2014 Tax Reforms and Developments

42nd NTRC ANNUAL REPORT

NATIONAL TAX RESEARCH CENTER
Department of Finance
2015

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HIS Excellency
The President of the Republic
of the Philippines
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Thru: The Secretary of Finance

SIR:

I have the honor to submit the 2014 annual report of the National Tax Research Center (NTRC). This report briefly presents the studies conducted by the NTRC, as well as the various technical assistance rendered by this office to different government and private entities including some international bodies. A brief description of the training programs and activities of the staff during the year is also presented.

Very truly yours,

Trinidad A. Rodriguez
OIC-Executive Director

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INTRODUCTION

Still reeling from the devastating effects of Typhoon Yolanda, the country's economic growth remained resilient as Gross Domestic Product (GDP) recorded 6.1% growth in 2014, lower than its 7.1% growth in 2013.

The service sector, being the top driver of economic growth, posted 5.9% growth as against the 7.0% growth recorded in 2013. The bright spots to the growth of the sector are the real estate, renting and business activities; and financial intermediation with growths of 8.7% and 7.2%, respectively. The industry sector, on the other hand, grew by 7.9% in 2014 compared to its 9.2% growth the previous year. The growth of the sector is mainly attributable to the sustained expansion in the manufacturing and construction sub-sectors which grew by 8.3% and 9.9%, respectively. Meanwhile, the agriculture, hunting, forestry and fishing (AHFF) sector grew by 1.6% in 2014 compared to its 1.1% growth in 2013. Major contributors to the increase of the AHFF sector include palay, corn, agricultural activities and services, poultry and banana.

Meanwhile, net primary income (NPI) from the rest of the world slowed down at 4.1% growth from the 13.1% in the previous year manifesting a deceleration in the growth of the Gross National Income (GNI) to 5.8% from 8.1% in 2013.

The bulk of the GNI in 2014 came from the service sector, 46.9%; followed by the industry sector, 27.7%; and AHFF sector, 8.3%. The remaining 17.1% was shared by the NPI from the rest of the world.

National government revenue remained stable as it grew from PhP1.7 trillion to PhP1.9 trillion or by 11.2% in 2014 which is lower than the 2013 growth of 11.8%. Of the total government revenue, 90.1% or PhP1.72 trillion came from tax revenue and 9.9% or PhP188.4 billion comprised non-tax revenue.

INTRODUCTION

The Bureau of Internal Revenue (BIR), the government's main tax agency contributed 77.6% to the total NG tax revenues. It generated PhP1.33 trillion, higher by 9.7% from 2013 collection of PhP1.22 trillion but short of its target by PhP121.6 billion or by 8.3%. The increase in collection was brought about by the continued campaign against tax evaders through its "Run After Tax Evaders" (RATE) and "Oplan Kandado" programs; automation of tax processes, enhanced monitoring and third party reporting and data matching system.

On the other hand, the Bureau of Customs (BOC) shared 21.5% to total NG tax revenues in 2014. Even as the full year's take was almost 10% below the goal, the Bureau's collection rose from PhP304.9 billion in 2013 to PhP369.3 billion or by 21.1% in 2014. Aside from the heightened campaign against smugglers through the continued implementation of the "Run After the Smugglers" (RATS) program, the increase in collection is attributed to the automation of tax processes and efforts to stamp out corruption within the BOC.

In the case of other collecting offices, namely, the Land Transportation Office (LTO), Department of Environment and Natural Resources (DENR), Bureau of Immigration (BI), Bureau of Fire Protection (BFP), and Tourism Infrastructure and Enterprise Zone Authority (TIEZA), their combined 2014 collection amounted to PhP16.1 billion, representing 1% of the total NG tax revenue. This was higher by PhP2 billion or 13.9% over the 2013 collection of PhP14.1 billion and exceeded the target of PhP15.5 billion by PhP575 million or 3.7%.

Non-tax revenues of the government are composed of the Bureau of the Treasury (BTr) income, collections from fees and charges, privatization proceeds and other non-tax sources. In 2014, total NG non-tax revenues amounted to PhP188.2 billion, of which, almost half (50%) or PhP93.4 billion came from the BTr income; 17.4% or PhP32.8 billion was contributed by fees and charges; and 1% or PhP1.9 billion from the proceeds from privatization. Other non-tax revenues, which include grants, contributed about 32.0% or PhP60.3 billion of the total non-tax pie.

INTRODUCTION

For 2014, the **National Tax Research Center (NTRC)** continued to deliver its functions in accordance with its mandate of conducting quality research on taxation as a basis for tax policy formulation/ legislation aligned with the key result area (KRA) of Rapid, Inclusive and Sustained Economic Growth of the Administration's Social Contract with the Filipino People. In the preparation of studies, the NTRC took into consideration the macro-economic goals and objectives of the government enunciated in the Philippine Development Plan 2011-2016 and other policy pronouncements of the Aquino Administration.

For the year under review, the NTRC conducted basic studies on taxation supportive of national goals and priorities, to wit: revenue enhancement; improvement in tax structure; promotion of equity; improvement in taxpayers' compliance; and efficiency in tax administration. The major studies include, among others: Revenue Performance of the National Government: CY 2013; Tax Performance Analysis of the National Government: CY 1998-2013; Top Corporate Taxpayers in the Philippines for Taxable Years 2009-2011; An Analysis of the Effective Tax Rates (ETR) of the Country's Top Taxpayers: 2012; Tax Contribution of the Philippine Pharmaceutical Industry; Basic Guide to Philippine Stock Investment and Taxation; Feasibility of Imposing An Excise Tax on Cosmetic Medical Procedures; Feasibility of Imposing an Excise Tax on Electronic Cigarettes (e-Cigarettes); Premyo sa Resibo Program of the Bureau of Internal Revenue (BIR); Tax Identification Number (TIN): Its Development and Importance in Tax Administration; Tax Treatment of Commissions Under the National Internal Revenue Code (NIRC), as Amended; Review of the Philippine Debt Indicators; Comparative VAT and VAT-Like Impositions of ASEAN Countries; Comparative Excise Taxation of Tobacco Products in ASEAN Countries; Comparative Financial Transaction Taxes Imposed on the Sale of Shares of Stock Traded and Listed in the ASEAN Stock Exchanges; and Local Government Units' Compliance to the Mandated Revision of the Schedule of Market Values (SMVs) for Real Property Taxation Purposes.

The NTRC assessed laws such as Republic Act (RA) No. 10351 or the Sin Tax Law and RA 10001 entitled, "An Act Reducing the Taxes on Life Insurance Policies, Amending for the Purpose Sections 123 and

183 of the NIRC of 1997, as Amended, and issuances that comprise tax, tariff, grant of fiscal incentives and administrative reforms promulgated in 2013.

The NTRC evaluated 117 Senate and House Bills coming from Congress and other tax proposals from other government agencies and the private sector. The bills cover the rationalization of fiscal incentives, tax incentives management and transparency, mineral resource revenue sharing, increase in the tax-free ceiling of 13^{th} month pay and other benefits of wage earners, restructuring of the individual income tax, reduction of the corporate income tax rate and proposed exemption from VAT the sale and importation of petroleum products and raw materials in the manufacture thereof, among others.

The NTRC also provided technical inputs and support to the Department of Finance (DOF) Proposed Legislative Agenda as well as to Congress through the preparation of concept papers, notes, revenue estimation/simulations on various priority revenue measures.

As Secretariat to the Task Force on the Revision of Fees and Charges, the NTRC monitored compliance of the national government agencies (NGAs) in the revision of fees and charges pursuant to Administrative Order (AO) No. 31. It prepared Report on the Collection from Fees and Charges of NGAs; Update on the Compliance With AO 31 of NGAs; Revenue Performance and Status of Revision of Top Fee Collecting Agencies; and TESDA's Rationalization of Fees. The NTRC also rendered technical assistance to various government agencies collecting fees and charges.

As Secretariat to the Fiscal Incentives Review Board (FIRB), the NTRC processed and evaluated applications for tax subsidy by government-owned and controlled corporations (GOCCs) for consideration of the FIRB Technical Committee and the Board Proper. Thirty six (36) Certificates of Entitlement to Subsidy (CES) and sixteen (16) FIRB Resolutions were issued by the Board. Among the GOCCs that were granted tax subsidies were: Philippine Deposit Insurance Corporation (PDIC), Power Sector Assets and Liabilities Management

(PSALM), Millenium Challenge Account – Philippines (MCA-P), Armed Forces of the Philippines Commissary and Exchange Service (AFPCES), National Kidney and Transplant Institute (NKTI), National Food Authority (NFA), and Philippine Postal Corporation (PhilPost).

The NTRC also provided technical support to the Working Group of the Development Budget Coordination Committee/Executive Technical Board (DBCC/ETB) and DOF Gender and Development (GAD). It also served as consultant to the Executive Committee on Real Property Valuation pursuant to Department of Finance Order No. 6-2010 (March 12, 2010) and BIR Revenue Memorandum Order No. 41-2010 (April 23, 2010). As regards GAD commitment, the NTRC prepared a study on “Who Are the Country’s Top Women Taxpayers?”; GAD Plans and Budget and Accomplishment Report; and undertook other GAD activities.

In line with its tax information and taxpayers’ awareness program, the NTRC published the NTRC Tax Research Journal (Bimonthly) – January-February Issue, March-April Issue, May-June Issue, July-August Issue, September-October Issue and November-December Issue of 2014; 2013 NTRC Annual Report; Short Guide to Philippine Taxes (2013 Edition); Compilation of 2013 BIR Revenue Regulations; and Various Public Finance and Other Related Statistics, 2000 – 2013.

The NTRC continued its computerization program aimed at improving its technical, administrative support and service delivery. The NTRC is an active member of the Socio-Economic Research Portal for the Philippines (SERP-P) of the Philippine Institute for Development Studies (PIDS) and is currently participating in the activities of the Government Wide Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) whose objective is the rationalization of government ICT investments.

The NTRC is a national government agency with an approved budgetary appropriation for FY 2014 under the General Appropriations Act (GAA) in the amount of PhP43.8 million and with total personnel complement of seventy seven (77) as of December 31, 2014.

INTRODUCTION

As part of its commitment to provide continuing staff development, selected NTRC officials and employees were sent to post graduate scholarships/seminars/conferences abroad sponsored by international organizations as well as those locally conducted by various government agencies and the private sector.

This annual report summarizes the work undertaken by the NTRC during the year under review in its effort to make the tax system a more effective tool for economic development, viz:

Chapter I - discusses the implications of tax, tariff and other reform measures legislated and adopted during the year.

Chapter II - presents the highlights of studies undertaken during the year, together with their objectives, findings and recommendations.

Chapter III - describes the various technical assistance rendered in the form of researches, studies, comments and similar undertakings to Congress and other government agencies, regional and international bodies, and the private sector.

Chapter IV - dwells on staff development and similar activities through participation of NTRC officials and employees in study grants, seminars, conferences and other activities here and abroad.

Implications of TAX-RELATED ISSUANCES *Promulgated in 2014*

Chapter 1

Presented in this Chapter are the salient features and implications of the issuances that comprise tax, tariff and administrative reforms legislated and/or adopted during the period under review.

Executive Order (EO) No. 157

Modifying the Rates of Import Duty on Certain Imported Articles as Provided for Under the Tariff and Customs Code of the Philippines, as Amended, in Order to Implement the Amended Tariff Reduction Schedule on Motor Vehicles' Components, Parts and/or Accessories Under EO 767 Pursuant to the Agreement Between the Republic of the Philippines and Japan for an Economic Partnership

(February 13, 2014)

A. Features

EO 157 implements the amended tariff reduction schedule on motor vehicles' components, parts and/or accessories under EO 767,

s. 2008 [1] pursuant to the Philippines-Japan Economic Partnership Agreement (PJEPA).

The EO provides that the articles listed in its attached Annex comprise the Articles Granted Concessions under the PJEPA, as classified under Section 104 of the Tariff and Customs Code of the Philippines (TCCP), as amended, which shall be subject to zero rate of duty until 2018 in accordance with the agreement stipulated under EO 767. It further provides that pursuant to Section 1313 (a) of the TCCP, as amended, the Tariff Commission may, upon request, issue tariff classification rulings to confirm the applicable rates of duty of particular products subject to the said section. All articles listed in the Annex which are entered or withdrawn from warehouses in the Philippines for consumption shall be imposed the rates of duty therein prescribed subject to compliance with the Rules of Origin (ROO) as provided for in Chapter 3 of PJEPA.

II. Implications

The Philippines-Japan Economic Partnership (PJEPA) is a result of the long standing relationship between the Philippines and Japan and aims to expand the trade and investment between the two countries, emphasizing on liberalization, facilitation and cooperation.[2] One of the important areas and objectives covered by the PJEPA as a Free Trade Agreement (FTA) is to liberalize and facilitate commerce through the reduction and/or elimination of

[1] Entitled "Modifying the Rates of Duty on Certain Imported Articles as Provided For Under the Tariff and Customs Code of 1978, as Amended, in Order to Implement the Commitment to Reduce Tariff Rates on Certain Products Included in the Agreement Between the Republic of the Philippines and Japan for an Economic Partnership" (November 7, 2008)

[2] The 15 Areas covered by PJEPA are: (1) Trade in Goods; (2) Emergency Measures; (3) Rules of Origin; (4) Customs Procedures; (5) Paperless Trading; (6) Mutual Recognition; (7) Trade in Services; (8) Investment; (9) Movement of Natural Persons; (10) Intellectual Property; (11) Government Procurement; (12) Competition; (13) Improvement of the Business Environment; (14) Cooperation; and (15) Dispute Avoidance (Available online at: dirp3.pids.gov.ph/ris/dps/pidsdps1312.pdf)

customs duties on trade in goods. EO 157 reiterates the said objective as it implements the reduction to zero percent tariff schedule (from a range of 0% to 30% Most Favored Nation (MFN) rates) on motor vehicles' components, parts and/or accessories as stipulated under EO 767 in accordance with the terms and conditions set out in the respective schedules of the Philippines and Japan[3].

According to the National Competitiveness Council (NCC), the Philippines' automotive industry is considered as a pillar of economic growth due to its extensive downstream and upstream linkages to many diverse local industries, as well as its potential in helping address the chronic unemployment problem in the country. The NCC also considers the automotive industry as one of the priority sectors which has strong prospect to succeed in the global economy. It is an indication that citizens begin to acquire and purchase motor vehicles when a country breaches the US$2,600 Gross Domestic Product (GDP) per capita[4]. The World Bank's record shows that the GDP per capita in the Philippines was last recorded at US$6,982.4 in 2014, when adjusted by Purchasing Power Parity (PPP)[5].

As a safeguard mechanism to put a check on possible surge in imports, but at the same time facilitate the flow of trade between the Philippines and Japan, the EO provides that articles covered by the reduction in duty have to comply with the Rules of Origin (ROO). Under the PJEPA, the following criteria are used to determine if a product is originating from the party (in this case, from the country of Japan): (1) Good is wholly obtained or produced entirely in the Party; (2) Good is produced entirely in the Party exclusively from originating materials of the Party; or (3) Good satisfies the product specific rules set out in Annex 2 of the Agreement requiring that the materials used undergo a change in tariff classification or a specific manufacturing or processing

[3] The articles granted concession are specifically listed in the Annex (Articles Granted Tariff Concessions Under the Agreement) of the said order and were subjected to rates of duty as indicated in Columns 4 to 14 of the Annex to EO 767.

[4] "Facts in Figures" Congressional Policy and Budget Research Department House of Representatives, February 2014 (No. 14). Can be viewed at: www.congress.gov.ph/ (September 25, 2016)

[5] Can be viewed at : The World Bank http://data.worldbank.org/indicator/NY (October 16, 2015).

operation, and all other applicable requirements of Chapter 3, when the good is produced entirely in the Party using non-originating materials. Moreover, the Qualifying Value Content must not be less than the percentage specified by the Product Specific Rule (PSR) for the good.

It is envisioned that modifying to zero percent (0%) the custom duty rates of motor vehicles' components and parts will help in lowering the production cost of motor vehicles in the Philippines, thereby resulting in improved output in the motor vehicle industry. EO 157 is a measure that would improve the output of the motor vehicle industry in the Philippines by sourcing vehicle components from Japan with zero import duty rates. This measure would decrease the cost of manufacturing vehicles in the Philippines and would promote large scale production in vehicle assembly. Improved production intensifies economic activities which is expected to generate more businesses and jobs, and eventually results in a competitive motor vehicle industry.

Despite the perceived benefits of the EO, however, local manufacturers of trucks and buses opposed the tariff cuts on motor vehicles' parts and components related to the government's commitments in the PJEPA earlier than 2013 on the contention that bringing the tariff down to zero percent may discourage local assemblers and instead, just import necessary vehicle components, hence may result in job losses. It should be noted that only 15 percent of the trucks registered with the Land Transportation Office (LTO) came from the "formal industry." The rest were made up of second-hand trucks or those coming from the gray market and most were not compliant with the emission limitations under the Clean Air Act. It is envisioned that the government needs an extra three to five years to put in place all the safety nets and necessary mechanisms to protect the industry and the environment.

Free Trade Agreements like the PJEPA enhance the competitiveness of sectors and industries in which one country has a comparative advantage in comparison with the other. With the liberalization, the importation of automobile components becomes cheaper, lowering the cost of vehicle production, and ultimately benefitting consumers through lower prices and better quality products. In addition, the foregone tariff revenues from the PJEPA are partly retained in the country in the form of business savings that expand working capital and/or additional investible funds to generate more economic activities.[6] The foregone tariff revenues will be offset by the boost on consumer spending which will stimulate demand for goods and services thereby increasing the total economic activity that would generate more jobs, income and higher revenue base in the long-term.[7]

The issuance of EO 157 complements liberalization and helps facilitate trade of motor vehicles between the Philippines and Japan. It could lead to more production of motor vehicles not only in the Philippines but also in Japan and the region of South East Asia, hence, could also lead to an improved and sustained growth in GDP and eventually to the development of the economy.

[6] Policy Brief (Senate Economic Planning Office) "Japan-Philippines Economic Partnership Agreement (JPEPA): An Assessment." September 2007. Viewed at: https://www.senate.gov.ph/publications (October 01, 2015).

[7] Ibid.

Annex 1

APPLICABLE CUSTOMS DUTY RATES OF ARTICLES GRANTED CONCESSIONS UNDER THE PJEPA AND OF THE SAME ARTICLES UNDER MFN, ATIGA AND ASEAN (As Classified Under Section 104 of the TCCP, As Amended)

AHTN Code 2012	Description	PJEPA (2013-2018)	MFN (2012-2013/ 2014-2015)	ATIGA	ASEAN Member States Enjoying Concession
4009.31.91 4009.31.99	Tubes, pipes and hoses, of vulcanised rubber, other than hard rubber, with or without their fittings (for example, joints, elbows, flanges)	0	7-10	0	All
4016.93.20 4016.93.90 4016.99.13 4016.99.14 4016.99.19 4016.99.99	Other articles of vulcanised rubber other than hard rubber	0	0-20	0	All
5703.10.10 5703.10.90B 5703.90.21 5703.90.29B 5703.90.91 5703.90.99B	Carpets and other textile floor coverings, tufted, whether or not made up	0	15-20	0	All
5705.00.21 5705.00.29 5705.00.92 5705.00.99	Other carpets and other textile floor coverings, whether or not made up	0	15	0	All
7320.10.11 7320.10.19	Springs and leaves for springs, of iron or steel	0	15-20	0	All
8409.91.31 8409.91.32 8409.91.34 8409.91.35 8409.91.37 8409.91.38 8409.91.39 8409.91.41 8409.91.42 8409.91.43 8409.91.44 8409.91.45 8409.91.46 8409.91.47 8409.91.48 8409.91.49	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08	0	0-1	0	All

AHTN Code 2012	Description	PJEPA (2013-2018)	MFN (2012-2013/ 2014-2015)	ATIGA	ASEAN Member States Enjoying Concession
8409.99.41 8409.99.42 8409.99.43 8409.99.44 8409.99.45 8409.99.46 8409.99.47 8409.99.48 8409.99.49					
8413.30.12 8413.30.19 8413.30.21 8413.30.29 8413.30.92 8413.30.99	Pumps for liquids, whether or not fitted with a measuring device; liquid elevators	0	0-15	0	All
8415.20.10 8415.20.90	Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	0	10	0	All
8481.80.11 8481.80.12 8481.80.75 8481.80.76 8481.80.87 8481.80.92 8481.80.99	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves	0	5-10	0	All
8511.30.49 8511.30.99 8511.40.31 8511.40.32 8511.40.33 8511.40.91 8511.40.99 8511.50.32 8511.50.99	Electrical ignition or starting equipment of a kind used for spark-ignition or compression -ignition internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparkling plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines	0	10-20	0	All
8512.20.91 8512.20.99 8512.30.10 8512.30.91 8512.30.99	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles.	0	10-30	0	All

AHTN Code 2012	Description	PJEPA (2013-2018)	MFN (2012-2013/ 2014-2015)	ATIGA	ASEAN Member States Enjoying Concession
8536.50.99 8536.90.99A 8536.90.99B	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders and other connectors, junction boxes), for voltage exceeding 1,000 volts	0	1-20	0	All
8544.30.12 8544.30.14	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors	0	15-30	0	All
8707.90.10 8707.90.21 8707.90.29 8707.90.30 8707.90.90	Bodies (including cabs), for the motor vehicles of headings 87.01 to 87.05	0	15-20	0	All
8708.21.00 8708.29.12A 8708.29.92 8708.29.94 8708.29.95 8708.29.97 8708.29.98 8708.29.99 8708.30.10 8708.30.21 8708.30.29 8708.30.30 8708.30.90 8708.40.25 8708.40.26 8708.40.27 8708.40.29 8708.40.91 8708.40.92 8708.40.99 8708.50.91 8708.50.93	Parts and accessories of the motor vehicles of headings 87.01 to 87.05	0	0-30	0	All

AHTN Code 2012	Description	PJEPA (2013-2018)	MFN (2012-2013/ 2014-2015)	ATIGA	ASEAN Member States Enjoying Concession
8708.50.99 8708.70.21 8708.70.29B 8708.70.31 8708.70.39B 8708.70.95 8708.70.96 8708.70.97 8708.70.99 8708.80.15 8708.80.16 8708.80.17 8708.80.19 8708.91.15 8708.91.16 8708.91.17A 8708.91.17B 8708.91.91 8708.91.92A 8708.91.92B 8708.91.99A 8708.91.99B 8708.92.10 8708.92.20 8708.92.40A 8708.92.40B 8708.92.90 8708.94.10 8708.94.94 8708.94.95 8708.94.99 8708.95.10 8708.95.90 8708.99.10B 8708.99.10C 8708.99.30 8708.99.40 8708.99.50 8708.99.61 8708.99.62 8708.99.3 8708.99.70B 8708.99.90B					
9029.20.20 9029.20.90	Revolution counters, production counters, taximeters, mileometers, pedometers and the like; speed indicators and tachometers, other than those of heading 90.14 or 90.15; stroboscopes.	0	0-1	0	All
9104.00.10	Instrumental panel clocks and clocks of a similar type of	0	1	0	All

AHTN Code 2012	Description	PJEPA (2013-2018)	MFN (2012-2013/ 2014-2015)	ATIGA	ASEAN Member States Enjoying Concession
	vehicles, aircraft, spacecraft or vessels.				
9401.20.10 9401.20.90 9401.90.31 9401.90.39A	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof.	0	10-30	0	All

Notes:
The rates of duty represented with a symbol "R" in the Annex of EO 767 were subjected to negotiations in the fourth year from entry into force of the Agreement. In addition, the rates of duty represented with symbol "S" were subjected to negotiations in year 2009.

The articles granted concessions and listed in the table were subjected to negotiations in year 2009 and were represented with symbol "S" (Subject to Negotiations) and "S^b" (Subject to Notes 4 and 5, Part 3-Section 1, Notes for Schedule in the Philippines) for years 2010 to 2018 in the Annex of EO 767.

Source: https://www.cia.gov/library/publications/the-world-factbook/geos/rp.html

EO 173

Reduction and Condonation of Real Property Taxes and Interest/Penalties Assessed On The Power Generation Facilities of Independent Power Producers Under Build-Operate-Transfer Contracts With Government-Owned and/or -Controlled Corporations
(October 31, 2014)

A. Features

EO 173 was issued to reduce the real property taxes, as well as to condone the interests and penalties assessed on the power generation facilities of Independent Power Producers (IPPs) that have Built-Operate-Transfer (BOT) agreements and contracts with government owned- and/or –controlled corporations (GOCCs).

Pursuant to the EO, all liabilities for real property tax on property, machinery and equipment used by IPPs for the production of electricity under the BOT contracts with the GOCCs for all years up to 2014 shall be reduced to an amount equivalent to the tax due if computed based on an assessment level of 15% of the fair market value (FMV), depreciated at the rate of two percent (2%) per year, less any amount already paid by the IPPs. In addition, EO 173 condones all fines, penalties and interests on deficient real property tax liabilities, thus, relieving all concerned IPPs from payment thereof.

The said condonation or reduction of tax by the President is based on Section 277 of RA 7160 or the Local Government Code (LGC) of 1991 which provides that "the President of the Philippines may, when public interest so requires, condone or reduce the real property tax and interest for any year in any province or city or a municipality within the Metropolitan Manila Area."

B. Implications

The issuance of EO 173 aims to mitigate or avoid the threat to the financial stability of the GOCCs, the government's fiscal consolidation effort, and the stability of energy prices. It may also prevent economic losses across all sectors as a result of forcible collection of the subject real property tax by concerned LGUs and possible increase in electricity cost.

It addresses the threats of certain LGUs against the IPPs to levy and sell at public auction delinquent properties of IPPs for non-payment of their real property tax liabilities to the prejudice not only of the investors but also the energy consumers. Hence, the EO hopes to provide a win-win situation where the LGUs may still collect modest revenue while keeping the confidence of investors and protecting the needs of the energy consumers for adequate supply of energy products at stable price.

MAJOR STUDIES
and Other Researches

Chapter 2

1. *Tax Performance Analysis of the National Government: 1998 - 2013*

The paper analyzes the performance of various taxes being collected by the national government (NG) with the end in view of formulating tax reforms to improve its revenue raising capability. It is to be noted that the latest Tax Reform Act was promulgated in 1997 and implemented effective January 1, 1998. Since then, series of amendments were introduced to improve the tax system.

During the period 1998 to 2013, the Philippine economy, measured in terms of its gross domestic product (GDP), was characterized by a "boom and bust" cycle. From a recession in 1998 with a negative growth of 0.6% in real GDP due to the Asian financial crisis, the economy eventually recovered reaching the growths of 6.7% and 6.6% in 2004 and 2007, respectively. In 2009, however, the country barely escaped another recession as it posted a little over 1% growth rate due to the United States (US) meltdown and global economic crisis. In 2010, coming from a very low performance, the economy bounced back to a growth of 7.6%. From a peak in 2010, the growth rate dipped to 3.6% in 2011 but rose again to 6.8% and 7.2% in 2012 and 2013, respectively.

A confluence of various factors contributed to the country's over-all economic performance during the period. Major political events happened such as former President Estrada's impeachment in 2000 that culminated into another people power revolution (EDSA 2) in the first quarter of 2001; rumors of *coup d'etat* in 2002; the Oakwood mutiny in 2003; and the Hyatt 10 in 2005. All these events caused political instability and weighed down the country's overall economic performance. On the other hand, the elections held in 2004, 2007, 2010 and 2013 helped propel economic growth in terms of increased election-related spending.

Extreme weather disturbances such as El Niño, La Niña and destructive typhoons (i.e., Typhoons Reming in 2006, Frank in 2008; and Ondoy and Peping in 2009, Pedring in 2011, Pablo in 2012, and Yolanda in 2013) likewise hit the country causing severe damages to crops, property and infrastructure. In 2013, aside from the extremely destructive Typhoon Yolanda, Bohol and Cebu were also hit by a deadly 7.2 magnitude earthquake barely a month before. As a direct impact to revenue, affected business taxpayers claimed as deductions for income tax purposes the calamity losses which they incurred during the period.

Total NG revenue continuously grew from PhP463.5 billion to PhP1.72 trillion from 1998 to 2013 except for a 6.6% decline in 2009. Similarly, total tax revenue which is about 87.7% of total NG revenues, rose from PhP416.6 billion to PhP1.54 trillion during the period, except in 2009 when it declined by 6.5%. The slowing down of tax revenue collection in 2009 was the result of the full implementation of RA 9504 (approved in June 2008) which among others, exempted minimum wage earners from income tax and increased the personal and additional exemption allowances. This could also be attributed to the US financial meltdown and global economic crisis as depicted by the slump in GDP growth.

The tax effort or the ratio of tax revenue to GDP was on a downtrend from 14.1% in 1998 to 11.7% in 2004. Since then, it went up until it reached over 13% in 2006 to 2008. In 2009 up to 2012, it went down again to over

12% and finally regained the over 13% tax effort in 2013. Likewise, revenue effort or the ratio of total revenue to GDP declined from 15.7% in 1998 to 13.7% in 2004; it then moved up and down in the succeeding years with the highest revenue effort of 16.5% in 2007 and the lowest 13.4% in 2010.

NG REVENUE AND TAX EFFORTS: 1998 – 2013
(Revenue as a Percent of GDP)

Particulars	1998	1999	2000	2001	2002	2003	2004	2005
NG Revenue	15.7	14.8	14.4	14.4	13.5	13.8	13.7	14.4
Tax	14.1	13.3	12.8	12.5	11.8	11.8	11.7	12.4

Particulars	2006	2007	2008	2009	2010	2011	2012	2013
NG Revenue	15.6	16.5	15.6	14.0	13.4	14.0	14.5	14.9
Tax	13.7	13.5	13.6	12.2	12.1	12.4	12.9	13.3
Non-Tax	1.9	3.0	2.0	1.8	1.3	1.6	1.6	1.6

The total NG tax revenue is categorized into direct taxes, constituting about 46.6% of the total tax revenue during the period and indirect taxes, representing 53.4%. Direct taxes are comprised of the corporate income tax (CIT), the individual income tax (IIT) which consists of taxes on compensation income, income from business or practice of profession, capital gains, tax on interest income on bank deposits and government bonds, transfer taxes and other direct taxes. Indirect taxes, on the other hand, include license and business taxes (LBT) which consist of VAT and other business taxes, excise taxes, import duties, and other indirect taxes.

The CIT displayed impressive growths from 1998 to 2013, except in 2009 when it displayed a negative growth of 11% which was attributed to reduction in the CIT rate from 35% to 30% by virtue of RA 9337 or the Reformed VAT (RVAT) law. The highest growth of 28% was registered in 2006 due to the full year implementation of the law which first increased the CIT rate from 32% to 35% in mid-2005 up to 2008 before reducing it to 30% beginning January 1, 2009. The IIT collection likewise increased steadily from 1998 to 2013, except in 2009 when it declined by 9% which was the result of the full year implementation of RA 9504.

License and business taxes continuously increased from 1998 to 2013. The highest growth of 56% registered in 2006 was mainly due to the 66% increase in total VAT collection which was attributed to the adjustment in the VAT rate from 10% to 12% and the inclusion of electricity, fuel and transport sectors and other previously exempt industries within the ambit of the VAT pursuant to the RVAT law. On the other hand, collection from excise taxes on domestic trade moved up and down from 1998 to 2012. In 2013, its collection registered a high growth of 64% due to the first year implementation of RA 10351 which increased the excise tax rates on sin products. As another big contributor to the total excise tax collection, petroleum products turned in to the government coffer PhP30.8 billion in 1998, but collection went down to PhP9.8 billion in 2010. It slightly increased in the succeeding two years but dipped again to PhP8.5 billion in 2013.

In the case of import duties, increased collection was seen from 1998 to 2008. However, it declined in 2009 which could be attributed to the drop in the value of imports, associated with a stronger peso and lower tax payment by the government through Tax Expenditure Fund (TEF). It continued to decline in 2011 to 2013 which was due to the continued issuance of Executive Orders (EOs) which reduced tariffs or granted duty free importation of certain products in compliance with the country's commitment to various free trade agreements and/or to stabilize prices of certain essential products.

Collection from other indirect taxes namely the documentary stamp tax, other miscellaneous taxes, forest charges and fire code tax, grew erratically from 1998 to 2013. The highest growth (55%) was posted in 2005 while decreases in collection were recorded in 2000, 2001, 2004 and 2009.

From 1998-2013, the BIR contributed more than three fourths (77%) of total NG tax revenue collections. Except for the 4% decline in tax collection in 2009, the Bureau experienced uninterrupted increases from 1998 to 2013. However, compared to collection goals, the Bureau was able to exceed its target only in 2001 and 2003.

On the other hand, the BOC which shared about 22% to the total NG tax collection also experienced drop in collection in 2009. Except for such slump, BOC collection increased from 1998 to 2013. High increases were seen in 2006, 2005 and 2008 with growth rates of 28%, 26% and 24%, respectively. As to meeting its annual goal, the Bureau's best years were 1999, 2000, 2003 to 2006 and 2008 while the most unfavorable year was in 2009 when it collected only about 81% of its collection target. The Bureau attributed this to the impact of the global financial crisis which included the reduction in imports by 21% and in oil shipments by 39%.

The combined collections of other collecting offices, namely, the Land Transportation Office (LTO), Department of Environment and Natural Resources (DENR), Bureau of Immigration (BI), Bureau of Fire Protection (BFP), and Tourism Infrastructure and Enterprise Zone Authority (TIEZA) represent the remaining 1% of the total NG tax revenues. Of the total collections from these offices, about 79% on the average was contributed by the LTO in the form of motor vehicle user's charge (MVUC); 14% was shared by the Commission on Higher Education (CHED) and the National Commission for Culture and the Arts (NCCA) from the travel tax; 5% fire code tax from the BFP; 2%, from the DENR as forest charges and the remaining 1% from the BI as immigration tax.

The slowdown in the issuance of tax eroding measures in 2011 and 2012 is recognized and is suggested to be continued for revenue considerations. The NTRC in its comments to various tax bills reiterates that if certain sectors need to be helped, it need not be through the grant of tax incentives or exemption. If tax intervention is deemed appropriate, it may be done thru the provision of tax subsidies, a fiscal mechanism which is more transparent and can be easily monitored.

Moreover, while tariff cuts are in compliance with the country's existing commitments to several trade agreements, these should be thoroughly reviewed to ensure that the cuts actually help boost the competitive position of the Philippines in the new global trading environment. Aside from higher export sales, trade pacts should also translate to more investments.

NG TAX REVENUE BY AGENCY: 1998 - 2013
(Amounts in Billion Pesos)

Year	Total NG Tax Revenue	Goal	BIR				BOC				Other Offices			
			Goal	Collection	% Distribution	Growth Rate	Goal	Collection	% Distribution	Growth Rate	Goal	Collection	% Distribution	Growth Rate
1998	416.6	437.3	355.1	337.2	80.90%		78.3	76	18.20%		3.9	3.4	0.80%	
1999	431.9	441.1	353.6	341.3	79.00%	1.22%	83.6	86.7	20.10%	14.08%	3.9	3.9	0.90%	14.71%
2000	460	494.5	397.8	360.8	78.40%	5.71%	91.9	95	20.70%	9.57%	4.8	4.2	0.90%	7.69%
2001	489.9	498.9	388.1	388.7	79.30%	7.73%	105.1	96.2	19.60%	1.26%	5.7	4.9	1.00%	16.67%
2002	496.4	571.3	447.6	394.5	79.50%	1.49%	115.1	96.3	19.40%	0.10%	8.6	5.6	1.10%	14.29%
2003	538	530.8	424	426	79.20%	7.98%	100.1	106.1	19.70%	10.18%	6.7	5.9	1.10%	5.36%
2004	598	596.4	476.3	468.2	78.30%	9.91%	112.6	122.5	20.50%	15.46%	7.5	7.4	1.20%	25.42%
2005	705.6	706.2	546.9	542.7	76.90%	15.91%	151.2	154.6	21.90%	26.20%	8.1	8.4	1.20%	13.51%
2006	859.9	861.8	657.4	652.7	75.90%	20.27%	196	198.2	23.00%	28.20%	8.5	9	1.00%	7.14%
2007	932.9	1003.2	765.9	713.6	76.50%	9.33%	228.2	209.4	22.40%	5.65%	9.1	9.9	1.10%	10.00%
2008	1,049.20	1,108.80	845	778.6	74.20%	9.11%	254.5	260.2	24.80%	24.26%	9.4	10.4	1.00%	5.05%
2009	981.6	1,082.60	798.5	750.3	76.40%	-3.63%	273.3	220.3	22.40%	-15.33%	10.9	11	1.10%	5.77%
2010	1,093.60	1,153.20	860.4	822.6	75.20%	9.64%	280.7	259.2	23.70%	17.66%	12.1	11.8	1.10%	7.27%
2011	1,202.10	1,229.70	940	924.1	76.90%	12.34%	276.4	265.1	22.10%	2.28%	13.2	12.8	1.10%	8.47%
2012	1,361.10	1,429.50	1,066.10	1,057.90	77.70%	14.48%	349.1	289.9	21.30%	9.35%	14.2	13.3	1.00%	3.91%
2013	1,535.30	1,607.70	1,253.70	1,216.70	79.20%	15.01%	340	304.5	19.80%	5.04%	14	14.1	0.90%	6.02%

2. Top Corporate Taxpayers in the Philippines for Taxable Year 2012

The paper discusses the profile of the top 500 non-individual taxpayers for taxable year 2012 and compares the effective tax rates (ETRs) between and among taxpayers belonging to the same line of business. It likewise assesses the factors that affect the dissimilarities of the ETRs of taxpayers engaged in the same industry taking into consideration their gross profit margins (GPM) as published by the Business World (BW).

In 2012, the Top 500 Taxpayers were from the Manufacturing Industry (120 taxpayers). Wholesale and Retail Trade, (178 taxpayers); Financial and Insurance Activities (68 taxpayers); Real Estate Activities (67 taxpayers); and Electricity, Gas and Water (28 taxpayers). The rest came from other sectors. They generated total gross sales of PhP4.44 trillion or an average of PhP8.88 billion per taxpayer. In terms of average gross sales, Electricity, Gas and Water industry topped the list with PhP16.46 billion per taxpayer followed by Manufacturing (PhP15.74 billion), Information and Communication (PhP12.51 billion), Wholesale and Retail Trade (PhP10.09 billion), and Mining (PhP5.77 billion).

In terms of income tax payments, the manufacturing industry topped the list with a total contribution of PhP44.62 billion followed by electricity, gas and water (PhP20.53 billion), information and communication (PhP15.69 billion), real estate activities (PhP14.94 billion), and financial and insurance activities (PhP14.22 billion). The Agriculture industry, with a single taxpayer, paid an income tax of PhP0.21 billion.

MERALCO topped the corporate taxpayers with income tax payment amounting to PhP9.35 billion in 2012; followed by Smart Communications, Inc. (PhP7.94 billion) and Food Terminal, Inc. (PhP6.61 billion). The rest of the top 10 non-individual taxpayers paid income taxes ranging from PhP2.43 billion to PhP6.16 billion in 2012. Their income tax payments, which totaled to more than PhP58 billion, comprised 36% of the total income tax paid by the Top 500 non-individual taxpayers or 16% of the total corporate income tax (CIT) collection of the BIR during the year.

