

# **MINUTES OF THE MANAGEMENT REVIEW OF THE NATIONAL TAX RESEARCH CENTER QUALITY MANAGEMENT SYSTEM (NTRC QMS)**

December 12, 2017

Convention Hall, 3<sup>rd</sup> Floor Palacio del Gobernador Condominium  
Intramuros, Manila

**MANAGEMENT REVIEW  
OF THE  
NATIONAL TAX RESEARCH CENTER  
QUALITY MANAGEMENT SYSTEM  
(NTRC QMS)**

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**AGENDA**

- I. Approval of the Agenda of the Management Review and Minutes of the Mid-Year Assessment and Strategic Planning held on June 9, 2017 at the DOF Cottage, Baguio City
- II. Matters Arising from the Minutes of the Mid-Year Assessment and Strategic Planning
- III. Review of the NTRC Quality Management System (NTRC-QMS)
  - A. 2017 NTRC Risk Registry – Ms. Rhea L. Caro
    - Review of the Issues, Risks and Opportunities Using the PESTLE Analysis
    - Evaluation of the Effectiveness of Actions taken to Address Risks and Opportunities
  - B. NTRC Quality Policy
  - C. Quality Objectives and Plans – All Branch Heads
    - Status of Attainment of Quality Objectives and Plans
    - Resource Needs
  - D. Audit Results – IQA Team Leader, Ms. Grace A. Manalo
    - Status of Corrective Actions in RFA
    - Opportunities for Improvement
  - E. Client Satisfaction and Feedback for Publications – Ms. Rhea L. Caro
  - F. Evaluation of Performance of External Providers of Security, Photocopying and Water Services – Mr. Gian Carlo D. Rodriguez
- IV. Updates on the following:
  - Tax Reform for Acceleration and Inclusion (TRAIN) – E/D Trinidad A. Rodriguez
  - 2017 NTRC Christmas Celebration – Ms. Emelita A. Tena
  - 2018 NTRC Employees Uniform – Ms. Roselyn C. Domo
- V. Designation of 2018 NTRC Anniversary Celebration Committee
- VI. Next Schedule of Management Review
- VII. Other Matters

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OF THE NATIONAL TAX RESEARCH CENTER  
QUALITY MANAGEMENT SYSTEM (NTRC QMS)**

Held on December 12, 2017 at the Convention Hall, 3<sup>rd</sup> Floor, Palacio del  
Gobernador Condominium, Intramuros, Manila

**Present**

**Executive Staff**

Executive Director Trinidad A. Rodriguez  
Deputy Director Teresita L. Solomon

Donaldo M. Boo – Chief Tax Specialist, Direct Taxes Branch (DTB)  
Marlene L. Calubag – Chief Tax Specialist, Indirect Taxes Branch (ITB)  
Emelita A. Tena – Chief Tax Specialist, Special Research and Technical Services  
Branch (SRTSB)  
Debbie F. Asistio-Sy – Chief Tax Specialist, Fiscal Incentives Branch (FIB)  
Monica G. Rempillo – Economist V, Economics Branch (EB)  
Gian Carlo D. Rodriguez – Chief Administrative Officer, Administrative and Financial  
Branch (AFB)  
Roselyn C. Domo – Supervising Tax Specialist, DTB  
Ma. Berlie L. Amurao – Supervising Tax Specialist, ITB  
Ma. Rhea L. Caro – Supervising Tax Specialist, Planning and Coordinating Branch  
(PCB)  
Jonah P. Tibubos – Statistician IV, Tax Statistics Branch (TSB)  
Jason P. Raposas – Supervising Tax Specialist, SRTSB  
Venchito P. Salvador – Supervising Administrative Officer, AFB  
Lorelli D. Villaflores – Administrative Officer V, Personnel Division  
Elizabeth Miriam L. Paredes – Administrative Officer V, Administrative Division  
Grace A. Manalo – Accountant III, Accounting Division  
Cecilia V. Salvatierra – Administrative Officer V, Budget and Cash Division

**Others**

Director Evangeline M. Macariola – Development Academy of the Philippines (DAP)  
Lillian S. Flores, PCB  
Perfecto M. Marcelo III, PCB  
Edna P. Calaycay, OED  
Sheila B. Oballes, OED

**Absent:**

Mark Lester L. Aure

## Call to Order

The meeting was called to order at 10:00 A.M. with Executive Director Trinidad A. Rodriguez, presiding.

Director Rodriguez welcomed the Management Review Team (MRT) of the NTRC and DAP Director Evangeline M. Macariola. She informed everyone that the purpose of the meeting is to review and evaluate the effectiveness of the NTRC QMS. In particular, it will review the issues, risks, and opportunities and assess how effective the action plans were in addressing these risks and opportunities. It will also review the Quality Policy, Quality Objectives, the Internal Quality Audit results and clients' feedback.

She queried from the QMS Secretariat if there was a quorum for the management review to proceed, to which, Ms. Caro replied on the affirmative.

Before proceeding to tackle the agenda, as a tradition during Executive Staff meetings, the MRT greeted the birthday celebrant Ms. Elizabeth Miriam L. Paredes who will be celebrating her birthday on the 23<sup>rd</sup> of December.

### **I. Approval of the Agenda of the Management Review and Minutes of the Mid-Year Assessment and Strategic Planning held on June 9, 2017 at the DOF Cottage, Baguio City**

The Agenda for the Management Review was approved without any objection from the members of the MRT.

The Minutes of the Mid-Year Assessment and Strategic Planning held on June 9, 2017 at the Department of Finance (DOF) Cottage, Baguio City was likewise approved in toto.

### **II. Matters Arising from the Minutes of the Mid-Year Assessment and Strategic Planning**

Ms. Caro enumerated the Matters Arising from the Minutes and the status as follows:

#### **MATTERS ARISING FROM THE MINUTES**

<b>Particulars</b>	<b>Concerned Unit</b>	<b>Status</b>
1. Prepare the consolidated comments on HB 5636 for publication to the NTRC Tax Research Journal	DTB, ITB and SRB	Tax Administration Reforms Published (July to August 2017 Issue)
2. Estimate the revenue impact of the proposed excise tax on automobiles and petroleum products	ITB	Done. (August) Input to TRAIN

