45th ANNUAL REPORT

2017 Tax Reforms and Developments

NATIONAL TAX RESEARCH CENTER
Department of Finance
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His Excellency
President of the Republic
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Thru: The Secretary of Finance

SIR:

I have the honor to submit the 2017 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
Executive Director

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INTRODUCTION

In 2017, the Philippine economy remained robust as gross domestic product (GDP) in real terms grew by 6.7%, although slightly slower than the 6.9% growth in 2016. The sustained economic expansion was backed by a recovered agriculture sector, strong government consumption, and surge in external trade. Net primary income (NPI) from the rest of the world, constituting 16.6% of total gross national income (GNI), increased by 5.9% in 2017 from 5.8% in 2016. GNI posted a 6.6% growth rate compared with the previous year's 6.7%,

By major economic sectors, the industry sector was the main driver of the economy as it recorded the fastest growth of 7.2%, although slower than the 8.0% growth in 2016. It constituted 28.4% of the total GNI. Major contributors to this sector were mining and quarrying; manufacturing; construction; and electricity, gas and water supply.

The service sector, representing 47.9% of the total GNI, grew by 6.8%. The growth was largely on account of increases in the following sub-sectors: transport, storage and communication; trade and repair of motor vehicles, personal and household goods; financial intermediation; real estate and business activities; public administration and defense; and other services.

Lastly, agriculture, hunting, forestry and fishing (AHFF) sector which comprised 7.1% of the GNI, rebounded from a 1.2% contraction in 2016 to a 4.0% growth in 2017. Contributing to the sector's growth was the 5.0% increase in agriculture and forestry. Meanwhile, fishing continued to decline at 0.8%, although slower than the 4.0% contraction in the previous year.

National government (NG) revenue remained stable as it grew to PhP2.47 trillion in 2017 from PhP2.20 trillion in 2016. Of the total NG revenue, 91.0% or PhP2.25 trillion came from tax revenues and 9.0% or PhP222.5 billion, from non-tax revenues. The revenue effort or the ratio of total revenue to GDP at current prices grew from 15.2% in 2016 to 15.6% in 2017. The tax effort or the ratio of tax revenue to GDP at current prices also went up from 13.7% to 14.2% for the same period.

The Bureau of Internal Revenue (BIR), the government's main tax collecting agency, contributed PhP 1.77 trillion or 78.7% of the total NG revenues in 2017, up by 12.7% from PhP 1.57 trillion in 2016. Said collection accounted for 99.4% of the PhP 1.78 trillion revenue target for 2017.

The Bureau of Customs (BOC), on the other hand, collected PhP458.2 billion in 2017 or 20.4% of the total NG revenues. This was 15.6% higher than the previous year's collection of PhP396.4 billion and 99.7% of its revenue goal of PhP459.6 billion.

Other government collecting agencies such as the Bureau of Fire Protection (BFP), Bureau of Immigration (BI), Department of Environment and Natural Resources (DENR) and the Land Transportation Office (LTO) among others, collected PhP20.2 billion or less than 1% of the total revenues in 2017. The aggregated collection was 20.2% higher than the PhP16.8 billion collected a year ago.

Non-tax revenues, which contributed 9.0% to total NG revenues, increased from PhP215.5 billion in 2016 to PhP222.4 billion in 2017 or by 3.2%. The favorable performance was due, among others, to higher remittances of fees and charges from various national government agencies (NGAs) and the proceeds from privatization. However, the Bureau of Treasury (BTr) income and grants dropped by 1.8% and 50% respectively during the year.

During the year, the National Tax Research Center (NTRC), in accordance with its mandate, conducted continuing research on taxation as a basis for tax policy formulation/legislation aligned to the key result area (KRA) of Rapid, Inclusive, and Sustained Economic Growth. NTRC conducted basic studies on taxation supportive of national goals and priorities particularly on Package 1 of the Comprehensive Tax Reform Program, otherwise known as

Tax Reform for Acceleration and Inclusion (TRAIN). The NTRC assisted the Department of Finance (DOF) in shepherding the approval of the TRAIN, which was later signed into law as Republic Act (RA) No. 10963[1] on December 19, 2017. It provided technical assistance during the bicameral committee meeting.

The NTRC completed the following major studies in support of the TRAIN: (a) Proposed Reforms on the Personal Income Tax; (b) Proposed Reforms on Estate Taxation; (c) Proposed Tax Reform on the Excise Tax of Petroleum Products; (d) Proposed Imposition of Excise Tax on Sugar-Sweetened Beverages in the Philippines; (e) Proposed Reforms on Value-Added Tax. It also conducted other tax studies such as: (a) Taxation of Political Advertisements; (b) Junk Food Tax; (c) Comparative Organizational Structure of ASEAN Revenue Authorities; (d) Proposed Imposition of Casino Entrance Fee; (e) Proposed Foreign Tourist Tax; (f) The Road Tax or Motor Vehicle User's Charge in Selected ASEAN Members-Countries; (g) Proposed Automated Teller Machine (ATM) Card Transaction Tax; (h) Tax Administration Reform Proposals Under the TRAIN. Upon the approval of the TRAIN law, it published the Highlights of RA 10963 and Comparative Provisions Under the Previous Tax Regime vis-a-vis RA 10963 in the tax journal.

The NTRC also provided technical assistance to the Congress and evaluated 104 Senate and House Bills and other tax proposals coming from other government agencies and private sector and attended public hearings relative thereto. Aside from RA 10963 or the TRAIN Act, some of these bills were likewise passed into law such as RA 10926[2] or "An Act Extending for 25 Years the Franchise Granted to Smart Communications, Inc., Amending for the Purpose Republic Act No. 7294.