In terms of effective tax rate (ETR) or the ratio of income tax paid to gross revenue, the industries which have the highest ETR were professional, scientific and technical activities (12.73%), real estate activities (12.12%), administrative and support activities (10.56%), mining (10.31%), and financial and insurance activities (9.75%). On the other hand, industries with lowest ETRs were information and communication (5.28%), accommodation and food service activities (4.75%), construction (4.49%), manufacturing (3.76%) and wholesale and retail trade (2.92%).

It is observed that the ETR differs even among taxpayers belonging to the same group or industry. This is expected as the cost of sales/services and the allowable deduction could vary among businesses. For instance the electricity, gas and water industry posted ETRs from as low as 1.87% to a high of 14.69% while real estate activities, the taxpayers' ETRs ranged from a low of 1.02% to a high of 19.02%. In the mining sector, one company posted an ETR of 14.85% as against 6.22% of another. Under the telecommunication industry, the lowest ETR recorded is 0.65% and the highest is 5.68%. Companies that registered very low ETRs may therefore be subject to BIR audit.

Food Terminal, Inc. registered the highest ETR of 27.35% among the top 10 non-individual taxpayers. It was closely followed by Shell Philippines Exploration, B.V. (23.6%) and Chevron Malampaya LLC (23%). Among the top 10, MERALCO had the lowest ETR of 3.32%.

The availment of tax incentives contributes to a company's low ETR. From the top 500 corporate taxpayers, 50 companies or 10% are identified to be currently availing tax incentives either through the Board of Investment (BOI) or the Philippine Economic Zone Authority (PEZA) where majority are enjoying Income Tax Holiday (ITH) and the rest, the preferential tax rate of 5% of gross income in lieu of national and local taxes except real property tax (RPT).

Most of the companies with tax incentives are in the manufacturing industry (15), followed by real estate activities (11), electricity, gas and water industry (8), and information and communication (7). From the top 10 taxpayers with lowest ETR, only Petron Corp. availed of tax incentive under the BOI.

In the case of multinational companies (MNCs), their tax liabilities also depend on whether they are operating as a subsidiary or a branch office. Several studies have pointed out that MNCs tend to manipulate transfer prices among their subsidiaries and branch offices to minimize their overall tax liabilities. It may be noted that majority (8) of the top 10 non-individual taxpayers with the lowest ETR were MNCs. Moreover, the average ETRs of MNCs included in the Top 500 Corporate Taxpayers was only 5.15%.

In terms of gross profit margin (GPM) or the ratio of gross profits to gross revenue, which measures how a company performs in terms of profitability, the top five (5) industries which recorded the highest average GPMs were financial and insurance activities (59.82%), agriculture (59.50%), professional, scientific and technical activities (54.35%), mining (48.4%) and transportation and storage (44.35%). Meanwhile, the industries with low average GPMs were information and communication (31.44%), manufacturing (27.83%), wholesale and retail trade (22.45%), accommodation and food service activities (21.78%) and construction (12.11%).

Shell Philippines Exploration, B.V. recorded the highest GPM of 83.5%, followed by Chevron Malampaya LLC (70.2%), SM Prime Holdings, Inc. (64.8%) and Globe Telecom, Inc. (52.8%). The Food Terminal, Inc. (FTI) registered the lowest GPM (1.3%) among the top 10 taxpayers.

INCOME TAX PAID, GPM AND ETR OF TOP 10 NON-INDIVIDUAL TAXPAYERS: 2012

Taxpayer	Income Tax Paid (In Billion PhP)	GPM (In %)	ETR (In %)
Manila Electric Co. (MERALCO)	9.35	8.90	3.32
Smart Communications, Inc.	7.94	45.90	9.53
Food Terminal, Inc. (FTI)	6.61	n.a	27.35
Chevron Malampaya LLC	6.16	70.20	22.96
Shell Philippines Exploration, B.V	5.95	83.50	23.55
PMFTC, Inc.	5.82	35.10	7.38
Nestle Philippines, Inc.	5.31	37.30	5.11
San Miguel Brewery, Inc.	5.08	51.00	8.25
Globe Telecom, Inc.	3.68	52.80	5.68
SM Prime Holdings, Inc.	2.43	64.80	10.45

Sources of Basic data: BIR and Business World Top 1,000 Corporations in the Philippines, 2013.

It is observed that there are instances when corporations have low ETRs despite having high GPMs. For example, among those corporations engaged in the generation, collection and distribution of electricity, MERALCO posted 3.3% ETR and 8.9% GPM compared with Team Energy Corporation's ETR of 1.7% and GPM of 47.6%, while San Roque Power Corporation recorded an ETR of 14.2% and GPM of 92.2%. Likewise, Coca-Cola Export Corporation and Pepsi-Cola Products Philippines, Inc., both in the business of manufacture of soft drinks, have varying ETRs of 5.4% and 1%, respectively, and GPMs of 83.6% and 27%, respectively. As regards cargo handling industry, the GPM of International Container Terminal Services, Inc. of 52% was higher than the 43.6% of Asian Terminals, Inc. while the latter's ETR was three times higher (13.8%) than the former (4.1%).

In matching the BIR and BW lists, it is also observed that some corporations included in the BW's top corporations as top revenue grossers are not listed as top taxpayers by the BIR. These include TI (Philippines) Inc. (4), and Toshiba Information Equipment (Philippines) Inc. (7) among others. Other top revenue grosser with remarkable disparity between their ETRs and GPMs may also be subjected to audit by the BIR to ensure that they do not escape their tax liabilities.

3. Who Are the Country's Top Women Taxpayers?

The study analyzes the top 500 individual taxpayers in terms of their income tax contribution to the government coffer. The top taxpayers are categorized according to gender to determine the share of female vis-à-vis male taxpayers in the total income tax payments. The top women taxpayers are identified and their tax contributions are analyzed accordingly by occupation or line of business/work. Finally, the BIR list of top women taxpayers is compared with the women in the Forbes' list of richest Filipinos to determine whether or not the richest Filipino women are likewise among the country's top taxpayers.

The top 500 individual taxpayers in 2009 to 2012 were mostly corporate executives, proprietors and professionals, and celebrities. In 2012, there were 469 executives, proprietors and professionals and 31 celebrities in the top 500 individual taxpayers. Among the 469 top executives, proprietors and professionals, 384 were men and 85 were women. On the other hand, among the 31 top celebrities, 16 were men and 15 were women. Thus, over all there were 100 women vis-à-vis 400 men in the BIR List of Top 500 Individual Taxpayers in 2012.

In terms of income tax payments, out of the average annual tax payment of corporate executives, proprietors and professionals amounting to PhP3.91 billion, 84% were contributed by male taxpayers while female taxpayers shared 16%. In the case of celebrities, 56% of PhP297 million average annual tax payments were shared by men while 44%, by women.

In 2012, the top female celebrity taxpayers include Kris Aquino (No. 6), Sharon Cuneta (No. 9) and Judy Ann Santos (No. 32) contributing PhP44.93 million, PhP42.03 million and PhP24.09 million in income tax, respectively. They were followed by Bea Alonzo (No. 44), Anne Curtis (No. 50) and Sarah Geronimo (No. 59) with income tax shares of PhP20.75 million, PhP19.17 million and PhP18.32 million, respectively.

From 2009-2012, only three (3) female celebrities consistently landed in the top 500 individual income taxpayers, namely, Kris Aquino with the highest total tax contribution of PhP139.90 million, Sharon Cuneta, PhP83.94 million, and Kim Chiu with PhP28.06 million in total tax contribution.

Forbes, an American business magazine owned by Forbes Inc., publishes, among others, the list of top 40 richest Filipinos based on their net worth in million dollars every year. In 2009, there were seven (7) female individuals who made it in the Forbes' list, five (5) in 2010, four (4) in 2011, and six (6) in 2012. On the average, female individuals constituted only around 10% as against 90% male during the period.

From 2009-2012, four among the richest Filipino women were consistently ranked in the Forbes' list. During the period, only three (3) individuals appeared in the BIR's list of Top 500 Individual Income Taxpayers, namely Vivian Que Azcona of Mercury Drug, Susan (and Lucio) Co of Puregold Price Club and Betty Ang of Monde Nissin.

Women nowadays are becoming important players in various sectors of the economy. Women have continued to make inroads into the business arena, with some of them being named as among the Forbes list of richest Filipinos. More women are now holding executive/managerial positions in the corporate ladder. Also, more and more women are entering the entertainment world with many of them becoming prominent actresses and singers and well-paid product endorsers. It is not surprising therefore that more and more women become top taxpayers of the country today.

4. An Assessment of Republic Act (RA) No. 10001, Entitled "An Act Reducing the Taxes on Life Insurance Policies, Amending for This Purpose Sections 123 and 183 of the National Internal Revenue Code of 1997, as Amended

The paper discusses the contribution of the insurance industry to the economy and assesses the impact of RA 10001 to the government and to the insurance industry.

RA 10001, which was signed into law on February 23, 2010, reduced the tax on life insurance premium and replaced the documentary stamp tax (DST) on premiums collected from life insurance policies, amending for the purpose Sections 123 and 183, respectively, of the Tax Code of 1997. The enactment of RA 10001 was a respite for the industry as the law reduced the premium tax on insurance policies from 5% to 2% and replaced the DST of 0.25% (PhP0.50 on each PhP200 or fractional part thereof, of total premiums collected) with a one-time DST payment with rates ranging from PhP10.00 to PhP100.00 based on the amount of insurance while exempting insurance policies not exceeding PhP100,000.00.

Data from the BIR show that the total DST collection continued to increase despite the implementation of the reduced rates under RA 10001 in 2010. This was brought about by the remarkable increase in the amount of gross premiums under the law reflecting a continuous growth of life insurance industry. Life insurance companies reported a total premium income of PhP70.73 billion in the first year of implementation of RA 10001 in 2010 which was 24% higher than the PhP57.24 billion premium income in 2009. In 2012, premium income rose to PhP120.30 billion or an increase of 39% from the previous year's total.

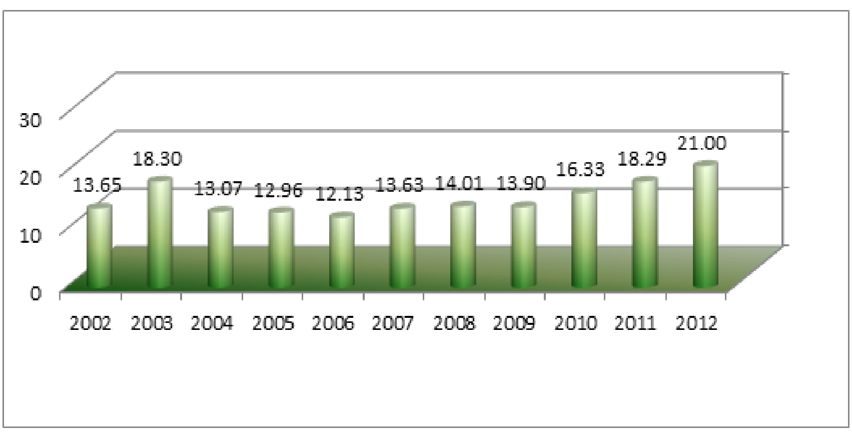
ESTIMATED DST COLLECTION FROM LIFE INSURANCE: 2004-2012
(Amount in Billion PhP)

Year	Total DST Collection	Total Premium Income	Percent Change	Estimated DST from Life Insurance*
2004	18.17	44.10	-	0.11
2005	29.43	46.99	6.55	0.12
2006	30.29	55.38	17.85	0.14
2007	35.15	76.21	37.61	0.19
2008	40.05	56.89	25.35	0.14
2009	37.49	57.24	0.62	0.14
Under RA 10001				
2010	42.63	70.73	23.57	**
2011	47.88	86.35	22.08	**
2012	52.46	120.30	39.32	**
Total	**333.55**	**614.19**		**0.84**
Average	**37.06**	**68.24**	**21.60**	**0.14**

*Premium income divided by PhP200 and multiplied by the DST rate of PhP0.50
**Estimated DST cannot be obtained due to unavailability of data on the breakdown of the amount of insurance per policy.

Source of basic data: BIR Annual Reports and Insurance Commission

Figure 1. Life Insurance Penetration Rate (%) 2002-2012



Moreover, the country's penetration rate measured in terms of the proportion of the population that has life insurance coverage showed remarkable year-over-year growth rate since RA 10001 took effect in 2010. So far, the highest penetration rate was registered in 2012 with 21%.

The reduction of taxes under RA 10001 gives life insurance companies advantage over other insurance policies. For one, life insurance has the lowest DST rate. RA 10001 is also believed to have trimmed down the cost of life insurance policies, increased their sales and in general, eased the cost of doing insurance business in the country. Thus, it produces positive effects not only in terms of increased revenue collection for the government but also provides Filipinos economic security in the form of savings or retirement income and family protection.

It should be noted that the life insurance sector contributes to the government coffer through other taxes. Life insurance companies are also subject to 30% regular income tax or 2% minimum corporate income tax (MCIT), whichever is higher, for their income earned from the conduct of insurance business. On the other hand, the income generated from their investment income is generally subject to 20% final withholding tax (FWT) while their gross receipts are subject to local business tax (LBT).

Most countries in Asia do not impose premium tax on life insurance policies except for Korea and China which levy tax on life insurance premium although under different terminology.

5. An Assessment of Republic Act (RA) No. 10351 or the Sin Tax Reform Law

The paper assesses the revenue performance of RA 10351 or the Sin Tax Reform Law based on available data from the Bureau of Internal Revenue (BIR).

RA 10351 as implemented by Revenue Regulation (RR) No. 17-2012 simplified the excise tax structure of sin products by increasing the tax rates and gradually shifting the excise taxation of fermented liquors (except brewed and sold at microbreweries or small establishments) and cigarettes to unitary tax system by 2017, with the principal objectives of generating revenues to fund the universal health care program (UHCP) of the government and reducing consumption of tobacco, thus, improving the general well-being of the people.

The law also changed the excise taxation of distilled spirits from specific tax to a compound tax structure to comply with the World Trade Organization (WTO) ruling on discriminatory taxation of imported distilled spirits in the country. In addition, the new excise tax for cigarettes adhered to the commitment of the Philippines to the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) wherein the excise tax incidence for cigarettes, which is a ratio of excise tax to price, should increase from then 29.1% to 52.5% in 2013 and 63% by 2017.

It also provided for an automatic annual adjustment of four percent (4%) on the specific excise taxes of certain sin products effective on the following dates, viz.:

(a) On January 1, 2014 – for wines, fermented liquors brewed and sold at microbreweries, tobacco products and cigars.

(b) On January 1, 2016 – for distilled spirits

(c) On January 1, 2018 – for fermented liquors, except those brewed and sold at microbreweries, and cigarettes.

The law removed the price classification freeze provision under the old law (RA 9334) which pegged sin products to 1996 prices as basis for tax classification, where the proper tax classification of wines, fermented liquors and cigarettes are to be determined every two (2) years from the date of effectivity of RA 10351. It also amended the disposition of the fifteen percent (15%) incremental revenue collected from the excise tax on tobacco products under RA 8240. It also amended the disposition of the incremental revenues from the excise tax on alcohol and tobacco products by allocating the remaining incremental revenues after deducting the allocations under RAs 7171 and 8240 as follows: (a) 80% universal healthcare under the National Health Insurance Program; and (b) 20% for medical assistance and health enhancement facilities program.

Upon the implementation of the law in 2013, excise tax collection increased to PhP105.1 billion which is 85% or PhP48.3 billion higher than the previous year's collection of PhP56.8 billion. It also exceeded its target for the year by 22.5% or PhP19.3 billion. Coming from a high revenue base in 2013, collection in 2014 grew to PhP111.6 billion, 6% or PhP6.5 billion higher than its goal and the previous year's collection.

It is noted that for the period 2009-2012, excise tax collection on sin products contributed 71.9% to 79.6% to total excise tax collection. This increased to 88.5% in 2013 upon the implementation of RA 10351. Likewise, its contribution to total BIR collection which prior to RA 10351 ranged from 5.3% to 6.5% rose to 8.6% in 2013 due to significant increases in excise tax collection on sin products. However, in 2014, its contribution to excise tax collection and total BIR collection decreased to 87.1% and 8.4%, respectively. With regard to its share to Gross Domestic Product (GDP), the ratio prior to RA 10351 ranged from 0.5% to 0.6%. Upon the implementation of RA 10351 in 2013, the ratio to GDP increased to 0.9% but declined to 0.88% in 2014.

EXCISE TAX COLLECTION ON SIN PRODUCTS, 2009-2014
(Amounts in Billion PhP)

Year	Sin Products		Ratio to		
	Collection	Growth Rate	Total Excise Tax Collection	Total BIR Collection	GDP
2009	44.87		74.10%	5.98%	0.56%
2010	53.51	19.26%	79.62%	6.50%	0.59%
2011	48.87	-8.67%	71.88%	5.29%	0.50%
2012	56.84	16.30%	78.56%	5.37%	0.54%
2013	105.14	84.99%	88.46%	8.64%	0.91%
2014	111.64	6.18%	87.09%	8.36%	0.88%
Average	**70.15**	**23.61%**	**81.70%**	**6.89%**	**0.68%**

Source of basic data: BIR

During the first year of implementation of RA 10351, the volume of removals on distilled spirits increased by 29.4% or by 84.5 million proof liters over the previous year's removals of 287.3 million proof liters. The volume of removals further went up by 11.9% or by 44.1 million proof liters in 2014. The increase in the volume of removals in 2013 resulted in a 161.7% or PhP6.8 billion increase in collection over the previous year's collection of PhP4.2 billion. The increase in collection however is observed to be minimal in 2014 since unlike other alcohol products, the excise tax rates on distilled spirits did not increase in 2014. It is noted that the next mandatory increase will happen in 2015 when the ad valorem rate will increase from 15% to 20%.

On the other hand, under RA 10351, the excise tax rates on wines increased by 27% to 36% in 2013 with a mandatory increase of 4% every year thereafter. Unlike other alcohol products, the excise tax bracket on wines was not changed. It was only the rates that were amended by RA 10351. The increase in excise tax rates on wines brought about by the law decreased the volume of removals of wines by 2.6% in 2013. The volume of removals, however, increased by 8.5% in 2014 despite the mandatory annual increase in the excise tax rates by 4% starting that year. It is noted that despite the decrease in the volume of removals on wines in 2013, excise tax collections increased by 32.7% or by PhP8.5 billion from the previous year's collection of PhP34.4 billion attributable to the upward adjustment of the excise tax rates. In 2014, the increase in the volume of removals and the 4% increase in the tax rates resulted in an increase in collection by 12.8%.

The increase in excise tax rates of certain brands of fermented liquors in 2013 decreased the volume of removals by 11.2% or by 175.4 million proof liters over the previous year's removals of 1.6 billion proof liters. It rose however by 1.0% in 2014 although there was an increase of 5% to 13% in excise tax rates on fermented liquors during the period. Excise tax collections on fermented liquors amounted to PhP21.9 billion which is 13.6% higher than the previous year's collection of PhP19.3 billion. For 2014, the increase in the volume of removals of 1.0% and the increases in excise tax rates pushed the collection upwards to PhP24.7 billion from previous year's collection of PhP21.9 billion.

RA 10351 changed the four-tier brackets of cigarettes (low, medium, high and premium priced cigarettes) into two-tiers (low and high priced cigarettes) with gradual increases in tax rates starting from 2013 to 2016 before shifting to a unitary tax of PhP30.00 per pack for all brands in 2017. Under the law, cigarette brands will eventually move to the higher tier (retail price of above PhP11.50, with a tax of PhP30.00) from the low-tier since cigarette prices will inevitably go up due to inflation. Essentially, this indicates that all brands will be levied a single rate.

It is noted that the increase in excise tax rates of certain brands of cigarettes decreased the volume of removals by 15.5% from 5.8 billion packs in 2012 to only 4.9 billion packs in 2013 which further declined to 3.9 billion packs or by 19.6% in 2014. In terms of revenue, however, total excise tax collections grew tremendously from PhP32.2 billion in 2012 to PhP67.9 billion in 2013 or by 111.1% during the first year of implementation of RA 10351 in 2013. Collection further grew to PhP74.3 billion in 2014 which is 9.4% higher than the collection in 2013. As reported by the BIR, the shift in consumers' preferences to lower-priced brands manufactured by local tobacco manufacturers contributed to the increase in the excise tax collection from cigarettes.

Under RA 10351, cigars are subject to an ad valorem tax rate of 20% and a specific tax of PhP5.00 per cigar. Under RA 9334, a two-tiered rate was imposed depending on the net retail price (NRP) of cigars. It is noted that the change in the excise taxation in cigars decreased the volume of removals by 18.7% from 1.6 million pieces in 2012 to 1.3 million pieces in 2013 and further declined to 1.1 million pieces or by 16.5% in 2014. It is noted, however, that despite the decrease in the volume of removals of cigars in 2013, total excise tax collections of cigars rose significantly to PhP17.4 million from PhP6.0 million in 2012 or by 191%. However, in 2014, the 4% increase in the specific tax of cigars did not result to an increase in the excise tax collection.

Based on the foregoing, the passage of RA No. 10351 or the Sin Tax Reform Law successfully achieved its objective of generating additional revenue earmarked for the universal health care program of the government as well as the objective of reducing alcohol and tobacco consumption.

6. Basic Guide to Philippine Stock Investment and Taxation

The paper aims to contribute to the initiative of the government particularly the Philippine Stock Exchange (PSE) in making the local stock exchange vibrant and competitive by raising public awareness regarding stock investment especially among ordinary citizens to encourage them to participate and put their money at the local bourse. The study likewise seeks to orient the public regarding the taxes and fees imposed on stock investment transactions and provide valuable inputs to fiscal policymakers on significant policy reforms in this area.

Stock investment is one of the effective ways in building personal wealth and securing financial improvement. It is considered a better alternative than fixed income instruments like savings and time deposits, as it provides higher returns despite low initial investment.

Stock investing, however, is not appealing to many due to lack of awareness on how to invest in stocks and participate in local stock market. Thus, ordinary Filipinos remain hesitant to venture in stock investment activity in spite of its financial benefits. Also, the taxes imposed on stock transactions are pinpointed as a factor that restrains stock market efficiency. Thus, the government has been studying various proposed reforms in the local stock market and is continuously undertaking measures to further improve it.

Stock investment refers to stock ownership in a corporation indicated by shares, which represent a piece of its assets or earnings. It provides two main advantages, namely, payment of dividends and capital appreciation. When one buys stocks in a company, he/she automatically becomes a shareholder. As such, he/she participates in the company's growth and success by earning dividends and capital or stock price appreciation. Dividends that are paid out to shareholders may be in cash or stock dividends. Cash dividends are earnings for every share of stock owned by the investor while stock dividends are additional shares given to shareholders at no cost. Other rights of shareholders include: (1) voting rights; (2) pre-emptive right; (3) right of claim against the company's remaining assets to the extent of the value of the shareholder's investment; (4) right to information and full access to funds in the stock account; and (5) right of recourse in case of disputes concerning one's account.

Only brokers who are either individuals or corporations authorized and licensed by the Securities and Exchange Commission (SEC) to transact business as brokers and/or dealers of securities can buy or sell stocks for investors. Stockbrokers act as agents or middlemen between the investors and other buyers or sellers of stocks. They execute orders for clients, either in purchasing or selling the stocks at the PSE. On the other hand, dealers of securities such as stocks, act as the principal rather than agents of the investors. They buy or sell stocks for their own accounts.

Investing in the stock market is a simple process. With a minimum amount of PhP5,000.00, one can start stock investment. Just like an ordinary savings account, an investor has to open an account and present valid identification (ID). An investor needs to do the following: (1) choose a stockbroker; (2) open a trading account with the stockbroker; (3) place the buy or sell order either online or by making a phone call to the stockbroker; and (4) monitor and keep track the stock investment.

Stocks, although the riskiest of all types of investments, are still the most financially-rewarding. In order to play safe and ensure of getting a decent return on investment, there is always the option to go for blue chip stocks. Blue chip stocks are considered as the best performing stocks in the market and their growth is gradual over time.

Taxes, fees and charges involved in buying and selling of stocks are the following: stockbroker's commission, upliftment/withdrawal fee, transfer fee, cancellation fee, PSE transaction fee and SEC fee, Securities Clearing Corporation of the Philippines (SCCP) fee, and stock transaction tax (STT) at the rate of ½ of 1% of the value of shares of stock charged to the seller for the sale or other disposition of shares of stock listed and traded through the PSE or the 1% - 4% tax on shares of stock sold or exchanged through initial public offering (IPO) in accordance with the proportion of shares of stocks sold to total outstanding shares of stock. On top of the stockbroker's upliftment/ withdrawal and cancellation fee which are paid to stockbroker, and the STT and IPO tax, a 12% VAT is likewise imposed. The stockbroker is the one liable to remit the SST, IPO tax and VAT to the BIR.

There used to be a documentary stamp tax (DST) imposed on the buyer-investor of stocks for every stock purchase transaction at the rate of PhP0.25 for every PhP200.00 par value of the stock being transferred. In 2010, RA 9648 was passed that permanently abolished the DST on stock transactions. The abolition of the DST in the trading stocks listed in the local stock exchange is believed to have yielded high stock turnover, thus, spurred economic growth.

A number of tax reforms in the local stock exchange particularly on stock market transactions have been proposed and are being studied. Among these measures are the proposed abolition of the IPO tax and the reduction of the rate of STT from ½ of one percent to ¼ of one percent.

7. Tax Contribution of the Philippine Pharmaceutical Industry

The importance of the country's pharmaceutical industry in improving the quality and/or protecting the life of every Filipino by means of preventing, alleviating and curing diseases is recognized. The study presents vital information on the said industry as well as identify the taxes imposed thereon and its contribution in terms of tax payments.

The pharmaceutical industry is involved in developing, manufacturing, and selling of drugs and non-drug products. Drugs are articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man and/or intended to affect the structure of any function of the human body, but which do not include devices or their components, parts and accessories. On the other hand, non-drug products include nutritionals (health food) and infant milk preparations, baby care, cosmetics, diagnostic and other medical devices.

The production of drugs in the country is carried out by diverse players such as drug manufacturers and drug traders while the local retailers partake in the distribution of drugs. Drug distributors in the country can be classified as wholesalers, importers or exporters.

As of 2012, there were 55,491 companies engaged in drug distribution in the country, 49,447 of which were retail outlets and 6,044 were drug distributors as sourced from the Food and Drug Administration (FDA). It is worthy to mention that there were 17 drug manufacturers, 12 wholesalers, and 10 retailers which made it in the Business World's (BW) 2012 Top 1,000 Corporations in the Philippines.

In 2012, the 17 top manufacturers generated a total gross revenue of PhP108.83 billion. United Laboratories, Inc. registered the highest gross revenue amounting to PhP33.13 billion or almost one-third of the total gross revenue of the 17 manufacturers. On the other hand, Sanofi Pasteur, Inc. posted the lowest gross revenue of PhP1.89 billion. Wyeth Philippines, Inc. recorded the highest net income of PhP2.65 billion while AstraZeneca Pharmaceuticals (Phils.), Inc. incurred a net loss of PhP98 million. The gross profit margin (GPM) varied from a high of 61.7% (Amherst Laboratories, Inc.) to a low of 16% (Interphil Laboratories, Inc.) or an average of 39.3%.

The BW's top 12 wholesalers generated a total of PhP99.08 billion gross revenue. Zuellig Pharma Corp. posted the highest gross revenue amounting to PhP55.77 billion while A. Menarini Philippines, Inc. recorded the lowest gross revenue amounting to PhP1.47 billion. Except for Merck, Inc. with the highest GPM of 51.3%, closely followed by Merck Sharp & Dohme (I.A.) Corp. with 49.2%, the rest of the drug wholesalers have GPMs between 2.3% to 17.1%.

Meanwhile, the BW's top 10 retailers of pharmaceutical products earned PhP133.61 billion in gross revenue and PhP2.57 billion in net income in 2012. Mercury Drug Corp. generated the highest gross revenue and net income amounting to PhP90.7 billion and PhP2.0 billion, respectively, but was only able to achieve a GPM of 15.1%. Conversely, Natrapharm, Inc. which recorded the lowest gross revenue of PhP1.6 billion and with PhP40 million net income achieved the highest GPM ratio of 50.8%. The average GPM of the top 10 companies engaged in the retail sale of drugs and pharmaceuticals stood at 18%.

Drug products in the country can be categorized as ethical products and over-the-counter (OTC) drugs. Ethical or prescriptions drugs are drug products prescribed by a medical practitioner and are only exclusively promoted ethically by drug companies via deployment of professional medical representatives while OTC drugs refer to drug products which can be bought by the consumer in a drugstore, pharmacy, pharmacy-licensed supermarket or grocery even without a doctor's prescription. The industry is dominated by ethical or prescription drugs representing more than two-thirds (69%) of the entire pharmaceutical market, followed by OTC drugs (25%) and non-drug products or nutritionals with a minimal share of 6%.

Foreign pharmaceutical companies captured almost two-thirds or PhP417.2 billion of the PhP649 billion total Philippine pharmaceutical market.

However, the share of local pharmaceutical companies in the total pharmaceutical market was on an increasing trend from 30.2% in 2006 to 38.5% in 2011 while the share of foreign pharmaceutical companies was declining from 69.8% in 2006 to 61.5% in 2011.

The pharmaceutical industry, just like any ordinary business, is subject to national taxes under RA 8424 and local taxes under RA 7160. National taxes imposed on the industry are: (1) regular corporate income tax (RCIT) or minimum corporate income tax (MCIT) under certain conditions; (2) dividends tax; (3) branch profit remittance tax (BPRT), if applicable; (4) value-added tax (VAT) or percentage tax; (5) documentary stamp tax (DST); and (6) taxes on importation. On the other hand, the local taxes are the local business tax (LBT) and the real property tax (RPT), among others.

As of December 2012, there were a total of 15,811 tax filers in the pharmaceutical industry, of which 97.1% or 15,357 establishments were engaged in the retail sale of pharmaceutical and medical goods, cosmetic and toilet articles, and 2.9% or 454 establishments were in the wholesale on a fee or contract basis of chemical and pharmaceutical products, and in the manufacture of pharmaceuticals, medicinal chemicals and botanical products. It is worth mentioning that there was a big discrepancy in the number of FDA-registered pharmaceutical companies vis-à-vis BIR registered tax filers from 2006-2012. This is because the FDA counts the pharmaceutical industry players based on the number of approved License to Operate (LTO) certificates given to drug companies. There are instances when a pharmaceutical company holds several LTOs if it is engaged simultaneously in various activities, e.g., drug manufacturing, wholesaling/ importing/exporting, and retailing. In the case of drug retailers, they are required to secure an LTO per branch. On the other hand, the BIR counts pharmaceutical companies in terms of submitted income tax return (ITR) forms.

Not all tax filers under the pharmaceutical industry had tax payments to the BIR. Tax filers without payments include establishments that had "break-even" profit or those that incurred net losses, no recorded operations/transaction during the specific year, or stop filers, which were subject to BIR audit. Also, some establishments could have filed tax returns jointly with their parent company. On the average, about 1,328 out of 14,168 tax filers or about 10% of the total tax filers annually did not contribute any tax payments during the period under review.

In terms of tax payment, from 2006-2012, the BIR collected a total of PhP118.8 billion taxes from the pharmaceutical industry. Of the amount, PhP73.9 billion or 62.2% came from manufacturers; PhP44.2 billion or 37.2% from retailers; and PhP646.6 million or 0.6% from wholesalers of pharmaceutical products.

Of the PhP118.8 billion tax revenue from the pharmaceutical industry, PhP76.1 billion (64%) were income tax payments, PhP40.8 billion (34.3%) VAT, PhP 1.5 billion (1.2%) percentage taxes, PhP20.1 million (.02%) excise tax and PhP0.5 billion (0.4%) other taxes.

Among the pharmaceutical companies registered with the BIR for the period under review, 32 to 38 pharmaceutical companies were categorized as large taxpayers. They contributed PhP93.3 billion of the PhP118.8 billion (78.58%) total collection of the entire pharmaceutical industry.

In 2009, 22 pharmaceutical companies landed in the BIR Top 500 Non-Individual Taxpayers. In 2012, there were only 17 top taxpayers included in the list. From 2009-2012, the BIR collected a total of PhP15.7 billion corporate income tax from top taxpayers of the pharmaceutical industry, 74.1% or PhP11.6 billion of which came from manufacturers and 25.9% or PhP4.1 billion from retailers of pharmaceutical products.

In 2012, the effective tax rate (ETRs) of the top taxpayers in the manufacture of pharmaceutical products ranged from a low of 1% to a high of 6.6% while their GPM ranged from 21.4% to 62.2%. On the part of the top taxpayers engaged in retail sale of pharmaceutical products, the industry's lowest ETR was 0.5% in 2011 and highest at 16.5% in 2009. In general, retailers had relatively lower GPMs than manufacturers of pharmaceutical products.

It is worthy to note that ETRs varied even if they belong to the same line of business. Moreover, there were some corporations which had low ETRs although their GPMs showed that their business was profitable. It may also be noted that not all pharmaceutical companies included in the BW Top

500 Corporations for the years 2009-2012 were in the BIR Top 500 Non-Individual Taxpayers. These companies may, therefore, be subject to audit.

8. Comparative VAT and VAT-like Impositions of ASEAN Countries

The paper presents a survey of value-added tax (VAT) and taxes with VAT-like structure of ASEAN countries.

Among the ten (10) member-countries of the ASEAN, six (6) countries are imposing the VAT, namely, Philippines, Cambodia, Lao PDR, Thailand, Vietnam and Indonesia while three (3) countries are imposing tax with VAT-like structure namely the Goods and Services Tax (GST) of Singapore, Sales Tax and Services Tax of Malaysia and Commercial Tax of Myanmar. Brunei, on the other hand, has no VAT or equivalent consumption tax. Of the six (6) countries imposing the VAT, five (5) impose a single VAT rate on the sale of goods and services. The Philippines imposes the highest VAT rate of 12%, Cambodia, Indonesia and Lao PDR, 10% and Thailand, the lowest rate of 7%. Vietnam, on the other hand, has two-tiered VAT rates. Singapore collects a GST with a rate of 7%; Malaysia, a service tax of 6% and a sales tax of 5% and 10%; Myanmar, a commercial tax with rates ranging from 5% to 100%.

The VAT and other forms of business taxes are imposed on taxable goods and services except those specifically exempt from the tax and those subject to zero rate (0%). In the Philippines, the types of services subject to VAT are specifically enumerated (23 categories) while other countries use generic provisions which subject to the tax all types of goods and services except those specifically listed as exempt or subject to zero rate.

The tax base for purposes of VAT calculation generally is gross selling price for taxable goods and gross receipts for taxable services. With regard to importation, the tax base is the dutiable value plus import duty and other charges and fees. In addition, VAT/GST can only be levied and charged if the business is registered under the system.

VAT-imposing countries generally deduct VAT inputs on business-related transactions against their VAT outputs. The use of tax credits has been an essential part of the VAT system as well as the taxes with VAT-like structure as the tax is levied only on the "value-added" in each stage of the production/distribution chain.

Common to all ASEAN countries is the zero-rated transactions for export of goods and certain types of specific services to avoid taxing the products/services twice. It is noted that in Malaysia, exports of goods are exempt instead of being zero rated.

With regard to exempt transactions, common to most ASEAN countries are the sale and importation of agricultural and marine food products in their original state. The Philippines, Cambodia, Lao PDR and Thailand specifically listed importation of personal and household effects as exempt from VAT. In addition, Philippines, Lao PDR, Thailand, Vietnam, Malaysia, Indonesia and Myanmar include sale, importation, printing or publication of books in their list of exempt transactions. Lastly, the reciprocity principle between countries is applied in the Philippines, Cambodia and Lao PDR.

9. Comparative Excise Taxation of Tobacco Products in ASEAN Countries

The paper presents a survey of excise taxation on tobacco products in member-countries of the Association of the Southeast Asian Nations (ASEAN).

Among the ten (10) member-countries of the ASEAN, eight (8) countries are imposing the excise tax, excise duty or excise tariff on tobacco products, namely, Philippines, Brunei, Singapore, Vietnam, Lao PDR, Malaysia, Thailand, and Indonesia while two (2) countries are imposing excise tax-like structure namely the special merchandise of Cambodia, and commercial tax of Myanmar. Of the eight (8) countries imposing the excise tax, Philippines, Malaysia, and Thailand, are imposing a combination of specific and ad valorem tax rates. For the Philippines, however, it is mostly specific except for cigars, which is a combination of specific and ad valorem rates.

Countries imposing pure specific taxes are Brunei, Indonesia, and Singapore. A specific tax is a form of an excise tax, which imposes a fixed amount based on weight or volume capacity or any other physical unit of measurement such as per piece, per gram or per kilogram. On the other hand, Cambodia, Lao PDR, Myanmar, and Vietnam are imposing pure ad valorem rates on the tobacco products. An ad valorem tax is a form of an excise tax, which imposes a percentage rate based on selling price or other specified value of the goods.

In terms of tax structure, Indonesia has a complicated multi-tiered structure. Tobacco products are classified based on type of product, mode of production, production volume, and retail sale price.

For countries imposing specific taxes on cigarettes, when converted to Philippine currency, Indonesia has the lowest specific tax ranging from PhP0.06 to PhP1.13 per gram/stick, followed by the Philippines with rates ranging from PhP0.50 to PhP1.35 per stick. On the other hand, Singapore has the highest rate of PhP13.56 per gram/stick, followed by Brunei with rates ranging from PhP4.14 to PhP8.62 per gram/stick.

For countries imposing ad valorem rates on cigarettes, Myanmar has the highest rate of 100%, followed by Thailand at 85%, Vietnam and Lao PDR at 65% and 60%, respectively, while Cambodia imposes the lowest rate of 10%.

In the case of the Philippines, cigarettes are taxed per pack, i.e. either packed by hand or by machine, based on the net retail price per pack. It is noted that the country is moving towards a unitary tax rate on cigarettes by 2017 with a 4% annual increase in the rate in line with projected inflation.

10. Comparative Financial Transaction Taxes Imposed on the Sale of Shares of Stock Traded and Listed in the ASEAN Stock Exchanges

The paper presents the different financial transaction taxes (FTTs) imposed on the sale of shares of stock listed and traded in the ASEAN stock exchanges to serve as baseline information for policymakers, stock investors, and researchers on the topic.

Capital markets are vital to an economy. They facilitate capital formation and development of more investment avenues, thus, generating economic output. At present ASEAN capital markets are in the process of transformation in anticipation of the forthcoming ASEAN Economic Integration (AEI) by 2015. As the AEI draws closer, capital markets within the ASEAN community have to be harmonized for free flow of capital within ASEAN countries. The FTT also known as the Tobin tax imposed on the shares of stock traded in the stock exchange is one area where ASEAN countries need to harmonize. It may be in the form of the STT and the documentary stamp tax (DST) in the case of the Philippines or the stamp duty (SD) to other ASEAN countries.

Among the ASEAN countries, Indonesia was the first to establish a stock exchange in 1912. This was followed by the Philippines (1927), Malaysia (1964), Singapore (1973), and Thailand (1975). Brunei Darussalam plans to establish a stock exchange by 2015 while Myanmar has only an over-the-counter bourse, namely the Myanmar Securities Exchange (MSEC), established in 1996. The stock exchanges of Lao PDR and Cambodia started operations in 2011 and 2012, respectively, while Vietnam operates two (2) stock exchanges, which were established in 2000 and 2005, respectively.