<b>Particulars</b>	<b>Concerned Unit</b>	<b>Status</b>
3. Estimate the revenue impact of the proposed estate and donor's taxes and the distribution by bracket per HB 5636	TSB	Done. (September) Input to TRAIN
4. Process the application of the Armed Forces of the Phil. Commissary and Exchange Services (AFPCES) for tax subsidy	FIB	Done. Tax subsidy granted per FIRB Resolution No.1-17
5. Prepare and upload infographics on the features of HB 4774 in the NTRC website	Infographics Committee and Website Committee	Done and uploaded in the NTRC website
6. Follow up on the NTRC request for authority to fill vacant positions from the DBM	Personnel Division	Done Authority to Fill Vacant Positions granted
7. Transfer of the NTRC to the Palacio del Gobernador Building  Inform Mr. Veloso of the termination of the contract of lease of office space at Harbor Centre Building	AFB	Done. Already transferred to Palacio del Gobernador
8. Printing of the 2016 Philippine Public Finance and Related Statistics Handbook	AFB, PCB TSB	Done and distributed to clients
9. TRAIN Package 2 – Corporate Income Tax and Fiscal Incentives Rationalization  Include in the study on corporate income tax, countries imposing minimum corporate income tax (MCIT)  Request from the BIR the following data on MCIT: number of taxpayers by total receipts, costs of sales, gross income, total deductions, net income, and tax due by gross income bracket	DTB  TSB	Carried over to 2018 Work Program to be used as input to Package 2  Data already provided to NTRC to be used as input to Package 2

Particulars	Concerned Unit	Status
<p>10. TRAIN Package 4 – Capital Income Taxation</p> <p>Gather the following data: Peso and dollar deposits, interest rates and dividends, among others</p> <p>Update data on the number of Initial Public Offering (IPO) for 2016 as well as data on the rationalization of the documentary stamp tax (DST) including the DST conveyances on transfer of real property</p>	<p>DTB</p> <p>EB</p>	<p>Done. Input to Package 4</p> <p>Done Input to Packages 3 and 4</p>
<p>11. TRAIN Package 5 – Health, Environment, and Luxury Taxation</p> <p>Segregate the carbon tax from fuel, electricity and transport sector</p> <p>Update study on Gambling Tax</p> <p>Update study on Mining Tax</p> <p>Update study on Junk Food Tax</p>	<p>EB</p> <p>EB</p> <p>LFB</p> <p>EB</p>	<p>Done. Input to Package 5</p> <p>Done. Replaced with the Study on Casino Entrance Fee.</p> <p>Done. Input to Package 5</p> <p>Done. Input to Package 5</p>

### III. Review of the NTRC Quality Management System (NTRC-QMS)

#### A. 2017 NTRC Risk Registry

##### 1. Review of the Issues, Risks and Opportunities Using the PESTLE Analysis

Ms. Caro presented to the Management Review Team the revised list of the Issues, Risks and Opportunities as of December 9, 2017 as follows:

## ISSUES, RISKS AND OPPORTUNITIES

SN	Internal / External Issues	Description of Risk / Opportunity	R/O*	Action Priority	Action Plan (with Responsible Office)	Timeliness	Remarks
1	Change in Government Structure  • Political Issue	Change in fiscal policies	R	LOW	Revise Work Program according to policy pronouncements	On-going	Did not occur
		Higher demand for tax research studies	O			On-going	
		More recognition in the field of tax research	O		Customize training plan in keeping with new fiscal policies	On-going	
2	Unpopular Tax Bills/Proposals  • Political Issue	Lack of support	R	LOW	Conduct of in-depth study	On-going	
		Exposure to various opposing views and opinions develops objectivity and harnesses analytical skills and capabilities in the conduct of study	O	LOW		On-going	
3	Coping with the Trends Toward Globalization  • Technological Issue	Limited access to information and language barrier	R	MEDIUM	Subscription to international publications and databases	2017	Budgetary constraints
		Exposure to international best tax and fiscal policy practices	O	MEDIUM	Capacity building, and attendance to local and international seminars		Budget was requested but denied
4	Limited Resources  • Economic Issue	Inability to undertake special projects/studies due to lack of funds	R	HIGH	Request for additional budget, personnel and other resources	Budget Call	
		Inability to hire personnel with specialized technical skills	R	HIGH	Follow-up with DBM and request authority to fill-up		
		Limited capacity building activities, conduct of in-house / customized trainings	R	HIGH	In-house training, partnership with funding institutions, and knowledge sharing	Budget Season	
		Multi-tasking ability and resourcefulness of staff are enhanced	O	MEDIUM	Improve recognition and reward system	On-going	
5	Organizational Knowledge	Limited knowledge sharing	R	MEDIUM	Undertake more capacity building activities	On-going	

SN	Internal / External Issues	Description of Risk / Opportunity	R/O*	Action Priority	Action Plan (with Responsible Office)	Timeliness	Remarks
	<ul style="list-style-type: none"> <li>Economic Issue</li> </ul>	Lost expertise when employees leave NTRC (e.g. retirement, resignation, transfer)	R	MEDIUM	Succession planning	On-going	
		Recruitment of highly qualified and motivated individuals	O	HIGH	Institutionalize knowledge sharing	On-going	
		Regular training	O	HIGH	Improve learning and development plan (LDP)	On-going	
<b>6</b>	Fast Personnel Turnover <ul style="list-style-type: none"> <li>Economic Issue</li> </ul>	Transfer of knowledge or expertise is hampered	R	HIGH	Improve rewards and recognition system	On-going	
		Creates vacuum on certain position levels	R	HIGH	Succession planning	On-going	
		Inability to hire personnel with specialized technical skills	R	HIGH	Institutionalize knowledge sharing	On-going	
		Multi-tasking ability is enhanced	O	HIGH		On-going	
		Opportunity for qualified administrative personnel to be promoted to technical position	O	HIGH		On-going	
		Recruitment of highly motivated and qualified individuals	O	HIGH		On-going	
<b>7</b>	Insufficient Statistical and Other Software Requirements <ul style="list-style-type: none"> <li>Economic Issue</li> </ul>	Delay in processing data	R	HIGH	Request for budget for the procurement of IT Softwares	2017	Request for budget denied by DBM
		Multi-tasking ability is enhanced	O	HIGH			
		Opportunity to participate in trainings on statistical and other software packages	O	HIGH			
<b>8</b>	Data Security and Accuracy	Loss of data integrity and data file	R	HIGH	Provide policy on the use of desktop and	2017	