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1 An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, And 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes

2 Approved on April 21, 2017.

As the Secretariat to the Fiscal Incentives Review Board (FIRB), the NTRC processed and evaluated the applications for tax subsidy by government-owned and controlled corporations (GOCCs) for consideration of the FIRB Technical Committee and the Board Proper. The Board issued two (2) Certificates of Entitlement to Subsidy (CES) and 2 FIRB Resolutions during the year.

As the Secretariat to the Task Force on the Revision of Fees and Charges, the NTRC monitored the compliance of NGAs in the revision of fees and charges pursuant to Administrative Order (AO) No. 31 s. 2012. It prepared the Report on the Collection from Fees and Charges of NGAs; Update on the Compliance of National Government Agencies (NGAs) to AO 31; and Revenue Performance and Status of the Revision of Top Fee Collecting Agencies. It provided technical assistance to the Technical Education and Skills Development Authority (TESDA) on its rationalization of fees and in the revision of fees and charges of various government agencies.

As a consultant to the Executive Committee on Real Property Valuation (ECRPV) and Technical Committee on Real Property Valuation (TCRPV) pursuant to Department of Finance Order No. 6-2010 (March 12, 2010) and BIR Revenue Memorandum Order No. 41-2010 (April 23, 2010) in the review and revision of zonal values of real properties for tax purposes, the NTRC attended public consultations/hearings in coordination with the BIR on the proposed revision of zonal values in their respective jurisdictions located in various areas in the country.

The NTRC also provided technical support to the working group of the Development and Budget Coordination Committee/Executive Technical Board (DBCC/ETB) and DOF Gender and Development (GAD).

The NTRC, as part of its information dissemination, published the NTRC Tax Research Journal on a bimonthly basis for 2017, Various Public Finance and Related Statistics, and the 2016 NTRC Annual Report, which are accessible in the NTRC website.

For the continuous improvement of the NTRC information and communication technology program, which aims to improve its technical and administrative support and service delivery, the NTRC upgraded its internet facilities to fiber optic internet, which provides more reliable internet services and ensures security in the database management system of the Office.

For the continuous provision of quality services, the NTRC provides continuing staff development to its officials and employees by their attendance to various seminars/workshops to keep abreast of the latest trends and developments on taxation. One chief tax specialist attended the Comparative Tax Policy and Administration Program at the Harvard Kennedy School Executive Education in Massachusetts, U.S.A., from August 21 to September 2, 2017. One tax specialist attended the Course on Financial Programming and Policies held at Singapore on March 6-7, 2017.

The NTRC has implemented its Quality Management System (QMS) that conforms to ISO 9001:2015 principles and requirements to demonstrate its commitment to continual provision of quality tax research services that exceed client expectations.

The NTRC received an award as one of the Most Outstanding Accounting Offices in Government from the Association of Government Accountants of the Philippines (AGAP) held at the Waterfront Cebu City Hotel, Cebu City on October 18, 2017. It also received a recognition from the Civil Service Commission (CSC) for obtaining Maturity Level 2 in Recruitment, Selection, and Placement as a result of its determination and invaluable efforts to promote people excellence in the agency for efficient and effective public service delivery, which was awarded on March 8, 2017.

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 and growth, 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 basic 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.

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Chapter 1

IMPLICATIONS OF TAX LEGISLATIONS AND ISSUANCES PROMULGATED IN 2017

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

Executive Order (EO) No. 19

Reduction and Condonation of Real Property Taxes and Interests/Penalties Assessed on the Power Generation Facilities of Independent Power Producers Under Build-Operate-Transfer Contracts with Government Owned and Controlled Corporations (April 27, 2017)

A. Features

EO 19 was issued to reduce the real property taxes (RPT), as well as condone the interests and penalties assessed on power generation facilities of independent power producers (IPPs) that have Build-Operate-Transfer (BOT) agreements and contracts with government -owned and/or –controlled corporations (GOCCs).

Pursuant to the EO, all RPT liabilities including special levies accruing to the Special Education Fund (SEF) on property, machinery and equipment actually and directly used by IPPs for the production of electricity under BOT contracts and similar contracts (whether denominated Power Purchase Agreements, Energy Conversion Agreements or other contractual agreements) with the GOCCs for all the years up to 2015 and 2016 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 2% per year, less any amount already paid by the IPPs.

EO 19 further condones all fines, penalties and interests on deficient RPT liabilities, thus, relieving all concerned IPPs from the payment thereof. In case the IPPs already paid the RPT for the years 2015 and 2016 in excess of the reduction above, such excess shall be applied to their RPT liabilities for the succeeding year.

The condonation or reduction of the tax by the President is based on Section 277 of Republic Act (RA) No. 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 RPT and interest for any year in any province or city or a municipality within the Metropolitan Manila Area (MMA)."

B. Implications

The issuance of EO 19 addresses the threats of certain local government units (LGUs) against IPPs to levy and sell at public auction delinquent properties of IPPs for the non-payment of their RPT liabilities to the prejudice not only of the investors but also electricity consumers. It also aims to mitigate or avoid the threat to financial stability of the GOCCs, the government's fiscal consolidation effort, and the stability of energy prices. In addition, it seeks to prevent economic losses across all the sectors as a result of the collection of the subject RPT by concerned LGUs and possible increase in electricity cost.