In terms of market capitalization, from 2009-2012, Bursa Malaysia (MYX) registered the highest annual average of US$384.48 billion, followed by the Stock Exchange of Singapore (SGX) with US$350.83 billion, Indonesia Stock Exchange (ISX) with US$331.37 billion. Thailand, Philippines, and Vietnam stock exchanges lagged behind with annual averages of US$266.85 billion, US$166.74 billion, and US$23.21 billion, respectively during the period.

As to total number of domestic companies listed in ASEAN stock exchanges for the period under review, Malaysia registered the highest number with an annual average of 945 listed companies, followed by Thailand with 531, Singapore and Indonesia with 464 and 429, respectively, and Vietnam and the Philippines with 271 and 258 respectively. Based on latest reports, Lao PDR and Cambodia started with annual averages of three and two companies listed in their stock exchanges, respectively.

The imposition of the FTT of various kinds has been a common policy tool throughout the world and used by many countries to generate more revenues. The FTT is a tax imposed on securities transfers, including, generally, purchases and sales. The tax applies to the value of trades in stocks, bonds, derivative instruments, mutual funds, exchange-traded funds (ETFs), and other securities.

Aside from its potential to raise substantial revenues, the imposition of the FTT aims to curb instability caused by speculative trading by traders, arbitrageurs, and big operators as it would be taxed each time a transaction takes place and thereby reduce volatility. Moreover, it is easier and efficient to implement as collection is centralized through the stock exchange.

In Indonesia, the sale of shares listed and traded in the ISX is subject to a transfer tax of 0.1% of the transaction value. An additional tax at the rate of 0.5% of the share value is levied on the sales of founder shares associated with public offerings. Founder shareholders must pay the 0.5% tax within one month after the shares are listed otherwise they will be subject to income tax on the gains at the ordinary income tax rates. Also, shares of stock are subject to the SD at the rate of Rp. 6,000 when the money value stated in the document is more than Rp. 1 million, and Rp. 3,000 when the value is between Rp. 250,000 and Rp. 1 million. Shares of stock with value below Rp. 250,000 are exempt from the SD.

The sale of securities in stock market in Thailand used to be subject to the specific business tax (SBT) of 0.1% of gross receipts imposed on the seller or transferor. The SBT was imposed, in lieu of the value added tax (VAT), due to the difficulty in determining the value added of certain businesses. However, the passage of Royal Decree No. 240, known as the “Royal Decree Issued under the Revenue Code Governing Designation of Businesses Exempt from Specific Business Tax (No. 240) B.E. 2534”, laid out a number of exemptions from the SBT which include, among others the business of selling securities on the SET, retroactive January 1, 2012. Also, under the Thai Revenue Code, both foreign and domestic transferors of shares of stock must pay the SD at 1 Baht for every 1,000 Baht or fraction thereof of the paid-up value of shares, or of the nominal value of the instrument, whichever is greater, to be affixed to the certificates (if any).

Cambodia does not impose the FTT on shares of stock traded and listed in the CSX. It likewise exempts shares traded in primary or secondary markets from the SD (also known as registration tax) of 0.1% of the transfer value (market value) imposed on the transferee.

Malaysia likewise does not collect any FTT on the transfer of shares traded on the MYX. It, however, imposes the SD of RM3.00 for every

RM1,000 or any fraction thereof based on the consideration or value whichever is greater.

In the Philippines, two variants of FTT are imposed on shares of stock traded and listed in the PSE. These are the Initial Public Offering (IPO) tax and the Stock Transaction Tax (STT). The STT and IPO tax started in 1994 with the enactment of Republic Act (RA) No. 7717. The STT rate is ½ of 1% of the value of the transaction charged to the seller for the sale of stocks listed and traded through the PSE, otherwise capital gains tax (CGT) of 5-10% final withholding tax on the net capital gains is imposed if the sale involves share of stocks not traded in the stock exchange. The IPO tax, on the other hand, is based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of said shares of stock to the total outstanding shares of stock after its listing in the local stock exchange.

A DST is also imposed for every original issuance of shares of stock at PhP1.00 on each PhP200, or fractional part thereof, based on the par value of such shares of stock as prescribed under Section 174 of the National Internal Revenue Code (NIRC), as amended. On the other hand, the sale, barter, or exchanges of shares of stock listed and traded through the local stock exchange is exempt from the DST under Section 199(e) of the NIRC, as amended.

In Singapore, the transfer of shares of stock made before February 22, 2014 is subject to the SD of SG$0.20 for every SG$100 or part thereof of the purchase price or market value of the stock or shares transferred, whichever is higher. For shares of stock transferred on and after February 22, 2014, the SD rate is 0.2%.

Vietnam, on the other hand, is the only ASEAN country that does not subject the sale and transfer of shares of stock traded in the HSX and HNX from any FTT.

Lao PDR charges SD on the transfer of shares of stock at LAK15,000 to LAK100,000 depending on the purchase value. Since Lao PDR just recently established its stock exchange, and having only three listed companies, those registered in the LSX are given preferential tax treatment of 5% reduction from the normal rate of 24% profit tax for a period of four years from the date of registration in the LSE. After this period, the normal profit tax rate shall apply.

It may be worthy to mention that the European Union (EU) will soon adopt a single FTT rate on January 2016 in 11 EU member states. Its objective is to harmonize the indirect tax as well as to ensure that the financial sector make a fair and substantial contribution to public revenues. The FTT on shares traded will be subject to 0.1% of the market price.

As the AEI draws nearer, taxation is not the only issue confronting the harmonization of ASEAN stock exchanges. Policymakers should come up with policies geared towards shaping the development of stock markets especially in developing countries within the ASEAN region to become at par with other member countries with well-established stock exchanges.

11. Feasibility of Imposing an Excise Tax on Electronic Cigarettes (E-Cigarettes)

The paper examines the historical development of electronic cigarettes (e-cigarettes) in the Philippines, its health benefits and effects, and various government proposals being introduced in other countries with regard to the taxation of these products.

E-cigarette is an inhaler known as a vaporizer cigarette that vaporizes a liquid solution into an aerosol mist, simulating the act of tobacco smoking. It releases doses of water vapor that may or may not contain nicotine. It appears as a long tube-like cigarette that looks either like tobacco cigarette or like biros (ballpoint pens). It has a replaceable throwaway cartridge, and powered by a small battery.

Presently, 99% of all e-cigarettes are produced in China since Hon Lik, a 52-year old Chinese pharmacist, invented the first modern e-cigarette in 2003. However, the first e-cigarette was designed in 1963 by a man named Herbert Gilbert when he patented a device that produced a vapor from tobacco by heat rather than combustion.

E-cigarettes are becoming popular among Filipinos. In fact, these are now being sold in several stores and unlikely places such as overpasses and sidewalks in Metro Manila. As they gain popularity, distributors and sellers are also increasing. As gathered, store owners, suppliers and manufacturers of e-cigarettes and related products formed the Philippine E-Cigarette Industry Association Inc. (PECIA) and registered it with the Securities and Exchange Commission (SEC) on April 29, 2013. PECIA is envisioned as the trade/service association of the e-cigarettes industry that serves to promote and institute industry-wide standards and a Code of Conduct, maintain sound professional practices and ensure the proper use of e-cigarettes. It aims to set forth best practice standards and serve as the self-regulatory body of the industry. Moreover, the Association aims to conduct social, civic and humanitarian activities for the benefit and welfare of the general public and industry stakeholders.

Recently, the Department of Health (DOH) warns the public against the use of e-cigarettes saying that they will not help people quit smoking. Worse, they could even deliver nicotine to the lungs. Likewise, doctors of the Pulmonary Medicine Section of the Medical City stated that e-cigarettes are not safe substitutes for smoking and their proliferation is now a cause of concern for pulmonary disease experts. The FDA issued Advisory No. 2013-15 citing that e-cigarettes are not free from emission and that they contain organic substances that are volatile. No e-cigarette has yet been approved as a medical nicotine replacement therapy product or subjected to the necessary clinical testing. Thus, no health organization has officially endorsed this product. The World Health Organization (WHO) declared that it did not support e-cigarettes as a legitimate therapy to help smokers to quit, as many of the marketing claims for e-cigarettes are not supported by evidence.

It has been argued that the harmful effects of real cigarettes are the same as e-cigarettes because of the same chemicals found in them, making the use of e-cigarettes not advisable. Its promotion and use would most likely encourage many teenagers as well as children to be smokers. Due to this, certain governments have banned the sale and consumption of e-cigarettes in their country or are looking at the feasibility of taxing them as a tobacco product.

With regard to its taxation, the sale and importation of e-cigarette in the Philippines is subject to the 12% VAT. It is also subject to customs duty when imported into the country. Since there are evidences that e-cigarettes have cancer-causing effect as real tobacco cigarette, these should be accorded the same treatment and imposed an excise tax on their consumption. Said tax imposition would limit their consumption and prevent diseases brought about by the chemicals found on them. The imposition of excise tax will discourage beginners such as teenagers as well as children to smoke and will likewise contribute to the revenue of the government that can be used to fund health related projects, particularly in calamity-stricken areas.

Since the sale of e-cigarette is on a per kit basis, it would be advisable to tax it on an ad valorem basis based on its net retail price (NRP) excluding excise tax and VAT per kit or a combination of ad valorem and specific tax rate just like cigars.

12. Feasibility of Imposing an Excise Tax on Cosmetic Medical Procedures

The paper seeks to provide a profile of the cosmetic surgery industry in the Philippines with the end in view of proposing a tax on cosmetic surgeries and minimally invasive procedures not deemed medically necessary to raise additional government revenue.

Given the growing popularity of cosmetic medical procedures in the Philippines, said services should be taxed as these are deemed to be unnecessary, not life-threatening and nor required for survival and only a privileged few who will undergo said procedures would bear the tax.

Plastic surgery can be categorized into cosmetic and reconstructive surgery. Cosmetic surgery is a subspecialty of medicine that uniquely restricts itself to the enhancement of appearance through surgical and other medical techniques. On the other hand, reconstructive surgery is a surgical specialty that deals with the reconstruction of facial and body tissue that requires reshaping or remolding to correct a condition in order to approximate a normal appearance or to repair working ability. There is no clear distinction between cosmetic, and reconstructive surgery because both have aesthetic aspect. However, unlike cosmetic procedures that are deemed non-essential, reconstructive surgeries are considered vital as they are mostly concerned with correcting the deformities that are congenital (in-born) or acquired from accidents or aging, in order to restore or enhance form and/or function.

Informal surveys on cosmetic surgery procedures show the popularity of rhinoplasty, breast augmentation, blepharoplasty, liposuction and abdominanoplasty. Meanwhile, the top five (5) minimally invasive procedures are Botalinum Toxin Type A (Botox), soft tissue fillers, chemical peel, laser hair removal, and dermabrasion. The estimated average prices of cosmetic surgical procedures in the country range from PhP56,600.00 (blepharoplasty) to PhP190,000.00 (breast augmentation). For minimally invasive cosmetic procedures, the average prices range from PhP14,300.00 (laser hair removal) to PhP34,100.00 (autologous fat injections).

At present, a 12% VAT is imposed on the services rendered by doctors of medicine duly registered with the Professional Regulation Commission (PRC) with gross receipts exceeding PhP1,919,500.00 derived from sale or exchange of service. Accordingly, doctors can claim input VAT on purchases related to the practice of their profession as long as these expenses are supported by receipts issued in their name. Those who are exempt from the payment of VAT and who are not VAT-registered shall pay a tax equivalent to three percent (3%) of their gross quarterly sales/receipts.

In the past, several bills proposed a 20% excise tax on non-essential services, including but not limited to, cosmetic surgery. The objective of the bills was to broaden the scope of the definition of non-essentials to include non-essential services or procedures such as cosmetic surgeries and body enhancements undertaken for aesthetic reasons. This will enhance the progressivity of the tax system because it places the tax burden on those who have the means to pay for luxury goods and services.

The tax proposal would be a good revenue source for the government because cosmetic surgery is considered to be a booming industry in the Philippines. Moreover, the proposed tax may be viewed to be income elastic, since revenues are expected to increase as income goes up. The tax burden will be borne by those who are generally in the middle and upper classes who presumably have the money to spare for these costly services.

Based on estimated annual 614,120 surgical and non-surgical procedures performed by 1,180 registered plastic surgeons and dermatologists and, the prevailing prices of cosmetic procedures in the country, the government could generate revenues amounting to PhP7.95 billion representing PhP6.39 billion for cosmetic surgery procedures and PhP1.55 billion for minimally-invasive procedures.

The possibility of patients traveling to neighboring countries to avail of the said services is not farfetched. However, the availability of licensed, highly-trained and English-speaking local physicians and dermatologists as well as the caring nature of Filipinos are only some of the advantages that the country have over its neighbors that would very well compensate for the negative impact that the proposed tax may cause on the said industry.

The proposed tax would also be a way to strictly regulate the cosmetic surgery industry in the country. At the moment, although the said industry is growing, it still remains somewhat underregulated thus, some procedures are done by unlicensed or untrained surgeons or individuals. There is also no credible and reliable baseline information regarding surgical and non-surgical cosmetic procedures performed in the country unlike in the USA, UK, South Korea, among others. Hence, it is hoped that with the proposed tax on cosmetic procedures, adequate and pertinent information would be available.

There is a need to define/specify the coverage of the proposed tax taking into consideration that certain procedures are for well-being purposes while others are for aesthetic purposes. Failure to do so would result in inequity in the case of the former, or tax leakages/abuses for the latter.

If the proposed tax pushes through, the BIR should have proper coordination with cosmetic surgery providers to ensure that the proposed tax would serve its purpose of providing additional revenue to the government. Also, there should be an effective tax enforcement plan to ensure that the optimal revenue is collected. The revenue to be collected from the proposed tax could be used to finance health related programs and projects of the DOH. It can be used to fund surgical and medical missions of the government particularly for indigents who need to undergo plastic and reconstructive surgery to correct certain physical conditions. Also, the proceeds may be used to improve and upgrade the facilities of public hospitals.

13. Tax Treatment of Commission Under the National Internal Revenue Code (NIRC) of 1997, as Amended

Commission is defined as “the compensation or reward paid to a factor, broker, agent, bailee, executor, trustee, receiver, etc. which is usually calculated as a percentage of the amount of his transactions or amount received or expended”. Under the NIRC of 1997, in general, the tax treatment of income received in the form of a commission depends on the relationship that exists between the payor and the payee or the recipient of the said form of income. If there exists an employer-employee relationship between the payor and the payee, and the commission is being paid to the employee in view of that relationship, such income takes the form of compensation in the hands of the employee.

If the commission is received by an individual taxpayer under an employer-employee relationship, such income is treated as employee compensation and is therefore subject to withholding taxes applied to salaries and wages of an employee. In the case of a commission received by an individual who is not under an employer-employee relationship, such income is subject to the creditable withholding tax (CWT).

In the case of professionals, their income from commission will form part of their gross income which could either be subject to fifteen percent (15%) CWT (if the gross income for the current year exceeds PhP720,000) or ten percent (10%), if otherwise. Given the nature of the tax as creditable, such withheld taxes are to be credited against the income tax due of the recipient. The recipient of the commission needs to report the same in his income tax return and claim the withheld taxes as credit.

The amount of CWT on the income from commission of a professional is to be withheld by a withholding agent, net of applicable value-added tax (VAT) and the same will be remitted by the withholding agent to the government.

It should also be mentioned that a professional may also be subject to either a percentage tax (PT) of 3% or VAT of 12% depending on the registration status and the amount of gross annual sales or receipts or both. A professional is liable to pay PT if he/she is not a VAT-registered person and his/her gross annual sales and/or receipts for the past twelve (12) months does not exceed the amount of PhP1,919,500. Otherwise, such professional is liable to pay VAT and will be required to change his/her status as VAT-registered upon reaching the threshold amount of PhP1,919,500.

14. Taxpayer Identification Number (TIN): Its Development and Importance in Tax Administration

The paper presents the historical development of the Taxpayer's Identification Number (TIN) in the Philippines, its structure and the crucial role it plays in tax administration. It also discusses recent development in securing TIN and its importance in tax compliance and in curbing tax evasion.

In 1965, the BIR came up with a system that assigned Tax Account Number (TAN) to every taxpayer to facilitate the identification of taxpayers and verification of tax records. The TAN was an eight-digit combination where the first four digits were the number proper and the last four digits were check numbers. During that time, there were around 10 million TANs distributed in the country. However, the TAN was found to be ineffective as a taxpayer locator or identifier because of various reasons: (a) an individual may be issued more than one TAN; (b) the same TAN may be used by two or more individuals, hence the possibility of duplication.

Recognizing its defects, the BIR replaced it with a 12-digit code and employed the SOUNDEX system in 1976. It was a method of generating a set of numbers based on the sound of the key letters of a word, specifically, of a name. However, the SOUNDEX code was expected to come out with some duplicated codes for the reason that persons may have the same names or have different names but algorithmically contain the same type of letters.

The TAN was ineffectively implemented due to lack of integrated information and relational database systems. Many TANs were not properly indicated on documents filed with the BIR. Inadequate information drive also contributed to the deficiencies of the TAN.

The TIN was first introduced in 1989 when the BIR formulated a Five-Point Administration Improvement Program and was implemented in 1991 pursuant to Revenue Memorandum Order (RMO) Nos. 22-91 and 23-91 and Revenue Memorandum Circular (RMC) Nos. 58-91, 63-91, and 70-91. It effectively replaced the TAN, value-added tax (VAT) and non-VAT registration numbers, withholding tax agent (WTA) I.D. and other numbering systems used by the BIR to facilitate computerized processing of tax returns and other data/information.

The TIN is a system-generated reference index number issued and assigned by the BIR to each and every person registered in its database. It contains key information necessary for computer processing and information generation.

In 1998, the BIR introduced the Integrated Tax System (ITS) and issued TIN using this system. The ITS is a set of related systems, and processes, which provides maximum automation and minimum manual intervention in BIR operations.

The unique TIN consists of 9-12 digit numeric code in contrast to the alphanumeric TAN, thus easier to encode.

To illustrate, consider this TIN: **000 – 123 – 456 – 001**

i. The first digit which is “0” signifies that the TIN belongs to a corporation;

ii. The 2nd to 8th digit “00-123-45” is sequential;

iii. The 9th digit which is “6” is the check digit;

iv. The 10th to 12th digit which is “001” is the branch code; and

v. The “000” series denotes that the TIN issued was a pre-generated one.

As of July 9, 2014, according to the Data Warehousing and Systems Operation Division of the BIR, there were already 28,468,838 issued TINs (including active, inactive, and cancelled).

TOTAL NUMBER OF ISSUED TINs
(As of July 9, 2014)

Category	Number of Issued TINs
Individuals (employees, single proprietors, professionals, etc.)	27,900,422
Non-individuals (corporations, partnerships, cooperatives, etc.)	568,416
Total	**28,468,838**

Source: Data Warehousing and Systems Operation Division, BIR

Section 236(I) of the National Internal Revenue Code (NIRC) of 1997 made it mandatory to supply or assign a TIN to every taxpayer. It provides that any person, whether natural or juridical, required under the authority of the NIRC to make, render or file a return statement or other documents, shall be supplied with or assigned a TIN to be indicated in the return, statement or document to be filed with the BIR, for his/her/its proper identification for tax purposes. Furthermore, Revenue Regulation (RR) No. 7-2012, provides that the following persons are required to or may secure a TIN, viz:

a. Every person subject to any internal revenue tax such as: income tax, VAT, percentage tax, withholding tax, excise tax, and documentary stamp tax, including its branches (for purposes of securing its branch code for business establishments) as well as persons subject to taxes under the One Time Transactions (ONETT), such as but not limited to capital gains tax, donors tax, and estate tax;

b. Any person who, although exempt from the imposition of the taxes imposed under the NIRC of 1997, as amended, is nevertheless required to withhold taxes on account of income payments made to taxable individuals or entities.

c. Persons whether natural or juridical, dealing with all government agencies and instrumentalities, including government-owned and/or controlled corporations (GOCCs), and all local government units (LGUs), are also required to incorporate their TIN in all forms, permits, licenses, clearances, official papers and documents which they secure from these government agencies, instrumentalities, including GOCCs and LGUs, pursuant to EO 98 series of 1999.

Diplomatic missions, and international organizations, as identified by the Department of Foreign Affairs (DFA), together with their accredited foreign personnel are exempted from the requirements of the TIN pursuant to EO 31 series of 2001.

Pursuant to RR 7-2012, only one TIN shall be assigned to a taxpayer and there shall be no instance where two or several taxpayers are holders of the same TIN. The acquisition of multiple TINs by a single taxpayer is punishable by law. Likewise, once a TIN is assigned to a particular taxpayer, it shall be non-transferable. As regards branches of an identified large taxpayer, the same are required to register at the Large Taxpayers Service (LTS) where the Head Office (HO) is registered. Also, all incorporators of corporations, associations (stock and non-stock), partners of partnerships and members of cooperatives must have TINs.

According to a study of the World Bank, Filipino taxpayers' compliance significantly improved starting in 1986 during then President Corazon Aquino's administration and continued under the Ramos administration. This improvement stemmed from the launching of the Aquino administration of a Comprehensive Tax Reform Program (CTRP) as well as related tax administrative reforms which include, among others, the implementation of the TIN (in 1991). It is noted that with the implementation of the TIN, the number of tax filers doubled between 1986 and 1992 and continued to increase between 1992 and 1997. While it is difficult to attribute to the new TIN the increase in tax filers, it can be inferred that the TIN does not only expedite the processing of information about the taxpayer but it also fosters and consequently results in increased revenues.

Undoubtedly, it has facilitated and insured accurate identification and recording, audit, matching, cross-checking, and collation of accounts and transactions, extracted from returns, receipts and other documents. It is indispensable in tracking down and monitoring the transactions of taxpayers with the tax bureau. As a result, the TIN is used in the identification of delinquent accounts and the verification of declarations made by the taxpayers as to their tax liabilities.

The TIN also reduces the cost of tax administration as it becomes easier to collate, access, analyze and retrieve data. The automation of the system and the time required for carrying out tax audits and investigations by tax authorities is likewise lessened. Generally, there was a remarkable improvement in tax administration in the form of tax assessment and collection with the adoption of the new TIN.

The TIN is definitely a very helpful administrative tool on the part of the taxing authority. To enhance its utility to the taxpayers, the BIR may explore the possibility of making the TIN card an electronic card and function like the rewards card of different business establishments which will record and store the taxable transactions of the taxpayer and his/her corresponding tax payments and get rewards points.

It should be noted that while the use of an electronic TIN card may be beneficial to the taxpayers on one hand, it may evoke criticism on the other hand especially when it comes to confidentiality issues and the possibility that the use of the electronic TIN card may run afoul the constitutionally guaranteed right against self-incrimination. To address this weakness, the use of the electronic TIN card may be made optional and voluntary.

The electronic TIN card may also be useful in cross-checking the veracity of declared income of taxpayers. This is possible because the BIR will have an idea how much income is passing on the hands of the taxpayers as can be deduced from the spending pattern reflected on the information contained in the electronic TIN card. This tool may aid the tax authorities in curbing non- or under-declaration of income for income tax purposes.

At present, tax authorities are exploring the possibility of adopting the concept of a global/regional TIN within the ASEAN. The Philippine Secretary of Finance Cesar Purisima endorsed during the 2013 G8 Pre-Summit Meeting in London the adoption of the Global TIN concept within ASEAN to enhance the oversight capabilities of tax authorities and to facilitate the monitoring of international transactions. The adoption of Global TIN is seen as a measure to curtail, if not, eradicate rampant cases of domestic and international tax evasion, smuggling and cross border corruption. The Global TIN concept is not a new idea within regional organizations. In fact, the European Union (EU) is also currently exploring the adoption of a so-called EUTIN to respond to the difficulties faced by the member states in properly identifying all their taxpayers (natural or juridical persons) engaged in cross border transactions or operations.

The use of global/regional TIN in the ASEAN while deemed ambitious in its pursuit is seen to facilitate oversight capacity of tax authorities in cross border transactions. It will serve as a passport for cross-border trade and investment which will enhance monitoring and will eventually enable better audit of cross border transactions. Certainly, the adoption of global/regional TIN is projected to meet and facilitate the existing international standards on taxation and tax administration.

15. Local Government Units' Compliance in the Mandated Revision of the Schedule of Market Values (SMVs) of Real Property for Taxation Purposes

The paper evaluates the extent of local government units' (LGUs) compliance to the mandated SMV revision under the Local Government Code (LGC) and the Department of Finance-Department of Interior and Local Government (DOF-DILG) Joint Memorandum Circular (JMC) No. 2010-01 and the parallel tax policies adopted by various LGUs that undertook the revision.

Prior to the LGC of 1991, Presidential Decree (PD) No. 464 mandated general revision of real property assessments for real property tax (RPT) purposes once every five (5) years. Later, PD 1621 shortened the period of revision to three (3) years to minimize the occurrence of abrupt increases in real property values. The triennial general revision of property assessment was retained under the LGC.

Several studies indicate however, that the mandated triennial appraisal of real property has not been complied with by most LGUs, hence current SMVs used for RPT purposes are generally outdated and do not reflect the prevailing market prices of properties. The failure of LGUs to update property market values greatly affects RPT revenue and negatively impact on the equity of the tax burden as property values do not reflect major physical and economic changes which have occurred in the locality.

To address this problem, the DOF and DILG issued JMC No. 2010-01 in 2010 enjoining all provinces, cities and the municipality of Pateros in Metro Manila to comply with the provisions of the LGC by conducting a regular revision of SMVs for property assessments.

Based on the data from the Bureau of Local Government Finance (BLGF), 62 out of 80 provinces and 116 out of 143 cities have outdated SMVs as of June 2014. In fact, the longest period within which an LGU failed to conduct a reassessment of property is 22 years as in the case of Mandaue City. Likewise, the cities of Lamitan, Malabon, Navotas, and Tanauan have not revised their SMVs for 19 years. LGU compliance to the mandated SMV revision showed a progressively declining trend from the first general revision in 1994 to the scheduled sixth general revision in 2009.

The rapidly declining number of LGUs which conducted general revision of SMVs from 1994 to 2009 may be attributed, among others, to political reasons. In practice, most local assessors actually prepare the SMVs every three years. However, the SMV is not enacted by the Sanggunian nor is it supported by the local chief executive for fear of losing support of property owners during the election. Taxpayers immediately equate the adjustment of values to increase in taxes, hence such is not supported by most sectors.

In the case of the National Capital Region (NCR), no revisions were conducted in any of the cities and municipalities within Metro Manila from 1994 to 2009 because SMV revision is required to be done by district pursuant to PD 921. It became an obstacle because while some LGUs want to revise their SMVs, others are against it. A joint or collective decision is difficult to achieve as some LGUs within the district oppose the revision for various reasons which are mainly political in nature.

The JMC prescribes the use of the Philippine Valuation Standards (PVS) in the SMV preparation of LGUs. The PVS was issued in recognition of the need to promote and maintain high level of public trust in professional appraisal practice. The PVS is an initial step in developing a uniform benchmark in professional appraisal practice in the Philippines. The JMC likewise prescribes LGUs' compliance with the Mass Appraisal Guidebook in the SMV revision. The guidebook was developed and issued by the BLGF and DOF to enhance the competency of local assessors in performing their appraisal duties and responsibilities.

Pursuant to the said JMC, results of the seventh (7th) general revision in 2012 posted an overall compliance ratio (CR) of 31%, an increase from the 6th general revision with CR of 24%. However, on a regional basis, no significant improvements were noted. By LGU, 73 out of 224 or 32% revised their SMVs for the period 2010 to 2013. These include 32 out of 80 provinces and 41 out of 143 cities. LGUs in Metropolitan Manila have yet to comply with JMC 2010-01. Again, this may be due to the requirement that their SMVs be prepared jointly by all LGUs in each assessment district as per PD 921.

The LGC authorizes the Sanggunians of provinces and cities to determine through a duly enacted ordinance the rates and assessment levels applicable to various classes of real property in their localities. Five sample cities, namely, Cavite, Sta. Rosa, Himamaylan, La Carlota, and Ozamiz, were examined to determine the policies and methods applied in the SMV revision. These cities had their last SMV revision in 2011. All sample cities generally have increases in the unit value of residential, commercial and industrial lands.

The Land Administration and Management Project (LAMP) recommends conducting a study on the tax impact of SMV revisions. Said study can provide information to policymakers and taxpayers on the impact of the adjustment in the values and of the reclassification of properties during the SMV revision and thereby recommends an appropriate tax policy option that will strike a balance between raising revenues that the LGU needs and at the same time not making the RPT burdensome for the property owners. The assessment level and/or tax rates may be adjusted for as long as they do not exceed the prescribed maximum levels and rates. Under LAMP, the study was conducted in a partner LGU (Naga City) which revised its SMV and was used as starting point for formulating tax policy options. It was particularly of big help to explain during public hearing the rationale of revising the SMV and the results of the tax impact study to facilitate its acceptance by the property owners of the proposed SMV and what the LGU did to mitigate the tax impact of the increased property values.

The failure of LGUs to revise its SMV periodically exacerbated by low taxpayer compliance and weak enforcement mechanism substantially affect the revenue productivity of the property tax. The RPT is a stable source of revenue; is locally generated and accrues entirely to the LGU; hence, it is imperative that collection from this type of tax be further improved. Aside from maximizing collection from property taxes, the adjustment of property values to current levels also enhances equity in the distribution of the property tax burden. Unadjusted values means that certain properties are overtaxed or undertaxed relative to others.

The recommendation of the LAMP for LGUs to conduct a tax impact study of any SMV revision is reiterated. Tax collectible under the current system and under various tax options should be calculated and choose therefrom the best tax policy option that will strike a balance between the need of the LGU for more revenue and the property owners' capacity to pay. In this way, there will be no abrupt increases in the RPT and the revised SMV will become more acceptable to the property owners.

Technical Assistance to
CONGRESS
and Various Agencies/ Inter-Agency Groups

Chapter 3

CONGRESS OF THE PHILIPPINES

The NTRC provides technical assistance to both houses of Congress by evaluating tax bills and other fiscal proposals referred to it, preparing draft bills and revenue estimates, and rendering technical support during meetings, public hearings and other deliberations on Senate and House Bills.

Among the major proposals with revenue implications referred to and evaluated by the NTRC were:

Senate Bill (SB) No. 70
Exempting the Sale or Importation of Petroleum Products and Raw Materials in the Manufacture Thereof from the Expanded Value-Added Tax, Amending for the Purpose Section 109(1) of the National Internal Revenue Code (NIRC) of 1997, as Amended by Republic Act (RA) No. 9337, and for Other Purposes

Senate Bill (SB) No. 70 seeks to amend Section 109(1) of the NIRC of 1997, as amended, by exempting from the coverage of the value-added tax (VAT) the sale or importation of petroleum products, subject excise tax, except for lubricating oil, processed gas, grease, wax, petrolatum, and coal and natural gas in whatever form or state.

It also seeks to exempt the sale or importation of raw materials used in the manufacture of finished petroleum products subject to excise tax except lubricating oil, processed gas, grease, wax and petrolatum. The bill intends to give immediate relief to the Filipino people from the increasing cost of oil instead of giving dole-out programs such as the Pantawid Pasada Program.

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As a backgrounder, Republic Act (RA) No. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law approved in May 2005 subjects petroleum products to the VAT. Upon the full year implementation of the imposition of VAT on petroleum products and the increased VAT rate from 10% to 12% in 2006, total VAT collection increased by 60% over the previous year. The ratio of VAT collection to total Bureau of Internal Revenue (BIR) collection also increased from 16% to 22% during the year. There is no data, however, to approximate the contribution of petroleum products in the increase in the VAT collection. On the other hand, it is noted that since the imposition of VAT on petroleum products coupled with the continuous increase in world crude prices, retail pump price of premium gasoline has increased by 33% and diesel by 27% from 2005 to 2014.

To address the adverse effects of the oil price hikes on the prices of food and other basic commodities, the government instituted the Public Transport Assistance Program (PTAP) or Pantawid Pasada Program through the issuance of Executive Order (EO) No. 32 on April 1, 2011. Said EO allocated a total of PhP450 million for the PTAP and target beneficiaries were public utility jeepney (PUJ) and tricycle drivers who were entitled to a Pantawid Pasada card with PhP1,050.00 load that they can use to purchase crude products or diesel in participating gasoline stations. Likewise, oil companies in collaboration with the Department of Energy (DOE) continuously offered price discounts on diesel and gasoline being sold in selected gasoline stations for the public transport sector.

The proposed exemption of the sale or importation of petroleum products and raw materials from VAT will not guarantee lower prices of petroleum products as the input VAT presently credited against the output VAT on sales will no longer be allowed and will be added as a cost to the price of the petroleum product. Likewise, since VAT is a consumption tax, those who consume more are taxed more. Studies have shown that the high income group allocates or spends a higher percentage of their income on petroleum products. Thus, the rich who have the capacity to absorb the VAT passed on to them will benefit more from the proposal than the poor. It is the government that will lose revenues which could otherwise be used in the provision of basic social services. Lastly, the proposal will also affect the VAT collection efficiency in terms of establishing paper trail of VATable transactions.

SB 136
Reforming the National Apprenticeship Program and Providing Standards for the Training and Employment of Apprentices, and Regulatory Standards for Accreditation of Apprenticeship Programs

Unnumbered House Bill (HB)
Reforming the National Apprenticeship Program and Providing Regulatory Standards for the Training of Apprentices

SB 136 to be known as the "Apprenticeship Training Act of 2013" and the Unnumbered HB to be known as the "Philippine National Apprentice Program (PNAP) Act" seek to establish a reformed national apprenticeship program in order to ensure the availability of qualified manpower in critical and in-demand technical skills. Such programs shall include on-and off-the job training components with tripartite involvement and enhanced standards for the training and development of apprentices. The bills propose to:

a. Grant incentives to persons or enterprises organizing apprenticeship programs by allowing them to claim additional deduction from taxable income equivalent to one-half (1/2) of the value of labor training expenses incurred for developing the productivity and efficiency of apprentices and exempting them from the payment of the apprenticeship fee. Such incentives shall be given provided that the program shall be duly recognized by the Technical Education and Skills Development Authority (TESDA), the deduction shall not exceed ten percent (10%) of the training allowance of the apprentices, and the enterprise that wishes to avail the incentive should pay its apprentices the minimum wage; and

b. Exempt from the payment of apprenticeship fee micro-cottage and small enterprises or those with less than 100 employees.

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The proposed grant of incentives to persons or enterprises organizing apprenticeship programs is supported as the proposed bills merely reiterate, for emphasis, the existing provisions under the Labor Code, the TESDA Act and its Implementing Rules and Regulations (IRR) and the Revised Guidelines in the Implementation of Apprenticeship and Learnership Programs, as regards incentive schemes for persons or enterprises organizing apprenticeship programs.

The proposed exemption of micro-cottage and small enterprises from the payment of apprenticeship fee is also supported as this shall encourage wide participation of industries in the National Apprenticeship Program and is consistent with the state policy to promote, support, strengthen and encourage the growth and development of micro, small and medium enterprises in all productive sectors of the economy particularly rural/agri-based enterprises.

SB 140
To Improve Access to Education through Open Learning and Distance Education in Post Secondary and Tertiary Levels in the Philippines, Appropriating Funds Therefor and Other Purposes

SB 639
Strengthening the Open Learning System of Higher Education in the Philippines, Appropriating Funds Therefore and for Other Purposes

Unnumbered HB
Expanding Access to Educational Services by Institutionalizing Open Distance Learning in Higher Education, Appropriating Funds Therefor and For Other Purposes

SBs 140 and 639, and the Unnumbered HB seek to expand and further democratize educational opportunities in a more effective and economical manner through the utilization of innovative educational technologies. The bills seek to encourage broadcast media and telecommunications network to provide assistance and cooperation to higher education institutions in support of the open learning system or in the delivery of distance education, which may include but not limited to, the transmission of learning materials for formal and non-formal courses to learners not only in the Philippines but also outside the country.

Section 14 of SB 140 and Section 18 of the Unnumbered HB provide that any donation, contribution, bequest and grant, in cash and/or services which may be made by individuals, groups and organizations, including but not limited to private entities, such as private schools, broadcasting companies, telecommunications networks and others which shall provide appropriate materials, time and delivery support services for the promotion of open learning and distance education in partnerships with higher education institutions delivering academic degree programs through distance education, shall be allowed to be fully deductible from gross taxable income of the donor for income tax purposes and shall be exempt from the donor's tax, subject to such conditions provided under the NIRC of 1997, as amended.

On the other hand, SB 639 seeks to give private entities such as broadcast stations and telecommunications networks and others which shall provide appropriate materials, time and services to the system corresponding tax credits in accordance with existing rules and regulations.

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The proposed deductibility of donation from gross taxable income of the donor for income tax purposes and exemption from the donor's tax are already provided under Article XIV of the 1987 Philippine Constitution, Sections 34(H), 101(A)(3) and (B)(2) of the NIRC of 1997, as amended. Inasmuch as the tax incentives being sought are already guaranteed by the Constitution and provided under applicable laws, particularly the NIRC, the reiteration of these provisions in the bill for emphasis is supported.

On the other hand, the proposed grant of tax credit to private entities which shall provide appropriate materials, time, and services to the open learning system of higher education, is not supported. Tax credit, being a direct offset against the amount of tax due of the taxpayer will result in huge revenue losses. Appropriate materials, time, and services by broadcast stations and telecommunications networks to open learning program of higher education institutions, if given for free may be treated as deductible charitable contributions or gifts pursuant to Section 34(H) of the NIRC of 1997 and may be exempted from the donor's tax in accordance with Section 101(A)(3) and (B)(2) of the said law. Thus, even without the proposal, broadcast stations and telecommunications networks who will provide support to the open learning system can already enjoy tax privileges as a result of their generosity.

One issue seen in the proposal, however, is the determination of value of services, time, and delivery support services exempt from the donor's tax and deductible from the gross income of the donor. This can be a source of abuses and leakages that donors may take advantage of in order to lower their tax liability. Thus, parameters for the evaluation of the actual value of services and time exempted from the donor's tax and deductible from gross income must be provided.

It is noted that RA 10650, otherwise known as the "Open Distance Learning Act" was enacted on December 9, 2014.

SB 164
Providing Incentives for the Manufacture, Assembly, Conversion and Importation of Electric, Hybrid and Other Alternative Fuel Vehicles, and for Other Purposes

SB 255
Promoting Environmentally Sustainable Transport by Providing Incentives for the Manufacture, Assembly, Conversion and Importation of Electric, Hybrid and Other Clean Energy Vehicles, and for Other Purposes

SB 2151
Providing Incentives for the Mainstream Use, Manufacture, Assembly and Conversion of Electric, Hybrid and Other Alternative Fuel Vehicles and for Other Purposes

SBs 164, 255, and 2151 seek to grant certain fiscal incentives to electric, hybrid, and other alternative fuel vehicles (AFVs)/clean energy vehicles (CEVs) except vehicles powered by gasoline, petroleum, bio-diesel and bio-ethanol for a period of nine (9) years from the effectivity of the Act, as follows:

(a) Exemption from the payment of excise taxes and duties;

(b) Suspension of the imposition of the VAT on the purchase and importation of raw materials, spare parts, components and capital equipment used in the manufacture or assembly of electric, hybrid and other AFVs/CEVs; and

(c) Exemption from the payment of motor vehicle user's charge (MVUC) imposed by the Land Transportation Office (LTO) under RA 8794, otherwise known as "Motor Vehicle User's Charge Act".