SN	Internal / External Issues	Description of Risk / Opportunity	R/O*	Action Priority	Action Plan (with Responsible Office)	Timeliness	Remarks
	<ul style="list-style-type: none"> <li>Economic Issue</li> </ul>	Opportunity to be more cautious in data storage and dissemination	O	HIGH	laptop computers among employees and trainees  Purchase and installation of firewall		Done
<b>9</b>	Transfer to New Office  <ul style="list-style-type: none"> <li>Economic and Political Issues</li> </ul>	Delay in operations	R	HIGH	Prepare skeletal staff support system  Additional working hours  Notification to NTRC clients and RIPs, and update of NTRC website on the new office location and contact numbers  Assign guard in the previous office until end of the year	Jan-Dec 2017	
		Safer environment	O	HIGH		Jan-Dec 2017	
		Better accessibility to transportation	O	HIGH		Jan-Dec 2017	
<b>10</b>	Right-sizing and Change in NTRC Organizational Structure  <ul style="list-style-type: none"> <li>Economic and political issues</li> </ul>	Integration of NTRC with DOF	R	HIGH	Coordinate with people concerned		
		Reassignment of personnel	R	HIGH			
		Multi-tasking ability is enhanced	O	HIGH			

Note: \* R- Risk and O- Opportunity

## 2. Evaluation of the Effectiveness of Actions taken to Address Risks and Opportunities

Director Solomon suggested going over the issues on risks and opportunities, in order to assess whether the action plans adopted have been effective, and introduce revisions, where needed.

### **On Issue #1 (*Change in Government Structure*)**

The Management Review Team noted that the change in government structure did not happen in 2017. As such there was no change in fiscal policies. Nonetheless, tax studies related thereto were made namely Federalism and Bangsamoro Basic Law, among others.

For 2018, this issue is still very relevant as there are continuing proposals to change the form of government from presidential (unitary) to federalism in which case there will be changes in the country's tax system.

In view however of the likely passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Package 1 bill into law within the year and the filing of Packages 2 to 5 in Congress starting 2018, the change in fiscal policies can be added as a separate issue with associated risks and opportunities. The action plans to address risks and opportunities for change in government structure may be adopted for the additional issue of *change in fiscal policies*.

### **On Issue #2 (*Unpopular Tax Bills/Proposals*)**

The MRT agreed that this issue and associated risks and opportunities are still relevant for 2018. Director Rodriguez questioned however why the current action plan for the issue, i.e. the conduct of in-depth study has an action priority rating of *low*. Mr. Boo suggested that the action priority rating should be set to at least *medium* priority. He also noted that the popularity of the proposal is generally based on the differing interests of all stakeholders. He provided as an example the present compensating measures on TRAIN (broadening of the VAT and removal of some tax exemption privileges) for the lowering of the personal income taxes (PIT), which are popular with government technocrats and economists but unpopular among masses because of their price implications.

Director Rodriguez emphasized that the conduct of evidence-based researches should be given a high action priority rating. She also highlighted that being a tax research institution any proposal, whether, popular or otherwise, should be evaluated objectively.

Ms. Calubag also agreed to the revisions and suggested to conduct additional activities (e.g.: briefings and fora) for all stakeholders concerned particularly on Package 4 where the NTRC is the lead agency. Director Solomon also suggested that coordination and consultations with the DOF, Congress and the private sector could be added into the action plan. Mr. Boo raised the issue of the capacity of the office to conduct such additional activities specifically for Package 4 based on existing resources. Ms. Rempillo informed the group that the Asian Development Bank (ADB) may provide the financial resources needed to conduct consultations on the said package.

### **On Issue #3 (*Coping with Trends Towards Globalization*)**

Director Rodriguez suggested that the action priority be changed to *high* because cross-country comparisons must always be incorporated in every study as tax practices in the ASEAN and other countries are being asked during consultations, congressional hearings, etc. As regards the action plan for subscription to international publications and databases, she expressed some reservations to this suggestion because access to international databases by subscription are very expensive and the office does not have enough budget. She suggested that the office could request other government agencies, particularly the DOF or BSP, if they can share such databases with us specifically for Package 4. She mentioned some of these data are available at the websites of some international organizations and may be accessed through the internet.

### **On Issue #4 (*Limited Resources*)**

Director Rodriguez informed the group that the request for an authority to fill vacant positions has been approved and as such the Personnel Division may start the recruitment process. Director Solomon suggested that the action plan for having additional personnel should be continued and be given *high* action priority.

### **On Issue #5 (*Organizational Knowledge*)**

Director Solomon and the rest of the MRT went through each of the enumerated risks and opportunities associated with the said issue and the team decided that the action plans listed are still relevant and as such, recommended that no revisions would be introduced.

### **On Issue #6 (*Fast Personnel Turnover*)**

Mr. Boo expressed caution over the action plan to improve the rewards and recognition system. He stressed that the financial capabilities of the office should be taken into account on the grant of rewards and recognition for its employees, to which Director Rodriguez pointed out that these should not necessarily be in the form of monetary rewards.

On the action plan on institutionalizing knowledge sharing on the risk of inability to hire specialized personnel, Ms. Calubag and Ms. Tena suggested an additional action plan to allocate additional budget for the hiring of consultants, especially lawyers, to address the risk and to be included in the 2019 budget. Mr. Salvador expressed caution over the hiring of consultants because of financial constraints. To this, Director Solomon noted that one of the requirements of QMS is for the office, which is involved in tax research to be compliant with regulatory or statutory requirements, so there is really a need to either hire a legal consultant or fill up the legal officer position in the Office. However, Director Rodriguez pointed out that hiring of consultants will not be easy to justify with DBM unless the office is engaged in big projects. Filling up of vacant position for the Legal Officer continues although there are generally no applicants. It was, however, mentioned by Ms. Rempillo that her father, Atty. Rempillo used to be a legal consultant of the office

during the time of Director Vicente G. Quintos and was receiving a monthly retainer fee of PhP2,000.00. She suggested that an inquiry be made with DBM regarding the possible hiring of a legal consultant since there is already a precedent that can be used as basis to justify the request.

**On Issue #7 (*Insufficient Statistical and Other Software Requirements*)**

The request for budget for 2017 for the procurement of IT equipment and software has been done. However, such request for budget was denied by the DBM. For 2018, a similar request is made but was likewise denied. The MRT agreed to try again for 2019 as this is relevant to the office's work.

**On Issue #8 (*Data Security and Privacy*)**

Ms. Caro noted that the action plan listed is in reference to students doing On-The-Job Training (OJT) in the office. She suggested that the students be given limited access to the office's internet facilities and should be allowed access for research purposes only. In relation thereto, Ms. Calubag informed the MRT that Mr. Rodriguez is already working on a draft policy for internet usage among trainees and among employees as well.

**On Issue #9 (*Transfer to New Office*)**

The action plans indicated have already taken place, and Mr. Boo added that the official documents, stationery, and ID should be revised to reflect the new office location and contact numbers to which the team replied positively.