On the other hand, EO 19 will impede the LGUs from collecting the RPT including the arrears of some IPPs. It is noted that the RPT is one of the major sources of local revenues. Hence, the condonation and reduction of RPT liabilities will reduce the LGUs' revenue that may adversely affect their capability to provide basic social services to their constituents. Although the condonation of unpaid interest and penalties from prior years will have no effect on the cash flow of the LGUs, the reduction of RPT liabilities including special levies will reduce the revenue of LGUs.

However, under the EO, the LGUs may still collect modest revenue from the RPT while keeping the confidence of investors and protecting the need of energy consumers for adequate supply of electricity at stable price.

Republic Act (RA) No. 10929 Otherwise Known As The "Free Internet Access In Public Places Act"

An Act Establishing the Free Internet Access Program in Public Places in the Country and Appropriating Funds Therefor (Approved on August 2, 2017)

A. Features

RA 10929 establishes a Free Public Internet Access Program to promote knowledge building among citizens and enable them to participate and compete in the evolving information and communication age.

Under the Program, no fees shall be collected from the users to connect to public internet access points, which shall include, among others: national and local government offices; public basic education institutions and state colleges and universities; public hospitals; public parks, plazas, libraries; and public transportation terminals.

The Department of Information and Communications Technology (DICT) shall be the lead implementing agency that will oversee the effective and efficient implementation of this Act. Furthermore, the DICT may partner with the private sector in the implementation of the Program. They may offer supplemental internet access service for a reasonable fee in areas where the Program facilities are located. Participants to the Program should be registered value-added service providers with the National Telecommunications Commission (NTC).

Appropriations for the Program shall be charged against any available funds of the DICT, the NTC, and the National Privacy Commission (NPC). Thereafter, such sums as may be necessary for the implementation of this Act shall be sourced from the Free Public Internet Access Fund (FPIAF) created under the management of the DICT and shall be funded out of the Spectrum User's Fee (SUF) collected by the NTC. Any deficiency in the budgetary requirements for the implementation of this Act shall be included in the annual General Appropriations Act (GAA).

B. Implications

The importance of information and communications technology, particularly internet connectivity, is recognized through the Free Internet Access in Public Places Act. It is expected that through the availability of quality and free internet services in public places throughout the country, access to information will be improved, business and government processes will be more efficient, and social connections will be further strengthened, among other developments. The Act is also envisioned to address the country's need for faster and more affordable internet services.

RA 10929 is expected, not only to increase internet penetration rate without placing additional financial burden to the public, but also bring about social inclusion especially to unserved and underserved areas where there is significant inequality in internet access and wide digital divide. The DICT also formulated the National Broadband Plan which shall provide clear direction for the Philippine government and detailed physical target and strategies to effect nationwide broadband deployment.

Pursuant to the Act, public-private participation is permitted in order to promote efficiency and cost-effectiveness in the delivery of free internet access. The excess capacity of private sector partner may be offered to deliver supplemental internet access service for a reasonable price to the users in the areas where Program facilities are located, provided that said individuals or entities register to the NTC as value-added service providers[1]. The DICT, DILG, and other concerned NGAs and LGUs shall streamline the process for the application, renewal, and approval of permits/certificates, and the regulation and standardization and implementation of pertinent fees. The Act further provides that no additional steps, permits, certificates, or fees shall be required from any applicant other than the requirements stipulated by the DICT.

The fees for such requirements shall be standardized, regulated and implemented, justly and reasonably sufficient to cover the costs incurred by the government. Such provision is consistent with Administrative Order (AO) No. 31 series of 2012 (October 1, 2012)[2] implemented by DOF-DBM-NEDA

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[1] Section 6 of RA 10929.

[2] Directing and Authorizing All Heads Of Departments, Bureaus, Commissions, Agencies, Offices And Instrumentalities Of The National Government, Including GOCCs, To Rationalize The Rates Of Their Fees And Charges, Increase Their Existing Rates And Impose New Fees And Charges.

Joint Circular No. 1-2013 (January 30, 2013)[3]. Among the factors that must be taken into consideration in determining the rates of fees and charges is the direct costs of rendering the service, which shall include the cost of supplies and materials, salaries and wages of personnel directly involved in the service, depreciation costs of equipment used, technology adopted, etc.

As to the creation of the FPIAF, the same is envisioned to provide a stable, reliable, and predictable source of funding for the Program. It will ensure that the Program will no longer compete with other budget priorities for revenue allocation. Moreover, the predictability of the source of funding allows for a longer range planning and budgeting on the part of the DICT and other concerned agencies. The FPIAF shall be funded out of the SUF collected by the NTC and other sources to be identified by the Department of Budget and Management (DBM). Most of the current fees for SUF are based on the amount of spectrum used, the type of service being offered and the economic classification of the areas covered by the radio stations[4]. The spectrum users' share of regulatory costs is distributed among licensees on the equity principle that the licensees with the higher assigned bandwidth should pay more. Higher fees are paid by radio and television broadcasters, whose licenses permit them strong signals in the most populous markets[5] . The fee is not entirely based on the cost of service (regulatory cost) but more of value-based. Users compensate the government for their use of a public resource[6] according to the value of the

[3] Implementing Rules and Regulations of Administrative Order No. 31, Series of 2012, on the Rationalization of Rates of Fees and Charges, Increase in Existing Rates, and Imposition of New Fees and Charges.

[4] NTC Memorandum Circular (MC) No. 10-10-97 (October 13, 1997).