The bills aim to promote widespread use of electric, hybrid and other AFVs/CEVs by making them more affordable, lessen dependence on oil and petroleum, increase fuel savings, and abate the level of air pollution in urban areas all over the country. Moreover, as noted in the bills, the emerging AFVs/CEVs industry can significantly contribute to investment generation, job creation, poverty reduction, and climate change mitigation.

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The development and use of electric, hybrid and other AFVs as substitute to the traditionally used motor vehicles in the country is duly recognized. Various government agencies have already implemented policies and programs to support the call to reduce carbon dioxide emissions in the atmosphere such as the promotion of the use of alternative fuels and AFVs/CEVs. The DOE, for instance, facilitated the development and use of electric tricycles (e-trike) as an alternative mode of transport to help reduce air pollution caused by vehicular emission.

Also, there are already existing government programs that provide incentives for the manufacture, development and utilization of electric, hybrid and other AFVs. In fact, the manufacture of AFVs and activities using energy technologies leading to energy efficiency and conservation are consistently included in the government's Investment Priorities Plan (IPP) from CYs 2007 to 2013 and are thus entitled to tax incentives. Thus, the government is already doing its best to assist the industry directly involved in the manufacture and use of AFVs.

However, the proposed exemption from the VAT may not be advisable since this will erode the VAT base. Also, exempting the purchase or importation of raw materials, spare parts, components and capital equipment used in the manufacture of AFVs/CEVs from VAT will not guarantee lower prices as the input VAT presently credited against the output VAT on sales will no longer be allowed. Thus, the input VAT will form part of the cost, which will be included in the price. With regard to the proposed exemption from import duties, various EOs such as EOs 156 s. 2002, 290 s. 2004, 528 s. 2006 and 70 s. 2012, among others, already provided for reduced rates or 0% import duties on the importation of AFV related equipment, components, parts and accessories. Likewise, commitments to international trade agreements, such as the ASEAN Free Trade Agreement (AFTA), already paved the way for the reduced rates of duties for imported vehicles, parts and components, providing preferential tariffs to member countries.

On the proposed MVUC exemption of AFVs/CEVs, it is worth noting that under Section 7 of RA 8794, all monies collected under the Act are earmarked for road maintenance and improvement of road drainage, installation of adequate and efficient traffic lights and road safety devices, and air pollution control. While AFVs/CEVs help reduce air pollution caused by vehicular emissions, proceeds from the MVUC will still be needed for road maintenance and other related expenditures. Hence, the proposal is not endorsed.

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SB 256
Increasing the Ceiling of the 13th Month Pay, Christmas Bonus and Other Benefits Excluded from the Computation of Gross Income for the Purposes of Income Taxation, Amending for the Purpose Section 32(B), Chapter VI of the National Internal Revenue Code of 1997, as Amended

SB 452
Excluding 13th Month Pay and Other Benefits from the Computation of Taxable Income Amending for the Purpose Section 32(B)(7)(e) of RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended

SB 1838
Removing the Cap on the Amount of 13th Month Pay and Other Benefits to be Excluded from Gross Income, Amending for Such Purpose Section 32(B)(7)(e), Chapter VI of RA 8424, as Amended

SB 2157
Adjusting the 13th Month Pay and Other Benefits Ceiling Excluded from the Computation of Gross Income for Purposes of Income Taxation, Amending for the Purpose Section 32(B), Chapter VI of the National Internal Revenue Code of 1997, as Amended

SBs 256, 2157, HBs 248 and 3409 seek to increase the ceiling of the 13th month pay, Christmas bonus and other employee benefits excluded from gross income and exempt from taxation pursuant to Section 32(B)(7)(e) of the NIRC of 1997, as amended, from PhP30,000.00 to PhP75,000.00, PhP60,000.00 and PhP40,000.00, respectively;

SBs 452, 1838, HBs 589 and 3245, on the other hand, propose for the exemption from income tax of the 13th month pay and other benefits such as productivity incentives and Christmas bonus regardless of the amount. Likewise, under HBs 589 and 3245,

HB 248
Increasing the Ceiling for the Total Exclusion from Gross Income of 13th Month Pay and Other Benefits to Sixty Thousand Pesos (PhP60,000.00), Amending for the Purpose Section 32(B)(7)(e) of the National Internal Revenue Code

HB 3409
Amending Section 32(B), Chapter VI of the National Internal Revenue Code of the Philippines (RA 8424) Thereby Increasing the Ceiling of Christmas Bonus and Other Benefits from Taxation

HB 589
Granting Additional Exclusion to the Gross Taxable Income of Employees of Public and Private Entities Amending for the Purpose Sub-Paragraph (e), Paragraph (7), Sub-Section (B), Section 32, Chapter VII of the National Internal Revenue Code of 1997, As Amended, and For Other Purposes

HB 3245
Providing for Additional Exemptions to the Taxable Gross Income of Employees of Public and Private Entities and of Estates and Trusts, Amending for the Purpose Certain Provisions of the National Internal Revenue Code of 1997, As Amended, and For Other Purposes

additional bonuses, benefits, and other emoluments not exceeding PhP50,000.00 to be received by an employee from his/her employer voluntarily or as a result of collective bargaining agreement, or as mandated by existing laws, decrees, or orders are proposed to be excluded from the employee's gross income.

HB 3245 also seeks to increase the amount of exemption that may be allowed to estates and trusts from PhP20,000.00 to PhP50,000.00 in order to encourage the public to settle estates so that assets owned by the deceased will be properly determined and valued, and be transferred to the people or institutions who or which will pay the corresponding taxes due.

The bills aim to improve the economic condition of Filipino taxpayers by providing employees additional take home pay which they can use to provide for the needs of their families.

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The proposed increase of benefits ceiling as well as the proposed exclusion of the 13th month pay from gross income regardless of the amount will have significant impact on the inflow of revenues and might undermine the efforts of the government to improve revenue collection as well as the country's economic status. Considering that the reprieve from the burden of income taxation has just been granted to individual taxpayers in 2008 under RA 9504, the proposal might have to wait for more opportune time.

For the same revenue considerations, the proposal under HB 3245 to increase the amount of exemption for estates and trusts is likewise not endorsed.

Given the significant impact on the flow of revenues, the proposed increase in the exemption for estates and trusts and the adjustment of the tax-exempt benefits ceiling for individuals should form part of a comprehensive tax reform package (CTRP) where the revenues of the government will not be compromised. There should be countervailing measures to compensate for the revenue loss that will arise from the proposals.

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SBs 291, 490, and 1797
Instituting Reforms in the Real Property Valuation in the Philippines, Establishing the National Valuation Authority and Appropriating Funds Therefor

SBs 415, 1930, 84, 1060, 1968, 2368, and 2807
Instituting Reforms in Real Property Valuation and Assessment in the Philippines, Reorganizing the Bureau of Local Government Finance, and Appropriating Funds Therefor

SBs 291, 415, 1930, 490, and 1797 seek to promote the development and maintenance of a just, equitable, impartial real property valuation system based on internationally accepted valuation standards, concepts, principles and practices. The bills propose the following:

1. Establish and maintain valuation standards to govern the valuation of real property;

2. Adopt market value as the single real property valuation base for the assessment of all real property related taxes in the country and for valuing or appraising real property for various transactions by all government agencies;

3. Separate the function of valuing or appraising of real properties from the functions of tax policy and administering the taxes due thereon;

4. Support the development and professionalization of the valuation/ appraisal practice in the country pursuant to RA 9646;

5. Provide a comprehensive and up-to-date electronic database of all real property transactions;

6. Support the development of a “body of knowledge” on valuation by continuing research and monitoring of new developments in the valuation discipline for upgrading the country’s valuation and making it abreast with global developments; and

7. Ensure transparency in real property transactions to protect consumers and develop confidence in the work of appraisers and assessors.

SBs 291, 490, and 1797 propose the establishment of National Valuation Authority (NVA) which shall be the primary agency of the government on matters concerning the valuation or appraisal of real properties in the Philippines while SBs 415, 1930, 84, 1060, 1968, 2368, and 2807 seek, among others, the creation of a Real Property Valuation Service (RPVS) under the Bureau of Local Government Finance (BLGF). The powers and functions of the RPVS will be the same with those of the proposed NVA. The foregoing bills propose to make BLGF Regional Offices responsible on all matters relating to valuation/appraisal of real properties including the review of the Schedule of Market Values (SMVs) prepared by the local assessors in the region. A Regional Consultative Committee will be established to serve as a consultation forum in the region on valuation-related matters. Moreover, the bills propose the ceasing of the SMV as a basis in the determination of national and local real property related taxes after five (5) years from the effectivity of its enacting ordinance.

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The establishment and maintenance of valuation standards that would govern real property valuation in the Philippines will promote integrity and fairness in the valuation and appraisal practices in the country. The adoption of market value as the single valuation base for the assessment of all real property-related taxes will remove confusion and provide a reliable basis for real property assessment. The development of a comprehensive and electronic database of all real property transactions will strengthen data linkages of concerned national government agencies (NGAs), local government units (LGUs) and the private sector. Furthermore, the professionalization of the valuation/appraisal practice in the country will minimize political influence in the valuation and appraisal function of the assessors.

It is worth noting that under Phase 2 of the Land Administration and Management Project (LAMP2), the BLGF spearheaded the development of a set of valuation standards which is currently being rolled out to the LGUs. The proposal will strengthen the role of the BLGF as "the focal agency and authority in local finance" by assuming institutional responsibility for the proposed valuation reforms.

The proposed establishment of RPVS within the BLGF is more favorable and feasible than the creation of the NVA which shall be attached to the Department of Finance (DOF) as the former is deemed more efficient and economical to the government. It is also consistent with the present policy of the government to streamline the bureaucracy. Moreover, at present, the BLGF oversees the formulation and execution of policies, rules and regulations pertaining to real property valuation and assessment for real property tax purposes in the country. Given this, the BLGF is in the best position to handle real property-related valuation and assessment functions stated in the proposed bills.

The proposed ceasing of the SMV as basis in the determination of national and local real property related taxes after five (5) years from the effectivity of its enacting ordinance will compel LGUs to revise their SMV every 5 years to make the value of properties reflective of current market prices. However, the proposal will have serious tax implications in the event of failure of some LGUs to have a revised and approved SMV by the fifth year for whatever reasons. This implies that there will be a vacuum or no tax base for purposes of computing the RPT. In the case of transfer taxes, this means that the gross selling price will be the sole basis in the computation of capital gains tax (CGT) or the withholding tax on sales transactions. This will lead to massive underreporting of selling prices of property in order to reduce tax liabilities and consequently result in lower CGT collection.

SB 426
Amending Section 220, Chapter II, Title VIII of RA 8424, Otherwise Known as an Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes

HB 328
Amending Section 220 Chapter II, Title VIII of RA 8424

HB 993
Authorizing the Bureau of Internal Revenue to Conduct Preliminary Investigations, File Complaints and Informations and Prosecute Tax Cases, Amending 220, Chapter II, Title VIII of RA 8424, Otherwise Known as the "Tax Reform Act of 1997"

HB 1320
Amending Section 220, Chapter II, Title VIII of RA 8424, Otherwise Known as An Act Amending the National Internal Revenue Code, as Amended and For Other Purposes

SB 426, HBs 328, 993 and 1320 seek to amend Section 220, Chapter II, Title VIII of RA 8424, or the NIRC of 1997 as amended, by giving the legal officers of the BIR the authority to investigate, prosecute and handle exclusively civil or criminal tax-related cases. The bills also provide that the BIR shall have the exclusive authority to file any civil or criminal case directly with the proper court for the recovery of taxes or enforcement of any fine, penalty or forfeiture.

SB 426, and HBs 328 and 1320 likewise propose to disallow any referral to the Office of the Solicitor General (OSG), the Department of Justice (DOJ) or any other government agency in connection with any civil or criminal action being handled by the BIR legal officers. The bills further provide that the DOF shall have automatic power to review and conduct preliminary investigation on every criminal complaint before the same is filed in court. On the other hand, HB 993 provides that the DOF may reverse or modify the resolution of the Commissioner upon petition by a proper party.

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The bills' intent to fast track the prosecution of tax cases and step up efforts to raise revenue is supported. Giving full authority and doing away with the referral of cases to the OSG, the DOJ and other government agencies will definitely streamline bureaucratic procedures in handling tax related cases. Such proposal will likewise enable the DOJ to devote more time and manpower to the investigation of other criminal cases.

As gathered, there are only nine (9) lawyers in the Litigation Division in the BIR National Office who attend to more than 1,000 civil cases at any one time not to mention the number of Run After Tax Evaders (RATE) cases for investigation/evaluation. For Revenue Region Nos. 6 (Manila), 7 (Quezon City) and 8 (Makati City) which handle their own cases, there are only 7, 10 and 6 litigating lawyers (inclusive of Chiefs and Assistant Chiefs) in the Legal Divisions, respectively. Given the perennial shortage of lawyers employed by the BIR and the voluminous load of tax cases being distributed among the existing number of lawyers, the chances of having quality cases and getting more favorable decisions that can generate additional revenues for the BIR may not be effectively attained. Additionally, the BIR faces difficulty in hiring and in retaining top caliber lawyers who will handle tax cases of the Bureau due to low salaries and lack of incentives compared to the private sector and the other litigation arms of the government. Given the present situation, instead of facilitating the resolution of cases, the present litigation and prosecution lawyers will be overburdened with unmanageable volume of cases. Without improved compensatory package the proposal may even force these lawyers to look for more attractive but less strenuous posts. A more timely measure that may address this manpower concern is the early passage of a law exempting the BIR from the "Salary Standardization Law" (SSL).

Should the bill be pursued, BIR lawyers should be properly equipped with technical know-how in the proper handling of civil and criminal tax cases from the development of the case, conduct of preliminary investigation to prosecution in courts.

The right vehicle to complement the proposal should have been the implementation of RA 10143, otherwise known as the "Philippine Tax Academy Act" which institutionalizes an effective tax practitioner program to improve the country's tax administration system. However, as to this date or four (4) years since it lapsed into law in 2010, the Implementing Rules and Regulations (IRR) to RA 10143 have not been issued. Nevertheless, the provision of continuing capability building of lawyers may be done by the BIR with or without the Tax Academy.

It may also be worth revisiting the distribution of the current number of litigating and prosecuting lawyers in the National Office and the various Revenue Regions. Litigating lawyers in regions with lesser volume of cases maybe detailed or reassigned to other regions with heavier workload. Other areas that maybe worth looking into to help recruit or retain top caliber lawyers is the provision of more reasonable amount of honoraria per court appearance subject to COA rules which they can use for their expenses such as transportation expense.

Lastly, it is also observed that while the bills aim to streamline the bureaucratic procedures in handling tax cases by removing the participation of the DOJ and OSG in the filing and prosecution of the case, these have been substituted with another layer of the bureaucracy with the DOF to conduct the review of cases before the same are filed in court. The proposed set up could be justified on the ground of promoting check and balance since the BIR is under the DOF and the latter is also tasked to efficiently generate and manage the financial resources of government. However, for the DOF to be able to review tax cases, it is also necessary that it has its own group of lawyers equipped with necessary skills and technical know-how in handling both civil and criminal cases to undertake the proposed preliminary investigation and automatic review of tax-related cases. Hence, the problems perennially encountered by the BIR in recruiting and retaining top caliber lawyers will also be the same problems which will be faced by the DOF should the proposal be pursued.

SB 453
Excluding Overtime Pay from the Computation of Taxable Income, Amending for the Purpose Section 32(B)(7) of RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, As Amended

SB 453 seeks to amend Section 32(B)(7) of the NIRC of 1997, as amended, by excluding overtime pay from the computation of taxable income and thereby exempting the same from income tax.

The proposed bill aims to give due recognition to the employees who work in excess of the prescribed maximum working hours.

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Under Article 87 of the Labor Code of the Philippines, an employee who renders overtime work or performs work beyond eight (8) hours a day is entitled to an overtime pay equivalent to an additional compensation of at least 25% of his/her regular wage, or at least 30% on a holiday or rest day. The additional pay on top of the regular pay is already a recognition of the employee's effort of working beyond his/her normal work schedule. In addition, RA 9504 provides minimum wage earners (MWEs) who work in the private sector and are being paid statutory minimum wage, exemption from the payment of income tax on the salary received including the holiday pay, overtime pay, night differential pay and hazard pay. The same income tax exemption also applies to employees in the public sector whose compensation income is not more than the statutory minimum wage in the non-agricultural sector. The proposed tax exemption of overtime pay of MWEs is therefore unnecessary.

SB 462
Authorizing the President of the Philippines to Lower the Rate of Value-Added Tax to Ten Percent (10%), Amending for the Purpose Sections 106(A), 107(A), and 108(A) of the National Internal Revenue Code of 1997, as Amended by RA 9337

SB 462 seeks to amend RA 9337 by authorizing the President of the Republic of the Philippines, to reduce the VAT rate from 12% to 10% if the national debt as a percentage of gross domestic product (GDP) of the previous year does not exceed fifty-five percent (55%). The bill aims to unburden the general public by mitigating the impact of rising prices especially on poor Filipino families.

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As a backgrounder, RA 9337 implemented on November 1, 2005 expanded the coverage of the VAT to include coal, natural gas and other indigenous fuels; petroleum products and their raw materials; generation, transmission and distribution of electricity; electric cooperatives; domestic transport of passenger by air and sea; passenger/cargo vessels more than 5,000 tons; cotton, cotton seeds, non-food agricultural products; medical services; legal services; and works of art, literary works and musical compositions, among others. However, mitigating measures were also included in the VAT reform package to cushion its impact on the prices of basic commodities such as, exemption from excise tax of kerosene, diesel, and bunker fuel; increasing from 1.5% to 4% the presumptive input VAT in agro-processing; and increasing the marginal thresholds exempt from VAT, among others . In addition, it authorized the President, upon the recommendation of the Secretary of Finance to increase the VAT rate from 10% to 12% effective January 1, 2006 subject to certain conditions.

RA 9337 proved that it can generate the needed government revenue. The expanded coverage of VAT and the 12% VAT rate have increased the ratio of VAT collection to GDP significantly from 2.9% in 2004 and 2005, to 4.1% in 2006, and to a range of 3.7% to 4.3% in the succeeding years.

The enactment of RA 9337 was intended to help the government balance its budget. The resulting large increase in VAT collection has effectively lowered the country's borrowing as shown in its debt to GDP growth rate. From 2004 to 2006, the ratios of debt to GDP leveled at 78%, 71%, and 61% respectively, while the ratios of debt to GDP managed to float to more than 50% in 2007 to 2012.

By international standards, the debt-to-GDP ratio should be 50% or less for it to be considered manageable. The likelihood that the ratio can be attained was seen beginning 2007 when the ratio of NG debt to GDP started to decline as mentioned above. Although it slightly increased from more than 53% in 2007 to more than 54% in 2008 and 2009 due to the higher spending policy of the government to mitigate the impact of the global financial crisis, it went down to 52% in 2010 and to as low as 51% in 2011 and 2012.

The proposed lowering of VAT rate to 10% will result in revenue loss of about PhP75.1 billion. The fiscal drain will adversely affect the country's fiscal performance and creditworthiness that could result in higher borrowing costs. This will consequently undermine the economic gains of the country. Also, lowering the VAT may not guarantee lower prices of commodities since these are affected by other factors such as supply and demand, profit motive of sellers, prevailing level of competition, among others. Thus, the government will definitely lose revenue which could otherwise be used to provide basic social services to the poor.

SB 606
Exempting Pledge of Personal Property Covering a Loan of Money Not Exceeding Ten Thousand Pesos from Documentary Stamp Tax, Amending for the Purpose Section 199 of the National Internal Revenue Code of 1997, as Amended

SB 606 seeks to amend Section 199 of the NIRC of 1997, as amended by adding to the list of exemption from documentary stamp tax (DST) documents or other papers evidencing the receipt of personal property as security for the payment of certain sums of money where the loaned amount does not exceed PhP10,000.00. At present, a contract of pledge is subject to PhP20.00 DST when the amount secured does not exceed PhP5,000.00 and an additional PhP10.00 on each PhP5,000.00 or fractional part thereof, in excess of PhP5,000.00 pursuant to Section 195 of the Tax Code. Hence, the proposed amount secured of not exceeding PhP10,000.00 would be exempted from the DST amounting to PhP30.00.

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A pawnshop ticket is one of the documents falling under the contract of pledge. The "pawn ticket" is neither a security nor a printed evidence of indebtedness which documents the pledge. The issuance of the pawn ticket by the pawnshop means that the thing pledged has already been placed in its possession and that the pledge has been constituted. Thus, the subject of DST is not the pawn ticket but the privilege of entering into a contract of pledge with the pawner or borrower.

The pawnshop business takes care of the huge loan demand of people belonging to the low income stratum which is generally left unserved by the banking sector. For many Filipinos, pawning jewelry at a neighborhood pawnshop has been the most common and quickest way to address an urgent need for relatively small amounts of cash. Compared with banks, pawnshops do not impose documentary requirements before releasing cash to customers. Moreover, the latter are more accessible, as they may be found even in remote areas where banks do not operate.

Presently, loan agreements or promissory notes not exceeding PhP250,000.00 executed by an individual for his purchase on installment for his personal use or that of his family and not for business or resale, barter or hire of a house, lot, motor vehicle, appliance or furniture are exempt from DST under Section 199(d) of the NIRC, as amended. Thus, while the proposed DST exemption of contract of pledge not exceeding PhP10,000.00 can be justified based on this provision of the Tax Code, the revenue impact of the proposal still needs to be considered. The government would be giving up a hefty amount of PhP1.91 billion to PhP2.90 billion with the proposed DST exemption.

At present, the DST on the privilege of entering into a contract of pledge with the pawner or borrower is being shouldered by the pawnee or the pawnshop owners so as not to unduly burden the former. Thus, with the proposal, pawnshop owners who have the capacity to pay would be the ones relieved from the DST liability. There is also no assurance that in case pawnshop owners will be exempt from DST, such exemption will translate into lower interest rates imposed on the pawner.

Likewise, there is a possibility that the proposed exemption would set a precedent for other sectors undertaking similar transactions and documentation such as agreement to sell, memoranda of sales, certificate of deposit not drawing interest, etc., to clamor for the same tax privilege, a situation that would place the government in a bad light if it will not heed such request. Thus, it is suggested that status quo be retained. Lastly, a revisit of the exemption of documents and papers from DST under Section 199(d) of the Tax Code is recommended for consistency of policies.

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SB 612 and HB 3675
Removing the Conditions for the Condonation of all Unpaid Taxes Due from Local Water Districts, Amending for the Purpose Section 289-A of the National Internal Revenue Code, As Amended

SB 612 and HB 3675 seek a one-time general amnesty or condonation of all unpaid taxes due from Local Water Districts (LWDs). The bills propose that LWDs be relieved from additional requirements in the availment of tax condonation, especially those with no financial capacity to pay their tax liabilities, so that they will be able to consolidate their resources and thereby expand their water services, improve water quality and ensure the provision of a reliable, secure and affordable supply of water to consumers. The bills, in effect, propose to remove the conditions required of LWDs before they may be able to avail of the condonation of their unpaid taxes. Thus, the availment of the condonation or the tax amnesty will become automatic.

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It is believed that the imposition of the conditions for the condonation of the unpaid taxes of LWDs specifically that which requires them to submit a program of internal reforms to the Congress is reasonable. This will provide assurance to the government that erring taxpayers will not undergo the same financial setback and will employ the necessary reforms that would improve their financial condition.

Furthermore, the condonation of delinquent taxes has negative repercussions. Firstly, it might be interpreted as an admission of inefficiency and failure on the part of tax administrators to enforce present tax laws. Secondly, it can undermine tax collection efforts since taxpayers might wait for other condonations instead of fulfilling their tax obligations. Lastly, it is considered as a violation of the equity principle in taxation since it creates a disparity on the tax treatment between honest taxpayers and delinquent ones who take advantage of tax amnesty.

Condonation of unpaid taxes must be construed strictly against the taxpayer and in favor of the taxing authority. Hence, when the law imposes certain conditions and/or documentary requirements before a taxpayer can avail of the tax condonation, the same must be complied with completely. The proposed automatic availment of condonation of unpaid taxes will be unfair to LWDs with unpaid tax liabilities but which complied with the requirements and underwent the rigid process of documentation on or before April 30, 2013, the deadlines set by the BIR under RMC 68-2012.

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SB 614
Financing the "Education for all Initiatives" from the Annual Value-Added Tax Collections, Amending for the Purpose the National Internal Revenue Code of 1997, as Amended

SB 616
Modernizing HealthCare and Health Infrastructure, Providing Funds from the Annual Value-Added Tax Collections, Amending for the Purpose the National Internal Revenue Code of 1997, as Amended

SB 619
Modernizing Agriculture, Providing Funds from the Annual Value-Added Tax Collections, Amending for the Purpose the National Internal Revenue Code of 1997, as Amended

SBs 614, 616, 619, 625, and HB 3025 seek to amend the NIRC of 1997, as amended, by inserting a new section as Section 287 to be added to Chapter II, Title XI thereto. The bills propose to earmark some portions of the revenue collected from VAT to finance specific expenditures in the areas of education, health, agriculture, and transportation to support the commitment of the Philippines in the attainment of the Millennium Development Goals (MDGs) and help achieve the objectives of the Medium-Term Development Plan, among others. SB 614 proposes to allocate ten percent (10%) of the VAT to the following education expenditures:

SB 625
Reconstruct and Rehabilitate the Existing 479-Kilometer Philippine National Railways Line from San Fernando, La Union, to Legazpi City, Albay, Providing Funds from the Annual Value-Added Tax Collections, Amending for the Purpose the National Internal Revenue Code of 1997, as Amended

HB 3025
Allocating Five Percent (5%) of Annual Value-Added Tax Collections to Finance Agriculture Expenditures Amending for the Purpose the National Internal Revenue Code (NIRC) of 1997, As Amended

a. 30% for construction of buildings, classrooms, toilets, and other structures for preschool education to be administered by the Department of Education (DepEd);

b. 10% to fund Government Assistance to Students and Teachers in Private Education (GASTPE) Program for preschool education to be administered by the DepEd;

c. 10% for elementary education for the acquisition and improvements of sites, construction, replacement, rehabilitation and repair of buildings, classrooms, libraries, workshops, toilets and other structures, to be administered by the DepEd;

d. 30% for secondary education for the acquisition and improvements of sites, construction, replacement, rehabilitation and repair of buildings, classrooms, libraries, workshops, toilets and other structures to be administered by the DepEd;

e. 10% for scholarship grants for technical education and skills development in the different regions, as provided for under Section 32 of RA 7796, to be administered by the TESDA; and

f. 10% for scholarship grants for qualified indigent students enrolled in science and engineering courses to be administered by the Commission on Higher Education (CHED).

The bill aims to finance mandatory preschool education, address classroom shortage in the elementary and secondary levels, and provide scholarship grants to technical education and skills development and to qualified students enrolled in science and engineering courses.

Likewise, SB 616 provides that 10% of the VAT collection shall be allotted to the health expenditures as follows:

a. 10% for the expansion of the immunization program to be administered by the Department of Health (DOH);

b. 30% for the improvement and modernization of health infrastructure and medical equipment of rural health units giving priority to those located in the 4th to 6th class municipalities to be administered by the DOH in consultation with the LGUs concerned;

c. 20% for the improvement and modernization of health infrastructure and medical equipment of district and provincial hospitals to be administered by the DOH in consultation with LGUs concerned; and

d. 40% for the establishment of a specialty department in medical centers and regional hospitals to be administered by the DOH in consultation with LGUs concerned.

The proposal is intended to help achieve an integrated and comprehensive approach to health and development and provide immediate and more affordable health services to patients.

On the other hand, SB 619 and HB 3025 seek to allocate 5% of the VAT collection to agriculture expenditures to be administered by the Department of Agriculture (DA) in consultations with LGUs concerned as follows:

a. 20% for the construction, rehabilitation and restoration of communal irrigation systems;
b. 10% for post harvest facilities including mechanical and solar dryers and warehouses;
c. 10% for seed and organic fertilizers subsidies;
d. 20% for farm-to-market roads in municipalities with significant agricultural activities;
e. 10% for livestock dispersal program;
f. 10% for the training/capability building programs for agricultural extension workers and their clientele;

g. 10% for microfinance lending programs to finance smallholder agriculture; and
h. 10% for the establishment and maintenance of mariculture and aquaculture parks.

The proposed funding support to agriculture is intended to enhance greater productivity which will in turn translate to stable prices of commodities and more affordable food on the table.

Meanwhile, SB 625 proposes to allocate 5% of the VAT collection to be administered by the Department of Transportation and Communication (DOTC) through its attached agency, the Philippine National Railways (PNR), as follows:

a. 2.5% for the reconstruction and rehabilitation of the existing 479-kilometer PNR Line from San Fernando, La Union to Legaspi City, Albay; and

b. 2.5% for the acquisition of road right of way needed to implement the project.

This is envisioned as a response to the need for sustainable planning of infrastructure investments and is seen to be in keeping with the commitments to provide productive employment opportunities.

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With regards to proposed earmarking for education expenditures, there are already existing earmarked programs that were legislated for education. Under RA 7660, enacted in 1993, as provided under Section 288(A)(3), of the NIRC, the Special Education Fund (SEF) sourced from 25% incremental revenues from the increase in the DST is for the construction and repair of school facilities, training of teachers, and procurement on production of instructional materials and teaching aids. There is likewise a provision under Section 288(D)(1) of the NIRC, as amended by RA 9337, enacted in 2005, for the disposition of VAT increments to education through the LGUs. There are also funds appropriated annually that are lumped under the DepEd budget for the constructions of school buildings, libraries, toilets, etc. Moreover, there are specified funds in the annual General Appropriations

Act (GAA) exclusively for the construction of school buildings administered by the Department of Public Works and Highways (DPWH).

Furthermore, RA 10633 or the GAA of 2014 appropriated an amount for the Training for Work Scholarship Program under the auspices of TESDA to support rapid, inclusive, and sustained economic growth through course offerings, to key employment generators in the areas of agri-fishery/agri-business/agro-industrial, tourism, among others. Also, the CHED appropriated an amount for the grant of scholarship assistance to deserving students.

Moreover, under Section 235 of the Local Government Code (LGC) of 1991, a province, city or municipality within the Metropolitan Manila Area may levy and collect an annual tax of one percent (1%) on the assessed value of real property in addition to the basic real property tax in which the proceeds exclusively accrue to the SEF for the operation and maintenance of public schools, construction and repair of public school buildings, facilities and equipment, education research, purchase of books and periodicals and sports development as determined and approved by the local school board.

On the proposed earmarking for the health expenditures, Section 288(D)(2) of the Tax Code provides for the disposition of VAT increments to the health sector through the LGUs. It is to be noted that, there are about 10 special/earmarked funds for the health sector such as Food and Drug Administration Special Regulatory Fund under RA 9711, National Health Insurance Program under RA 7660, and DOH Fund under RA 9334, among others. Some of these are for financing health premiums under the National Health Insurance Program while others are for disease prevention programs. There is also a provision for health premium subsidy for the indigents from the share of LGUs from VAT increment aside from the premium subsidy provided for LGUs under the GAA. In addition, the health sector has regular budget appropriation aside from those separately appropriated to government hospitals, including specialty hospitals as well as allotments from other sources particularly those already earmarked under special laws.

As regards the proposed earmarking for agriculture sector, there are already about 12 special/earmarked funds for this purpose such as Livestock

Development Fund under PD 914, Seed Fund under RA 7308, and Agricultural Competitiveness Enhance Fund under RA 8178 as amended by RA 9496, among others. These are for livestock development; promotion and development of the seed industry; financing of irrigation, farm-to-market roads, post harvest equipment and facilities; provision for credit; re-training; etc. Thus, most of the proposed agricultural expenditures for earmarking are already covered by previous laws, e.g., RA 7308, 8178, and 9496, and other issuances. The aforementioned proposal is also being funded through the GAA, the bulk of which are primarily allocated for farm-to market road projects and the construction of new National Irrigation System (NIS) and Communal Irrigation System (CIS).

With regard to the proposed funding for the reconstruction and rehabilitation of the PNR Line from San Fernando, La Union to Legazpi City, Albay, the estimated cost of the project is far greater than the proposed earmarking; thus, financing the project through loans will be more favorable to the government as it frees the much needed government revenue which could otherwise be channeled to other equally important program expenditures of the government.

While the earmarking of funds may improve to some extent the financial position and the delivery of service of certain sectors, the overloading of earmarked funds from different issuances and laws may leave the budgeting process in disarray making it less transparent particularly for those with automatic retention provisions. Also, problems with accountability may arise as a result of a convoluted national budget system.

Instead of adding another layer of earmarked funds to the same sectors, various funds under different issuances and laws should be consolidated and revisited. Any proposal for additional funding to these sectors should be undertaken through the regular process of national budgeting for greater transparency and to avoid possible overlapping of budget allocations at the expense of more pressing and priority projects of the government.

SB 682
Creating a Philippine Inventors Commission, Defining its Powers, Functions and Duties, and for Other Purposes

SB 682 seeks to re-establish the Philippine Inventors Commission pursuant to RA 3850, as amended, to serve as the lead agency that will promote research and development, provide comprehensive support services to Filipino inventors and protect their inventions. The bill also proposes to exempt the inventors and inventions from all kinds of taxes such as:

1. The payment of direct and indirect taxes, custom duties, excise taxes, import value added taxes, and other charges on import of machinery/ equipment, parts and materials and other components which shall be actually, directly and exclusively used for the manufacture of the invention/technology;

2. The payment of fees, and such other fees required for the renewal of patent fees, and those required for the renewal of patent certificate by the Intellectual Property Office, exemption from the payment of license and business permit fees, inspection fees, and realty taxes on machinery and equipment used for the development, manufacture and sale of their invention/technology; all of which tax exemption privileges shall be extended to their legal heir, or assignee/licensee.

3. Donor's tax on all donations and grants to the Commission and deductibility in full from the donor's gross income for income tax purposes when evidenced by a certificate duly issued by the Commission.

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Under RA 7459, otherwise known as the Inventors and Invention Incentives Act of the Philippines, enacted in 1993, the government is mandated to provide a program to set up a climate conducive to invention and innovation, give encouragement and support to inventors and maximize their capability and productivity through incentives and other forms of assistance and support. Sections 5 and 6 of the said law grant tax incentives to inventors by exempting them from the payment of license fees, permit fees and other business taxes in the development and registration of their particular inventions. Moreover, any income derived from the said inventions/technologies is exempt from all kinds of taxes during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the DOF.

The proposal will also expand the list of exempted real property under Section 234 of the Local Government Code (LGC) of 1991. It should be noted that the real property tax (RPT) is one of the major sources of revenue of the LGUs. Since the proposal will certainly result in the erosion of tax base of LGUs' major source of revenue, the proposed realty tax exemption is not supported.

The proposed exemption from customs duties and other charges for the importation of machinery/equipments and other components which shall be actually, directly, and exclusively used for the manufacture of the invention/ technology is all-encompassing and may be prone to abuse. The exemption from custom duties on a per shipment basis is preferred over a blanket authority to ensure that such request satisfies the policy guidelines for duty-free importations that 'importation through purchase or donation of essential machinery and equipment, including spare parts and accessories thereof, as well as donation of other goods, may be exempt from the payment of customs duties subject to certain conditions.

As regards the exemption of donations from donor's tax, Section 101 (A)(2) and (B)(1) of the NIRC provides that gifts or donations made by a resident or non-resident alien of the Philippines for the use of the national government (NG) or any other entity created by any of its agencies which is not conducted for profit, or to any political subdivision of the said government are exempt from donor's tax. Moreover, the said donation may be deducted by the donor from his/her gross income for income tax purposes pursuant to Section 34(H) of the same Code. Moreover, the word "tax-exempt" in the bill should be rephrased as "exempt from the donor's tax" for clarity.

As to the proposed exemption from fees, it may be noted that fees are imposed on direct recipients of public goods and services by the government agencies and government-owned or controlled corporations (GOCCs) in the exercise of their mandated regulatory and service delivery functions. Such delivery of service and/or the regulation of certain activities entail costs to the government, and equity requires that persons receiving or benefiting from the services rendered share the cost of providing such services.

SB 716 and 1942
Adjusting the Levels of Net Taxable Income and Nominal Tax Rates for Purposes of Computing the Individual Income Tax Amending Section 24(A)(2) of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

SB 2149, HBs 4278 and 4372
Amending Section 24 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

HB 210
Reducing the Income Tax Rates of Individual Taxpayers, Amending for the Purpose Chapter III, Section 24(A)(1)(c) of the National Internal Revenue Code of 1997, as Amended

HB 4099
Amending Sections 24 and 27 of RA 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997

HB 4829
Restructuring the Income Taxes Imposed on Individuals and Corporations, Amending for the Purpose Sections 22; 24; 27(A) and (E)(1), (2) and (B)(1); and 34 Under the National Internal Revenue Code of 1997, as Amended

HB 4849
Creating a More Equitable, Progressive, and Just Tax System, by Adjusting the Level of Net Taxable Income and Nominal Tax Rates of the Individual Income Tax, Amending for the Purpose Section 24(A)(1) of RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended by RA 9504, and For Other Purposes

SBs 716, 1942, 2149, HBs 210, 4099, 4278, 4372, 4829 and 4849 seek to amend the individual income tax schedule under Section 24 of the NIRC of 1997, as amended, by adjusting the net taxable income brackets and tax rates for purposes of computing the tax. Under SBs 716 and 2149, the proposed tax schedule will be applicable to both compensation income and business/professional income earners while SB 1942 will be limited to compensation income only. SBs 716 and 1942, and HB 4849 also seek to regularly adjust every six (6) years the taxable income tax brackets to their present value using the Consumer Price Index (CPI).

Under SB 716 and HB 4829, the proposed tax schedule doubles the taxable income brackets but retains the 5%-32% marginal tax rates under the present tax schedule. On the other hand, SB 1942 proposes to collect a larger share of income tax from those who can afford to pay more by increasing the top rate from 32% to 35%.

Likewise, HB 4099 proposes to exempt from income tax, individuals earning gross income below PhP180,000.00

per annum or those whose net taxable income is not over PhP30,000.00. It widens the net taxable income brackets and reduces the highest marginal income tax rate from 32% to 30%. The bill further seeks to amend Section 27(A) of the NIRC of 1997 by taxing corporations at fifteen percent (15%) of gross income instead of thirty percent (30%) of net taxable income. The bill also provides that corporations covered under the regime of economic zones that are tax-exempt shall continue to enjoy the privilege until expiry date indicated in their agreement with the government. However, new corporations after the effectivity of the Act shall be given tax-free privilege for five (5) years only from the effectivity of their contract with the government.

HB 4849 seeks to restructure the income tax schedule by replacing the net taxable income brackets with "minimum wage plus x amounts", exempting the minimum wage and subjecting to tax the excess of the minimum wage plus the x amount from the lower end of the income bracket. Meanwhile, SB 2149 proposes a gradual reduction in the tax rates over three years from 2015 to 2017 and the adjustment of taxable income brackets.

On the other hand, HB 4829 seeks to restructure the taxation of income of individuals and corporations by doubling the income tax brackets but retaining the 5%-32% marginal tax rates for compensation income earners and impose a single income tax rate of 25% upon the taxable net income of self-employed and professionals (SEPs) and domestic and foreign corporations; and to increase the MCIT from 2% to 5%.