**On Issue #10 (*Right-Sizing and Change in NTRC Organizational Structure*)**

Director Solomon noted that during the time that the action plan was formulated, there was a high possibility that such changes would occur, hence the *high* action priority. However, Director Rodriguez said that presently, the DOF would not consider a Department-wide reorganization including its attached agencies and bureaus, due to the ongoing government's tax reform program, at least not until 2022.

There being no more items to be tackled in the risk registry, Director Rodriguez finally instructed the QMS Secretariat to prepare the revised NTRC Risk Registry for 2018, as discussed and agreed upon in the meeting.

**B. NTRC Quality Policy**

Director Rodriguez mentioned that the review and approval of the NTRC Quality Policy was undertaken in the previous Executive Staff Meeting held on October 20, 2017. During the said meeting, the team agreed that the NTRC Quality Policy is still relevant and appropriate. There being no change in the Policy, she instructed its continuous communication and implementation to all the staff of this office.

## **C. Quality Objectives and Plans**

All heads of branches reported their respective quality objectives and plans. Specifically, each branch reported on the status of attainment of the quality objectives (accomplishment report) as of December 11, 2017.

### **1. Indirect Taxes Branch**

The total target of the branch for 2017 was 10 tax studies divided among its technical staff. In support to the proposed Tax Reform for Acceleration and Inclusion (TRAIN), the highlights of the 2017 work program was presented showing the major studies conducted by the branch. Most notably, the studies completed and published in the NTRC Tax Research Journal were the proposed reforms on value-added tax (VAT), excise tax on sweetened beverages, reforms on excise tax on petroleum products and motor vehicles. The branch produced 10 basic studies on taxation and commented on 8 tax bills from both Houses of Congress, or total accomplishments of 18, exceeding its target by 80%. It is noted that there a number of bills on the same subject matter. The counting done is per subject and not per bill. The branch also attended public hearings/technical working group (TWG) meetings and other related meetings during the year.

### **2. Direct Taxes Branch**

For 2017, the branch accomplishments totaled 18 consisting of 5 tax studies and 13 comments/evaluations of tax bills, historical changes in direct taxes and revenue estimates. Its study on the proposed personal income tax was published in the tax journal. The branch also prepared comparative taxation pertaining to direct taxes among the ASEAN member-countries and historical changes in personal income tax, taxation of employees of regional headquarters, regional operating headquarters of multinational companies, Offshore banking units and petroleum contractors and subcontractors, optional standard deduction (OSD), among others. The branch also attended various public hearings on tax proposals, meetings, conferences as part of its official duties and responsibilities. The branch exceeded its target requirement of 8 studies by 125%.

### **3. Economics Branch**

For the year 2017, the branch accomplishments totaled 19 which is 36% higher than its target of 14 basic and TRAIN-related studies and comments on various tax bills/proposals. The branch was able to complete and publish in the tax journal its study on the proposed imposition of tourist tax and casino entrance fee. Other accomplishments include researches on historical changes in the documentary stamp tax, stock transaction tax and other taxes and comparative taxation pertaining to those taxes in the ASEAN member countries. The other activities of the branch include organizing meetings, workshops, seminars/briefings/consultative forum for Package 4 – Capital Income and Financial Sector Taxation in which the NTRC is the lead agency.

#### **4. Tax Statistics Branch**

The branch accomplishments for 2017 summed up to 16 constituting of tax studies and revenue estimates of various tax proposals. It was able to exceed its target by 60%. The increase in the number of studies was due to the additional researches and assignments related to TRAIN Package 1 and Package 4 such as cross-country comparisons on the taxation of self-employed individuals and professionals, historical changes on taxes imposed on capital income and financial services and tax rates on capital income in the ASEAN member-countries. The branch also published the Handbook on 2016 Philippine Public Finance & Related Statistics and uploaded into the NTRC website infographics on HB Nos. 4774 & 5636. The branch continuously updates its databank on public finance and related statistics, which serves as reference by other technical branches.

#### **5. Fiscal Incentives Branch**

The branch exceeded its targets by 100% in 2017. Actual accomplishments totaled 16 consisting of 5 basic tax studies and 8 comments/evaluations on tax bills related to fiscal incentives, economic zones, and similar development areas. As Secretariat to the Fiscal Incentives Review Board (FIRB), the branch evaluated tax subsidy applications of government owned and controlled corporations (GOCCs) and commissaries after which FIRB Resolutions and Certificates of Entitlement to Subsidy (CES) were issued on those whose applications were favorably acted upon by the Board.

#### **6. Special Research and Technical Services Branch**

For the year 2017, the branch actual accomplishment totaled 19 which is 36% higher than its target of 14. These mostly comprised of comments on tax bills/proposals on tax administration reforms, exemption of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) from the coverage of RA 6758 (Salary Standardization Law), the proposed creation of the National Revenue Authority, and Taxpayers' Bill of Rights. The branch also completed and published in the tax journal comparative organizational structure of revenue authorities and comparative road tax or motor vehicle user's charge in the ASEAN. As Secretariat to the Task Force on the Revision of Fees and Charges, the branch extended technical assistance on revision of fees and charges to Technical Education and Skills Development Authority (TESDA) and other national government agencies (NGAs). As consultant to the Technical Committee on Real Property Valuation (TCRPV), the branch attended related meetings/public hearings on the review and revision of zonal values.

#### **7. Local Finance Branch**

The branch exceeded its target by 36% as actual accomplishments totaled 19 as against 14, mostly comprising of basic tax studies and comments on tax bills/proposals concerning local taxation. The branch prepared a compendium of local business tax of local government units (LGUs) in the National Capital Region

(NCR) and commented on tax bills pertaining to proposed reforms on property valuation and fiscal provisions of the Bangsamoro Basic Law. To tap the expertise of the Supervising Tax Specialist on indirect taxes, special assignments on mandatory marking of petroleum products, rationalizing the tax regime of telecommunication services and proposed imposition of ATM Card Transaction Tax were given to the branch. These studies were completed as well. As a member of the Website Committee, the branch contributed daily tax news and tax laws and issuances and other relevant tax information to be uploaded into the NTRC website.

## **8. Planning and Coordinating Branch**

The branch functional objectives include, among others, coordination activities among technical branches and the issuance and monitoring of assignment sheets. It takes charge of the publication of NTRC Tax Research Journal and Guide to Philippine Taxes, among others. Also, the branch conducts baseline studies on taxation as assigned by the Executive Director. For 2017, the branch accomplishments summed up to 24, exceeding its target of 20 by 20%. In terms of publications, the branch in coordination with other technical branches is required to prepare 11 publications in a year. To date, actual publications already totaled 11 with still one more awaiting to be published until the end of this year.