[5] There is also a fixed annual SUF imposed under Section 6.3 of M.C. 09-09-2003 (September 12, 2003) which can also be categorized as a lump sum fee. This type of spectrum fee is imposed to each outdoor radio station operated by private persons/entities or Public Telecommunications Entities (PTE) and for each indoor radio station operated by PTEs with data rate ranging from 0 - 11MBPS or more.

[6] Article XII Section 2 of the 1987 Constitution expressly provides that the State owns such natural resources and that the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State.

resource. Thus, the source of funding for the Program is one that is not entirely out of government subsidy[7].

The average collection from SUF is approximately PhP 2.6 billion for the last five (5) years. In addition to the FPIAF, other budgetary requirements intended for the Program shall be sourced from any available funds of the DICT, NTC and National Privacy Commission, and any deficiency shall be included in the annual GAA. Given the availability of stable funding for the Program, it is highly expected that the Free Public Internet Program will be successful in its objective of promoting knowledge building among its citizen and in enabling them to compete in the evolving information and communication age. Nonetheless, it may be worth noting that the success of the Program depends not only on availability of funding but more so on the efficiency and reliability of service of the private sector partner service providers.

RA 10932

An Act Strengthening the Anti-Hospital Deposit Law by Increasing the Penalties for the Refusal of Hospitals and Medical Clinics to Administer Appropriate Initial Medical Treatment and Support in Emergency or Serious Cases, Amending for the Purpose Batas Pambansa Bilang 702, Otherwise Known as "An Act Prohibiting the Demand of Deposits or Advance Payments for the Confinement or Treatment of Patients in Hospitals and Medical Clinics in Certain Cases", as Amended by Republic Act No. 8344, and For Other Purposes (Approved on August 3, 2017)

A. Features

RA 10932 strengthens Batas Pambansa Bilang 702[8], as amended by

[7] Fees are generally imposed to recover the cost of providing government service, thus, if collection from fees is appropriated for other purpose other than to recoup the cost of providing the service, the government is in effect subsidizing the provision of government service.

[8] Enacted without executive approval on April 5, 1984.

RA 8344[9], by providing for the following:

1. Stiffer penalties for any official, medical practitioner or employee of a hospital or medical clinic who shall refuse to administer medical treatment and support in emergency or serious cases[10];

2. Free use of a LGU emergency vehicle in the event that there is no ambulance available for use by the hospital or medical clinic for the emergency transfer of a patient to a facility where the appropriate care shall be given;

3. Requirement for hospitals to post at their entrance a notice indicating its classification level as licensed by the Department of Health (DOH) and the list of medical services that the hospital is authorized to perform;

4. Creation of a Health Facilities Oversight Board under the Health Facilities and Services Regulatory Bureau (HFSRB) of the DOH to handle and facilitate all complaints for violations of the provisions of the Act;

[9] Entitled, "An Act Penalizing the Refusal of Hospitals and Medical Clinics to Administer Appropriate Initial Medical Treatment and Support in Emergency or Serious Cases, Amending for the Purpose Batas Pambansa Bilang 702, Otherwise Known As "An Act Prohibiting the Demand of Deposits or Advance Payments for the Confinement or Treatment of Patients in Hospitals and Medical Clinics in Certain Cases." Approved on August 25, 1997.

[10] As defined under Section 2(a) and (b) of the Act, 'emergency' refers to a condition or state of a patient wherein based on the objective findings of a prudent medical officer on duty for the day there is immediate danger and where delay in initial support and treatment may cause loss of life or cause permanent disability to the patient, or in the case of a pregnant woman, permanent injury or loss of her unborn child, or would result in a non-institutional delivery. 'Serious cases', on the other hand, refers to a condition of a patient characterized by gravity or danger wherein based on the objective findings of a prudent medical officer on duty for the day when left unattended to, may cause loss of life or cause permanent disability to the patient, or in the case of a pregnant woman, permanent injury or loss of her unborn child.

5. Reimbursement by the PhilHealth of the cost of basic emergency care[11] and transportation services incurred by the medical hospital or medical clinic for the emergency medical services given to poor and indigent patients[12] and provision by the Philippine Charity Sweepstakes Office (PCSO) of medical assistance for the basic emergency care needs of the poor and marginalized groups; and

6. Tax deductibility of other expenses incurred by the hospital or medical clinic in providing basic emergency care to poor and indigent patients that are not reimbursed by the PhilHealth.

B. Implications

The strengthening of the "Anti-Hospital Deposit Law" of 1984, as amended, is deemed appropriate in order to give the patients whose conditions are considered emergency or serious cases, the assurance that they will be immediately and properly attended to in the hospital or medical clinic where they are brought without the need to shell out money as deposit in the said medical facilities. The stiffer penalties imposed under the law and the proposed creation of the Health Facilities Oversight Board in the DOH give the signal to hospitals and medical clinics that compliance to the provisions of the Act should be strictly observed in order not to suffer penalties such as the revocation of their license to operate. As such, non-attendance to emergency or serious medical cases because of unavailability of funds to pay for hospital deposits is expected to be reduced, if not eradicated.

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[11] As defined under the Act, 'basic emergency care' refers to the response to a situation where there is urgently required medical care and attention, and shall include procedures required for initial diagnosis, use of equipment and supplies in sufficiently addressing the emergency situation, considering the welfare of the patient. It also includes the necessary medical procedures and treatment administered to a woman in active labor to ensure the safe delivery of the newborn.