The authors of the bills note that the increases in income of salaried individuals to keep them in step with inflation every year push them into higher income brackets which lead them to pay more taxes than they should have. Thus, the proposed adjustment of the taxable income brackets aims to address financial difficulties of the citizens as well as to stimulate economic activities through increased spending and consumption.

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It must be pointed out that in designing a tax structure, consideration should be given to administrative simplicity, progressivity or equitability, and revenue productivity.

Under HB 4099, the proposal will be beneficial to taxpayers until such time that the highest statutory minimum wage reaches PhP180,000.00 annually. However, by the time the annual statutory wage exceeds PhP180,000.00, the bill, if passed into law will make the proposal useless or irrelevant. On the part of business/professional income earners, the proposed exemption of the annual gross income of PhP180,000.00 and below or net taxable income of not over PhP30,000.00 will significantly erode the already narrow tax base among the SEPs.

The proposal under HB 4849 is very complicated and not easy to understand. The net taxable income brackets are difficult to translate into absolute amounts because they are susceptible to different interpretations and bring complexities in tax administration.

It should be noted that the amount of minimum wage in the Philippines differs between and among the regions, provinces, cities, and municipalities, and thus perpetuate inequalities in the tax treatment of individual taxpayers as a result of the exemption of minimum wage earners.

The proposed “tax-free privilege” for five (5) years for new corporations under the regime of economic zones after the effectivity of the Act needs to be clarified and reconsidered. The phrase “tax-free privilege” is too broad and encompassing that may lead to abuses/leakages in its implementation.

The proposed restructuring of the individual income tax schedule under the proposed bills will result in revenue loss on the part of the government. Considering that taxes are the lifeblood of the government, any diminution in revenue corresponds to lesser ability to provide basic social services to its people and undertake development projects and programs.

While it is recognized that there is indeed a bracket creep, and that the revenue loss can be partially recouped, such recovery is only minimal compared to the outright revenue loss arising from reduction in the income tax. Therefore, the proposed adjustment in the individual income tax schedule cannot be pushed for legislation in isolation but should form part of a comprehensive tax reform package where the revenue will not be compromised. There should be counter vailing revenue enhancing measures that will compensate for the loss that will arise from the proposed adjustment in the individual income tax schedule. If the government wants to help individual taxpayers cope with inflation, other measures aside from taxation can be considered.

SB 718
Ordaining a Bill of Rights for Taxpayers

SB 718 seeks to decree a bill of rights for the taxpayers in addition to the legal rights and remedies provided for under the NIRC, as amended and the TCCP, as amended. The proposed bill of rights includes:

a. Taxpayers' Basic Rights;
b. Taxpayers' Rights in Civil Cases; and
c. Taxpayers' Rights in Criminal Cases.

Likewise, the bill seeks to establish the Office of the National Taxpayer Advocate (ONTA) to be administered and supervised by an official to be known as the National Taxpayer Advocate. It shall be attached to the Office of the President for administrative purposes.

The bill aims to protect the rights of the taxpayers; hence, promoting honesty and observance of proper procedures on the part of the BIR and the BOC, which in the process will minimize, if not totally eliminate graft and corruption.

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The Taxpayer's Bill of Rights (TABOR) has been in place in some countries, most significantly in the United States (US) and in Canada. The TABOR is focused on taxpayer service and shifts the emphasis from an "enforcement first" culture to "customer service-oriented" culture. To a certain extent, the TABOR is expected to enhance taxpayer compliance as it creates awareness of taxpayer's rights and avenues of redress available if they believe that they have received inadequate service from the BIR and/or the BOC. While the NIRC, TCCP and other laws already provide similar taxpayer's rights, the iteration of TABOR under a separate law expands and enhances those rights. The BIR has actually put in its website a portion on TABOR which covers general procedures in the conduct of an audit by the BIR. The TABOR will complement this procedure and also the Run After Tax Evaders (RATE) and Run After the Smugglers (RATS) Programs of the BIR and BOC, and all other programs intended for the prosecution of purported tax and custom offenders.

While the institutionalization of TABOR is recognized, some of the proposed provisions will need funding such as the creation of a new office (ONTA), personnel complement, among others, to be fully realized. Also, it may be prone to abuse if left unchecked and may create unnecessary delays in prosecuting tax offenders.

Many of the proposed taxpayer rights are constitutional as they are deeply ingrained in the 1987 Constitution under the Bill of Rights and are in accordance with the Revised Rules of Court (Criminal and Civil Procedures and Rules of Evidence). Also, it is noted that some of the proposed rights are similar or related to each other, thus, these may be combined and simplified for easier administration and understanding.

SB 748
Exempting Money Transfers from the Imposition of Documentary Stamp Tax, Amending for the Purpose Section 181 of RA 8424, Otherwise Known as the "Tax Reform Act of 1997", and for Other Purposes

SB 748 seeks to exempt money transfers to the Philippines of Overseas Filipino Workers (OFWs) from the imposition of the DST, by amending Section 181 of RA 8424, otherwise known as the "Tax Reform Act of 1997".

Section 181 provides that upon acceptance or payment of any bill of exchange or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines there shall be collected a DST of thirty centavos (PhP.30) on every two hundred pesos (PhP200.00) or fractional part thereof, of the face value of such bill of exchange, or order, or the Philippine equivalent of such value, if expressed in foreign currency.

The bill aims to ease the financial burden of OFWs by proposing to eliminate DST on their money remittances.

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The proposed exemption from DST of OFW remittances is already provided under RA 10022 enacted in 2010. The law provides that said remittances are exempt from DST upon showing a duplicate copy or a certified copy of the Philippine Overseas Employment Administration (POEA) employment certificate or Overseas Workers Welfare Administration (OWWA) membership certificate of the OFWs.

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SBs 1177 and 1388
Promoting and Supporting the Development and Growth of the Philippine Film Industry, Creating for this Purpose the Philippine Film Commission, Defining its Powers and Functions and for other Purposes

SB 1961
Reviving the Philippine Movie Industry by Providing Incentives to the Proprietors, Lessees, Operators of Theaters and Cinemas

SBs 1177 and 1388 which shall be known as the "Local Film Industry Development Act of 2013" seek to promote and support the development and growth of the local film industry by reorganizing the Film Development Council of the Philippines (FDCP) created pursuant to RA 9167 (June 7,2002) into the Philippine Film Commission, redefining and expanding its powers and functions.

Section 14 of SBs 1177 and 1388 proposes that the films which have obtained an "A" or "B" grading from the proposed Commission shall entitle the producer to an amusement tax reward which is equivalent to the amusement tax imposed and collected on the graded films by cities and municipalities in Metro Manila and other highly urbanized and independent component cities in the Philippines pursuant to Section 140 and 151 of RA 7160, otherwise known as the LGC of 1991 at the following rate:

a. Grade "A" Films – 80% of the amusement tax collected on such film. The remaining 20% shall accrue to the funds of the Commission; and

b. Grade "B" Films – 65% of the amusement tax collected on such film. The remaining 35% shall accrue to the funds of the Commission. It also provides that 30% of the amusement tax rebates shall accrue to the talents and workers involved in the film that was graded "A" or "B", with the other 70% accruing to the film producer.

Section 15 of the same bills also propose that all revenues from amusement tax on graded film which may otherwise accrue to the cities and municipalities in Metro Manila and highly urbanized and independent component cities pursuant to Section 140 of the RA 7160, shall be deducted and withheld by the proprietors, operators or lessees of theaters or cinemas and remitted to the proposed Commission within 30 days from the termination of the exhibition. The Commission shall reward the corresponding amusement tax to the producers, talents and workers of the graded film within 15 days from receipt thereof.

SB 1961 on the other hand, proposes that, except for real property tax on land, no national and local taxes prescribed under RA 8424 or NIRC of 1997, as amended, such as income tax, excise tax, value-added tax, and under RA 7160 or the LGC of 1991, such as amusement tax shall be imposed on proprietors, lessees, operators of theaters and cinemas in relation to the showing or exhibition of movies and films produced by the Philippine movie industry. In lieu thereof, these entities shall pay 5% of the gross income earned, of which, 3% shall accrue to the national government and 2% to be remitted by the business establishment to the treasurer's office of the municipality or city where the enterprise is located.

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The proposed amusement tax reward is an incentive to encourage local film makers to produce quality films and provide them additional financial assistance that has proven to be effective in the enhancement and development of the Philippine movie industry, and is therefore supported. The proposal to reduce the amusement tax rebates of the producers of grade A films from 100% to 80% and allocate the 20% to the funds of the Commission; and the proposal to allocate 30% of the 80% and 65% rebates to producers of graded films to the talents and workers involved in the films that are graded "A" or "B", respectively, may be best left to the discretion of the producers, the Commission and those involved in the film industry.

On the proposed levy of 5% of gross income, in lieu of all national and local taxes except real property tax on the showing and/or exhibiting of Philippine-produced movies and films while showing of foreign films shall be subject to applicable taxes under the NIRC and LGC and other special laws would mean that there will be two (2) tax regimes that will govern the taxation of proprietors, lessees and operators of theaters and cinemas in relation to showing of films depending on the country of origin of the films. Administrative-wise, this will be extremely difficult to proprietors, lessees and operators of theaters and cinemas as they will need to record separately their income and expenses on the showing of local films vis-à-vis foreign films. The proposal will open up opportunities for base erosion and profit shifting (BEPS) in the showing of local vis-à-vis foreign movies to gain tax advantage. Based on these grounds, the proposal is not supported.

Moreover, the proposed exemption of proprietors, lessees, and operators of theaters and cinemas from the payment of amusement tax is untimely considering the recent reduction in the maximum rate of the local amusement tax on admission from 20% to 10% pursuant to RA 9640 enacted on 2009. The proposal should be better left to the discretion of the concerned LGUs as they have the knowledge on their needs and the current situation in the localities.

Furthermore, the proposed amusement tax exemption is contrary to the principle of equity in taxation. It will put other amusement places such as concert halls, circuses, boxing stadia, etc. in a disadvantageous position. If this exemption is granted, it is likely that other amusement places will ask for the same privilege.

The future of the local film industry does not necessarily depend on the grant of tax relief but on the ability of the industry to produce more quality films and win the appreciation of moviegoers. The reduction in the amusement tax under RA 9640 and the incentive system under RA 9167 may already be sufficient to alleviate the plight of the industry. More importantly, to revive and ensure its future, the movie industry and the concerned government agencies should focus their effort on strict enforcement of the anti-piracy law. Curbing this illegal activity would guarantee and ensure the growth of the Philippine movie industry more than the proposed incentives which are unfavorable to the government and other similarly situated industries.

SB 1242
Encouraging the Production of Philippine Independent Films by Providing Incentives to Filmmakers Who are Given Honors in Credible International Film Competitions

SB 1242 proposes the grant of the following incentives to award-winning films:

a. PhP5,000,000.00 to the film production or entity that produced the award winning full-length feature or documentary film;

b. PhP3,000,000.00 to the film production or entity that produced the award winning short feature or documentary film;

c. Full tax exemptions relevant to the screening of the film and its commercial exhibition, including those levied by LGUs; and

d. An automatic rating of an "A" film by the Cinema Evaluation Board.

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The proposed full tax exemption of the screening of the film and its commercial exhibition is not supported. A broadly worded provision of tax exemption is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems. Further, the proposal is contrary to the present thrust of the government to limit the grant of tax incentives that adversely affect the inflow of government revenue that can finance its economic and social programs.

On the proposed exemption on taxes levied by the LGUs, it would be best if such proposal be left to the discretion of the LGUs concerned since they are in the best position to know the conditions prevailing in their localities. The LGC of 1991, as amended authorizes LGUs to impose local taxes not exceeding the prescribed maximum tax rates; hence, they may impose lower tax rates or even grant exemption if they deem it necessary.

As proposed, the award-winning film shall be given an automatic "A" rating by the Cinema Evaluation Board. In this regard, the proposed exemption from amusement tax is no longer necessary since Section 13 of RA 9167 (Film Development Council of the Philippines) already provides for a 100% rebate equivalent to the amusement tax imposed and collected on rated "A" films by cities and municipalities in Metro Manila and other highly urbanized and independent component cities in the Philippines.

SB 1272
Creating a Tax Free Minor's Deposit Account, Amending for the Purpose Section (24) (B) (1) of Presidential Decree No. 1158, As Amended, Otherwise Known as The National Internal Revenue Code

SB 1272 which shall be known as "Kiddie Savers Act of 2013" seeks for the creation of a Minor's Deposit Account, the interest income of which shall be accorded income tax exemption.

The bill requires that the account must be opened and maintained in only one banking institution designated by the minor and/or the person exercising parental authority over him/her. The incentives shall apply to deposits not exceeding one hundred thousand pesos (PhP100,000.00) and any excess thereof shall be subject to tax. It provides that any deposit made into the account shall only be from lawful sources available to the child and the aggregate deposits made by parents shall be subject to a limit of twenty five thousand pesos (PhP25,000.00) per parent. Should the aggregate deposit per parent exceed such limit, then the whole account shall be taxable. Moreover, withdrawals from the minor's account shall only be for expenses that will accrue to the benefit of the minor. The bill points out that the higher rate of return that will be derived by minors from their deposit accounts through tax exemption would promote, teach and create a sustainable culture of financial literacy in the country.

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At present, the banking system in the country already offers various savings mechanisms that cater to the young in order to inculcate in them the value of savings as well as to promote financial independence. The proposed income tax exemption of deposit accounts held by minors will further complicate the tax system as there will be different tax treatments on various financial instruments. At present, the final withholding tax (FWT) that applies to financial instruments vary depending on the issuer, currency, or maturity of the same. Moreover, it would affect the neutrality in the tax system and is likely to result in tax avoidance among taxpayers if only to reduce their tax liabilities thereby making the proposal susceptible to fraud. Also, there are some ambiguities in certain provisions of the bill that have to be considered as they may impose enforcement problems, if enacted into law.

As to the title of the bill, it is suggested that any proposed amendment on internal revenue taxes should make reference to RA 8424, as amended, otherwise known as the National Internal Revenue Code of 1997 instead of PD 1158 which was issued on June 3, 1977 and has already undergone various amendments and revisions. The pertinent provision sought to be amended by the bill aptly belongs to RA 8424, as amended, and not to PD 1158 as Section 24(b) (1) thereof pertains to tax on nonresident foreign corporations.

SB 1468
Encouraging, Promoting, and Allowing Private Companies and Individuals to Donate Information Technology Equipment (ITE) to Educational and/or Research Institutions by Providing Tax Incentives Therefore, Amending for the Purpose Section 34 and 101 of the National Internal Revenue Code (NIRC), as Amended, and for Other Purposes

SB 1468 seeks to

1. Fix the depreciation rate of ITE at 50% for the first year of its use in the business, trade or exercise of profession and 100% for the second year of its use as an allowable depreciation deduction;

2. Make the donation of ITE to any public or private educational and/or research institution deductible in full from gross income of donor for income tax purposes computed based on its fair market value, provided that the equipment donated is year 2000 compliant (Y2K) and not more than three (3) years old. For computer hardware and/or software, it must be completely built-up, fully usable without a need to add any peripheral or other gadget and does not require an upgrade to make it fully functional;

3. Allow the deductibility of ITE donation to educational and/or research institutions in the immediately preceding taxable year after the donation only; and;

4. Exempt from the donor's tax all gratuitous donations of ITE to any public and/or private educational and/or research institution

provided the equipment donated shall be used exclusively for education, training, research or experimentation purposes only in physical, biological, computer and other sciences.

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ITE, specifically desktop personal computers (PCs), have average functional lifespan of two (2) to five (5) years. The lifespan greatly depends on the type of system purchased, advances in hardware components and changes in the software that are used. The bill proposes to accelerate the depreciation of ITE to just two (2) years which is a scheme employed to enable companies and individuals to claim deduction for tax purposes at a shorter period than the expected economic life of an asset.

For tax purposes, accelerated depreciation provides a way of deferring corporate income taxes by reducing taxable income in current years, in exchange for increased taxable income for future years. It is a valuable tax incentive that encourages businesses to purchase new assets and donate their depreciated assets. Because of the time-value of money, there is a significant tax benefit to the company for using accelerated depreciation method. However, giving such incentive does not necessarily mean that the companies will donate their ITE to educational and/or research institutions, thus, may not attain the objective of the bill.

On the other hand, there will be a corresponding dent in government revenues in the short term as a result of accelerated depreciation because the taxpayer will be able to claim deductible amount of depreciation that is higher than the normal rate of depreciation which amount would have otherwise be subject to tax if the normal rate of depreciation is used. However, the government will still be able to realize higher revenue in the future due to the probable reduction in the claim for depreciation allowance by the taxpayer, on the assumption that the taxpayer will no longer acquire any ITE which will then be subject to accelerated depreciation again. In the advent of new technology, however, it may not be realistic for a taxpayer to delay replacing its fully-depreciated current ITEs with new ones.

Under Section 34(F) (2) (d) of the NIRC of 1997, the Secretary of Finance upon the recommendation of the BIR Commissioner may prescribe other methods of depreciation which include the accelerated depreciation method. It is impractical to fix a depreciation rate since the useful life of ITE is difficult to determine due to the variations brought about by fast development of technology. Hence, a status quo of the present provision on depreciation is recommended.

On the proposed exemption of donations of ITE to any public or private educational and/or research institution from the donor's tax, the provisions of Section 101(A)(3) and (B)(2) of the NIRC of 1997, as amended, encompass any form of donation to subject institutions including, and are not limited to, computers and other ITE as mentioned in the bill. Therefore, the proposal to exempt donations from the donor's tax is supported.

Likewise, public educational and/or research institutions are government-owned and/or government funded, hence, the proposal to make ITE donations to such institutions deductible from the gross income of the donor for income tax purposes is already covered by Section 34(H) (2) (a) of the NIRC of 1997, as amended, hence, it is likewise supported.

SB 2101
Exempting the Sale of Electricity to Residential Consumers with Consumption Not Exceeding 250 Kilowatt Hour from the Value-Added Tax, Amending for the Purpose Section 109 (1) of RA 8424 or the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

SB 2101 seeks to exempt from the 12% VAT the sale of electricity by distribution utilities to residential consumers whose monthly consumption do not exceed two hundred fifty kilowatt hour (250 kWh). The proposed exemption is limited to residential users or household only because they cannot avail of the output VAT to mitigate their VAT liability unlike industries, businesses and commercial establishments, which could pass on the burden of the VAT to the users of their service. Commercial users are in a better position to carry the burden of VAT on electricity compared to households. Also, they are at the last point in the VAT chain so the exemption will not adversely affect VAT collection efficiency in terms of establishing paper trail of VATable transactions.

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As a backgrounder, the Philippine Electric Power Industry is divided into three major sectors: generation, transmission, and distribution. At present, the National Power Corporation (NPC) generates its own electricity and buys electricity from Independent Power Producers (IPPs). On the other hand, the distribution of electricity at its usable voltage to end-consumers is performed by investor-owned electric utilities, notably the Manila Electric Company (Meralco), which is considered as the largest electric distribution utility, and a few local government-owned utilities and numerous electric cooperatives which sell to households as well as commercial and industrial enterprises located within their franchise areas at retail rates regulated by the Energy Regulatory Commission (ERC).

The passage of RA 9337, otherwise known as the R-VAT Law on November 1, 2005, expanded the coverage of VAT to include the sale of electricity by generation, transmission and distribution companies. It also removed the VAT exemption on sales by electric cooperatives duly registered with the Cooperative Development Authority (CDA) or the National Electrification Administration (NEA), relative to the generation and distribution of electricity as well as on their importation of machinery and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity.

The proposal to exempt from VAT residential consumers whose monthly consumption do not exceed 250 kWh will reduce the total monthly current charges of sample Meralco residential customers with consumption of 50 kWh to 250 kWh by 8% to 9% or may translate to monthly savings of PhP23.00 to PhP265.30 or annual savings of PhP276.00 to PhP3,184.00. With reference to the estimated Meralco customer count and estimated monthly VAT due per kWh consumption, the estimated annual revenue to be foregone from the proposal would be PhP5.6 billion. It is noted that the estimate only covers the Meralco franchise area and that the revenue loss will be much higher if the estimate will cover all residential consumers in the country.

SB 2102
Amending Section 86(A)(4) of RA 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997

SB 2102 seeks to increase the maximum value of the decedent's family home that may be deducted from gross estate for estate tax purposes from PhP1,000,000.00 to PhP10,000,000.00. The bill points out that the measure will give immediate relief to the decedent's family by allowing them to spend the amount saved from the payment of estate tax on other basic necessities and priority needs. The measure is likewise seen to lessen the pressure on the surviving spouse to sell their property to be able to pay the estate tax instead of passing them on to the next generation.

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It was under RA 7499 in 1992 when the deductible value of family home not exceeding PhP1 million was allowed for purposes of computing the estate tax. This was retained under RA 8424 in 1998. If solely based in CPI from 1992 up to the present, the proposed increase from PhP1 million to PhP10 million is deemed too generous.

Although the proposal would lessen tax liabilities of the heirs of the deceased and entitle them to estate tax savings, this would have a revenue loss of about PhP1.6 billion or will almost wipe out the collection from estate tax as only about one percent (1%) have net estate of over PhP10 million. Thus, reducing the net taxable base by an additional PhP9 million would leave the estate tax with almost no tax base.

It is also noted that several measures are being undertaken by the BIR to improve estate tax collection such as Project Rest in Peace (Project R.I.P) under RMO No. 10-2010 and the current initiatives of the said agency to keep under close watch estate tax payments of taxpayers.

Lastly, measures to reduce the estate tax liabilities may go against the rationale for the imposition of estate tax. It should be mentioned that the estate tax was originally created to prevent large concentration of wealth from being passed on from generation to generation thereby preventing the redistribution of wealth.

SB 2148
Providing for Home Mortgage Interest Relief for the First Family Home, Amending for the Purpose Section 34 of the NIRC of the Philippines, as Amended

SB 2148 seeks to provide for Home Mortgage Interest Relief to qualified taxpayers by allowing them to deduct from their gross income for income tax purposes, any interest actually paid during a taxable year from any loan obtained for acquiring or constructing a family home. The loan shall refer to a housing loan obtained from any reputable bank operating in the Philippines, including loans from Home Development Mutual Fund (HDMF) and cooperatives duly organized and registered with the Cooperative Development Authority (CDA), provided that the amount does not exceed PhP2,500,000.00. The income tax incentives can also be claimed under the following circumstances:

a. The qualified taxpayer is a solo parent;

b. The original family home was destroyed, either completely or substantially, due to force majeure or an act of God, such as but not limited to storms, floods, earthquakes, etc. and the taxpayer constructs or acquires a new residential unit; or

c. The original family home was lost due to valid expropriation of the government.

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The intent of the bill to help Filipino families acquire their first family home and support low income earners avail of decent housing is laudable. However, low income taxpayers and marginal income earners are, generally, already exempt from income tax and thus would not benefit from the proposal. Thus, those in the upper income brackets who are subject to income tax and have the capacity to pay shall be the ones to gain from the proposal.

The provision of the bill which limits the deductibility from the taxpayer's gross income of interest payments in relation to loans obtained from any reputable bank, including loans from the HDMF and cooperatives fosters inequity among taxpayers considering that there are those who acquire or construct their first family home through mortgage loans with residential home developers.

It should be noted that RA 6846 was passed in 1990 mandating the promotion of the national shelter program of the government and the implementation of a continuing program of social housing that shall make available to low income families affordable houses and lots through the establishment of a financial support system, known as the Abot-Kaya Pabahay Fund, otherwise known as the Social Housing Support Fund that will encourage the participation of the private sector.

At present, the government has existing programs such as Community Mortgage Program (CMP) and Land Tenure Assistance Program (LTAP) in order to resolve land tenure issues and site development. The CMP administered by the Social Housing Finance Corporation (SHFC) allows low-income families to collectively acquire and formalize ownership of privately-owned land that they are occupying through a community mortgage. On the other hand, under LTAP, the National Housing Authority (NHA) extends credit assistance to community associations for the acquisition of the land they occupy or intend to be resettled.

Likewise, the Department of Social Welfare and Development (DSWD) has its shelter assistance programs such as Core Shelter Assistance Program (CSAP) and Modified Shelter Assistance Program (MSAP) which are intended to assist victims of disasters to acquire decent shelters for targeted families. The former is a social welfare intervention that provides disaster victims with structurally strong shelter units that can withstand up to 220kph wind velocity and earthquake of up to intensity four using locally purchased construction materials. The latter provides limited financial or material assistance to augment resources of families in constructing houses but with modified structural design different from that of the core shelter assistance in consideration of the cultural, economic, and religious political realities of the affected areas and families.

Thus, the proposal which allows the taxpayers to claim the income tax incentives on interest payments made in relation to loans intended for subsequent acquisition or construction of a family home under circumstances where the original family home has been destroyed, either completely or substantially, due to force majeure or an act of God may no longer be necessary as the existing programs of the government are available to directly benefit those in the lower income brackets.

In the case of a family home which was lost due to valid expropriation, the government is required to compensate the person at the fair market value of the property. The affected taxpayer can acquire or construct his or her subsequent family home with the compensation he/she receives from the government.

It is suggested that the proposal be reconsidered in the light of potential revenues to be foregone, administrative difficulty in verifying claimed interest payments and the possibility that it might not actually benefit low income taxpayers but rather the high and middle income earners.

SB 2153
Enhancing the Capabilities, Mandate, and Organizational Structure of the Movie Television Review and Classification Board (MTRCB), Amending for the Purpose Presidential Decree 1986

SB 2153 seeks to amend the charter of the MTRCB under Presidential Decree (PD) No. 1986 to enhance and upgrade further its functions and regulatory powers to adapt to the changing demands of the television and film industry in order to provide the viewing public quality entertainment programs and movies.

The bill seeks, among others, to exempt from tax, legal process and lien all the MTRCB's assets and properties, all fees and charges collected and all accruals and income or investment earnings, as well as all supplies, equipment, papers or documents from any tax, assessment, fee, charge or customs or import duty, and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever. It also proposes that any tax assessment against the MTRCB shall be null and void and no tax measure of whatever nature enacted shall apply to the MTRCB, unless it expressly revokes the tax exemption.

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The broad coverage of the proposed exemption from all taxes of the MTRCB is not supported. The broadly worded provision of exemption is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems. It is likewise against the efforts of the government to increase revenue collection to sustain its expenditures.

Similarly, the proposed grant of exemption from local taxes goes against the principle of enhancing local fiscal autonomy which intends to make LGUs more self reliant and capable of financing the requirements of their own development projects/initiatives. However, the proposed exemption of the MTRCB from the real property tax, it being a government agency except when the beneficial use of the property has been granted, for consideration or otherwise, to a taxable person is already provided under Section 234(a) of the LGC of 1991.

On the proposed exemption of the MTRCB from fees and charges, it should be noted that the basic principle behind the imposition of fees and charges is cost recovery wherein the cost of providing services should be recovered wholly or partially to sustain the services. These are imposed on direct recipients of certain public goods and services by government agencies in the exercise of their mandated regulatory and service delivery functions. Moreover, most fees and charges are only nominal in nature. Hence, the proposal is not supported.

SB 2163
Reducing the Corporate Income Tax Rate, Amending Section 27 and 28 of the National Internal Revenue Code of 1997, As Amended, and for other Purposes

SB 2163 seeks to amend Sections 27 and 28 of the NIRC of 1997, as amended, by gradually reducing the corporate income tax (CIT) rate to twenty nine percent (29%) beginning January 1, 2015, twenty seven percent (27%) beginning January 1, 2016 and twenty five percent (25%) beginning January 1, 2017. The bill is part of the twin measure to reduce the country's income tax rates for individuals or corporations in preparation for the ASEAN integration by 2015.

To align with the proposed CIT reduction, the bill also seeks to amend Section 28(B)(5)(b) by reducing the credit against the tax due from the non-resident foreign corporation's taxes deemed to have been paid in the Philippines to fourteen percent (14%), twelve percent (12%), and ten percent (10%) beginning 2015, 2016 and 2017, respectively.

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The proposed reduction of the CIT rate over a period of three (3) years will make the Philippines comparable with other ASEAN countries to wit: (1) Indonesia, Malaysia and Myanmar – 25%; (2) Lao PDR – 24%; (3) Thailand and Vietnam – 20%; and (4) Singapore – 17%. It will put the Philippines in good position to take advantage of the potential rise in foreign investment opportunities. However, it should be noted that other than taxes, there are other factors such as political stability, good governance, adequate infrastructure, reliability and enforceability of laws and contracts, market size, availability of necessary manpower, etc. that investors consider before putting up a business or investment in a particular country. Adjustment of the tax rate at par with its ASEAN neighbors should be done with caution considering the differences in the level of economic development and needs. It may not be practical to pursue it if the same would result to substantial revenue loss that would jeopardize or put at risk the economic growth the Philippines has so far achieved. It is necessary that there will be counter-measures that will offset the revenue loss. It is recommended that the proposed gradual reduction of the CIT rate should not be pushed through in isolation but should form part of a comprehensive reform package that includes the rationalization of fiscal incentives, mining reforms, tax incentives management and transparency bills, among others, to offset the revenue loss. With the proposed gradual reduction of the CIT rate, the government is expected to forego an estimated cumulative revenue amounting to: PhP6.53 billion at 29% CIT by 2015; PhP19.59 billion at 27% CIT by 2016; and PhP32.65 billion at 25% CIT by 2017 on a cumulative basis.

The proposal to correspondingly adjust the rate of credit against the tax due of non-resident foreign corporation's taxes deemed to have been paid in the Philippines to 14%, 12% and 10% under Section 28(B)(5)(b) is necessary to align with the proposed gradual reduction of the CIT rate should the proposal be pushed through. It is to be noted that said rates of credit are the difference between the CIT rate and the 15% tax on dividends.

Given the proposed gradual reduction of the CIT rate, adjustments should likewise be done in Section 34(B)(1) of the NIRC which provides that, at 30% CIT, the amount of interest paid or incurred within the taxable year allowed as deduction from gross income shall be reduced by 33% of the interest income subject to final tax. Thus, at 29% proposed CIT rate beginning January 1, 2015, the percentage of reduction shall be 31% of interest income subjected to final tax; at 27% proposed CIT rate, 26%; and for 25% proposed CIT rate, 20%.

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SB 2177 and HB 4102
Amending RA 10086 Entitled "An Act Strengthening People's Nationalism through Philippine History by Changing the Nomenclature of the National Historical Institute into the National Historical Commission of the Philippines, Strengthening its Powers and Function, and for Other Purposes

Section 2 of SB 2177 and Section 1 of HB 4102 propose to remove the one-million peso (PhP1,000,000.00) cap or ceiling on the revolving fund of the National Historical Commission of the Philippines (NHCP) from its collection from fees and charges, donations, among others; consequently, deleting the provision to remit the excess to the Bureau of the Treasury.

The bills seek to address the purported constraints in the charter of the NHCP from attaining its objectives and effectively delivering its services.

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The NHCP is mandated as the primary government agency responsible for the conservation and preservation of the country's historical legacies and has the authority to determine all factual matters relating to official Philippine history. RA 10086 (law creating the NHCP) limits the revolving fund of the NHCP to PhP1 million sourced from its collection of fees and charges, donations, income from technical services, conferences and workshops and income to finance and/or augment the projects where the income was derived.

As gathered, the NHCP only collects and generates income from its publication of books and from donations that are collected from donation boxes put up in shrines which are remitted to the Bureau of Treasury (BTr) under a Revolving Fund Account. However, it proposes to formally collect fees from the entrance and rental of historical shrines, as well as from the conduct of trainings/seminars, among others.

The NHCP revolving fund plays a vital role in sustaining its operations and ensuring that it is able to meet its objectives such as the funding of historic preservation projects. A revolving fund could serve to receive donations and other capital which can be used by the organization for its projects. Opening up the revolving fund for prospective donors, including international donors, and delimiting the amount it can receive would help bridge the gap in the effective delivery of its mandate. Most funds established for specific purposes of other agencies are not subject to a cap.

Generally, all fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices or agencies in the exercise of their functions, shall be deposited with the BTr and shall accrue to the General Fund. However, collections from fees and charges can form part of the office or agency's revolving fund, trust fund or special fund and be used for operating expenses and other specific purposes when authorized by law.

It is to be noted that majority of the revolving funds maintained by other agencies from collections from fees and charges which they are authorized to retain or use, are generally more than PhP1 million or even in the hundreds of millions. These are much bigger compared to the PhP1 million limit for the NHCP.

Further, it may be noted that NHCP's operational costs are much higher than its collections from publication of books and other sources of financing including donations. This means that the government is subsidizing the excess amount for the publication of information dissemination materials. At present, the NHCP is not collecting any entrance fee to its parks and shrines, thus, the maintenance and administration of sites are entirely subsidized by the government. The administration of historic structures and memorabilia of national heroes and heraldry works is allotted an annual average budget of PhP26 million. Therefore, it is imperative for the NHCP to rationalize its fees and impose new fees, if necessary, to recover its costs of services pursuant to Administrative Order No. 31 series of 2012.

In recognition of the vital function of the NHCP, there is no objection in delimiting the amount that can be deposited in the revolving fund. Most, if not all, fees and charges being administered and proposed to be imposed can be classified as business-type related activities and therefore, can form part of the revolving fund.

SB 2223
Exempting Marginal Income Earners from Income Tax and Value-Added Tax, Amending for the Purpose Section 22, 24, 109(1) and 236 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

SB 2227
Exempting Marginal Income Earners from Income Tax, Value-Added Tax and Percentage Tax, Amending for that Purpose the Pertinent Provisions of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

SBs 2223 and 2227 seek to amend certain provisions of the NIRC of 1997, as amended by increasing the income threshold of marginal income earners (MIEs) from PhP100,000.00 to PhP140,000.00 and PhP150,000.00, respectively and propose for their exemption from income tax, VAT, or percentage tax, and annual registration fee (ARF). In addition, SB 2227 proposes that the BIR Commissioner accordingly adjust the increase of the income cap on the gross sales or receipts of the MIEs in relation to the minimum wage earner's yearly salary rates every three (3) years.

The bills aim to provide relief to MIEs who rely on small scale businesses to provide for themselves and their family's everyday subsistence and yet are still required to pay income tax and comply with a number of requirements as clarified under BIR Revenue Memorandum Circular (RMC) No. 7-2014.

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BIR Revenue Regulations (RR) No. 11-2000 (December 29, 2000) defines an MIE as an individual not otherwise deriving compensation as an employee under an employer-employee relationship but who is self-employed and deriving gross sales/receipts not exceeding ₱100,000.00 during any 12-month period. Presently, the MIEs are exempt from the VAT or percentage tax imposed under the NIRC of 1997 since they are not considered engaged in trade or business with a view to profit for which business taxes are imposed.

The bills noted that MIEs deserve a similar tax exemption given to minimum wage earners (MWEs). However, minimum wage varies among and within regions. Except for Regions III, IV-A, VII and the National Capital Region (NCR), the annual minimum wage in all the other regions are less than PhP100,000.00. Thus, wage earners whose income exceed the minimum wage in their respective regions are presently subject to income tax. The proposal to exempt the MIEs with income of PhP100,000.00 from income tax will put them at an advantage over the MWEs and other wage earners in most of the regions. To further increase the threshold income to PhP140,000.00 or PhP150,000.00 will widen the inequity between them and said group of taxpayers.

Also, at present, the personal and additional exemptions (PAE) allowances more than approximate the minimum income needed in order to meet the minimum requirement for subsistence of taxpayers. For instance, a married taxpayer with four (4) dependents has a PAE of PhP150,000.00 which is deemed enough to meet the taxpayer’s food and other non-food basic needs based on the poverty threshold for a family of five (5) in 2013 amounting to PhP96,264.00.

Furthermore, individual income tax is based on net income or earnings. Taxpayers are allowed to deduct from their gross income personal and additional exemptions (PAEs) and business-related expenses. Thus, if the MIE has no net income to report after such deductions are made, then he/she will be exempt from the tax.

The proposed adjustment of income cap by the BIR Commissioner will remove legislative determination of the threshold amount and lessen the bureaucratic processes. However, the proposal deviates from the standard practice that legislative delegation of authority is usually vested on the Secretary of Finance upon the recommendation of the BIR Commissioner.

The proposal to tie up the income cap adjustment to the MWEs’ annual salary may bring confusion or ambiguity as to which among the different minimum wage rates in the country shall be used to calibrate the adjustment of the income cap.

On the proposed exemption from the payment of ARF, it is worth noting that MIEs are already enjoying said incentive under RR 11-2000. Lastly, it is noted that SB 2227 placed altogether the proposed exemption from the income tax, VAT and percentage tax under Section 24(A) of the NIRC of 1997, as amended, which provides for the rates of income tax that applies to individual citizens and individual resident aliens in the Philippines. If the proposals are pursued, the provisions on VAT and percentage tax exemption should be placed in their respective sections of the NIRC of 1997, as amended for easy reference.

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HB 92
Rationalizing the Tax on Winnings and Documentary Stamp Tax on Horse Racing, Amending for the Purpose Sections 126 and 190 of the National Internal Revenue Code of 1997, as Amended, Sections 11 and 13 of RA 8407 and Sections 8 and 10 of RA 7953

HB 92 seeks to rationalize the tax on winnings and documentary stamp tax (DST) on horse racing, specifically amending:

a. Section 126 (Tax on Winnings) of the NIRC of 1997, as amended, by requiring every person who wins in horse races to pay a tax equivalent to four percent (4%) of his winning or dividends instead of the current 10%;

b. Section 190 (Stamp Tax on Jai-alai, Horse Race Tickets, Lotto or Other Authorized Number Games) of the NIRC, as amended, by collecting a DST of PhP0.05 on each horse race ticket instead of current PhP0.10 and if the cost of the ticket exceeds one peso (PhP1.00), an additional tax of PhP0.05 for every PhP1.00 or fraction thereof instead of current PhP0.10; and

c. Sections 8 and 10 of RA 7953, Sections 11 and 13 of RA 8407, and Sections 6 and 7 of RA 7978 which provide for the DST on horse race tickets and tax on winnings.

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At present, there are three (3) operational racing clubs in the country: the Manila Jockey Club, Inc. (MJCI) which was granted a franchise through RA 6631 on October 23 1972 for a period of 25 years which lapsed in October 1997 but was renewed under RA 8407 and extended for another 25 years to end in CY 2022; the Philippine Racing Club, Inc. (PRCI), franchised under RA 6632 for 25 years ending CY 1997 and was likewise renewed under RA 7953 for another 25 years ending CY 2022; and the Metro Manila Turf Club, Inc. (MMTCI) which was granted a franchise under RA 7978 for 25 years on April 22, 1995 as amended by RA 8298 on June 6, 1997 which became operational only on February 19, 2013 in Batangas.

The proposed modification in the DST from the existing PhP0.10 to PhP0.05 for every PhP1.00 worth of horse race ticket and the tax on winnings from 10% to 4% which will cover all racing events, will be a more liberal tax concession for horse racing aficionados compared to the limited special events that were granted preferential tax rates pursuant to EO 194 (Restructuring the Taxes on And Providing for the Distribution of Receipts in Horse Racing).

However, while the proposed preferential tax treatment may somehow encourage gambling aficionados to field more bets because of potential higher winnings, the anticipated gains may not be realized given the popularity of other gaming competitions such lotto, jai alai, etc.