## **9. Administrative and Financial Branch**

The branch presented the accomplishments for the year of the following units: (a) Human Resource Division; (b) Medical and Dental Division; (c) Administrative Division; (d) Library Division; (e) Budget and Cash Division; (f) Accounting Division; and (g) Information Technology (IT) Division.

For the *Human Resource Division*, the report shows that the required targets were achieved for the year in the area of personnel management. Specifically, in the recruitment and selection of new personnel, it processed the appointment of seven (7) new staff for this year; and on career and personnel development; it facilitated several trainings and in-house seminars. In addition, there were two (2) scholarship grants abroad that were given to the employees. Other functions of the division, such as compliance to the requirements of the Civil Service Commission (CSC) were also attained for the year.

For the *Medical and Dental Division*, its targets for the year were achieved. Basic laboratory examination, which is administered once a year, was conducted last June. Also, there is adequate amount of medical supplies (e.g. basic medicines) for the whole year. Forty (40) employees have availed the basic dental services; and, basic consultations are continuously given to its employees as part of its objectives every year.

For the *Administrative Division*, its main functions are the maintenance of property, plant & equipment (PP&E) and procurement and custodial services. Under PP&E maintenance, the division has completed only four (4) activities for the maintenance of staff cars since these vehicles are relatively new and need minor basic maintenance services. In addition, the cars were insured and registered for

the year. A report on its gasoline and power consumption was submitted to the Department of Energy.

In the procurement functions of the division, it has complied with formulating its annual procurement program, which is done twice a year. Monitoring of office supplies and PP&E is also undertaken. The electronic inventory system which is already in place made the monitoring of inventories of office supplies easier. The division insured the office PP&E to the GSIS in compliance with the directive of the COA to insure these PP&E even though 90% of all PP&E were fully depreciated. Lastly, reproduction and other services were also continuously done during the year.

For the *Library Division*, the quality objectives for the year were achieved. Procurement of books, periodicals and newspapers and cataloguing related thereof were done during the year. The distribution of news clippings on taxation, economics and related fields to NTRC officials and employees was also undertaken. The distribution of the NTRC Tax Research Journal to the recipients per the approved mailing list was done during the year.

For the *Budget and Cash Division*, its required targets for the year were all attained. Preparation of the agency's annual budgetary requirements, quarterly reports on allotments, obligations and balances, monitoring of notices of cash allocations were complied; and, advices of checks issued and cancelled, were complied during the year on required dates. On monthly disbursement monitoring, latest data is only until November as the monitoring for the month of December is still ongoing.

For the *Accounting Division*, its targets and requirements for the year were attained. Preparation of the agency's financial statements was completed and done during the year. Monthly monitoring and maintenance of subsidiary ledgers were undertaken while the required monitoring for the month of December is ongoing. Lastly, reports on monthly remittances (e.g. cash advances) were also completed as of November 2017.

Lastly, for the *IT Division*, the targets for the year were also attained, albeit some constraints on its network infrastructure. On the maintenance of the NTRC website, the division updated the contents of the website before the office transfer took place. However, after the transfer, there were some minor backlogs in uploading of data and information with regard to the agency's compliance to the transparency seal. Mr. Rodriguez assured the group that these issues and backlogs on the website will be addressed quickly. On the maintenance of computer units and other electronic peripherals, the division complied with the requirements and the maintenance was done monthly. Inspections of desktops and laptops was last done in July 2017. The next inspection would be in January next year.

Director Rodriguez noted the issues and problems on internet connectivity of the office because of the recent transfer to new office address. Mr. Rodriguez assured the group that these issues will be addressed as soon as possible. He mentioned that he coordinated with Eastern Telecommunications Philippines, Inc. on the necessary payment of fees and setup of the office's internet facilities.



On another note, Ms. Calubag queried if the library could acquire or purchase new books, and publications that can be used as vital information for TRAIN Package 4 given the remaining budget for acquiring such. The subjects are on passive income, non-bank financial intermediaries, and the like. Mr. Rodriguez requested that he be provided with the title, author, edition number, of the books and other publications so that the purchase could be expedited. Director Rodriguez instructed the other branches to suggest other books that can be acquired which will be very useful for the studies under the proposed TRAIN Package 4.

Mr. Rodriguez asked the group if he can purchase additional copies of the National Internal Revenue Code (NIRC). In response, Director Rodriguez suggested that the acquisition of such books be deferred because of the recent developments in the tax reform program and the anticipated changes in the NIRC.

### 10. Summary of NTRC Accomplishments for 2017

For the research services of the technical branches, in terms of quantity, the actual number of accomplishments completed and approved as of December 11, 2017 totaled 149, exceeding its target of 98 by 52%. Quality-wise, 95% of recommendations in the studies have been considered for tax reforms during the year. In terms of timeliness, the studies were submitted 15% to 30% ahead of time.

#### NTRC Accomplishment for 2017

(as of December 11, 2017)

Branches	Target	Actual			% of Accomplishment
		Studies*	Others**	Total	
Direct Taxes Branch	8	5	13	18	225%
Indirect Taxes Branch	10	10	8	18	180%
Economics Branch	14	13	6	19	136%
Tax Statistics Branch	10	11	5	16	160%
Special Research and Technical Services Branch	14	7	12	19	136%
Fiscal Incentives Branch	8	5	11	16	200%
Local Finance Branch	14	6	13	19	136%
Planning and Coordinating Branch	20	2	22	24	120%
<b>Total</b>	<b>98</b>	<b>59</b>	<b>90</b>	<b>149</b>	<b>152%</b>