[12] 'Poor and indigent patients' as defined under the Implementing Rules and Regulations (IRR) of the law (DOH Administrative Order No. 2018-0012, adopted on November 17, 2017) are those whose income falls below the poverty threshold and who cannot afford in a sustained manner to provide for their food and non-food needs, and/or officially identified by Department of Social and Welfare Development (DSWD) through National Household Targeting System for Poverty Reduction (NHTS-PR).

The provision that the PhilHealth shall reimburse the cost of basic emergency care and transportation services incurred by the hospital or medical clinic for emergency medical services given to poor and indigent patients as well as the PCSO providing medical assistance for the basic emergency care needs of the poor and marginalized groups provide not only a form of relief and assistance to the said members of the society but also assurance that in the event of medical emergency, the cost will be covered by the said agencies.

On the provision allowing the deductibility from the gross sales/ receipts of a hospital or medical clinic other expenses incurred for the basic emergency care accorded to poor and indigent patients but were not reimbursed by the PhilHealth and PCSO, will mean a sharing of expenses between the government and hospital or medical clinic. The deduction will serve as partial reimbursement for the cost of emergency care accorded to the country's poor and indigent patients which the government may not be able to fully cover. It is partial reimbursement since the hospital or medical clinic is only able to recover the expenses up to the extent of the amount equivalent to the income tax rate applicable to them, either 10% preferential tax rate or 30% regular corporate income tax under Section 27(B) or Section 27(A), respectively, of the NIRC of 1997, as amended. In effect, 90% or 70% of the cost is shouldered by the hospital or medical clinic.

At present, Section 34 of the NIRC of 1997, as amended, provides for the items that a taxpayer may deduct from his/her gross income and one of these are ordinary and necessary trade, business or professional expenses paid or incurred during the taxable year. It is under this item of deduction where subject health facilities may claim other expenses they incurred for providing emergency health care to poor and indigent persons but were not covered by the PhilHealth and the PCSO. However, it should be noted that such health facilities may only be able to deduct the full amount of expenses incurred if they opt to use itemized deductions as a mode of deduction from gross income instead of the optional standard deduction equivalent to a fixed rate of 40% of its gross income.

While it is recognized that the tax provision under the law is only a means to recoup the cost of emergency care to poor and indigent patients which the government should have fully covered, it is still deemed necessary that the BIR put in place proper monitoring and verification schemes to ensure that only those expenses pertaining to emergency care accorded to poor and indigent patients that was not covered by the PhilHealth and the PCSO shall be claimed as deductions.

RA 10963

An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, As Amended, and For Other Purposes (Approved on December 19, 2017)

A. Features

RA 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Act amends several provisions of the National Internal Revenue Code (NIRC) of 1997 on personal income taxation, passive income for both individuals and corporations, estate tax, donor's tax, value-added tax (VAT), excise tax, documentary stamp tax (DST), and tax administration, among others. It likewise introduced new taxes such as the excise tax on cosmetic surgery and sweetened beverages.

The TRAIN is the first of five (5) packages of the Comprehensive Tax Reform Program (CTRP) which seeks to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient.

B. Implications

The TRAIN introduced reforms to make the Philippine tax system simpler, fairer and more efficient and at the same time generate additional revenues in order to make meaningful investments on the country's people and infrastructure, promote investment, create jobs, and reduce poverty. Below is an assessment of the implications of the amendments by the TRAIN law:

(1) *Restructuring of the Personal Income Tax Rates. -*

The restructuring of the personal income tax schedule addresses equity and bracket creep issues that came about as a result of two (2) decades of non-adjustment, that is, since January 1, 1998 when RA 8424, or the NIRC of 1997 took into effect. Middle income earners who, under the previous tax schedule, were similarly taxed with the very rich at the top rate of 32% will be taxed at lower tax rates of 15% to 25%, while the rich will be subject to higher income tax rate of 35% under the restructured PIT schedule to maintain progressivity.

The exemption of the first PhP250,000 in the first tax bracket of the personal income tax (PIT) schedule will make available in the hands of individual income taxpayers additional money in the form of tax savings.

The retention of the exemption of minimum wage earners (MWEs) would provide continuous relief to this group of workers. Likewise, the retention of the exemption of de minimis benefits and exclusion from gross income of mandatory contributions of SSS, GSIS, Philhealth, Pag-IBIG and union dues would continuously benefit salaried workers.

Also, in the light of the ASEAN Economic Community, the new PIT schedule will make the country competitive vis-à-vis ASEAN neighbors. Prior to the TRAIN law, the Philippines had the second highest top rate of 32% next to Thailand and Vietnam with 35% while others impose 20% to 30%. In particular, the PhP500,000 equivalent which used to be taxed at 32% in the Philippines is exempt in Singapore and taxed at 10% to 20% in other ASEAN members.

(2) *Option for the Self-employed and Professionals (SEPs) to be Taxed Based on the* Gross Sales/Gross Receipts (*GS/GR)*

The option for the SEPs to be taxed at 8% based on GS/GR and other non-operating income in excess of PhP250,000 for those with GS/GR and other non-operating income not exceeding the VAT threshold of PhP3 million is simpler and easier to administer than the net income tax system where the cost of goods sold or cost of services, deductions and exemptions need to be determined and substantiated. Also, since this tax regime is in lieu of the graduated income tax rates and percentage tax, it is also seen to enhance SEP's tax compliance.

(3) Taxability of Philippine Charity Sweepstakes and Lotto Winnings Exceeding PhP10,000

Prior to the TRAIN law, the government collects a Prize Fund tax of 5% of the proceeds from the sales of tickets pursuant to RA 1169[13], as amended by Presidential Decree No. 1157[14]. This is in lieu of income tax to be collected from the sweepstakes prize winners. Thus, Philippine Charity Sweepstakes and Lotto winnings used to be an exception to the imposition of a 20% final tax imposed on winnings under Section 24 (B)(1) of the Tax Code.