It is also worth noting that aside from the DST and tax on winnings, both the MJCI and PRCI are required to pay a franchise tax equivalent to 25% of their gross earnings from authorized horse races to be distributed in accordance with the provisions of their respective legislative franchises. However, under VAT Review Committee Ruling RA 8241-0000-030-98 for PRCI and RR 10-01 for MJCI, the BIR ruled that since the PRCI and MJCI are legislative franchise grantees other than excepted classes enumerated under the Tax Code of 1997, they became subject to the VAT in lieu of the franchise tax based on their gross earning upon the effectivity of RA 7716 (Expanded VAT Law) and RA 8241 (Improved VAT Law) which took effect on January 1, 1996 and January 1, 1997, respectively. It may be noted that with the change from franchise tax to VAT, the government incurred substantial revenue loss while benefiting horse racing clubs and giving them substantial concessions and edge over other sectors. With the nature of VAT being an indirect tax, the racing clubs can totally pass on their VAT obligations to racing aficionados unlike the franchise tax which they had to shoulder directly. The proposed reduction in the rate of DST and tax on winnings would only further diminish the government's revenue sources while giving the horse racing industry an undue advantage over other sectors.

_HB 219_
Institutionalizing Industry Cluster-Based Programs and Projects Through Inter-Local Cooperation and People's Participation, and for Other Purposes

HB 219 seeks to strengthen people's participation in community development through institutionalized industry cluster-based programs and projects. The bill aims to institutionalize or continue the One Town One Product (OTOP) Philippines Program which was conceived in 2004 and which encourages group of LGUs that are geographically adjacent to each other within a province or two adjacent provinces, to integrate local production forces like manpower, materials, money, machine, and methods and create a concerted effort to push for their development, and jointly provide programs, project and services.

The bill seeks to exempt from the donor's tax donations or bequests made under the industry cluster-program, project, or activity. The bill further provides that donations or bequests shall be considered as deduction from gross income in the computation of the income tax of the donor in accordance with the provisions of the NIRC of 1997, as amended.

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As to the provision of the bill on the deductibility of donations or bequests in favor of an accredited civil society organization (CSO) for income tax purposes, it should be noted that the accreditation of a non-government organization (NGO)/ CSO must be made by the Philippine Council for NGO Corporation, Inc. (PCNC) pursuant to a Memorandum of Agreement dated January 29, 1998 executed by and between the Secretary of the Department of Finance (DOF) and the PCNC's interim Chairman through Revenue Regulations (RR) No. 13-98. The PCNC shall determine the qualification of NGOs for accreditation as donee institutions and the DOF through the BIR shall issue a certificate of Registration as a qualified donee institution to the NGO/CSO concerned. When the NGO/CSO is fully certified as a qualified donee institution, only then can a donor be allowed to deduct from his income said donation to the NGO/CSO.

However, the proposed accreditation of civil society and business organizations to which donations or bequests are to be made, will be done by the DTI and not by the PCNC. In this regard, should the bill be enacted into a law, it may be best if said provision of the bill be harmonized with the existing provisions of the NIRC of 1997, as amended, and other relevant issuances, in order to avoid hassles on the part of donors who could claim the deduction of their donations or bequests to CSOs.

The proposal to exempt from donor's tax donations made under the industry cluster-based program and project to or for the use of an LGU or any political subdivision of the government is consistent with the provisions of the NIRC of 1997, as amended. However, to make the other provisions also consistent with the NIRC of 1997, DTI-accredited CSO should also be accredited as qualified donee institution by the PCNC for the donors to be able to claim deductibility of donations from the donor's gross income for income taxpayers.

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HBs 308, 389, 2362 and 3242
Strengthening the Political Party System, Appropriating Funds Therefor and for Other Purposes

HBs 308, 389, 2362 and 3242 which shall be known as "The Political Party Development Act of 2013" provides that any contribution in cash or in kind to any political party for campaign purposes that is duly reported to the Commission on Election (COMELEC) in accordance with Section 13 of RA 7166, otherwise known as "The Synchronized National and Local Elections Act", shall be exempt from the donor's tax.

The proposed bill seek to strengthen the country's political party system through the institution of reforms in the financing of electoral campaigns, provisions of financial subsidies to political parties, promotion of party loyalty and discipline and continuing voter's education and civic literacy programs through the political parties.

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Section 99 (C) of the NIRC of 1997, as amended, provides that any contribution in cash or in kind to any candidate, political party or coalition of parties for campaign purposes shall be governed by the Election Code, as amended. On the other hand, the Omnibus Election Code of the Philippines is silent on the tax treatment of campaign contributions. In 1991, however, Section 13 of RA 7166 provided for the exemption of campaign contributions from donor's tax.

On May 25, 2010, the COMELEC promulgated Resolution No. 8944 providing for the rules and regulations governing electoral contributions and expenditures in connection with the May 10, 2010 national and local elections.

Aside from the reportorial details that a campaign contributor needs to comply with, Section 3 of Resolution No. 8944 also provides that any contribution in cash or in kind to any candidate or political party or coalition of parties for campaign purposes, duly reported to the Commission, shall not be subject to the payment of donor's and donee's tax.

The BIR issued RR 7-2011 on February 16, 2011 which provides for the exemption from the donor's tax of campaign contributions in cash or in kind to any candidate, duly reported to the COMELEC. Section 2 of RR 7-2011 however, provides that any unutilized/excess campaign fund shall be considered as subject to income tax. Furthermore, if a candidate, winning or losing, fails to file with the COMELEC the appropriate statement of expenditures required under the Omnibus Election Code, he/she shall automatically be precluded from claiming such expenditure as deductions from his/her campaign contributions. As such, the entire amount of such campaign contributions shall be subject to income tax.

The provision under Section 11(b) of the subject bill, therefore, only reiterates the pertinent provision of Section 13 of RA 7166 and other related issuances.

HB 343
Classifying the Services of Franchise Grantees of Water Utilities, and Sale or Importation of Machinery and Equipment Directly Used in Operating, Maintaining, Improving and Expanding Distribution of Potable Water by Water Utilities as Value-Added Tax Exempt Transactions, Amending for the Purpose Section 109(1) of the National Internal Revenue Code, As Amended by RA 9337, and for Other Purposes

HB 343 seeks to exempt sales of water utilities, services of franchise grantees of water utilities, and importation of machineries and equipment, including spare parts, to be directly used by the buyer or importer himself in operating, maintaining, improving, and expanding, the distribution of potable water by water utilities from the imposition of the 12% VAT. The bill aims to give relief to the Filipino people by excluding the above transactions from the coverage of VAT. The proponent asserts that the revenue loss from the proposal may be easily recovered by the increased purchasing power of households and cheaper production costs, as well as increased efforts in the collection of other taxes.

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At present, franchise grantees of water utilities are subject to 2% franchise tax on gross receipts derived from the business covered by the law granting the franchise under Section 119 of the NIRC, as amended. Being so, these are no longer subject to VAT under Section 108 (A) of the Tax Code. Likewise, Section 109 (E) exempts services subject to percentage tax such as franchise tax from the 12% VAT.

It is noted however, that water concessionaires such as the Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI) are not considered as water utilities per se since it is only the Metropolitan Waterworks and Sewerage System (MWSS) which has a franchise while the two concessionaires are mere agents of MWSS. Thus, they are subject to the 12% VAT instead of the 2% franchise tax. Moreover, there are no provisions of law exempting water concessionaires from the imposition of the VAT. Hence, if the intention of the bill is to exempt water concessionaires such as Manila Water and Maynilad from the VAT, the title and Section I of the proposed bill should be reworded to reflect the true objective of the bill.

The proposed exemption from VAT of the sale or importation of machineries and equipment, including spare parts, to be directly used by the buyer or importer in operating, maintaining, improving and expanding distribution of potable water by water utilities as well as by water concessionaires is not supported as it will affect the inflow of government revenues that can otherwise be used to defray various expenditures on its social and economic programs. Likewise, VAT exemptions narrow the VAT base that will compromise the self-policing mechanism of the VAT which will make the VAT inefficient.

Also, the proposed exemption may set a precedent for similar service providers such as power distributors and tollway operators to clamor for same tax treatment. Moreover, it is difficult to monitor if the benefits of tax exemption will be passed on to the consumers, thus, there is no guarantee that VAT exemption will lower the cost of potable water.

HB 507
Exempting the Sale or Importation of Petroleum Products for Power Barges Being Utilized to Address the Power Crisis in Mindanao and the Electricity Generated Therefrom, from the Expanded Value-Added Tax, Amending for this Purpose Republic Act (RA) No. 8424, Otherwise Known as the Tax Reform Act of 1997, As Amended, and for Other Purposes

HB 2865
Including the Sale of Electricity by Power Generation Companies in Mindanao in the Exemption from the Value-Added Tax, Amending for the Purpose RA 8424, Otherwise Known as the "Tax Reform Act of 1997" as Amended, and for Other Purposes

HB 507 seeks to lower the cost of electricity in Mindanao by exempting the sale or importation of petroleum products for the power barges being utilized to address the Mindanao power crisis and the sale of electricity generated therefrom, from VAT for a period of one (1) year.

On the other hand, HB 2865 seeks to provide economic relief to the people of Mindanao by exempting from VAT the sale of electric cooperatives duly registered with the Cooperative Development Authority (CDA) or National Electrification Administration (NEA), and power generation companies in Mindanao, relative to the generation and distribution of electricity. Also, the importation of machinery and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity, shall be exempt from VAT.

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At present, Mindanao heavily relies on hydropower to provide sufficient generating capacity to meet the increasing demand for power as evidenced by more than 50% of consumption or base load from this source. However, hydroelectric power plants have limited base load capacity because the water level is not constant and runs slow when long droughts occur. This is worsened by heavy deforestation of the watersheds and river siltation problems. As a result, scheduled brownouts are being experienced in the region resulting to interruption of some government and business operations such as manufacturing plants and the delivery of public and private services.

To address the power crisis in Mindanao, newly privatized diesel-fired power barges are used to generate electricity to meet the required base load and which can be transported easily to areas that are in immediate need of electricity. However, the use of power barges is expensive since these are run by diesel. Hence, HB 507 seeks for the exemption from the VAT the sale or importation of petroleum products for power barges being utilized for a period of one (1) year in order to lower the cost of electricity.

Under RA 9520, otherwise known as the "Philippine Cooperative Code of 2008", electric cooperatives duly registered with the CDA are already exempt from VAT on revenues on system loss, distribution, supply, metering and lifeline subsidy of electricity to their members. However, only one electric cooperative in the Autonomous Region of Muslim Mindanao (ARMM) is currently registered with the CDA. On the other hand, under Article 130 of RA 9520, electric cooperatives registered with NEA which opted not to register with the CDA are allowed to retain the word "cooperative" in their registered names, provided, that they shall not be entitled to the benefits and privileges under RA 9520.

Likewise, the sale of power or fuel generated through renewable sources of energy such as, but not limited to biomass, solar, wind, hydropower, geothermal, ocean energy, and other emerging energy sources using technologies such as fuel cells and hydrogen fuels are VAT zero-rated under Section 108(B)(7) of the Tax Code, as amended.

It is worth mentioning that 63% of the electricity sales and power consumption in Mindanao is from renewable sources of energy and only 37% is from non-renewable sources. If the sale of electricity in Mindanao will be exempted from VAT, electric cooperatives whose sale of electricity are currently zero-rated due to the use of renewable sources of energy will not be able to credit the input VAT that they pay. Thus, this will become part of their cost, which could result in higher electricity rates.

Moreover, the proposed exemption of the importation and sale of petroleum products to power barges from the VAT may be seen as discriminatory since it limits the proposed VAT exemption to Mindanao. Other parts of the country such as Luzon and Visayas regions are also experiencing high cost of electricity.

Considering the fact that power generation is a sector with few players, collection of taxes from these players can be easily monitored by the tax collecting agency. The proposed exemption of the sale or importation of petroleum products from the VAT will result in revenue loss for the government.

HB 909
Amending Chapter VII, Section 35(B) of the National Internal Revenue Code (NIRC), as Amended, by Increasing the Age Ceiling for a Qualified Dependent, and For Other Purposes

HB 4788
Increasing the Age Bracket of the Household Members Considered as Dependents of a Taxpayer from 21 to 23 Years Old, and for that Purpose, Amending Section 29, Paragraph (I), Items (1), (2) and (3) of the National Internal Revenue Code, in View of the Recently Implemented K-12 Curriculum Which Added Two (2) Years in the Philippine Educational System

HBs 909 and 4788 seek to increase the age bracket of the household members considered as dependents of a taxpayer from 21 to 23 years old and for that purpose, amend Sections 35(B) of the NIRC of 1997, as amended. The adjustment in the age limit of a dependent is proposed in the light of the K-12 Curriculum to be implemented in the country which adds 2 more years to the education system thus prolonging the years to sustain the educational needs of the dependent. The bills seek to avoid unreasonably burdening a taxpayer who has to provide for a number of household members who are unable to support themselves either because they are still presumed to be studying and therefore unable to work for self-support, or because they are physically or mentally restrained from providing for themselves.

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As regards the proposal, the government has already provided relief to taxpayers when it increased the amount of personal and additional exemption allowances in 2008 through RA 9504. In the case of additional exemption allowance, the same was increased by more than 200% from PhP8,000.00 to PhP25,000.00 for each qualified dependent not exceeding four (4). The tax equivalent of the PhP17,000.00 additional deduction already serves as additional cash on hand of individual taxpayers which they can use to provide for the needs of their family such as expenses on education.

Further, the proposal would cost revenue on the part of the government as it will exempt from the tax that portion of the income of an individual taxpayer that should already be taxed when his/her qualified dependents already exceed the age requirement of 21 years old. Such revenue loss would limit the government's capacity to finance basic social services and infrastructure projects.

It should be mentioned that the proposal will have no significant effect or relevance to those who do not pay any income tax or are exempt from the payment thereof, such as minimum wage earner (MWE) or overseas contract workers (OCWs) but who have children that are also covered by the K to 12 Program. Hence, the ones who will benefit most from the proposal are individuals who earn more than the statutory minimum wage and are capable to pay the income tax.

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HB 1292
Granting Amnesty in Estate Tax

HB 1292 seeks to grant amnesty in estate taxes that shall be paid, and those that shall be due from estates, the settlement of which have been initiated, whether judicially or extra-judicially, as of the time this Act shall have taken effect, and five (5) years henceforth. Provided that, for estate taxes due from estates the settlement of which have been initiated within the five (5) year period, the estate must be settled and taxes must be paid within three (3) years from the expiration of such period. Section 5 of the bill provides that the estate tax of the subject estate shall not be charged penalties and interest under RA 8424, as amended.

The proposal aims to promote the settlement of estates, and in turn, free-up properties of unsettled estates thereby generating financial transactions and stimulating economic activities which will result in increased tax collection.

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Tax amnesties are not new in the Philippines as several tax amnesty laws granting immunity from audit, penalties and prosecution, were previously issued or enacted. The grant of amnesty has been exercised and applied to increase revenue collection and for revenue administration purposes.

There are certain provisions in the bill that need to be reconsidered such as the proposal to cover in the amnesty estate taxes that shall be paid within five (5) years after its effectivity, thus, giving the amnesty a prospective application. The proposal is deemed contrary to the very nature of a tax amnesty because it will cover estate taxes that have not yet become due or payable and those taxpayers that have not yet committed any violation or evasion in the payment of estate tax. The proposed five-year period to avail of the tax amnesty is also deemed too long and will not create a sense of urgency on the part of delinquent taxpayers to pay or settle unpaid estate tax.

Also, the proposed estate tax amnesty is deemed inconsistent with the efforts of the BIR to improve the administration of the estate tax through the Project Rest In Peace (Project R.I.P.) and negate the gains in terms of instilling tax compliance or awareness among taxpayers that the project has so far achieved.

Lastly, the proposed tax amnesty would likely serve as a precedent for delinquent taxpayers of other taxes to clamor for the same treatment from the government.

HB 1664
Creating the Philippine Millennium Development Fund, Appropriating Funds Therefor and for Other Purposes

HB 1664 proposes to create the Philippine Millennium Development Fund (PMDF), and seeks to exempt the same and all its assets, collections, receivables and increments as well as distributions therefrom, whether of contributions, ratable income of the fund, or dividends paid or received by the subscribers/investors thereof, or their heirs/beneficiaries, from the payment of any and all forms of taxes, assessment and other charges, including but not limited to all charges imposed under the Tariff and Customs Code of the Philippines (TCCP), income taxes, import duties, compensating taxes and advance sales tax, and wharfage fees of foreign goods imported for its operations.

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The intention of the bill to ensure the fulfillment of the Philippine Government's commitment to attain the Millennium Development Goals (MDGs) by setting up the structure and program that will identify gaps and shortcomings in existing programs and providing the institutions and resources that will be needed is recognized. Global commitment requires the allocation of more funds and resources to meet the goals. It also requires laws, policies and programs that will target the most marginalized and poorest sectors of societies.

However, the grant of tax exemptions contemplated under the proposal is broad and will give rise to a number of implementation problems. A broadly worded provision is likely to create opportunities for leakages/ abuses and the exercise of discretion in its implementation. This will have an adverse effect on the government's effort of collecting more tax revenue to finance its delivery of social services that can help achieve the MDGs. Thus, the proposed legislation should be more specific as to the type of tax exemptions that should be granted.

Instead of outright tax exemption, the PMDF may avail of the tax subsidy provision being implemented by the Fiscal Incentives Review Board (FIRB) pursuant to the terms and conditions of Executive Order (EO) No. 93 and the annual General Appropriations Act (GAA) for policy consistency and fiscal transparency. Tax subsidy is a more practical alternative to the broad/outright grant of tax exemption to the PMDF and the same is favored by the government because this can be quantified and easier to monitor and thus, adheres to fiscal transparency particularly in the use of government resources.

HB 1979
Strengthening Nation-Building through the Institutionalization of a Strategic Volunteerism Based Multi-Sectoral Public-Private Partnership Framework in All Local Government Units and Congressional Districts in the Country, and for Other Purposes

HB 1979 seeks to institutionalize Volunteerism in Nation Building (VNB) based on multi-sectoral public-private partnership framework in all LGUs and congressional districts in the country. LGUs and districts shall provide assistance by sharing available resources; providing access points for VNB to be able to tap, coordinate or forge linkages with vital offices, institutions, groups or individuals; and to widen the reach and sphere of implementation of the VNB Act.

The bill proposes, among others, to provide incentives for VNB's partners and stockholders, as follows:

1. All donations in cash and in kind, including land, all of which are actually, directly and exclusively used by the VNB movement, in its programs, projects, and activities that provide shelter, basic utilities of electricity and water, education, healthcare, livelihood, environment and peace efforts, that shall inure to the benefit of poor communities identified by the Philippine National Volunteer Service Coordinating Agency (PNVSCA) shall be fully deductible from the gross income of the donor in the computation of income tax, under the new nomenclature of donations for "nation-building", upon submission to the BIR of the VNB requirements for that purpose. The implementation of this incentive shall be patterned after the applicable provisions on "Allowable Donations" under RA 8424, as amended;

2. A donor's tax exemption shall be enjoyed by the VNB donor, upon submission to the BIR of the VNB requirements for that purpose; and

3. Socialized Housing Tax (SHT) as authorized to be imposed by LGUs, under Section 43 of RA 7279 will be used as additional government equity under the VNB framework, subject to an inter-agency memorandum of agreement.

The proposed bill seeks to strengthen public and private partnership to foster nation building towards the eradication of poverty in the country. The process aims at the unification of the people within the state so that it remains politically stable and viable in the long run using propaganda or major infrastructure development to foster social harmony and economic growth.

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The objective of the bill to encourage private sector participation in the spirit of volunteerism is recognized. This is in line with the government's policy to enhance public private partnership given the importance of the private sector's role in national growth and development.

With respect to the proposed deductibility of donations made to VNB's partners and stakeholders in the public sector from gross income of the donor for income tax purposes, Section 34(H) (2) of the NIRC of 1997, as amended, provides full deductibility of donations to the Government, its agencies and instrumentalities. As to donations to VNB's partners or stakeholders in the private sector such as NGOs, civil society organizations (CSOs), volunteer organizations (VOs) and peoples organizations (POs), Section 34(H) (2) (c) of the NIRC of 1997, as amended, likewise provides full deductibility of donations to accredited non-government organizations organized and operated exclusively for scientific, research, educational, character building and youth and sports development, health, social welfare, cultural or charitable purposes, or a combination thereof, no part of the net income of which inures to the benefit of any private individual subject to certain conditions. Considering that HB 1979 categorically states that those who will be entitled to tax incentives are VNB and BIR-accredited donors and donees, the proposed deductibility of such donation from the donor's gross income is supported. With respect to the bill's proposal to exempt donations made to VNB's public and private sector partners and stakeholders from payment of donor's tax, the same is already provided for under Section 101 of the NIRC of 1997, as amended.

On the proposal that the SHT shall be used as additional government equity under the VNB framework, subject to an inter-agency memorandum of agreement, it is noted that under RA 7279, LGUs are authorized to utilize the SHT for various urban development housing programs which is also one of the goals of HB 1979. The provision of the bill that the VNB program shall harness the support of NGAs, LGUs and the volunteer sector in the various areas of governance, foremost of which is community building through shelter and other infrastructure support, does not conflict with the provision of RA7279, hence, the same is supported. However, the imposition of the tax shall require the enactment of an ordinance by the Sanggunian of the LGU concerned.

HB 2663
Providing for Tax Relief During Times of Calamity

HB 3447
Providing for Tax Incentives for the Relief and Rehabilitation of Devastated Communities Covered by a State of Calamity

HB 3588
Amending RA 8424, or National Internal Revenue Code of the Philippines, as Amended, by Granting Full Deduction from Gross Income the Amount of Contributions Made to Disaster Relief Recovery and Rehabilitation Efforts and Activities and for Other Purposes

HB 2663 seeks to provide tax relief during times of calamity as follows:

a. The real property tax (RPT) in the affected area shall not be assessed and collected for two (2) fiscal years, starting from the date of the declaration of a state of calamity; and

b. Any donation in the name of any organization that declares that the funds donated shall be in favor of the victims of the calamity shall be exempt from donor's tax. This exemption from the donor's tax shall automatically apply and the BIR shall not require any accreditation, provided that not more than ten percent (10%) of the said gifts shall be used by the donee organization for administration purposes. The proposed bill aims to address the problems which impede the steady flow of donation and ensure that no red tape will hamper the flow of donation.

On the other hand, HB 3447 proposes to grant the following tax incentives in order to encourage the participation of every member of the society towards the rehabilitation of devastated communities during natural disasters through voluntary sharing of resources:

a. Non-imposition of the donor's tax on all monetary contributions and the equivalent monetary value of items donated, granted or bestowed for humanitarian and relief purposes during natural disasters; provided that such donations, grants, endowments or contributions were actually, directly and exclusively used for the primary purpose of relief operations during such disasters;

b. Deductibility from the gross income of compensation income earners and juridical entities of donations made to government or charitable institutions during calamitous events; and

c. Grant of preferential tax rates with regard to business fees and taxes to "trailblazers" or sole proprietorships, partnerships, or corporations which immediately resume or initiate new businesses within the calamity-stricken areas.

HB 3588 seeks to amend Section 34(H)(2) of the NIRC of 1997, as amended, by inserting another subparagraph which provides for the full deductibility from gross income of donations for disaster relief, recovery, and rehabilitation efforts and other activities.

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The proposed RPT exemption to help calamity-stricken property owners under HB 2663 is deemed no longer necessary as the present provision under Section 277 (Condonation or Reduction of Tax by the President of the Philippines) of the 1991 LGC is already sufficient with respect to the grant of the RPT relief when public interest so requires.

The proposed exemption from the donor's tax of all monetary contributions and the equivalent monetary value of items donated, granted or bestowed for humanitarian and relief purposes during national disasters such as during typhoons, floods and earthquakes which leave many families homeless and needing financial assistance under HB 3447, is already provided under Section 101(A)(3) and (B)(2) of the NIRC.

However, the proposed automatic exemption from the donor's tax as worded in the bill is prone to abuse/leakages. It is to be noted that the possible abuses in the availment of tax exemption privileges have been recognized, identified and addressed through the creation of the Philippine Council for NGO Certification, Inc. (PCNC) which ensures that only donations made to accredited donee institutions may be claimed as tax deductible subject to the provisions of the NIRC of 1997. It is therefore suggested that the proposed waiver of accreditation requirements for purposes of donor's tax exemption be reconsidered.

At present, only self-employed individuals and professionals are allowed to claim deduction against their income pursuant to Section 34(H) of the NIRC of 1997, as amended. Thus, the proposed deductibility from the gross income of compensation income earners and juridical entities of donations under HB 3447 will promote equity as it will put all individual income earners on equal footing. Besides, charitable contributions can be viewed as a form of government revenue directly appropriated from the taxpayers to help needy citizens. However, the proposal will entail additional administrative work on the part of the BIR in verifying the accuracy of claimed deductions or contributions and for employers in adjusting the employees' withholding taxes.

The proposed grant of preferential tax rates to "trailblazers" under Section 4 of HB 3447 is deemed very broad and does not specify the type of business fees and taxes that will be given preferential tax rates and the period within which they shall be enjoyed. It is also noted that the government already gives vulnerable members of the society, which include victims of disasters and natural calamities preferential access to social assistance, social protection and safety nets. In case of those affected by Typhoon Yolanda, the government, through the Department of Budget and Management (DBM) provides Credit Support Fund/loans to affected micro-entrepreneurs at extremely low interest rates for various livelihood activities, such as sari-sari stores, livestock, hog, cattle and goat raising, among others. Said forms of direct financial assistance are deemed more appropriate as these will make available to "trailblazers" funds that will enable them to rebuild their livelihood at the soonest possible time and at lesser cost because of low interest rate.

HB 2800
Helping Persons Afflicted with Rare Diseases by Creating an Office of Rare Diseases in the Department of Health, Encouraging the Conduct of Research and Development Activities on Rare Diseases, and Providing for Fiscal and Regulatory Incentives for the Manufacture or Importation of Healthcare Products for Use by Such Persons

HB 2800 seeks the establishment under the DOH of an Office of Rare Diseases to: (a) oversee research and development activities on rare diseases; (b) design and maintain a rare disease registry which shall include data on rare

HBs 3343, 3896, 4002, and 4781
Promulgating a Comprehensive Policy in Addressing the Needs of Persons Afflicted by Rare Disorders

HB 3634
Providing a Comprehensive Policy in Addressing the Needs of Persons Afflicted by Rare Diseases

diseases in the Philippines, patients afflicted with rare diseases and orphan drugs and products; and (c) conduct public education programs to identify persons afflicted with rare diseases and help the public understand the special needs of such persons.

The bills also propose to exempt from all taxes, whether national or local the following:

a. Donations to the Office of Rare Diseases and NIH intended for researches on rare diseases, maintenance of the rare disease registry, or for purchase of orphan drugs or orphan products for use solely by patients with rare diseases; and

b. Procurement of orphan drugs and orphan products for use solely by patients with rare diseases, as certified by the NIH (HB 2800) or Food and Drug Administration (HBs 3343, 3634, 3896, 4002, and 4781).

In addition, orphan drugs and orphan products for donation solely to patients afflicted with rare diseases or institutions, as certified by NIH, shall be exempt from the payments of all tariffs and duties. Further, the bills provide that the Philippine Health Insurance Corporation (PhilHealth) shall include the cost of treatment of rare disease as part of its Catastrophic Illness Resource Fund and the provisions from sin tax collection be directed to cover the cost of care for patients with rare diseases.

The bills aim to protect and promote the right to health of the people, including the right of persons suffering from rare diseases to survival and full and healthy development as individuals through access to timely health information and adequate medical care. It recognizes the leading role of the DOH in overseeing research and development activities on rare diseases and working with the private sector and NGOs in designing and implementing programs for the benefit of those afflicted with them.

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The intention of the bills to establish a system that will help ensure the early diagnosis and treatment of rare diseases in the Philippines through the establishment of an Office of Rare Diseases as well as the maintenance of Rare Disease Registry is laudable and is therefore supported. The designation of persons with rare diseases as persons with disabilities and to allow them to enjoy the privileges under the Magna Carta for disabled persons is also supported.

The proposed exemption from all taxes, whether national or local, of donations made to the Office of Rare Diseases and NIH and of orphan drugs and orphan products for use solely by patients with rare diseases, as certified by the NIH, is too broad that it could lead to interpretation/ implementation problems, abuses and leakages.

Under Section 5 of RA 10633 or the 2014 GAA, national internal revenue taxes and import duties payable by NGAs to the national government arising from foreign donations, grants and loans are automatically appropriated. Thus, the Office of Rare Diseases and the NIH, being NGAs, may avail of the tax subsidy being administered by the DBM. Taxes and duties on donations made to the Office of Rare Diseases, the NIH and the DOH may be covered by tax subsidy. On the other hand, if the donee-healthcare institution is a GOCC, it can avail of the tax subsidy provision implemented by the Fiscal Incentives Review Board (FIRB) pursuant to the terms and conditions of EO 93 and the annual GAA.

Lastly, imported articles donated to, or for the account of, any duly registered relief organization, not operated for profit, for free distribution among the needy, upon certification by the DSWD, or the DepEd, are considered as conditionally-free importation pursuant to the Tariff and Customs Code of the Philippines (TCCP). However, said importation are subject to the evaluation and documentation requirements for clearance by either the DSWD, Food and Drug Administration and the National Economic Development Authority (NEDA) before its tax exemption can be processed by the Revenue Operations Group (ROG) of the DOF.

HB 2923
Creating the Low-Income Home Energy Assistance Program (LIHEAP) to Promote Human Capital Development and Appropriating Funds Therefor

HB 2923 seeks to provide for the LIHEAP or the Pantawid Kuryente Program where each qualified LIHEAP beneficiary shall be entitled to five hundred pesos (PhP500.00) to defray his/her electricity bill every month. The beneficiaries shall be low income home energy consumers or poor consumers which include households whose income falls below the poverty threshold as defined by the National Statistical Coordination Board (NSCB) and shall be identified using the National Household Targeting System for Poverty Reduction (NHTS-PR) being utilized by the DSWD in its Pantawid Pamilyang Pilipino Program (4Ps).

Likewise, the bill directs the Department of Energy (DOE) to provide the funds to electric cooperatives (ECs) in areas where service connection is provided. In the case of private distribution companies, the PhP500.00 shall be claimed as tax credit. A mechanism to limit the PhP500.00 cash transfer or tax credit of the distribution company shall be established. Any amount in excess of the limit in electric bill shall be paid by the beneficiary. Consistent increase in the amount of PhP500.00 in the beneficiaries' electric bill may be a ground for the suspension of the assistance. Each qualified beneficiary shall be entitled to the assistance program for five (5) years.

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At present, various statutes are implemented which mandate the grant of energy assistance to reduce the cost of power in marginalized sectors of society such as; (a) RA 9136 or Electric Power Industry Reform Act of 2001 (EPIRA), which provides for a lifeline rate for the marginalized end-users of electricity which expired in 2011 but was extended for another 10 years via RA 10150; (b) RA 9513 or Renewable Energy Act of 2008, which provides incentives for renewable energy (RE) host communities/ LGUs; and (c) RA 9994 or the Expanded Senior Citizens Act, which allows senior citizens to avail of a 5% discount on electric bill payments, among others.

Given the statutes mentioned above, the proposed LIHEAP or Pantawid Kuryente Program may no longer be necessary. Rather, the money that shall be spent for the proposed program may instead be used for: (a) electrification of all the barangays in the country; (b) exploration and development of alternative and renewable sources of energies towards more cost-effective and sustainable power generation; (c) technical upgrading and rehabilitation of distribution lines to reduce electricity losses, use of energy saving devices, and construction of infrastructure facilities to service the needs of the public which can all redound to the reduction of the electricity rate in the area; and (d) expansion of the 4Ps and other pro-poor programs of the government.

In terms of the mechanism by which the LIHEAP shall be implemented, direct subsidy is preferred over providing assistance by way of tax credit. Allowing a tax credit for private distribution companies participating in the propose program shall entail administrative cost not only on them but to the BIR as well. Also, allowing such tax credit of PhP500.00 each for qualified beneficiaries shall substantially lower the tax payment of MERALCO, other private distribution companies and consequently the BIR collection which in turn shall affect the fiscal position of the government and its credit ratings.

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HB 3112
Amending RA 7653 Entitled "The New Central Bank Act", and For Other Purposes

HB 3112 seeks, among others, to exempt the Bangko Sentral ng Pilipinas (BSP) from all national, provincial, municipal and city taxes, fees, charges and assessments. The exemption covers all properties, resources, receipts, expenditures, profits and income of the BSP, as well as all contracts, deeds, documents and transactions related to the conduct of the business of the BSP. In addition, foreign loans and other obligations of the BSP shall be exempt, both as to principal and interest, from any and all taxes. It is noted that the proposed exemptions shall apply only to such taxes, fees, charges and assessments for which the BSP itself would otherwise be liable, and shall not apply to taxes, fees and charges, or assessments payable by persons or other entities doing business with the BSP.

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The proposal to exempt the BSP from all national and local taxes, fees, charges and assessments is supported provided that the exemptions shall only apply on income/receipts from central banking activities of the BSP pursuant to its constitutional and statutory mandates. Hence, income/receipts generated by the BSP from its non-core or proprietary functions shall be subject to all applicable taxes. The grant of tax exempt status to the BSP in terms of its regulatory functions would situate the latter at par with other monetary authorities or Central Banks that are also exempt from taxes such as Bank of Thailand, Bank Negara Malaysia and the Hong Kong Monetary Authority. On the other hand, Bank of Indonesia, the Monetary Authority of Singapore and the Reserve Bank of Australia have limited tax exemption provisions.

The proposed absolute VAT exemption of the BSP should be carefully studied. The VAT exemption of BSP is endorsed except for its proprietary functions and the purchases of goods and services in the performance of its mandatory and statutory functions. Government agencies performing their constitutional and statutory functions are generally not exempt from VAT. Similarly, the importation of goods, office supplies and other equipments not related to its note production, minting of coins, metal refining and other security printing operations under its charter should be subject to VAT.

The proposal to exempt the BSP from all local taxes, fees, and charges should be reconsidered. Local fees and charges are usually minimal in amount and regulatory in nature. Section 234 of the LGC provides for the exemption of real properties owned by the Republic of the Philippines or any of its political subdivision. However, such real properties become taxable when the beneficial use of the property has been granted to taxable persons.

In keeping with the principle of local autonomy, the grant of exemption from local taxes, fees and charges should be left to the discretion of the LGUs concerned. It is to be noted that the BSPs proposed exemption from national taxes would certainly diminish the LGUs' share from the internal revenue allotment, hence, measures that would further erode their revenue should be treated with caution.

HB 3235
Rationalizing the Taxes Imposed on Non-Life Insurance Policies, Amending for this Purpose Sections 108, 123, 184 and 185 of the National Internal Revenue Code (NIRC) of 1997, as Amended

HB 3235 seeks to rationalize the taxes imposed on non-life insurance industry by exempting non-life insurance companies, including surety, fidelity, indemnity and bonding companies from the 12% VAT under Section 108 of the

NIRC, as amended, and subjecting them to the 2% tax on life insurance premiums under Section 123 of the Tax Code, as amended.

The bill likewise seeks to amend the rate of documentary stamp tax (DST) being collected on non-life insurance policies, specifically policies of insurance upon property and fidelity bonds and other insurance policies, amending for the purpose Sections 184 and 185, respectively, of the NIRC, as amended. From the current DST of PhP.50 on each PhP4.00 or fractional part thereof of the premium charged, being imposed on non-life insurance policies, a one-time DST amounting to PhP10.00 to PhP100.00 based on the amount of insurance similar to those imposed on life insurance policies is being proposed. The objective of the bill is to lower the cost of getting non-life insurance coverage to attain financial security against perils and risks brought about by fire, flood, earthquake, lightning and the like.

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Under the NIRC of 1997, as amended, non-life insurance companies are subject to income tax, VAT, and DST. Likewise, a 2% tax on all premiums, excluding re-insurance premiums, is imposed on the sale of fire, earthquake and explosion hazard insurance collected by companies, persons or agents licensed to sell such insurances in the Philippines pursuant to RA 9514 (December 19, 2008) otherwise known as the Revised Fire Code of the Philippines.

It is noted that the differentiation made by law in business taxation of insurance companies by subjecting non-life insurance to the 2% tax based on premiums and life insurance to the 12% VAT, stems from the fact that while both are engaged in providing insurance services, the intrinsic nature of their business differs.

Non-life insurance is pure insurance. A premium is paid to ensure risk that may or may not happen. The insured gets a benefit only if the risk insured happen, otherwise the premium paid cannot be recovered. For tax purposes, the business of non-life insurance is a sale of service subject to the VAT. On the other hand, premiums paid for life insurance are to be recovered back at some future time, either upon death or during the lifetime of the insured. They are more akin to financial intermediaries. The tax imposed is a premium tax which is the counterpart of gross receipts tax (GRT). Moreover, subjecting non-life insurance to the 2% premium tax instead of the 12% VAT will result in revenue loss amounting to about PhP2.45 billion annually, which the government can ill afford at this time when it needs more revenue to fund various services.

On the proposed amendments of DST rates on non-life insurance policies to make it at par with its life insurance counterpart, it is to be noted that this may set a precedent for other players in the financial sector to clamor for the same tax treatment.

HB 3365
Imposing a Ten Percent (10%) Ad Valorem Tax on Softdrinks and Carbonated Drinks, by Inserting a New Section in the National Internal Revenue Code, as Amended

HB 3365 seeks to insert a new Section, under Chapter VI, Title VI of the NIRC of 1997, as amended by imposing a ten percent (10%) ad valorem tax (AVT) on softdrinks and carbonated drinks sold in bottle and other tight container. The bill seeks to regulate the consumption of softdrinks due to health risks to the consumers.

The amount to be collected from the proposed tax on softdrinks and carbonated drinks will be designated as Rehabilitation Fund for the victims of calamities to be allotted for rehabilitation program such as livelihood development, mass housing, road construction, and other infrastructure projects in the municipalities, cities, and provinces affected by severe and destructive calamities.

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At present, softdrinks and carbonated drinks are subject to VAT based on gross selling price. In the case of imported softdrinks and carbonated drinks, the tax base is the value used by the Bureau of Customs (BOC) in determining tariff and custom duties and other charges.

It is worth noting that under the present tax system, the excise tax, if any, forms part of the tax base when computing for the VAT. Therefore, the increase in the tax burden on softdrinks and carbonated drinks will not only be in terms of the proposed excise tax but will also mean an increase in the tax base for the VAT.

It is noted that between 1993 and 2003, intake of softdrinks in the Philippines increased by 150%. Thus, if the proposal will be adopted, estimated additional revenue amounting to PhP8.3 billion, of which, PhP7.4 billion will come from the proposed 10% excise tax and PhP0.9 billion from VAT can be raised which is needed by the government to fund priority programs and projects.

There are three (3) ASEAN member countries – namely Cambodia, Lao PDR, and Thailand, which are currently imposing an excise tax on softdrinks and other types of beverages. With regard to Thailand, there are proposals to raise the tax on sweetened soda drinks. There are also proposals in Malaysia, Indonesia and Vietnam to impose a tax on softdrinks due to its health risks to the consumers.