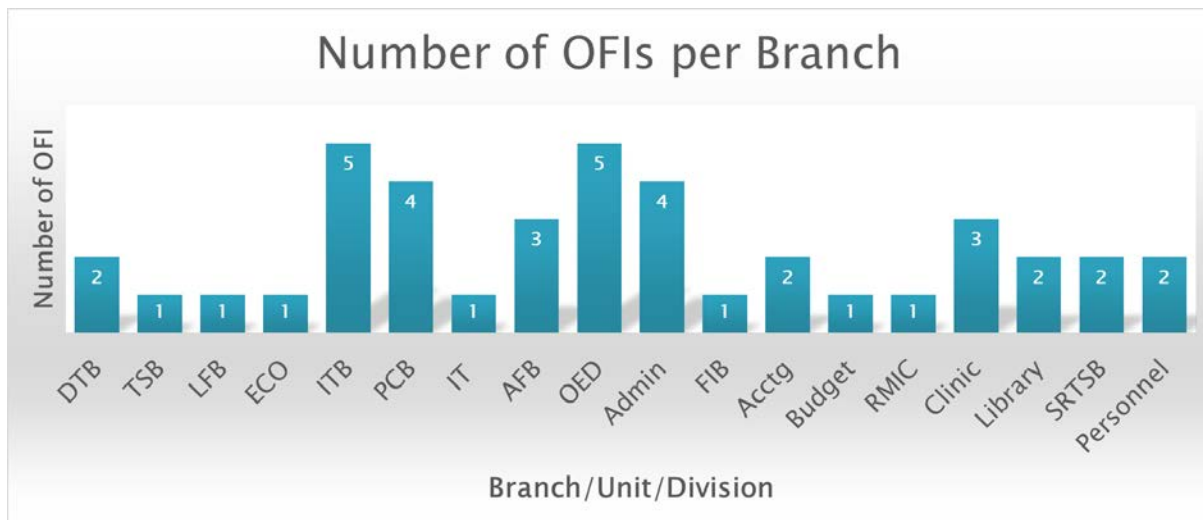
Notes: \* Includes baseline studies on taxation, tax assessments and tax proposals

\*\* Includes comments on tax bills, revenue estimates, reports, publications and technical assistance

Director Rodriguez instructed the group that the accomplishments for 2017 should be reflected in the OPCR and BPCR for the year. Also, she suggested to hold another session for the evaluation and approval of the Work Program for 2018 due to recent developments in the proposed TRAIN, to which the group agreed.

#### D. Internal Quality Audit (IQA) Results

Ms. Grace Manalo, head of the IQA Team, presented the results of the Internal Quality Audit (IQA) of the NTRC QMS held last November 24, 27 and 28, 2017. The audit results were summarized and grouped into opportunities for improvement (OFIs) and non-conformities (NCs). She explained that OFIs are not non-conformities but are opportunities to help improve the QMS, while NCs are deviation or non-fulfilment of intended results. The OFIs are findings, which can be improved upon immediately, but if no corrective actions have been applied, they can become NCs in the long run. The number of OFIs issued to the branches were as follows:

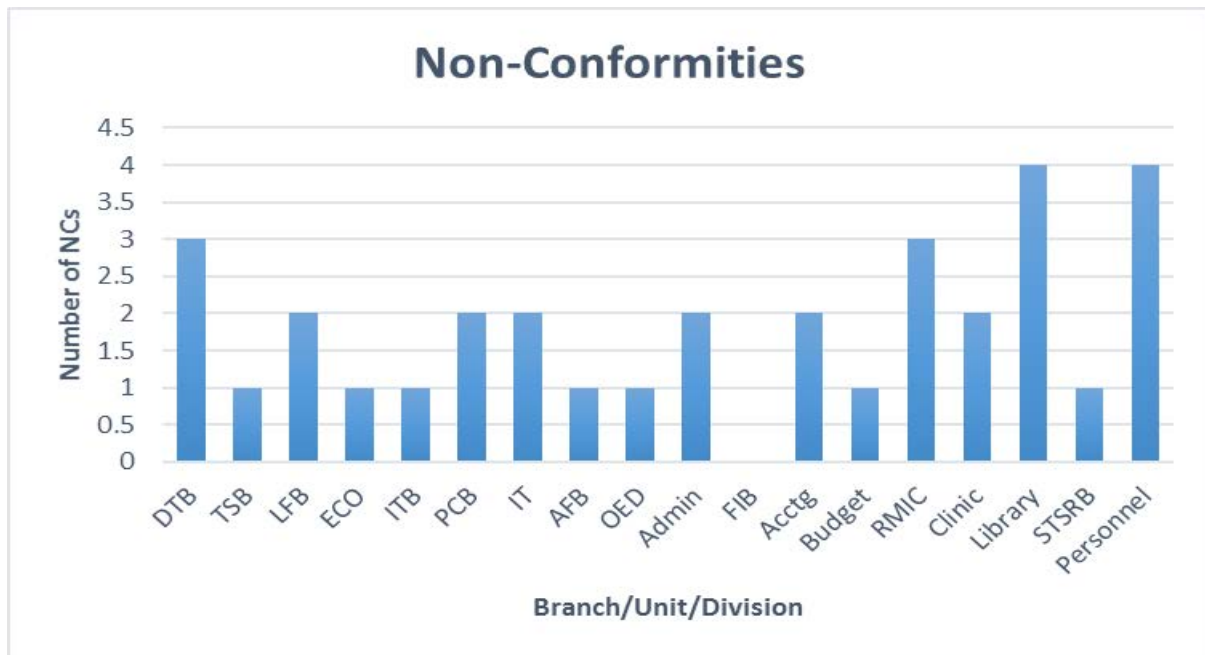


The OFIs were grouped into eight (8) categories, mostly concerning documentation and improvement of work environment. For the latter, it should be mentioned that the audit was done when most of the branches are about to transfer to the new office at the Palacio del Gobernador Condominium at Intramuros, Manila. Hence, the files and documents are not organized and some are already packed. The highest number of OFIs issued pertains to the improvement of filing and documentation; followed by improvement of work environment; and feedback mechanism and on risk registry. In the case of feedback mechanisms, the feedback forms are either not done but should have been done or done but not yet implemented or tabulated. The complete details of OFIs are tabulated below:

## Opportunities for Improvement of NTRC Branches and Division for 2017

Branch/Divisions	Documentation Requirement to RMIC	Improvement of the Filing and Documentation Process	Documented Information for Updating	Risk Registry	Tracking and Monitoring Studies Researches	Creation of Policy/Criteria for the Core Processes	Improvement of Work Environment	Feedback Mechanism
1. Direct Taxes Branch	Issues, Risks	Filing System						
2. Tax Statistics Branch	Issues, Risks							
3. Local Finance Branch	Issues, Risks							
4. Economics Branch	Issues, Risks							
5. Indirect Taxes Branch		Filing System	Operations Manual	Additional Risks	Assignment Sheets	Data errors on researches and studies	Unnecessary Items	
6. Planning and Coordinating Branch		Filing System			Logbook and routing slips	Tax subjects for tax studies and tax news digest		
7. IT Unit		Filing and Documentation						
8. AFB		Filing and Documentation	Operations Manual					Distribution and tabulation
9. Office of the Executive Director		Filing System	Operations Manual			Target setting	Unorganized	Approval of forms and monitoring of results
10. Administrative Division		Filing and Documentation		Additional Risks			Inconvenience	Distribution and tabulation
11. Fiscal Incentives Branch							Unnecessary Items	
12. Accounting Division				Additional Risks			Unnecessary Items	
13. Budget and Cash Division				Additional Risks				
14. Records Management Improvement Committee		Filing and Documentation						
15. Clinic		Filing and Documentation					Improvement of Property	Consider having feedback
16. Library							Incorporate Technology	Monitoring and tabulation
17. Special Research and Technical Services branch		Filing System			Assignment Sheets			
18. Personnel Division				Additional Risks		Information Dissemination (PRAISE)		