Under the TRAIN law, the 5% Prize Fund Tax was repealed while Philippine Charity Sweepstakes and Lotto winnings exceeding PhP10,000 are subjected to 20% final tax. The taxability of Philippine Charity Sweepstakes and Lotto winnings at the hand of the winner is deemed appropriate. This is for the reason that if hard earned money are taxable, the more that these easily earned money should be taxed. The taxability of Philippine Charity Sweepstakes and Lotto winnings is not expected to discourage bettors as the jackpot prize increases when it is not won in each draw. The removal of the exemption of said winnings will also increase the tax collection of the government from this activity.

[13] Entitled, "An Act Providing for Charity Sweepstakes, Horse Races, and Lotteries," approved on June 18, 1954.

[14] Entitled, "Increasing the Rates of Tax on Winnings in Jai-Alai and Horse-Racing and the Share of the Government from the Sweepstakes Total Prize Fund."

(4) *Increase in the Final Tax Imposed on Interest Income Received under the Expanded Foreign Currency Deposit System (EFCDS) from 7½% to 15%*

The increase in the final tax rate imposed on interest income received by individuals (except nonresidents) and domestic corporations from a depository bank under the EFCDS from 7.5% to 15% is intended to mitigate the impact of the lowering of PIT. However, the TRAIN law inadvertently retain the tax rate for the same income received by resident foreign corporations. There is a need therefore to increase the tax rate for resident foreign corporations to 15% to make it at par with those of domestic corporations and individuals (except nonresidents).

It is worth noting that the preferential tax treatment on interest income from foreign currency deposits, that is, the lower rate of 7.5%, was primarily granted to beef up the country's foreign currency reserves. However, such policy is no longer relevant today with the country's sufficient international reserves and Overseas Filipino Workers (OFW) remittances as well as the liberalization of the banking sector.

(5) *Imposition of a Single Final Income Tax Rate on Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange*

The amendment simplifies the taxation of capital gains derived from the sale of shares of stock not traded in the stock exchange by providing only for a single rate of tax of 15% from two-tiered rates of 5% and 10% final tax. However, the TRAIN law inadvertently retain the rates for foreign corporations. Thus, there is a need to adjust the same to 15% final tax.

(6) *Taxability of Alien Individuals Employed by Regional Headquarters (RHQS) and Regional Operating Headquarters (ROHQs) of Multinational Companies, Offshore Banking Units (OBUs) and Petroleum Service Contractors and Subcontractors*

The removal of the preferential tax rate on alien individuals employed by RHQs and ROHQs of multinational companies, OBUs and petroleum service contractors and subcontractors makes uniform the tax treatment of said employees with other individual taxpayers. The Act will only make such provision apply prospectively, that is for RHQs and ROHQs of multinational companies, OBUs and petroleum service contractors and subcontractors, that will register with the Securities and Exchange Commission (SEC) after January 1, 2018. However, the President vetoed the same and provided that qualified employees of existing and newly-registered RHQs and ROHQs of multinational companies, OBUs and petroleum service contractors and subcontractors shall no longer enjoy preferential tax treatment in order to promote fairness in the tax system for individuals performing similar work.

It is worth noting that preferential tax treatment has been enjoyed by alien individuals employed by RHQs and ROHQs of multinational companies since 1973 via PD 718[15]; 1977 via PD 1158[16] in the case of those employed by OBUs; and 1982 via Batas Pambansa Bilang 135[17] for alien individuals employed by petroleum service contractors and subcontractors. Given that said employees have enjoyed such tax incentive for more than four (4) decades already, it is deemed proper that they now be similarly taxed as other individual taxpayers. This will translate to additional revenue for the government.

(7) Increase in the Amount of Tax-exempt Ceiling of 13th Month Pay and other Benefits

The amount of tax-exempt benefits ceiling was last adjusted in 2015 from PhP30,000 to PhP82,000 by virtue of RA

[15] Prescribing Incentives for the Establishment of Regional or Area Headquarters of Multi-National Companies in the Philippines. Issued on June 16, 1973.

[16] A Decree to Consolidate and Codify All the Internal Revenue Laws of the Philippines. Issued on June 3, 1977.

[17] Entitled, "An Act Amending Certain Provisions of the National Internal Revenue Code of 1977, As Amended, and for Other Purposes." Approved on December 18, 1981 and made effective on January 1, 1982.

10653[18]. The increase under the TRAIN law from PhP82,000 to PhP90,000 is in view of the increase in the salaries of government personnel pursuant to EO 201[19] and consequently of the 13th month pay that said employees will receive.

While the increase of tax-exempt benefits ceiling will result in revenue loss on the part of the government, it is deemed that the revenue foregone from income tax could be partly recouped through higher consumption which is subject to value-added tax (VAT). It could also translate to higher savings which can be captured by the final withholding tax on interest income from deposits.

The deletion, however, of the provision allowing for the adjustment of the ceiling by the President of the Philippines every three (3) years to its present value using the consumer price index (CPI) as published by the Philippine Statistics Authority (PSA) effectively removes the fixed period within which the said ceiling may be adjusted.