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HB 3411
Establishing a Comprehensive System for Registration and Licensing of Social Welfare and Development Agencies and Accreditation of Social Welfare and Development Programs and Services, and Appropriating Funds Therefor

HB 3411 seeks to set standards for the registration, licensing, accreditation, and monitoring of social welfare and development service providers, agencies, groups, or organizations engaged in social welfare and development activities.

Section 16 of the bill requires that all applications for registration, license and accreditation shall be charged with corresponding fees to be determined by the DSWD. Such fees and charges that may be collected from the registration, licensing and accreditation shall be deposited with the National Treasury as income of the General Fund. Section 19(a) provides that licensed social welfare agencies (SWAs) shall be entitled to endorsement to the DOF for duty and tax-free importation of foreign donations, while Section 20, provides that accredited SWAs shall be entitled to endorsement to the DOF for the conferment of donee-institution status and the grant of other relevant tax incentives as provided by law.

The bill aims to promote and strengthen the partnership among social welfare and development agencies, national government agencies, local government units, non-government organizations, faith-based organizations, and the private sector in accessing resources between and among them for the upliftment of the poor, disadvantaged, marginalized, vulnerable, and underprivileged individuals, families, groups and communities in the country.

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On the proposed fees and charges to be administered by the DSWD, the same is already provided under Administrative Order (AO) No. 17, s. 2008 (Rules and Regulations on the Registration and Licensing of Social Welfare and Development Agencies and Accreditation of Social Welfare and Development Programs and Services). Hence, the proposal under Section 16 of the bill validates the mandate of DSWD and formalizes what is already being practiced by the said agency and is therefore supported.

Likewise, the proposal to deposit with the National Treasury as income of the General Fund all fees and charges that may be collected from the registration, licensing and accreditation is also supported as it is in accordance with Section 4 of the General Provision of RA 10633, otherwise known as the General Appropriations Act of 2014.

The proposed endorsement of SWAs to the DOF for duty-free importation is in keeping with Section 105(1) of the TCCP, as amended. As to the proposed tax exemption, it may be noted that donations to accredited NGOs or non-stock, non-profit organizations, organized and operated exclusively for scientific, religious, research, educational, youth and sports development, health, social welfare, cultural or charitable purposes, or a combination thereof are exempt from donor's tax as provided under Section 101 of the NIRC, as amended. Moreover, Section 34(H) of the NIRC, as amended stipulates that donations to accredited NGOs may be claimed as deductions from gross income for purposes of computing the income tax of the donor-taxpayer.

The accreditation of Social Welfare and Development Agencies (SWDAs) as donee-institutions for purposes of the deductibility of charitable donations/contributions as business expense for income tax purposes under Section 34(H) of the NIRC, as amended, is likewise provided under EO 720 s. 2008.

HB 3586
Rationalizing Revenue Sharing in the Large-Scale Metallic Mineral Resource Industry, and for Other Purposes

HB 3586, to be known as the Philippine Mineral Resource Revenue Sharing Act of 2013, seeks to promote and promulgate a mineral resource fiscal regime that shall give the State its fair share in its mineral resources and encourage and support investments, both foreign and local. The proposal will govern and apply to new Mineral Production Sharing Agreement (MPSA) and Financial or Technical Assistance Agreement (FTAA), provided that holders of valid and existing MPSA and FTAA may opt to be governed by this Act, which option, once made, shall be final and irrevocable.

The bill proposes that the Government share in the exploration, development, and utilization of mineral resources under new MPSA and FTAA shall be as follows:

a. Government royalty – with variable rates ranging from 2% to 5% of net mining revenue which shall be levied, assessed and collected on gold and copper in accordance with sale prices; and rates of 4% or 7% for nickel, chromite and other metallic minerals and ores depending on whether or not extracted within proclaimed mineral reservations;

b. Corporate income tax (CIT) – which shall be in accordance with the NIRC of 1997; and

c. Special mines tax (SMT) – which shall be equivalent to 5% of the mining contractor's taxable income as defined under the NIRC of 1997.

The bill also seeks to repeal Sections 90 (Incentives); 91 (Incentives for Pollution Control Devices); 92 (Income Tax Carry-Forward of Losses); and 93 (Income Tax-Accelerated Depreciation) of RA 7942 otherwise known as the Mining Act of 1995 and replace the incentives with accelerated depreciation and depletion over a five (5) year period; duty-free imports of equipment for mine and plant development; and VAT zero-rating of importations and local purchases of goods and services.

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Further, the bill proposes to amend Sections 34 (F)(5) (Depreciation of Properties used in Mining Operations) of the NIRC of 1997, as amended, by allowing the depreciation of all properties used in mining operations other than petroleum operations to be computed for a period of five (5) years and allowed as deduction from taxable income. Likewise, it seeks to amend Section 34G(2) (Depletion of Oil and Gas, Wells and Mines) of the Tax Code by allowing at the option of taxpayer to deduct exploration and development expenditures accumulated at cost or adjusted basis for cost depletion as of the date of prospecting, as well as exploration and development expenditures paid or incurred during the taxable year in the form of depletion over a period of five (5) years.

Furthermore, the bill proposes to revise the forty percent (40%) allocation share of LGUs hosting mining operations from revenues generated from mining taxes under Section 292 of the LGC of 1991, as follows: fifteen percent (15%) for both provincial and municipal/city government and ten percent (10%) for barangay. However, if the mine is in a highly urbanized/independent component city, the city will get thirty percent (30%); and if the mining operation is located in two or more provinces/component cities or municipalities/highly urbanized or independent component cities/ barangays, their respective shares shall be distributed according to their population, land area (both with a weight of 20%) and area of occupancy (with a weight of 60%). The share of the LGU shall be directly remitted by the contractor to the LGU.

If the contract area is an ancestral land/domain, a royalty of one percent (1%) of net mining revenue, taken from the government share shall accrue to Indigenous Cultural Community (ICC) and shall be utilized in accordance with RA 8371, otherwise known as the Indigenous People’s Right Act. Lastly, the bill seeks to declare all mining areas governed as economic zones based on favorable certification issued by the Mines and Geosciences Bureau (MGB) which shall be in lieu of all the necessary concurrences from the LGUs and the ICCs concerned.

At present, the government share in an MPSA is the 2% excise tax on mineral products based on the actual market value of the gross output at the time of removal. On the other hand, the government share in an FTAA is equivalent to 50% of the net mining revenue, which is determined by computing the basic government share consisting of all direct taxes, royalties, fees and related payments required by existing laws, rules and regulations to be paid by the FTAA holder. However, if the basic government share is less than 50% of the net mining revenue, an “additional government share” to increase the total government share to 50% of the net mining revenue must be paid by the FTAA holder. Also, a royalty of not less than 5% of the market value of the gross output of the minerals/ mineral products extracted or produced from the mineral reservations exclusive of all other taxes is payable in addition to the government share for MPSA and FTAA.

Under the proposed government royalty, the tax base shall be net mining revenue, which is the sales price less applicable treatment and refining charges, freight and insurance. It is noted that the current 2% excise tax which is based on actual market value of the gross output is paid from extraction or upon removal, while the proposed 2% to 7% government royalty will be paid only after income is realized from the sale of minerals. Thus, revenue generated from the excise tax on mining is a steady source of revenue for the government. In cases where mining firms report losses from their operations, the government still receives payment in the form of the excise tax, hence, a guaranteed cash inflow to the government.

On the other hand, the proposal that the mining contractor be subject to 30% CIT in accordance with the NIRC of 1997 and to the minimum corporate income tax (MCIT) of 2% of the gross income if it is greater than the regular CIT beginning on the fourth taxable year following the year of commencement of mining operations is supported.

On the proposed special mines tax (SMT) equivalent to five percent (5%) of the contractor’s taxable income as defined under the NIRC of 1997, the bill failed to mention the rationale, nature or character of the SMT, i.e. whether it is in the form of income tax, transaction tax, excise tax, or otherwise. It is therefore suggested that this be provided or clarified in the bill. It should be noted that the computations of SMT and CIT are both based on taxable income. Hence, if the CIT is higher than the MCIT, the contractor’s taxable income shall effectively be subjected to a total of 35% tax rate (30% CIT plus 5% SMT).

The proposed repeal of tax incentives provisions in RA 7942 is supported as it is aligned with the government's policy initiative to rationalize tax incentives given to registered enterprises.

The proposed changes in the period of depreciation and depletion will adversely affect the cash flow of the government from income tax collection from mining contractors. Moreover, losses incurred due to shortened period of depreciation and depletion may also affect the income tax revenue of the government of up to fifteen (15) years since income tax-carry forward of losses incurred in any of the first ten (10) years can be carried over as a deduction from taxable income for the next five (5) years immediately following the year of such loss pursuant to Section 34(D)(3) of the NIRC of 1997, as amended.

At present, Section 1 of EO No. 70 provides zero percent (0%) duty on any importation of capital equipment, spare parts and accessories by BOI-registered enterprises. The proposed duty-free imports of equipment for mine and plant development is recognized. It will reduce the importation cost of capital equipment, spare parts and accessories. However, duty-free importation should only apply to specialized mining machinery and equipment not available in domestic market. It is suggested that the MGB, Department of Trade and Industry (DTI) and other relevant government agencies prepare a list of equipment for mine and plant development that will qualify for the duty-free importation to avoid possible leakages/abuses from duty-free importation.

The proposed VAT zero-rating of importations and local purchases of goods and services is not supported due to its revenue impact. VAT zero rating is discouraged as this will result to higher revenue losses since input VAT related to zero-rated sales is creditable against the VAT liability of the seller or can be refunded at the option of the taxpayer.

On the proposed allocation of government share of LGUs hosting the mining operations, the share of the province will increase from 20% to 37.5% and the share of highly urbanized or independent city from 65% to 75% out of the 40% gross collection of the national government under Section 292 of the LGC. On the other hand, the shares of component cities/municipalities and barangays, will decline from 45% to

37.5% and from 35% to 25%, respectively. The proposal is justified on the basis of developmental functions and responsibilities of provinces and highly urbanized or independent cities which far exceed those of component cities, municipalities and barangays. Moreover, the barangays being the lowest level of local government are beneficiaries of the programs and projects undertaken not only by the provinces but by the cities and municipalities as well.

On the proposal that the contractors remit directly to the LGUs their share from the collection of mining taxes collected by the BIR, Joint Circular No. 2009-1 (providing the guidelines and procedure on the release of the LGUs' share) issued by the DOF, DBM, DILG, and DENR already simplifies the processing and release of the LGUs' allocated shares from mining taxes, as well as provides the timetable for concerned national government agencies (NGAs) to facilitate the completion of necessary documents for the release of LGUs' share.

Lastly, the proposed declaration of mining areas as economic zones needs to be clarified. The Bill did not state who will declare the mining areas as economic zones. It is also worth noting that economic zone locators are entitled to fiscal incentives provided for under Presidential Decree (PD) No. 66, the law creating the Export Processing Zone Authority or those provided under EO 226 or the Omnibus Investment Code of 1987. The provision declaring all mining areas as economic zones upon a favorable certification by the MGB needs to be qualified as such will not entitle the mining contractor to the incentives provided by the PEZA or any investment promotion agency (IPA). The PEZA role in mining economic zones should be limited to the issuance of business permits, construction permits and the like. Thus, the bill should explicitly include a provision that the taxes proposed therein shall apply to all mining contractors located in areas declared as mining economic zones and that mining contractors shall be disqualified from applying for any incentives administered by PEZA and any other IPAs.

Section 6 of RA 7916, otherwise known as the Special Economic Zone Act of 1995 sets the criteria for the establishment of economic zones. Said criteria must be followed by a proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of the PEZA, based on a detailed feasibility and engineering study. As such, the proposal to declare an area as mining economic zones upon favorable endorsement of the MGB may not be enough. It is suggested that provisions in the bill be harmonized with the criteria set by law in the establishment of economic zones.

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HB 3685
Providing for an Excise Tax on the Sale of Firecrackers and Fireworks, Amending Therefore RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, and for Other Purposes

HB 3685 seeks to impose a 20% excise tax on fireworks and firecrackers which shall be in addition to the Miscellaneous Articles under Section 150 of the NIRC of 1997. The excise tax is proposed to be collected by the dealers, retailers, or sellers from the consumers or purchasers of these products.

The Bill aims to regulate the use of fireworks and firecrackers by exercising its power to tax the sale of firecrackers and fireworks, thus, the government will be able to minimize, if not put to an end the use of dangerous articles.

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The imposition of an excise tax on firecrackers could be traced as far back as 1939 under Commonwealth Act (CA) No. 466 which imposed a tax of PhP.40 per kilogram until it became PhP30.00 per kilogram through the issuance of Presidential Decree (PD) No. 69 on November 24, 1972.

In 1992, RA 7183, otherwise known as the Fireworks Law was enacted which legalized the sale, manufacture, distribution and use of certain firecrackers and other pyrotechnic devices. However, the excise tax on fireworks and firecrackers was abolished by RA 8424 or the Tax Reform Act of 1997. The repeal of the excise tax on fireworks was in line with the general thrust to simplify the tax system by doing away with a tax which was not effectively administered and yielded insignificant revenue for the government.

The imposition of excise tax on said articles will discourage buyers and will make them use more practical substitutes. After all, they will be able to save or use their money in a better way and more importantly, they can avoid their harmful effects. Hence, the imposition of excise tax on fireworks and firecrackers would be more beneficial to the economy and is therefore supported.

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HB 4165
Further Amending RA 8424, Otherwise Known as the Tax Reform Act of 1997 by Exempting from Value-Added Tax the Goods and Services Acquired by Educational Institutions

HB 4165 seeks to amend Section 109(H) by exempting from the VAT all goods purchased by and services rendered to certain educational institutions by suppliers and service providers, respectively in addition to the current VAT exemption of educational services rendered by said educational institutions.

The proposal intends to lower the cost of education, which is aggravated by the VAT being passed on to the schools by suppliers of goods and services, which is eventually passed on to the students.

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At present, VAT exemption of educational institutions only extends to the services rendered by them. As such, educational institutions as VAT-exempt taxpayers do not charge VAT to their students for their services. However, purchases of VATable goods and services from VAT-registered suppliers are subject to VAT. VAT payments on purchases of goods and services (input VAT) of VAT-registered taxpayers can be credited against VAT liabilities (output VAT).

While the objective of the bill is recognized, the proposal is not supported. The range of possible VAT exempt purchases of educational institutions is too broad to include among others, construction materials, school supplies, office equipment and various VATable services such as janitorial, messengerial, and security services that will significantly erode government revenues that are needed to finance various government services including education, health and other social services.

In addition, the proposal will not ensure lower cost of education. It is noted that schools fees have two (2) components, the basic tuition fee and the miscellaneous fees. Unlike the basic tuition fee that is regulated and approved by the DepEd and the Commission on Higher Education (CHED), miscellaneous fees seem unregulated and are often the reasons for the increase in school fees. Thus, the proposal would only have an effect on the miscellaneous fees, which cover most of the VATable transactions of the educational institutions.

Further, the proposed VAT-exemption will complicate the VAT system as it will require stricter monitoring and administration and consequently affect the effectiveness and efficiency of the tax. It will disrupt the steady inflow of revenue for the government, which could be used to finance development projects. Likewise, lower VAT revenue will affect the share of LGUs in the national internal revenue, the bulk of which is sourced from the VAT.

It is also noted that under the present income tax system, proprietary educational institutions already have a preferential tax rate of 10% against the standard 30% corporate income tax rate provided that the gross income of educational institutions from unrelated trade, business or other activity does not exceed 50% of the total gross income.

HB 4195
Limiting the Imposition of the 12% Value Added Tax on Petroleum Products Only on Instances When the World Oil Price is US$80 or Lower per Barrel

HB 4195 seeks to amend the VAT on petroleum products by imposing said tax only when the price of oil in the world market is US$80 or below per barrel. The bill intends to help ease the burden on consumers of the ever-increasing gas prices due to the geopolitical tensions in the Middle East.

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The implementation of RA 9337, otherwise known as the RVAT Law, on November 1, 2005 included petroleum products and raw materials in the VAT coverage and increased the VAT rate from 10% to 12%. These VAT reforms were considered as the big-ticket items in said law as the revenue that could be generated therefrom was envisioned to help strengthen the fiscal condition of the country.

It is recalled that in order to cushion the impact of the VAT on petroleum products, the law also necessitated the reduction of excise taxes for naptha and regular gasoline and zeroing the excise taxes for kerosene, diesel, and bunker fuel oil which were previously subject to excise taxes.

The proposal to limit the imposition of the 12% VAT on petroleum products only when the price of oil in the world market is US$80 or below per barrel is recognized, albeit not realistic at this time when the government is in dire need of revenues for its operations and delivery of basic public services and infrastructure projects.

It is worth noting that although the prices of petroleum products are dependent on the prices of crude oil in the world market, geo-political tensions also play a vital role on the pricing of petroleum products. For instance, the highest recorded Dubai crude oil price in 2008 was due to the geopolitical tensions brought about by the missiles launching of Iran in July 2008 while the high crude oil price for the period 2011-2013 was due to the Libyan conflict, Middle East crisis and the raising of the OPEC crude cartel.

Likewise, the drop in crude oil prices in 2009 was primarily due to lower demand on crude oil in the latter part of December 2008 due to the global economic recession. The same trend was seen in June 2012 when oil prices went down primarily due to growing signs of weakness in the world economy, brought about by the debt crisis in Europe and deteriorating economic data in the US, China and other parts of the world, which translated to a generally weak world oil demand.

Thus, VAT imposition on any product cannot be made dependent on certain conditions that are unpredictable, as the country needs a steady source of revenue. Moreover, removing the VAT on petroleum products does not guarantee lower pump prices of fuel products since the pricing mechanism of petroleum is not solely dependent on the taxes imposed on it. Geo-political tensions, exchange rate, and supply and demand greatly influence the pricing of oil products.

HB 4550
Amending Certain Provisions of RA 7471 as Amended by RA 9301, Entitled: An Act to Promote the Development of the Philippines Overseas Shipping and for Other Purposes

HB 4550 seeks to amend Section 7 of RA 7471 otherwise known as the Philippine Overseas Shipping Development Act as amended by RA 9301 by exempting Philippine shipping enterprises from the payment of income tax on income derived from overseas shipping whose entire net income, after deducting not more than fifteen percent (15%) for distribution of profits or declaration of dividends, which would otherwise be taxable under the provisions of Title II of the NIRC, is reinvested for the construction, purchase, or acquisition of vessels and related equipment and/or in the improvement or modernization of its vessels and related equipment in accordance with the regulations.

The rationale of the bill is to allow Filipino ship owners to modernize the country's merchant fleet and provide stable employment to Filipino seafarers, generate foreign exchange and contribute to the country's economy. The proposal is also expected to encourage investments in shipping.

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As a backgrounder, in 1992, RA 7471 exempted Philippine overseas shipping enterprises from the payment of income tax on income derived from overseas shipping for a period of ten (10) years, subject to certain conditions. In 2004, RA 9301 was enacted by extending for another ten (10) years the tax exemption. It also increased from ten percent (10%) to fifteen percent (15%) the allowable deduction from net income for distribution of profits or declaration of dividends. However, it shortened the prescribed reinvestment period from ten (10) years to seven (7) years from the expiration of the period of income tax exemption or until the vessel or related equipment so acquired have been fully paid whichever date comes earlier.

It must also be noted that Section 108(b)(6) of the NIRC of 1997, as amended, prescribes a zero percent (0%) VAT on the transport of passengers or cargo by sea vessels from the Philippines to a foreign country. Hence, the government has no VAT collection from the Philippine overseas shipping enterprises.

Thus, given the 20-year period of income tax exemption and the prevailing zero percent (0%) VAT on the transport of passengers or cargo by Philippine overseas shipping, the proposed income tax exemption is not endorsed. Such period of tax exemption is already sufficient to support the industry. Moreover, the proposal does not provide a sunset provision for the availment of the income tax exemption which is disadvantageous to the government. The government cannot afford to forego additional revenue because it has the equal responsibility of delivering basic services to the people. It may also set a precedent for other industries to clamor for the same tax privilege.

Also, there are several proposals in Congress to rationalize the fiscal incentives presently available to various activities and/or enterprises. Hence, it is suggested that the proposal be aligned or harmonized with these measures.

HB 4716
Mandating Tax Rebates to Individuals Purchasing Renewable Energy Device or System

HB 4716 seeks to provide tax rebate, upon the request of the taxpayer, not to exceed fifty percent (50%) of the amount of tax paid or fifty million pesos (PhP50,000,000.00), whichever is lower for the purchase of renewable energy (RE) device or components thereof such as solar panels, wind turbines, hydroelectric system, power storage batteries, among others.

The bill also provides that the amount of rebates shall not exceed sixty percent (60%) of the amount of RE devices, components or system. The system purchase rebate shall include the cost of labor, consultancy and other related technology support services in connection with the installation of purchased renewable energy devices, parts or system by the taxpayer. The DOF in cooperation with the DOST shall issue necessary rules, regulations and guidelines for the implementation of the provision of the bill.

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The rationale of the bill to combat global warming that leads to climate change through the utilization of efficient RE device or system is supported.

The proposal is similar to the provision in RA 9513 or the Renewable Energy Act of 2008 on the grant of tax rebates for the purchase of RE components which encourages the utilization of RE resources. RA 9513 provides various incentives for renewable energy projects and activities in the form of exemption or refund of taxes paid on the purchase of renewable energy device or components thereof. Said purchase is either exempt from tariff duties or entitled to tax credit provided that it is duly certified by the DOE for renewable energy projects and duly certified and registered with the BOI for renewable energy commercialization.

However, it is noted that the bill does not provide for any requirement or qualification for those who wish to apply. Hence, any individual who purchased a renewable energy device or component regardless of the amount of tax paid in relation to such purchase can request for tax rebate. The BIR will have to process every single request for tax rebate which will be tedious on its part.

Thus, if the proposal will push through, the law should provide for the qualifications of taxpayers who can apply for tax rebates and requirements to avail of the incentives such as the setting of a minimum amount of tax paid that can be applied for tax rebate. Likewise, a certification from the DOE that the purchased device or components is covered under the proposal should be required to prevent abuses/leakages.

It is also worth to point out that the proposal does not provide for a sunset clause for the availment of tax rebates unlike the time bounded duty-free importation provision under RA 9513. The proposal is likewise contrary to the present fiscal policy thrust of the government to limit the grant of tax incentives which affect the inflow of revenue that are needed to finance its economic and social programs.

HB 4934
Amending Section 1(C) of RA 9337

HB 4934 seeks to exclude the franchise holders, licensees and/or operators of the Philippine Amusement and Gaming Corporation (PAGCOR) from all kinds of imposable taxes, levies, fees or assessments, and in lieu of the same, to pay the franchise tax of 5% of the gross revenue or earnings derived by them from operation under the franchise. The bill intends to free the patrons/clienteles of the franchisees of PAGCOR from additional pass-on charges.

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The franchisees, licensees, and operators of PAGCOR are private domestic corporations. Like other corporations, they are subject to national internal revenue taxes imposed under the NIRC of 1997, as amended and to local taxes imposed by the LGUs pursuant to the LGC of 1991.

The proposed 5% franchise tax based on gross revenue or earning derived by the licensees, franchise holders and/or operators of PAGCOR which will be in lieu of all taxes, fees and charges is aimed to free the patrons/ clienteles from pass-on charges. However, it may be reasonably presumed that these patrons/clienteles are wealthy individuals or at least persons with modest means of livelihood to be able to play a game of chance or gamble money which could be in excess of what is spent for basic necessities. If they do not belong to these groups, they could be individuals who want to earn money in the easier way rather than through labor, business, or practice of profession. Hence, foregoing taxes which is the lifeblood of a nation in favor of the individuals who are presumed to have the means to pay additional pass-on-charges is not an acceptable policy.

Moreover, PAGCOR itself is no longer exempt from income tax under RA 9337 enacted on May 24, 2005 and affirmed by Supreme Court (SC) by its Resolution dated May 31, 2011. Also, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 33-2013 implementing the Supreme Court ruling which clarifies the income tax and franchise tax due from the PAGCOR, its contractees and licensees. Thus, PAGCOR is now subject to regular CIT on top of the 5% franchise tax on its gross revenue or earnings derived from its operations and licensing of gaming casinos, gaming clubs and other similar recreations or amusement places, gaming pools, and other related operations. However, the PAGCOR sought a clarification from the Supreme Court of its 2011 ruling as of this writing. In view thereof, it is prudent to await for the High Court's decision on the matter.

Unnumbered HB (In Substitution to HB 1153)
Converting the Guimaras State College in the Province of Guimaras into a State University to be Known as the Guimaras State University and Appropriating Funds Therefor

The Unnumbered HB proposes to convert the Guimaras State College into a State University to be known as the Guimaras State University. Section 18 of the bill proposes the following tax incentives:

a. Exemption from customs duties of the importation of economic, technical, and cultural books or publications, which are for economic, technical, vocational, scientific, philosophical, historical or cultural purposes made by the University upon certification by the Commission on Higher Education (CHED) and in accordance with the provisions of the Tariff and Customs Code of the Philippines (TCCP); and

b. Exemption from donor's tax of donations in any form to the University and the same shall be considered as allowable deduction from the gross income for income tax purposes of the donor, in accordance with the provisions of the National Internal Revenue Code (NIRC) of 1997, as amended.

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On the proposed exemption from custom duties, the proposal is already in place pursuant to several laws and directives. Aside from the exemption from the payment of tariff duties under EO 885, importation of books is likewise exempted from VAT pursuant to Section 109(R) of the NIRC of 1997, as amended and reiterated under DOF Department Order No. 57-2011.

Likewise, the proposed exemption from the donor's tax is already provided under Section 101(A)(2) and Section 101(B)(1) of the Tax Code. The proposed deductibility of donations from the donor's gross income for income tax purposes is already provided under the Section 34(H)(2) of the Tax Code, as amended.

Unnumbered HB
Reorganizing the Cooperative Development Authority, Repealing for the Purpose RA 6939, Creating the Cooperative Development Authority

The Unnumbered HB to be known as the "Cooperative Development Authority Charter Act of 2013" seeks to reorganize the Cooperative Development Authority (CDA), otherwise known as the "Philippine Cooperative Code of 2008".

Section 12 of the bill provides that the Certificate of Registration to be issued by the Authority to a duly registered cooperative shall ipso facto constitute as the sole basis or requirement for the full enjoyment of the tax exemption granted under Articles 60 and 61 of RA 9520 (Amending the Cooperative Code of the Philippines). The CDA shall furnish the regional offices of the BIR with the list of duly registered cooperatives in the region.

The bill seeks to repeal RA 6939 (Creating the CDA), EO 332 (Transferring the CDA from the OP to the DOF) and Article 144(2) of RA 9520 on securing the requisite Certificate of Tax Exemption following the registration of cooperatives and modifies or amends all other laws, decrees, executive orders, rules and regulation or parts thereof inconsistent with the provision thereof.

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The need to reorganize the Authority to integrate and carry out the provisions of RA 9520 is recognized. The proposal to vest solely or to the exclusion of all else, on the Authority, the power to register cooperatives is in order. This only reiterates those already provided under Article 16 (Registration) of RA 9520 and under Section 9 (Power to Register Cooperatives) of RA 6939 which transferred to the Authority the registration and regulation functions on cooperatives formerly undertaken by the Department of Agriculture, Bureau of Agricultural Cooperatives Development, Department of Transportation and Communications, Sugar Regulatory Administration, and the National Electrification Administration.

The proposal implies that all existing documentary requirements in securing the Certificate of Tax Exemption (CTE) shall be dispensed with except for the Certificate of Registration. This will benefit cooperatives as it will streamline the requirements and will translate into savings in terms of time, manpower, and resources. However, it is noted that documentary requirements set by the Authority for the issuance of Certificate of Registration do not jibe or conform with the documentary requirements by the BIR. This is because the

CDA has a different objective in the issuance of Certificate of Registration vis-à-vis the issuance of CTE by the BIR. It is deemed more prudent to allow the BIR to set its own documentary requirements and enforce the submission of other supporting documents to confirm the qualification of a cooperative for the tax incentives.

In the case of tax exemptions extended to other parties and by reasons of the privilege granted by laws, the enjoyment of the tax exemption by cooperatives should proceed from the satisfaction of BIR prescribed documentary requirements to ensure compliance with the conditions attached to the tax exemption and to ascertain the possible existence of other income derived from non-exempt activities and provide tax treatment thereon.

Considering however the government's policy of promoting the viability and growth of cooperatives, there may be a need to streamline the documentary requirements in the issuance/renewal of CTE.

Unnumbered HB
Revitalizing the Coconut Industry, Appropriating Funds Therefore and for Other Purposes

The unnumbered HB seeks to create and establish a Philippine Coconut Industry Development Authority (PHILCIDA), a non-stock, government corporate entity that will take over the powers and functions of the Philippine Coconut Authority (PCA) together with all the appropriations and funding from all sources, including all its obligations, equipment and other assets and personnel as are necessary.

The bill seeks to provide tax and non-tax incentives and tax exemption wherein all real properties, equipment and machinery acquired by the Authority for its operations shall be exempt from all taxes, fees, duties, imposts and assessments, both national and local, except income tax.

The bill aims to promote the rapid, steady and continuous integrated development and growth of the coconut industry in all aspects and ensure that the coconut farmers, farm workers, processors, lessees and tillers, and their families shall become direct participants in and beneficiaries of, such development and growth thereby increasing their income and uplift their quality of life.

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The policy to promote or provide support and assistance to the coconut industry sector is already embedded in a number of legislations/issuances which contain provisions granting various tax privileges to the agricultural sector. Some of legislations/issuances granting tax privileges to agricultural sector are: (a) Section 109 of RA 8435 (December 22, 1997) or the Agriculture and Fisheries Modernization Act (AFMA) of 1997, as amended by RA 9281 which exempts from the payment of duties the importation of all types of agriculture and fisheries inputs, equipment and machineries, (b) RA 10068 or the Organic Agriculture Act of 2010 (April 6, 2010) which provides for the promotion of the practice of organic agriculture by granting incentives to purely organic agriculture entities/farmers, and (c) Section 30(A), (J) and (K) of the NIRC, as amended which agricultural organizations covered are exempt from paying income tax, among others. Hence, if the intention of the bill is to reiterate or emphasize these privileges, the bill is supported. However, to avoid undue leakages/abuses and implementation problems in the grant of said incentives, it is to be emphasized that grants should be in accordance and in compliance with the conditional requirements of existing incentive laws, decrees or issuances.

For policy consistency and fiscal transparency, it is recommended that similar to other government owned-and/or-controlled corporations (GOCCs), the Authority should instead avail of the tax subsidy provision implemented by the Fiscal Incentives Review Board (FIRB) pursuant to the terms and conditions of EO 93 and the annual General Appropriations Act (GAA). The tax subsidy is a more practical alternative to the broad/outright grant of tax exemption. The use of tax subsidy is favored by the government since this can be quantified and is easier to monitor, thus, adheres to fiscal transparency particularly in the use of government resources. It is also pointed out that since the present system of tax privilege is being rationalized, it may be more practical to align whatever tax privileges the bill intends to grant to the coconut industry with the results of the rationalization initiatives.

Unnumbered HB
Strengthening RA 6971 or the Productivity Incentives Act of 1990

The Unnumbered HB seeks to strengthen the promotion of RA 6971 or the Productivity Incentives Act of 1990 by liberalizing specific provisions, providing for other incentives for employers and employees to establish productivity incentives and gainsharing program. The Productivity Incentives Committee (PIC), a joint labor-management committee in which representatives come from the management and from the rank-and-file employees, shall initiate the formulation of the Productivity Incentives Program (PIP).

The bill proposes to grant tax incentives to business enterprises which adopt a PIP as follows:

a. Special deduction from the gross income equivalent to fifty percent (50%) of the total productivity bonuses given to the employees under the program over and above the total allowable ordinary and necessary business deductions for the said bonuses under the NIRC; and

b. Special deduction of 50% of the total grants for manpower training and special studies given to employees pursuant to a skills development program under the PIP over and above the total allowable ordinary and necessary business deductions for the said bonuses under the NIRC.

Special deduction from the gross income shall be made retroactive to the fiscal year that the program is implemented after the enactment of the proposed bill.

. . .

RA 6971 or the Productivity Incentives Act of 1990 the first legislation of its kind in Asia was enacted into law in order to encourage higher levels of productivity, maintain industrial peace and harmony and promote the principle of shared responsibility between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of business enterprises to reasonable returns on investments and to expansion and growth. Also, the law provides incentives to both labor and capital for undertaking voluntary programs to ensure greater sharing by the workers in the fruit of their labor.

The proposed special deduction from gross income equivalent to 50% of productivity bonuses and grants for manpower training and special studies given to employees over and above the total allowable deductions for said bonuses and grants under the unnumbered HB are already provided and consistent with Section 7 of RA 6971; hence, it is supported.

The provision that special deductions from the gross income shall be made retroactive to the fiscal year that the PIP was implemented, however, is observed to be a deviation from the usual rule on the prospective application of the tax rule or law; hence, it needs to be clarified in the bill.

Unnumbered HB
Providing for a Comprehensive Hazardous and Radioactive Wastes Management, Providing Penalties for Violations Thereof, and for Other Purposes

The Unnumbered HB seeks for an incentive scheme to encourage enterprises, private entities, LGUs and NGOs to develop or undertake an effective hazardous and radioactive waste management, or actively participates in any program geared towards its promotion. The incentives consist of, among others:

a. Tax and duty-free importation of machinery, equipment, technology, vehicles and spare parts used for transport, processing, storage and treatment of hazardous and radioactive wastes including cleaner production and waste minimization technologies by LGUs, NGOs, enterprises or private entities for a period of five (5) years upon the effectivity of the Act, provided that the importation of such items complies with the following conditions:

   i. They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;

   ii. They are reasonably needed and will be used actually, directly and exclusively for the above mentioned activities; and

   iii. The approval of the BOI of the DTI was obtained for the importation of such machinery, equipment, vehicles and spare parts.

b. Exemption from VAT on the sale of domestic capital equipment, including its spare parts, to registered enterprises, LGUs and NGOs to be used for the processing, storage, and treatment of hazardous and radioactive wastes for a period of five (5) years from the effectivity of the Act, provided, that the incentives shall be subject to same conditions and prohibitions prescribed as mentioned above;

c. Exemption from donor's tax of legacies, gifts and donations to enterprises or private entities, LGUs and NGOs for the support and maintenance of the program for effective hazardous and radioactive wastes management and allowing said amount as a deduction from the gross income of the donor for income tax purposes;

d. Tax and duty exemption of hazardous waste materials generated within and exiting from PEZA areas, free ports and other special ecozones intended solely for recycling or treatment, provided, that said recyclable hazardous waste materials are identified and listed in accordance with Section 5 of the Act.

. . .

The primary intention of the bill is to develop and implement national and local integrated and comprehensive hazardous and radioactive waste management programs. To cushion the impact of the cost of engaging in hazardous and waste management, the grant of tax incentives may be deemed important. This can be considered as government's way of encouraging enterprises, private entities, LGUs and NGOs to participate in hazardous and waste management initiatives.

On the proposed tax incentives to LGUs and NGOs, the proposed tax and duty exemption in the acquisition of capital equipment is supported. However, in the case of vehicles, it is suggested that the grant be limited to specialized types of vehicles related to waste management in order to avoid any opportunity for abuses/leakages. The conditions provided is necessary to protect local manufacturers whose growth and development is likewise being promoted. This will likewise preclude opportunities for abuses/leakages and ensure that the privileges will be availed of only in consonance with the objective of the proposal.

The proposed exemption from the donor's tax of gifts and donations made to LGUs and NGOs engaged in hazardous and radioactive wastes management and allowing their deductibility from the taxable income only reiterate the provisions in the NIRC and are therefore supported. However, the proposed donor's tax exemption of donations, legacies and gifts to registered enterprises which are organized for profit can be a source of abuses and leakages, hence, is not supported.

The proposed tax and duty-free importation of capital equipment are already covered by Article 39(c) of EO 226 or the Omnibus Investments Code of 1987 which provides that within five (5) years, importation of machineries and equipment and accompanying spare parts of new and expanding enterprises shall be exempt to the extent of one hundred percent (100%) of the custom duties and national internal revenue payable thereon provided that such importations are in compliance with the conditions stated thereon.

The proposed exemption from VAT of the sale of domestic capital equipment to registered enterprises contrary to the well-settled VAT principle that for VAT to be effective, it should be broad-based as possible and with limited exemptions. However, a tax credit equivalent to one hundred percent (100%) of the value of the national internal revenue taxes and custom duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to a new and expanding registered enterprise which purchases machinery, equipment and spare parts from a domestic manufacturer as provided under Article 39(d) of the Omnibus Investments Code of 1987.

The proposed grant of tax and duty exemptions to hazardous waste materials generated within PEZA areas, free ports and other special economic zones and brought to the Philippines customs territory intended solely for recycling and treatment is not supported. It can be a source of abuses/leakages and can be detrimental to public health and safety.

While most of the proposed tax incentives are endorsed, it is recommended that the proposal be aligned to the rationalization of the present system of tax privileges pending on both Houses of Congress.

Unnumbered HB
Honoring Filipino Centenarians Thereby Granting Additional Benefits and Privileges Declaring the 25th of September as National Respect for Centenarians

The Unnumbered HB seeks to provide incentives to all Filipino centenarians residing in the Philippines or abroad on their 100th birthday by honoring them with letters of felicitation from the President of the Philippines congratulating their longevity and giving a Centenarian's Gift in the amount of PhP100,000.00.

Also, the bill seeks to declare September 25 of each year as the "National Respect for Centenarians" during which all Filipinos who turn centenarians in the current fiscal year shall be awarded a plaque of recognition and a cash incentive, which amount shall be determined and provided by their respective city or municipal government of residence.

In addition, in lieu of the twenty percent (20%) discount provided under Section 4 of the RA 9994, otherwise known as the Expanded Senior Citizens Act of 2010, all centenarians shall be entitled to a thirty percent (30%) discount and exemption from the VAT, if applicable, on the sale of the goods and services from all establishments, for the exclusive use and enjoyment or availment of the centenarians.

. . .

The objective of the bill to honor centenarians is recognized. As early as 1982, the Philippines has already recognized the need to address and deal with the ageing of population by being part of the Vienna International Plan of Action on Ageing that marked for the first time the international consensus agreement on ageing that was reached by all governments. In addition, the Philippines also joined the Macau Declaration and Plan of Action on Ageing for Asia and Pacific, Madrid International Plan of Action on Ageing (2002), Shanghai Implementation Strategy (2002) and other international mandates that aim to address important issues on ageing and to ensure the implementation of commitments made in such incentives. Furthermore, the Philippines legislated and implemented several laws that seek to improve the living conditions of the elderly by providing them certain privileges and benefits.

With the passage of RA 9994, the purchases of senior citizens covered by the 20% discount provided under RA 7432, as amended by RA 9257 were made exempt from the 12% VAT. It is noted that with the VAT exemption, at least PhP1.6 billion annual revenue loss was estimated. The proposed increase in the discount to 30% and the corresponding VAT exemption will thus translate to higher revenue loss.

Moreover, there is likelihood that this privilege will be abused in the future. There is no guarantee that the purchases made by the centenarians will be for their exclusive use and enjoyment. Hence, safeguards should be specifically designed to prevent/minimize instances of “free riders” on the privileges of the centenarians.