In the case of Non-Conformities (NCs), the number of NCs issued to the branches ranges from 2 to 4 with the Personnel Division and Library Division having the highest number of issued NCs. The corresponding number of NCs per branch are shown below:



The NCs were grouped into five (5) categories, mostly concerning awareness, monitoring documentation, requirement, completeness of documentation and updates of documented information and monitoring. Of these five categories, the highest number of NCs issued is related to the matter pertaining to documentation requirements; followed by incomplete documented information; and the issue concerning awareness and understanding of personnel on the QMS. The complete details of NCs are tabulated below:

## Non-Conformities of NTRC Branches and Divisions for 2017

Branch/Divisions	Documentation Requirements	Incomplete Documented Information	Monitoring Tools and Coaching	Personnel Lacks Awareness	Documented Information for Updating
1. Direct Taxes Branch	Operations Manual and Employee handbook	Individual Development Plan	No established tools on monitoring and mentoring		
2. Tax Statistics Branch			No established tools on monitoring and mentoring		
3. Local Finance Branch	Employee Handbook	Individual Development Plan			
4. Economics Branch				NTRC QMS	
5. Indirect Taxes Branch					System to evaluate risks
6. Planning and Coordinating Branch		Feedback			Work Program
7. IT Unit	Risk Registry	Traceability of repairs			
8. AFB					Work Program
9. Office of the Executive Director					Work Program
10. Administrative Division	Operations Manual		No evaluation and annual bidding on security services		
11. Fiscal Incentives Branch					
12. Accounting Division	BPCR		Preservation of records		
13. Budget and Cash Division	BPCR				
14. Records Management Improvement Committee		Document Masterlist		Duties and responsibilities	Records Disposal
15. Clinic	Risk Registry and BPCR	Traceability of check ups and other consultation			
16. Library	BPCR	List of books for disposal	Borrowers' card and library policies	NTRC QMS	
17. Special Research and Technical Services branch					Documented Information
18. Personnel Division	BPCR	Traceability of deliverable services	Succession Planning, Learning and Development Plan, Individual Development Planning and Communication	NTRC QMS	

Ms. Manalo likewise reported that the IQA team has issued a total of 65 requests for actions (RFAs) which were distributed to the branches on December 6, 2017. To date, 34 out of 65 RFAs issued have been accomplished and returned to the IQA team. Thus, Ms. Manalo reminded the branches concerned to submit their respective RFAs as soon as possible, in order for the IQA team to carry out the implementation check to determine whether corrective actions have been properly applied to address the RFAs. The Implementation Check will start on December 18, 2017 until January of next year.

Mr. Boo asked when the follow-up on the IQA would be conducted. Ms. Manalo said that the schedule would depend on the submission of all the RFAs issued. Mr. Rodriguez suggested a follow-up on the IQA prior to the conduct of the Readiness Assessment workshop on January 16 to 19, 2018 which will be conducted by the DAP. This is to be undertaken to prepare for the third party certification audit in February, 2018.

### **E. Client Satisfaction and Feedback Results for Publications**

Ms. Caro presented the results of the feedback forms on publications given to clients and relevant interested parties (RIPs). The following publications are covered in the feedback forms: (a) NTRC Tax Research Journal; (b) Guide to Philippine Taxes; (c) NTRC Annual Reports; (d) Basic Facts and Figures; (e) Philippine Public Finance and Related Statistics; and, other related publications. She also noted that the feedback mechanism was implemented very recently, hence, the low number of feedback turnout.

Based on feedback results, of the major publications of the office, the Handbook on 2016 Philippine Public Finance & Related Statistics, and the NTRC Tax Research Journal are the most widely read and used by clients for their references. On the clients' feedback on quality, the Handbook on Philippine Public Finance and Related Statistics earned the highest rating of 4 for excellent; followed by the Guide to Philippine Taxes; and, the NTRC Tax Research Journal. On the clients' feedback on the relevance of information provided, the same publications also got the highest rating of 4. The average satisfaction rating of the clients for both quality and relevance is 3.5. The criteria and scores used are as follows:

4	Excellent: 100% accurate, complete, relevant publication with excellent print lay-out
3	Very Good; 90% accurate, complete, relevant publication with very good print lay-out
2	Good: 75% accurate, complete, relevant publication with good print lay-out
1	Poor: 50% accurate, complete, relevant publication with poor print lay-out

The report also presented some commentaries as to the usefulness of the publications. This includes some commendations, such as being very informative and useful for fiscal policy formulation and legislation.

Ms. Caro also said that there are other feedback forms due for eventual dissemination to the clients and RIPs, specifically those concerning the research services of the NTRC and Technical Assistance provided by the office. Director Solomon asked as to when the feedback forms will be ready for distribution. Ms. Caro replied that these will be distributed as soon as these are finalized and approved for distribution.

Director Rodriguez inquired about what strategy to use to increase the turnout of feedback forms from clients' and RIPs. Ms. Caro replied that a follow-up on the distributed forms is necessary. Mr. Boo suggested to have the feedback form available on line for better accessibility to clients. Ms. Calubag, on the other hand, suggested that the clients be given ample time to read and analyze each of the publications before conducting a follow-up. Ms. Tena also suggested to indicate in the feedback forms that the office will follow-up on the status of the feedbacks at least 3 days from the receipt of the publications.

**F. Evaluation of Performance of External Providers of Security, Photocopying and Water Services**

Mr. Rodriguez presented the results of the main external providers/suppliers of the agency, particularly on security services, water, and photocopying services. The rating of external providers is based on the criteria set by the office and given scores of 1 to 4, with 4 being the highest, as follows:

4	Excellent: Always exceeds performance expectations for all tasks
3	Very Good: Meets and frequently exceeds performance expectations for all tasks.
2	Needs improvement: Meets performance expectations in a minimally acceptable level
1	Unsatisfactory: Does not meet performance expectations, not even at a minimally accepted level.

According to the evaluation done by the office, Skynet Security Investigation Agency Inc. (security service provider) earned an average score of 3.78; Kooler Industries (water services) earned 4; and, U-BIX Corporation (photocopying services) earned a score of 3.60.