(8) Increase in the Fringe Benefits Tax (*FBT*) *Rate from 32% to 35%*

The increase in the FBT rate on the grossed-up monetary value of fringe benefits granted to an employee (except rank-and-file employees) beginning January 1, 2018 is reflective of the increase in the topmost income tax rate imposed on individual taxpayers under the law which is 35%. This will increase the amount of tax payable by an employer on the fringe benefits that it will furnish or grant to its managerial and/or supervisory employees. The adjusted FBT rate will increase the government's collection from the said type of tax.

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[18] Entitled, "An Act 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," approved on February 12, 2015.

[19] Modifying the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of Additional Benefits for Both Civilian and Military and Uniformed Personnel. Issued on February 15, 2016.

*(9) Optional Standard Deduction (*OSD*) of a General Professional Partnership (*GPP*)*

The provision under the law which provides that the OSD by a GPP may only be availed once, either by the GPP or the partners comprising such partnership, ensures that no double claim on the deduction may be made under a GPP and thus protect government revenues.

(10) Removal of the Deductibility of Personal and Additional Exemption (PAE) Allowances and Premium Payments on Health and/or Hospitalization Insurance

The removal of PAE allowances and premium payments on health and/or hospitalization insurance of individual taxpayers as deductible items from gross income is appropriate as these allowances are already deemed integrated into the PhP250,000 exempt threshold. This is also consistent with the thrust of the law to simplify the tax system.

(11) Removal of the Philippine Charity Sweepstakes Office (PCSO) in the List of Tax-exempt GOCCs

The removal of the PCSO among the list of GOCCs exempt from the payment of the corporate income tax is said to be parallel to the taxation of winnings from the lotto under the law and is also aligned with the initiatives under Packages 2 and 4 to repeal the income tax exemption of certain GOCCs. Subjecting the PCSO to the corporate income tax will result in additional revenues for the government.

(12) Removal of the Exemption Allowed to Income of Estates and Trusts

Similar to the removal of PAE allowances and premiums paid on health and/or hospitalization insurance as deductible items from the gross taxable income of individual taxpayers, the removal of the exemption allowed to income of estates and trusts amounting to PhP20,000 will simplify the tax system.

(13) Restructuring of the Estate Tax Schedule

The single rate of 6% estate tax under the law is simpler and easier to understand, hence, could enhance tax compliance. Also, since the estate tax rate is the same as the donor's tax rate and the capital gains tax on the sale, exchange or other disposition of real property under the law, manipulative tax planning to lower tax liability on transfer transactions is minimized.

(14) Allowable Deductions from Gross Estate

The repeal under the law of a number of items of deduction from the gross estate such as judicial, medical and funeral expenses and its integration into the increased amount of standard deduction of PhP5 million will simplify the system of estate taxation in the country as this will dispense of the necessity for family members to keep receipts or documents to prove such claim for expenses. The same is true in the case of nonresident estates where the deductions pertaining to expenses, losses, indebtedness, and taxes are removed but a standard deduction from the gross estate of nonresidents amounting to PhP500,000 is provided instead. In the case of the amount of deduction for family home, its increase from PhP1 million to PhP10 million is reasonable to account for inflation since this type of deduction was introduced way back in 1992 via RA 7499[20].

The increased amounts of deduction from gross estate combined with the simplified single estate tax rate as well as other administrative reforms are seen to enhance compliance to the

[20] Entitled, "An Act Restructuring the Estate and Donor's Taxes, Amending for the Purpose Sections 77, 79(a), 83(b) and 92(a) and (b) on Transfer Taxes of the National Internal Revenue Code, As Amended," approved on May 15, 1992.

settlement of the estate tax and consequently improve its collection. As regards payment by installment of the estate tax, the law only codifies the current provision under Section 9(F) of BIR Revenue Regulations No. 2-2003[21] providing for the payment of the estate tax by installment in the event that the estate is not sufficient to pay its total estate tax liability.

(15) Restructuring of the Donor's Tax Schedule

The restructuring of the donor's tax schedule from a schedular type to a single tax rate of 6%, and its application regardless of whether the donee is a relative or stranger, is administratively simpler and easier to understand and is likewise seen to enhance tax compliance. The law likewise relieves from the payment of the donor's tax bona fide, at arm's length and donative-intent free sale, exchange or other transfer of property made in the ordinary course of business as these are considered made for an adequate and full consideration.

On the other hand, while the law removes the exemption from the donor's tax dowries or gifts made by parents to each of their legitimate, recognized natural, or adopted children on account of marriage to the extent of the first PhP10,000, the same is deemed captured already by the exempt amount of gifts under the law amounting to PhP250,000.

(16) Filing of Tax Returns

The law provides for a number of amendments on the provisions of the Tax Code pertaining to returns and payment of tax as enumerated above. Such amendments are seen to enhance taxpayer compliance and make administration by the BIR easier.

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[21] Subject: Consolidated Revenue Regulations on Estate Tax and Donor's Tax Incorporating the Amendments Introduced by Republic Act No. 8424, the Tax Reform Act of 1997. Issued on January 17, 2003.

It likewise provides withholding agents sufficient period within which to withhold and pay the tax, and in the case of individuals receiving self-employment income (either as sole source of income or in combination with salaries, wages and other fixed or determinable income), enough time to declare his/her estimated income for the current taxable year as well as pay his/her estimated income tax due.

(17) Value Added Tax

The repeal of 54 out of 61 special laws with non-essential VAT exemptions under TRAIN makes the VAT system fairer. These exemptions have created much confusion, complexity, and discretion in the tax system resulting in large leakages.

Purchases of senior citizens and persons with disabilities, however, will remain exempt from the VAT. Housing that cost below PhP2 million will be exempt from the VAT beginning 2021, while medicines for diabetes, high cholesterol, and hypertensions will be exempt beginning 2019.