Furthermore, the proposal could lead to tedious accounting work on the part of business entities because they have to apply different costing for every sale of goods or services to senior citizens who are below 100 and those who are 100 years old and over. This could result in additional burden in the tax compliance of business establishments since they will need to maintain separate accounts and detailed records for their transactions with senior citizens and centenarians. Moreover, the BIR tax auditors may find it difficult to validate the veracity of the different discounts claimed by the business establishments.

Thus, it will be more beneficial if the 20% discount for centenarians is retained and to provide direct assistance or financial programs such as monthly allowance in the form of a conditional cash transfer program to make their twilight years more comfortable. It may be noted that a number of LGUs are already giving incentives to senior citizens in their localities who have reached the age of 100 such as in Quezon City, Cebu City, Makati City and Nueva Vizcaya. Also, in other countries such as United States, United Kingdom and Commonwealth Realms, and Ireland, centenarians on their 100th birthday receive a letter from the head of their State or an award with or without cash incentives.

Unnumbered HB, in Substitution of HB 3344
Providing for an On-Line Network Establishment Policy for the Philippines

The Unnumbered HB, in substitution of HB 3344 seeks to entitle any qualified locator enterprise or public telecommunications entity (PTE) in the Information and Communications Technology (ICT) Hub or the Information and Communications Technology Center (ICTC) to incentives provided under EO 226, otherwise known as the Omnibus Investments Code of 1987 or RA 7916, otherwise known as the Special Economic Zone Authority of 1995, as amended and other relevant laws, provided that no locator enterprise may avail of the incentives mandated in those laws at the same time. The bill further provides that the incentives shall be granted in addition to the incentives given by the LGU where such ICT Hub or ICTC is located.

. . .

The bill recognizes the vital role of ICT in nation-building and seeks to encourage investment in the countryside by providing the infrastructure necessary for the growth of ICT and to promote the adaptation of technology from all sources for national benefit and embolden the widest participation of private groups, local government, and community based organizations in the generation and utilization of available technology. The bill aims to establish one ICT Hub or ICTC in each legislative district pursuant to the development of a comprehensive internet superhighway, national ICT plan and the national, provincial, city or municipal spatial development plans.

The objectives of the bill to promote the adaptation of technology from all sources for national benefit and to establish an ICTC or an ICT Hub, whichever is applicable, in every legislative district of the country are recognized.

The proposed incentives to any qualified locator enterprise or PTE in the ICT Hub or ICTC are already available and are among those listed in the Annual Investment Priorities Plan (IPPs) under creative industries/ knowledge-based services and infrastructures (telecommunication facilities). It is also covered by information technology enterprise which is one of the preferred investment areas under the PEZA.

The proposed incentives are supported. However, safeguards and stricter monitoring of the availment of such privileges should be implemented to minimize abuses and leakages and correspondingly, monitor on a continuing basis the cost in terms of revenue foregone by the government vis-à-vis the benefits provided by the concerned enterprises in terms of job generation and employment, among others.

Lastly, since the present system of tax incentives is being rationalized, it may be more practical and prudent to align tax privileges that the bill intends to grant to business enterprises with the thrusts of this rationalization initiative for consistency and uniformity in government's overall tax incentives framework.

Unnumbered HB
Strengthening the Animal Industry and Veterinary Services in the Philippines

The Unnumbered HB otherwise known as the Animal Industry and Veterinary Services Act of 2013 proposes that the Bureau of Animal Industry (BAI) be renamed "National Livestock and Veterinary Services Authority (NLVSA)" to be primarily responsible for the regulation of the health, welfare, and productivity of the national animal population. Section 112 of the bill provides the following tax and fee-related proposals:

a. Authorizes the NLVSA to impose fees and charges for the services rendered subject to the approval of the Secretary of Agriculture; and

b. Any contribution, donation, bequest, subsidy or financial aid to the NLVSA shall constitute as an allowable deduction from the taxable income of the donor/giver and shall be exempted from donor's tax.

. . .

The bill's objectives to create the NLVSA to oversee the animal industry and to promote and protect animal health and welfare, recognize the importance of efficient delivery of sanitary measures, establish a modern and responsive national veterinary authority, encourage the participation of various veterinary service providers, and secure the development of the animal industry in the attainment of greater safeguards and food security for the country's animal and human populations, improved public health and environment, and enhanced global trade competitiveness are laudable. This would aid the country in complying and harmonizing sanitary and phytosanitary (SPS) measures and other veterinary protocols with international standards which would then improve the country's livestock trade competitiveness with the global market.

The proposed imposition of fees and charges under Section 112 of the bill for the services rendered in keeping with the NLVSA's mandate and functions is supported. It only reiterates the authority to impose fees currently enjoyed by the BAI pursuant to Act 3639 (January 1, 1930), and EO 292 (July 25, 1987) otherwise known as the Revised Administrative Code of 1987.

On the proposed exemption from donor's tax, the same is already provided under Section 101(A)(2) and Section 101(B)(1) of the NIRC, as amended. With regard to the proposed deductibility of donations from the donor's taxable income, the same is already provided under Section 34(H)(2) of the Tax Code, as amended.

Unnumbered HB
Governing the Accreditation of Micro-Enterprise Development Institutions

Unnumbered HB provides for the establishment and accreditation of Micro-Enterprise Development Institutions (MICRODEVs), non-stock, non-profit corporations, organized and operated to provide micro-enterprise development strategy and provide microfinance programs, products, and services for the poor through the broad package of financial and human development services to enable them to operate their own productive economic activities. MICRODEVs should be duly accredited by the MICRODEVs Accreditation Center under the National Anti-Poverty Commission (NAPC).

The bill also proposes the grant of tax incentives to duly accredited MICRODEVs as follows:

a. MICRODEV shall pay 2% of the gross income in lieu of all national and local taxes which shall be remitted to the National Government. The tax proceeds shall form part of the disbursable portion of the People's Development Trust Fund established under RA 8425;

b. Donations to a MICRODEV shall be fully deductible from the gross income of the donor subject to the conditions of Section 34 of the NIRC of 1997, as amended provided however that the accreditation of the MICRODEV by the accrediting entity shall be sufficient;

c. Donations to a MICRODEV shall be exempt from donor's tax subject to the qualifications of Section 101 of the NIRC of 1997, as amended provided however that for the purpose of utilization of the donations accreditations granted shall be sufficient to the MICRODEV;

d. Transactions of a MICRODEV and its clients shall be exempt from DST.

. . .

The intent of the bill to eradicate poverty and assist in the betterment of the lives of poor Filipino families by giving them more access to micro-finance, micro-insurance, micro health-care, micro housing, business development and human development services through the collaboration of the government and the private sector is supported. At present, Microfinance Institutions (MFIs) and microfinance non-government organizations (NGOs) or foundations are the main viable sources of financial assistance for poor Filipinos. MFIs also serve as catalyst of development especially in relation to the poorest sectors of the economy.

The intent of the bill to expand the assistance provided by MFIs and microfinance NGOs to include micro-insurance, micro-healthcare, micro housing, business development and human development services to help the poor entrepreneurs achieve a level of sustainability and empowerment is laudable. However, the proposed imposition of 2% tax based on gross income in lieu of all national and local taxes is not supported.

The proposal in effect is in lieu of different types of tax imposed by the NG (e.g., income tax, value-added tax or percentage tax) and local governments (e.g., business tax and real property tax). The proposal runs counter to the efforts of the government to increase revenue collection to sustain its expenditures on its priority development programs and social services whose main beneficiaries are the poor.

The proposed exemption from the VAT is not supported as it goes against the policy to adopt a broad-based VAT for a more effective taxation of goods and services. Likewise, the proposal to exempt MICRODEVs from local taxes goes against the principle of enhancing local fiscal autonomy which intends to make LGUs more self reliant and capable of financing the requirements of their own development projects/initiatives.

On the other hand, the proposed exemption from donor's tax and deduction of donations to accredited MICRODEVs from the gross income of the donor is supported. The exemption from donor's tax and the deduction from the donor's gross income of donations to non-stock and non-profit corporations are already provided under Sections 34(H)(2), 101(A)(3) and (B)(2) of the NIRC.

Furthermore, the accreditation of MICRODEVs by the MICRODEV Accreditation Center may have to be reconsidered since there is already an existing entity which conducts such accreditation. At present, under Revenue Regulations (RR) No. 13-98, the Philippine Council on NGO Certification (PCNC), a duly designated non-stock, non-profit organization composed of NGO networks has been duly designated by the Secretary of Finance as an Accrediting Entity pursuant to Memorandum of Agreement (MOA) between the DOF and PCNC.

On the other hand, the proposed earmarking of 2% of the gross income derived by the MICRODEVs for purposes of the People's Development Trust Fund established under RA 8425 goes against the one fund concept which is intended to appropriate funds where these are urgently needed.

Unnumbered HB
Converting the Mayor Hilarion A. Ramiro Sr. Regional Training and Teaching Hospital into a Medical Center, Integrating Therewith the S.M. Lao Memorial Hospital both in Ozamis City and the Tudela Municipal Hospital in the Municipality of Tudela, Province of Misamis Occidental to be Known as the Mayor Hilarion A. Ramiro, Sr. Medical Center

The Unnumbered HB seeks to convert the Mayor Hilarion A. Ramiro, Sr. Regional Training and Teaching Hospital into a regional medical center integrating therewith the S.M. Lao Memorial Hospital both in Ozamis City and the Tudela Municipal Hospital in the Municipality of Tudela, Province of Misamis Occidental to be known as the Mayor Hilarion A. Ramiro, Sr. Medical Center (MHARSRMC) under the supervision of the DOH.

The bill provides that any donation, contribution, bequest, and grant made to the MHARSRMC shall be exempt from donor's tax and the same shall be considered as allowable deduction from the income of the donor for income tax purposes in accordance with the provisions of the NIRC of 1997, as amended.

The bill aims to provide the citizenry, particularly in the Province of Misamis Occidental with more affordable, quality and timely hospital care delivery system and to institute reforms in its organization, administration and financial management and improving the quality of public health care pursuant to the goals, objectives and rules of the National Health Insurance Program (NHIP).

. . .

The objective of the bill to address the need for better and efficient hospital care and service to the citizenry especially the poor is deemed consistent with the provisions of the 1987 Philippine Constitution.

The proposal to exempt donations, contribution, bequests and grants to MHARSRMC from the donor's tax is consistent with Section 101(A)(2) and (B)(1) of the NIRC of 1997, as amended. Moreover, the proposal to include donations as allowable deduction from the gross income in the computation of the tax of the donor, is consistent with Section 34(H)(2)(a) of the NIRC of 1997. Hence, the proposals are supported.

OTHER BILLS

The following is an enumeration of Senate and House bills commented on and evaluated during the period under review which have similarities with bills filed in the previous Congress and were thus published in previous NTRC Annual Reports or were already passed into law:

1. Exempting from Tax All Allowances and Benefits Granted to Public School Teachers, Including those in State Colleges and Universities (SBs 781 and 843)

2. Exempting Persons with Disability from the Value-Added Tax on Certain Goods and Services, Amending for the Purpose RA 7277, as Amended, Otherwise known as the "Magna Carta for Persons with Disability", and for Other Purposes (HBs 1039 and 3826)

3. Giving Tax Credit to Physicians Rendering Pro Bono Services to Poor Patients (HB 2279)

4. Amending Section 27 of the National Internal Revenue Code of 1997, as Amended by RA 9337, Expressly Including the Philippine Amusement and Gaming Corporation (PAGCOR) as One of the Government-Owned or Controlled Corporations Exempt from Income Tax (HBs 2286 and 565)

   Restoring the Tax Exemption Privilege Granted to the Philippine Amusement and Gaming Corporation (PAGCOR) under RA 8424 Otherwise Known as the Tax Reform Act 1997, Amending for the Purpose Section 27(C) of RA 9337 (HB 2717)

5. Enhancing the Current Tax System by Implementing Measures that Ensure Transparency in the Management and Accounting of Tax Incentives Granted to Government and Nongovernment Entities and for Other Purposes (HB 2492)

6. Providing Provisional Relief to Certain Victims of Typhoons, Earthquakes, Volcanic Eruptions or Other Similar Disasters by Granting Special Deductions from Income and Real Property Taxes in Their Favor (HB 3370)

FISCAL INCENTIVES REVIEW BOARD

In accordance with EO 93, the NTRC has continuously rendered assistance to the Fiscal Incentives Review Board (FIRB) as its Technical Secretariat. For 2014, the NTRC prepared studies/papers on the following: (a) details on the tax subsidy granted by the FIRB in 2013; (b) status report on tax subsidy approved by the FIRB in 2014; (c) details on tentative schedule of estimated tax expenditure fund requirements of GOCCs/Commissaries for CY 2014; (d) schedule of estimated tax expenditure fund requirements of GOCCs/ Commissaries, by type of tax; (e) details on the tax subsidy granted by the FIRB for 2004-2014; and (f) details on the automatic appropriations of the General Appropriations Act (GAA).

The NTRC also served in the meetings of the FIRB and its Technical Committee. It prepared the following: agenda and minutes of the meetings; 16 reports; 11 evaluations and studies; 349 endorsements and/or letter replies to queries for tax subsidy availment; 16 FIRB Resolutions; and 12 Certificates of Entitlement to Subsidy.

Also, as FIRB Secretariat, the NTRC conducted ocular inspection of commissaries and attended consultation meetings with various GOCCs on tax subsidy requests and other tax matters.

It also evaluated requests for tax subsidy and/or provided technical assistance to the following:

a. GOCCs/Commissaries

(1) Armed Forces of the Philippines Commissary and Exchange Service (AFPCES)
(2) Light Rail Transit Authority (LRTA)
(3) Millennium Challenge Account-Philippines (MCA-P)
(4) National Food Authority (NFA)
(5) National Kidney and Transplant Institute (NKTI)
(6) National Power Corporation (NPC)
(7) National Transmission Corporation (TransCo)

(8) North Luzon Railways Corporation (NorthRail)

(9) Philippine Deposit Insurance Corporation (PDIC)

(10) Philippine Heart Center (PHC)

(11) Philippine National Railways (PNR)

(12) Philippine Postal Corporation (PhilPost)

(13) Power Sector Assets Liabilities Management Corporation (PSALM)

b. National Government Agencies (NGAs)

(1) Bureau of Customs (BOC)

(2) Bureau of Internal Revenue (BIR)

i. BIR Information Systems Group
ii. BIR Makati West
iii. BIR Main Office
iv. BIR Research and Statistics Division
v. Large Taxpayers Service (LTS-BIR)
vi. Excise Large Taxpayers Audit Division I (ELTAD-BIR)

(3) Commission on Audit (COA)

(4) Department of Budget and Management (DBM)

i. Legal Affairs Group

(5) Department of Finance (DOF)

i. Corporate Affairs Group (CAG)
ii. Revenue Operations and Legal Affairs Group – Department of Finance (ROLAG-DOF)

(6) Department of Health (DOH)

(7) Department of Trade and Industry (DTI)

(8) National Economic Development Authority (NEDA)

c. Various Private Entities

(1) GMA News

(2) Reyes–Tacandong Auditing Firm

(3) CD Technologies Asia (CD Asia)

TASK FORCE ON FEES AND CHARGES

The NTRC continuously served as Secretariat to the Task Force on Fees and Charges originally created under Administrative Order (AO) No. 255 (February 20, 1996) which was reactivated and reconstituted under EO 218 (March 15, 2000). As Secretariat to the Task Force, the NTRC monitored compliance of NGAs in the revision of fees and charges pursuant to Administrative Order (AO) No. 31 (October 1, 2012) as implemented by DOF-DBM-NEDA Joint Circular No. 1-2013 (January 30, 2013).

The NTRC also prepared the following:

1. Update on the Compliance of National Government Agencies (NGAs) with AO 31;
2. Report on the Collection from Fees and Charges;
3. Monitoring of various agencies that are in various stages of the revision of their Fees and Charges;
4. Fees and Charges Imposed by the Department of Finance (DOF) and Its Attached Agencies;
5. Notes on Licensing and Regulatory Fees of Firearms and on the Fees and Charges Imposed by Department of Justice;
6. Projected Revenues from Fees and Charges: 2014-2016;
7. Dates of Imposition/Revision of Fee Collecting Agencies as of June 2014;
8. NGAs Collecting Fees and Charges as of June 2014;
9. NGAs that have revised their schedule of fees and charges in compliance with AO 31 and its Implementing Rules and Regulations (IRR);
10. Comparative Collection from Fees and Charges from NGAs and Breakdown of Non-Tax Revenue Program.

TECHNICAL COMMITTEE ON REAL PROPERTY VALUATION

The NTRC continuously acted as consultant to both the Technical Committee on Real Property Valuation (TCRPV) and Executive Committee on Real Property Valuation (ECRPV) of some Revenue Regional and District Offices of the BIR and attended meetings and public hearings pertaining to determination/revision of zonal values of various real properties, requests for revaluations and participated in ocular inspections of subject properties.

DOF-NTRC GENDER AND DEVELOPMENT

As part of the NTRC commitment to its 2014 GAD Plan, the NTRC conducted a Study on the Country's Top Women Taxpayers which was published in November – December 2014 issue of the NTRC Tax Research Journal. It also prepared the NTRC GAD Plan and Budget for 2015 and 2014 GAD Accomplishment Report.

The NTRC also attended DOF and attached agencies GAD Focal Points Planning Sessions/Seminars/Workshops, conducted tax fora and GAD related seminars/workshops; and rendered technical services to GAD related activities. Moreover, fifteen (15) NTRC representatives participated in the National Women's Month Celebration held on March 8, 2014 as well as in the Walk to End Violence Against Women (VAW) held on November 25, 2014.

The NTRC also displayed streamers on the National Women's Month Celebration (March 8, 2014) and the 18-Day Campaign to End VAW (November 25 – December 12, 2014) in strategic locations in the Office; included it in the NTRC Tax Research Journal and posted it in the NTRC website.

OTHERS

In line with its tax information dissemination and taxpayers' awareness program, the NTRC published and sent tax guides and other information materials to the officials of the executive and legislative branches of the government as well as to the private sector and other requesting parties. The NTRC publications include the following:

1. NTRC Tax Research Journal (published bi-monthly)

2. NTRC Annual Report

3. Various Public Finance and Other Related Statistics, 2000 - 2013

The NTRC also compiled the 2014 BIR Revenue Regulations (RRs), BIR Memorandum Circulars (RMCs), BOC Memorandum Circulars (BMCs) and Supreme Court (SC) Decisions on Tax Cases.

Chapter 4

STAFF DEVELOPMENT

and Other Activities

A. Conferences, Seminars and Study Grants Abroad

1. **Debbie F. Asistio-Sy,** Chief Tax Specialist, Fiscal Incentives Branch, attended the Master of Arts in Development Studies Major in Governance, Policy and Political Economy Course held in The Netherlands from September 2, 2013 – December 12, 2014.

2. **Ma. Rhea L. Caro,** Senior Tax Specialist, Local Finance Branch, attended the training on Fundamentals of Islamic Capital Market: Sukuk and Equity held in Malaysia on December 1-15, 2014.

B. Local Conferences and Seminars

1. **Josephine B. Trillana,** Chief Tax Specialist, Planning and Coordinating Branch, **Luningning D. Fabila,** Chief Administrative

Officer, **Cecilia V. Salvatierra,** Administrative Officer V, Budget and Cash Division, Administrative and Financial Branch, attended the Fora on the Guidelines for the Release of Funds for FY 2014, the Expanded Modified Direct Payments Scheme (Expanded MDPS) and the Preparation of the 2015 Budget held at the AFP Commissioned Officers Club, Main Hall, Camp Aguinaldo , Quezon City on January 14, 2014.

2. **Selected NTRC Officials**, attended the Good Governance Summit held at the Philippine International Convention Center (PICC), Pasay City on January 15-17, 2014.

3. **Luningning D. Fabila,** Chief Administrative Officer, **Cecilia V. Salvatierra,** Administrative Officer V, Budget and Cash Division, Administrative and Financial Branch, **Abraham P. Solomon**, Computer Maintenance Tech. III, Tax Statistics Branch, attended the Fora on the ICT Plan and Budget for FY 2015 held at the DBM Multi-Purpose Hall, Boncodin Hall, DBM Complex, San Miguel, Manila on January 23, 2014.

4. **NTRC Officials and Employees** attended the Seminar on Taxpayers' Remedies Under the National Internal Revenue Code (NIRC) of the Philippines held at the NTRC Social Hall, Port Area, Manila on January 28, 2014.

5. **Josephine B. Trillana**, Chief Tax Specialist, Planning and Coordinating Branch, attended the Conference-Workshop on GAD Plan and Budget for CY 2015 and GAD Accomplishment Report for CY 2013 held at the CAO Conference Room, BSP Complex, Roxas Blvd., Manila on January 29, 2014.

6. **Cecilia V. Salvatierra,** Administrative Officer V, Budget and Cash Division, Administrative and Financial Branch, **Abraham P. Solomon**, Computer Maintenance Technician III, Tax Statistics Branch, attended the Workshop on the ICT Plan and Budget for FY 2015 held at the DBM Executive Lounge, Boncodin Hall, DBM Complex, San Miguel, Manila on February 28, 2014.

7. **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, **Cecilia V. Salvatierra**, Administrative Officer V, **Margarita G. Aure**, Administrative Assistant III, Administrative and Financial Branch, attended the Training on the Philippine Public Sector Accounting Standards (PPSAS) and the Revised Chart of Accounts held at the Commission on Audit, Commonwealth Avenue, Constitution Hills, Quezon City on February 24-28, 2014.

8. **Josephine B. Trillana**, Chief Tax Specialist, **Lillian S. Flores**, Tax Specialist II, Planning and Coordinating Branch, attended the KABISIG Philippine Government Expo and Trade Fair 2014 held at the Consunji Room, Ang Bahay ng Alumni, UP Diliman, Quezon City.

9. **Marilou D. Vilog**, Administrative Officer IV, **Angelito L. Olaes**, Administrative Officer III, Administrative and Financial Branch, attended the Training on the New eBilling and Collections System (EBCS) held at the GSIS Conference Hall, GSIS Bldg., Pasay City on February 28, 2014.

10. **Josephine B. Trillana**, Chief Tax Specialist, Planning and Coordinating Branch, **Luningning D. Fabila,** Chief Administrative Officer, **Cecilia V. Salvatierra,** Administrative Officer V, **Marilou D. Vilog**, Administrative Officer III, Administrative and Financial Branch, attended the Briefing/Workshop on the Shift to Outcome Based Performance Informed Budget (PIB) held at the DBM Multipurpose Hall, Boncodin Hall, San Miguel, Manila on March 3, 2014.

11. **NTRC Officials and Employees** attended the GAD Seminar on the ASEAN Economic Integration and Its Tax Policy Issues held at the NTRC Social Hall, Port Area, Manila on March 3-4, 2014.

12. **Selected NTRC Officials and Employees** attended the Women's Human Symbol Formation held at the Quirino Grandstand, Luneta Park, Manila on March 8, 2014.

13. **Josephine B. Trillana,** Chief Tax Specialist, Planning and Coordinating Branch**, Luningning D. Fabila,** Chief Tax Specialist,

Administrative and Financial Branch, attended the Workshop on the Guidelines in Tagging Government Expenditures for Climate Change in the Budget Process held at the DBM Multipurpose Bldg., DBM Complex, San Miguel, Manila on March 11, 2014.

14. **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, **Abraham P. Solomon**, Computer Maintenance Tech. III, Tax Statistics Branch, attended the Workshop on ICT Plan and Budget for FY 2015 held at the DFG Conference Room, DOF Bldg., BSP Complex, Roxas Blvd., Manila on March 11, 2014.

15. **Josephine B. Trillana,** Chief Tax Specialist, Planning and Coordinating Branch**, Luningning D. Fabila,** Chief Tax Specialist, **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, attended the Critiquing and Presentation of DOF Bureaus and Attached Agencies' Outcome Based Budget Proposal for CY 2015 in Compliance with DBM National Budget Circular 552 held Century Park, Manila on March 14, 2014.

16. **Lorelli D. Villaflores**, Administrative Officer IV, Administrative and Financial Branch, attended the PWDs in the Workplace, An Orientation for Human Resource Personnel held at the RBI's Dr. Arthur Lown Training Center on Visual Impairment, COTI Bldg., EDSA, Cubao, Quezon City on March 20, 2014.

17. **Sheila A. Oballes**, Administrative Aide VI, Office of the Executive Director, **Mevelyn D. Corleto**, Administrative Aide II, Administrative and Financial Branch, attended the Women's Kravmaga (Self-Defense Tactics) held at the DOF Bldg., BSP Complex, Roxas Blvd., Manila on March 21, 2014.

18. **NTRC Officials and Employees** attended the Seminar on Reconciling Philippine Financial Reporting Standards (PFRS) with Income Tax Reporting of Bureau of Internal Revenue held at the NTRC Social Hall, Port Area, Manila on April 2-4, 2014.

19. **Josephine B. Trillana,** Chief Tax Specialist, **Lillian S. Flores**, Tax Specialist II, Planning and Coordinating Branch**,** attended the Seminar-

Forum on the PIDS Economic Policy Monitor held at the Romulo Hall, NEDA sa Makati Bldg., Legaspi Village, Makati City on April 3, 2014.

20. **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, attended the Supervisory Development Course (SDC-Track I) held at the Training Hall, Human Resource Division, CSC-NCR Bldg., Kaliraya St., Quezon City on April 22-25, 2014.

21. **Selected NTRC Officials and Employees** attended the Philippine-Australian Alumni Networking Event held at the Tosca Italian Restaurant, Dusit Thai Hotel, Ayala Center, Makati City on April 25, 2014.

22. **Venchito P. Salvador**, OIC-Personnel Officer, **Lorelli D. Villaflores**, Administrative Officer IV, Administrative and Financial Branch, attended the Statement of Assets, Liabilities and Net Worth Training held at the DOF Bldg., BSP Complex, Roxas Blvd., Manila on April 25, 2014.

23. **Venchito P. Salvador**, OIC-Personnel Officer, Administrative and Financial Branch, attended the Enhanced Training on Appointments Preparation (ETAP) held at the Training Hall, CSC-NCR, Kaliraya St., Quezon City on April 29-30, 2014.

24. **Josephine B. Trillana,** Chief Tax Specialist, **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, attended the TWG Review of Organizational Outcomes held at the DBM Bureau C Conference Room, DBM Bldg., San Miguel, Manila on May 5, 2014.

25. **Trinidad A. Rodriguez**, OIC-Executive Director, **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, attended the Presentation of Department-wide Budget Proposal and FY 2014 PBB Guidelines

held at the DOF-OSEC, DOF Bldg., BSP Complex, Roxas Blvd., Manila on May 7, 2014.

26. **Eva Marie T. Nejar**, Tax Specialist II, **Lianne Carmeli B. Fronteras**, Tax Specialist I, Economics Branch, attended the "Launch of the International Monetary Fund's Regional Economic Outlook" Report held at the Ateneo Professional Schools, Rockwell Center, Makati City on May 12, 2014.

27. **NTRC Officials and Employees** attended the Seminar on HIV and AIDS held at the NTRC Social Hall, Port Area, Manila on May 12-13, 2014.

28. **Selected NTRC Officials and Employees** attended the Australian Awards Recipients "GRANDuation" held at Crowne Plaza Galleria Manila, Ortigas Center, Mandaluyong City on May 28, 2014.

29. **NTRC Executive Staff** attended the 2014 NTRC Executive Staff's Strategic Planning Workshop on the New SPMS held at Hotel Dominique, Aguinaldo Highway, Tagaytay City on May 30-31, 2014.

30. **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, **Elizabeth Miriam L. Paredes**, Administrative Officer V, Administrative and Financial Branch, attended the PhilGEPS Buyers Training held at eBBSI Training Center, Anglo Bldg., Shaw Blvd., Wack-Wack, Mandaluyong City on June 9-10, 2014.

31. **Selected NTRC Officials and Employees** attended the 2014 Independence Day Celebration held at the Rizal Park, Manila on June 12, 2014.

32. **Donaldo M. Boo**, Chief Tax Specialist, Direct Taxes Branch, **Marlene L. Calubag**, Chief Tax Specialist, Indirect Taxes Branch, attended the Conference on Energizing the Philippine Social Sciences for the ASEAN Community: Vision and Prospects held at the Philippine Social Science Center Auditorium, Commonwealth Ave., Diliman, Quezon City on Jun 17, 2014.

33. **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, Administrative and Financial Branch, attended the Training on Supervisory Development Course (SD-Track I) held at the CSC-NCR Bldg., Kaliraya St., Quezon City on June 17-20, 2014.

34. **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, **Jonah P. Tibubos**, Statistician III, Tax Statistics Branch, attended the Convergence of Manila Cooperative Leaders' Meeting held at Unibersidad de Manila, City of Manila on June 26, 2014.

35. **Mark Lester L. Aure**, Supervising Tax Specialist, Fiscal Incentives Branch, **Jerome V. Trinidad**, Librarian I, Administrative and Financial Branch, attended the Seminar on Managing ICT Services in Government – ITIL Framework held at the Information and Communications Technology Office (ICTO) Bldg., C. P. Garcia Ave., Diliman, Quezon City on July 2-4, 2014.

36. **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, **Cecilia V. Salvatierra,** Administrative Officer V, Administrative and Financial Branch, attended the Budget Utilization Rate of DOF's Bureaus and Attached Agencies held at the DFG Conference Room, DOF Bldg., BSP Complex, Roxas Blvd., Manila on July 17, 2014.

37. **Abraham P. Solomon**, Computer Maintenance Technician III, Tax Statistics Branch, **Lillian S. Flores**, Tax Specialist II, Planning and Coordinating Branch, attended the SERP-P Reorientation Session held at the NEDA sa Makati Bldg., Amorsolo St., Legaspi Village, Makati City on July 23, 2014.

38. **Monica G. Rempillo**, Economist V, **Eva Marie T. Nejar**, Economist II, **Lianne Carmeli B. Fronteras**, Tax Specialist I, Economics Branch, attended the Forum on Microfinance: Facing the Challenges of ASEAN Integration 2015 held at the SGV Caseroom, Eugenio Lopez Foundation Bldg., Asian Institute of Management, Legaspi Village, Makati City on July 23, 2014.

39. **Marcelino B. Obias, Jr.**, Statistician IV, Tax Statistics Branch, **Venchito P. Salvador**, Senior Tax Specialist, **Marilou D. Vilog**, Administrative Officer IV, Administrative and Financial Branch, attended the Seminar on Cooperatives Standard held at the Executive Session Hall, Makati City on July 23-24, 2014.

40. **Jerome V. Trinidad**, Librarian I, Administrative and Financial Branch, attended the Seminar on Effective Records Management held at the SEAMEO INNOTECH, Commonwealth Ave., Diliman, Quezon City on July 23-25, 2014.

41. **Josephine B. Trillana**, Chief Tax Specialist, **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, attended the Training-Workshop on Gender Analysis with Emphasis on Harmonized GAD Guidelines held at Hotel H20, Manila on July 23-25, 2014.

42. **Marilou D. Vilog**, Administrative Officer IV, **Angelito L. Olaes**, Administrative Officer III, Administrative and Financial Branch, attended the Unified Accounts Code Structure (UACS) Training/ Workshop held at Summit Ridge Hotel, Tagaytay City on July 29 to August 1, 2014.

43. **Selected NTRC Employees** attended the Orientation Seminar and Introduction to Tax Research held at the NTRC Social Hall, Port Area, Manila on July 30 to August 1, 2014.

44. **Venchito P. Salvador**, OIC Personnel Officer, Administrative and Financial Branch, attended the Session on Competency-Based Recruitment System – "Building Alliances by Developing a Community of Competency HR Practitioners" held at CSC Region 4 Training Room, Panay Ave., Quezon City, on July 31, 2014.

45. **Jerome V. Trinidad**, Librarian I, Administrative and Financial Branch, attended the Seminar on Resource Description and Access held at the UP School of Library and Information Studies, Gonzales Hall, UP Main Library, UP Diliman, Quezon City on August 12-13, 2014.

46. **Teresita L. Solomon,** OIC-Deputy Director, attended the 6th Career Executive Service (CES) Strategic Leadership Forum held at the DENR Central Office, Visayas Ave., Quezon City on August 20, 2014.

47. **NTRC Officials and Employees** attended the Seminar on Transfer Pricing, Tax Treaties and Foreign Account on Tax Compliance Act (FATCA) and International Tax Issues on Base Erosion and Avoidance held at the NTRC Social Hall, Port Area, Manila on September 2-4, 2014.

48. **Emelita A. Tena**, Chief Tax Specialist, Special Research and Technical Services Branch, **Roselyn C. Domo**, Supervising Tax Specialist, Direct Taxes Branch, **Ma. Berlie L. Amurao**, Supervising Tax Specialist, Indirect Taxes Branch, attended the OECD Korea Bilateral Programme held at Traders Hotel, Roxas Blvd., Manila on September 3-4, 2014.

49. **Monica G. Rempillo**, Economist V, Economics Branch, **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, **Jonah P. Tibubos**, Statistician III, Tax Statistics Branch, **Marilou D. Vilog**, Administrative Officer IV, Administrative and Financial Branch, attended the Strategic Planning Seminar held Makati Cooperative Development Office (MCDO), Makati City on September 4-5, 2014.

50. **Selected NTRC Officials and Employees** attended the R.A.C.E. to Serve Fun Run held at the Mall of Asia Complex, Pasay City on September 6, 2014.

51. **Josephine B. Trillana**, Chief Tax Specialist, **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, attended the 4th GAD Focal Point Assembly held at Sunrise Holiday Mansion, Royal Estates, Metro Tagaytay, Alfonso, Cavite.

52. **Jonah P. Tibubos**, Statistician III, Tax Statistics Branch, attended the Training Course Module III – Time Series Analysis, Modeling and Forecasting held at the University of the Philippines School of Statistics (UPSS), UP Diliman, Quezon City on September 23-26, 2014.

53. **Selected NTRC Officials and Employees** attended the Orientation on ISO 9001:2008 Quality Management System held at the VisMin Room, DOF Bldg., BSP Complex, Roxas Blvd., Manila on September 25, 2014.

54. **Selected NTRC Officials and Employees** attended a Tutorial on CSPro Software held at the Philippine Statistics Authority (PSA) National Statistics Office (NSO-CVEA), East Avenue, Quezon City on September 29, 2014.

55. **Selected NTRC Officials and Employees** attended the Screening of "Boses" an Erasto Film Production on the Protection and Promotion of Children's Rights held at the VisMin Room, DOF Bldg., BSP Complex, Roxas Blvd., Manila on September 30, 2014.

56. **Selected NTRC Offcials and Employees** attended the Walk for Life (A Program for the Elderly) held at the Mall of Asia Complex, Pasay City on October 1, 2014.

57. **Nedinia B. Mendiola**, Supervising Tax Specialist, Planning and Coordinating Branch, **Marilou D. Vilog**, Administrative Officer IV, Administrative and Financial Branch, attended the Third GAD Budget Forum held at the PDC Auditorium, COA Bldg., Commonwealth Ave., Quezon City on October 10, 2014.

58. **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, **Venchito P. Salvador,** OIC-Personnel Division, Administrative and Financial Branch, attended the Seminar on Anti-Money Laundering Act (AMLA) held at the Workship Room, Land Bank Plaza, Malate, Manila on October 17, 2014.

59. **Selected NTRC Officials and Employees** attended "Preparing for the Unexpected: The Financial Implications of Disaster Management" and the Awarding Rites as one of the Oustanding Accounting Offices of 2014 held at Camp John Hay Trade and Cultural Center, Baguio City on October 20-22, 2014.

60. **Jonah P. Tibubos**, Statistician III, **Analiza G. Berja**, Tax Specialist I, Tax Statistics Branch, attended the Users' Forum on BSP-Produced Statistics held at the AVR-EFLC, BSP Complex, Roxas Blvd., Manila on October 24, 2014.

61. **Mark Lester L. Aure**, Supervising Tax Specialist, Fiscal Incentives Branch, **Abraham P. Solomon**, Computer Maintenance Technician III, Tax Statistics Branch, attended the Customer Immersion Experience (CIE) Session held at the Visayas Room, DOF Bldg., BSP Complex, Roxas Blvd., Manila on November 4, 2014.

62. **Donaldo M. Boo**, Chief Tax Specialist, Direct Taxes Branch, **Gian Carlo D. Rodriguez**, Supervising Administrative Officer, Administrative and Financial Branch, attended the GSIS Public Sector Union's Dialogue for NCR held at the Traders Hotel Manila, Roxas Blvd., Manila on November 5, 2014.

63. **Jose C. Nicolas**, Administrative Assistant II, Local Finance Branch, **Celestino M. dela Cruz**, Economist I, Administrative and Financial Branch, attended the Rules Formulation Seminar held at MADAC Conference Room, New Makati City Hall, Makati City on November 12-13, 2014.

64. **Trinidad A. Rodriguez**, OIC-Executive Director, **Donaldo M. Boo**, Chief Tax Specialist, **Roselyn C. Domo**, Supervising Tax Specialist, Direct Taxes Branch, **Florida J. Jurado**, Senior Tax Specialist, Indirect Taxes Branch, attended the International Tax Forum 2014 held at Fairmont Hotel, Makati Ave., Makati City on November 12-14, 2014.

65. **Nedinia B. Mendiola**, Supervising Tax Specialist, **Lillian S. Flores**, Tax Specialist II, Planning and Coordinating Branch, attended the Orientation-Workshop on Gender Mainstreaming and Monitoring System held at Hotel Rembrandt, Quezon City on November 19, 2014.

66. **Selected NTRC Officials and Employees** attended the 2014 Walk to End VAW (A GAD Activity) held at the Quezon City Memorial Circle on November 25, 2014.

67. **Donaldo M. Boo**, Chief Tax Specialist, Direct Taxes Branch, **Mark Lester L. Aure,** Supervising Tax Specialist, Fiscal Incentives Branch, attended the National Convention of Government Employees held at the Hyatt Regency Hotel and Casino Manila on December 5, 2014.

68. **Selected NTRC Officials and Employees** attended the PSA 2014 Annual Meeting and General Assembly held at Dr. A. Ventura Auditorium, Medical Arts Building, Philippine Heart Center, East Avenue, Quezon City on December 5, 2014.

69. **NTRC Officials** attended the 2014 NTRC Performance Planning and Review Conference held at the NTRC Social Hall, Port Area, Manila on December 9, 2014.

70. **Nedinia B. Mendiola**, Officer-in-Charge, **Lillian S. Flores**, Tax Specialist II, **Ronnel L. Yambao**, Tax Specialist I, Planning and Coordinating Branch, **Abraham P. Solomon**, Computer Maintenance Technician III, Tax Statistics Branch, attended the Socio Economic Research Portal – Philippines (SERP-P) 3rd Biennial Members' Meeting held at NEDA sa Makati Bldg., Legaspi Village, Makati City on December 10, 2014.

71. **Nedinia B. Mendiola**, Officer-in-Charge, **Lillian S. Flores**, Tax Specialist II, Planning and Coordinating Branch, attended the Workshop on Gender Mainstreaming of Agency Operations held at the Securities and Exchange Commission (SEC) Bldg., EDSA, Mandaluyong City on December 16, 2014.

Republic of the Philippines
DEPARTMENT OF FINANCE
NATIONAL TAX RESEARCH CENTER
Harbor Centre Bldg. II
23rd St. cor. Delgado St., Port Area, Manila

From left to right: Ronnel, Lillian, Nedinia, Marilou & Perfecto