Director Solomon inquired if the utilities (water and electricity), phone and internet services, and the building facilities are also part of the performance evaluation conducted by the office. Mr. Rodriguez replied that these would be included on the next performance evaluation.

#### **IV. Updates on the following:**

##### **1. Tax Reform for Acceleration and Inclusion (TRAIN)**

Director Rodriguez presented the highlights on the recent developments regarding the proposed TRAIN. She enumerated the important provisions which were approved during the bicameral conference as of December 11, 2017.

On personal income tax (PIT), the first PhP250,000 is exempt while the rates are 20%, 25%, 30%, 32% and 35% for the first tranche effective January 2018; the second tranche is effective 2023 with reduced rates of 15%, 20%, 25%, and 30% but the 35% rate is retained for the highest taxable bracket; maximum taxable bracket on the approved bill is PhP8 million; self-employed and professionals (SEPs) will be subject to an optional rate of 8% of gross sales in excess of PhP250,000 in lieu of income tax and percentage tax starting 2018; fringe benefits tax will be increased from 32% to 35%; for lotto and sweepstakes, a 20% final tax will be imposed on winnings above PhP10,000.00 and prize fund tax of 5% will be repealed; PCSO will no longer be tax-exempt and will be subject to regular corporate income tax (CIT) rates; estate tax will be 6% of net estate with PhP5 million standard deduction and PhP10 million exemption of family home; donor's tax on donations above PhP250,000.00 will be 6%; cooperatives will remain tax-exempt but will be required to report on TIMTA, except electric cooperatives; the exemptions on senior citizens and PWDs will remain.

On VAT, zero rated VAT will include Economic zones, Freeport zones; VAT threshold is increased from PhP1,919,500.00 to PhP3 million; and additional exemption on prescription drugs.

Oil excise tax will be as follows: PhP7 for gasoline, PhP4 for aviation fuel, PhP8 on asphalt, PhP3 for kerosene, PhP2.50 for diesel, PhP1 for LPG, PhP7 for naphtha, PhP8 for refined fuel, PhP2.50 for bunker fuel oil, PhP8 for lubricating oil, PhP8 for paraffin wax for 2018. On automobiles, 4% on PhP600,000 below, and succeeding rates of 10%, 20% and 50% will be imposed directly on the net manufacturer's or importer's price (NMIP) from the previous marginal NMIP.

On sugar-sweetened beverages, PhP6 will be imposed on caloric beverages, PhP12 on beverages containing high fructose corn syrup and non-caloric, 3-in-1 coffee mixes and milk will be exempt.

A new provision on the taxation of cosmetic surgery was added and the final tax rate will be 5%.

Coal tax from the existing PhP10 per metric ton will now be PhP50 per metric ton in the first year, PhP100 per metric ton in the second year, and PhP150 per metric ton onwards. Excise tax on mining is doubled. Taxes on tobacco products will also increase for the next few years.

Some proposed reforms that should have been part of TRAIN Package 4 are already included in Package 1 and these are taxes on foreign currency deposit units



(FCDUs), capital gains tax (CGT) on non-listed shares of stocks and stock transactions tax (STT) for traded stocks. Documentary stamp taxes (DSTs) will be doubled except on non-life insurance, fidelity bonds, indemnity bonds, sale of real property, and debt instruments. Tax administration reforms are included, and tax amnesty will be on the first quarter of 2018.

The approval of the TRAIN bill is expected to be completed before the year ends and is targeted to be implemented starting January 1, 2018.

## **2. 2017 NTRC Christmas Celebration**

Ms. Tena, the overall Chairperson of the Christmas Celebration committee, gave an update on the upcoming Christmas party. A special order creating the subcommittees was drafted and subsequently approved. It was agreed that the celebration will be held on December 21, 2017 at the NTRC's former office at Port Area, Manila. A program of activities was also prepared in connection with the celebration.

## **3. 2018 NTRC Employees Uniform Committee**

Ms. Domo, as the Chairperson for the female uniform committee presented some updates on the new uniforms that will be adopted by the office next year. After canvassing some potential tailoring services, the committee has considered two (2) apparel shops: Emmalin and Moraya. The requested samples from the 2 apparel shops are still in the process of evaluation by the committee. The chairperson then suggested a dress for the uniform of the female employees. Some photos of sample uniforms were shown.

## **V. Designation of 2018 NTRC Anniversary Celebration Committee**

The group nominated Ms. Tena as chair of the 2018 Anniversary celebration, which she accepted.

## **VI. Schedule of next Management Review**

The next management reviews will be scheduled on July 2018 and December 2018.

## **VII. Other Matters**

### **Comments on the conduct of Management Review from the Development Academy of the Philippines (DAP)**

Dr. Macariola, the resource person from the DAP, presented her comments and views on the conduct of management review of the NTRC QMS. She commended the conduct of the Management Review and gave positive remarks on particular aspects of the review. Starting on time is a good practice. The changes made in external and internal issues relevant to QMS and effectiveness of actions taken to address risks and opportunities are very commendable. She noted

however that there were some gaps on the risk registry presented wherein some opportunities do not have action plans. The gesture of the chairperson to remind the group to revise the risk registry to incorporate changes discussed is likewise commendable.

On the accomplishment of quality objectives, all branches presented their accomplishments for 2017. Dr. Macariola inquired about the indicator for timeliness which the group explained to the resource person. Also, she noted that it is a good practice to summarize the NTRC's core processes performance after the presentation of the branches. She also clarified the targets of year-round and open on the report of the AFB and suggested to quantify them.

On the IQA results, she commended the graphical presentation of the results of the internal quality audit per branch. She noted however that only non-conformities (NCs) and opportunities for improvement (OFI) were presented and nothing were discussed on the conformities and strengths of the NTRC QMS. Also, she commented that the process owners themselves should have the initiative of identifying and analyzing OFIs. She said that empowerment of people is necessary for the success of the QMS. She suggested that the conformities and strengths should be incorporated in the next report.

On client satisfaction feedbacks, she noted that there is more room for improvement on this area and suggested that distribution strategies be modified to access more client feedbacks. She also suggested that other than the PCB, other branches/offices need to gather their feedback too.


Overall, she said that the conduct of the management review was very laudable, interactive, and substantial exchanges of ideas took place. She then reminded the group to review every element of the QMS in preparation for the eventual third-party certification audit, most notably on the RFAs issued on the units concerned. She also shared some pointers to the team on how to approach the third-party auditors during the conduct of the certification audit.

There, being no more items to be tackled, the management review was adjourned at 04:15 P.M.

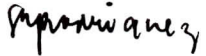
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