local government units as may be provided in a Bangsamoro local government code to be enacted by the Parliament.

SEC. 41. *Additional Fiscal Powers.* - The Intergovernmental Fiscal Policy Board may recommend to the Congress of the Philippines or the appropriate agency of the National Government the grant of additional fiscal powers to the Bangsamoro Government.

ARTICLE XIII

REGIONAL ECONOMY AND PATRIMONY

SEC. 1. *Social Justice and Economic System.* - The Bangsamoro Government shall establish an economic system based on the principles and state policies declared in the