The reform also limits the zero-rating to direct exporters who actually export goods out of the country. This will be implemented together with an enhanced VAT refund system that will provide timely cash refunds to exporters.

VAT threshold is also increased to PhP3 million from PhP1.9 million to protect the poor and low-income Filipinos, and small and micro businesses, and for manageable administration. This effectively exempts the sale of goods and services of marginal establishments from the VAT.

(18) Excise Tax

(a) Petroleum Products

An excise tax is an indirect tax on selected goods that have negative externalities or are non-essentials. This measure will discourage too much consumption of some products to limit their negative effects such as pollution and traffic congestion. It is a progressive form of taxation since those who consume more will pay more.

TRAIN increased the tax rates on petroleum products in three (3) tranches beginning January 1, 2018 to January 1, 2020 as follows:

Petroleum Product	Excise Tax Per Liter (in PhP)		
	2018	2019	2020 onwards
Lubricating oil and greases*	8.00	9.00	10.00
Processed gas	8.00	9.00	10.00
Waxes and petrolatum	8.00	9.00	10.00
Denatured alcohol for motive power	8.00	9.00	10.00
Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation	7.00	9.00	10.00
Unleaded premium gasoline	7.00	9.00	10.00
Aviation turbo jet fuel	4.00	4.00	4.00
Kerosene when used as aviation fuel*	3.00 4.00	4.00 4.00	5.00 4.00
Diesel fuel oil and on similar fuel oils having more or less the same generating power	2.50	4.50	6.00
LPG**	1.00	2.00	3.00
Asphalts**	8.00	9.00	10.00
Bunker fuel oil	2.50	4.50	6.00
Petroleum coke***	2.50	4.50	6.00

*Subject to the same tax on aviation turbo jet fuel
** Excise tax for greases, LPG and asphalts are per kilogram.
*** Excise tax is per metric ton.

It is noted, however, that for the period covering 2018 to 2020, the scheduled increase in excise tax on fuel shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three months prior to the scheduled increase of the month reaches or exceeds eighty dollars (USD 80) per barrel.

Expanding the VAT base and adjusting excise taxes would raise prices of some commodities, but this will be minimal or moderate and only temporary based on initial estimates.

(b) Automobiles

TRAIN restructures the excise tax schedule on automobiles by imposing ad valorem tax rates that are directly applied to the net manufacturer's price or importer's selling price instead of imposing marginal rates. Below is a comparison of the new and previous rates, viz.:

OLD TAX SCHEDULE

Net Manufacturer's Price/ Importer's Selling Price	Tax Rate
Up to PhP600,000	2%
Over PhP600,000 to 1.1 million	PhP12,000 + 20% of value in excess of PhP600,000
Over PhP1.1 million to PhP2.1	PhP112,000 + 40% of value in excess of PhP1.1 million
Over PhP2.1 million	PhP512,000 + 60% of value in excess of PhP2.1 million

NEW TAX SCHEDULE

Net Manufacturer's Price/Importer's Selling Price	Tax Rate
Up to PhP600,000	4%
Over PhP600,000 to PhP1million	10%
Over PhP1 million to PhP4 million	20%
Over PhP4 million	50%

It also subjects hybrid vehicles to excise tax rates equivalent to 50% of the applicable excise tax rates on equivalent automobiles. Purely electric vehicles and pick-ups, on the other hand, are exempt from excise tax on automobiles. Furthermore, the Act provides that pick-ups shall be considered as trucks.

Presented below, is a comparison of the suggested retail price (SRP) under the new and old excise tax rates of selected automobiles, viz.:

Brand and Model	Current SRP (in PhP)	Estimated New SRP (in PhP)	Change in SRP (in PhP)
Toyota Vios 1.3 Base	599,000	609,734	10,734
	2%	4%	
Mitsubishi Mirage G4 GLX	700,000	712,544	12,544
	2%	4%	
Toyota Innova 2.0 J	919,000	957,618	38,618
	12,000 + 20% in excess of 600,000	4%	
Ford Everest Titanium 2.2 4x2	1,739,000	1,794,731	55,731
	112,000 + 40% in excess of 1.1 million	10%	
BMW 740Li Essential	7,240,000	7,591,232	351,232
	512,000 + 60% in excess of 2.1 million	50%	

(c) Sweetened Beverages

The sweetened beverage excise tax will help promote a healthier Philippines. The new tax is supported as part of comprehensive health measures that are aimed to curb the consumption of sweetened beverages and address the worsening number of diabetes and obesity cases in the country, while raising revenue for complementary health programs that address these problems. The measure is meant to encourage the consumption of healthier products, to raise public awareness of the harms of sweetened beverages and incentivize the industry to develop healthier products.

TRAIN imposes a tax per liter of volume capacity of sweetened beverages: (a) PhP6.00 using purely caloric sweeteners and purely non-caloric sweeteners or a mixture of both; and (b) PhP12.00 using purely high fructose corn syrup or in combination with any caloric or non-caloric sweeteners. The products covered by sweetened beverage excise tax include sweetened juice drinks, sweetened tea and other beverages such as carbonated beverages with added sugar, including those with caloric and non-caloric sweeteners; flavored water; energy drinks; sports drinks; other powdered drinks not classified as milk; cereal and other grain beverages; and other non-alcoholic beverages that contain added sugar. Those exempted from the sweetened beverages excise tax include 3-in-1 coffee, milk, and 100% natural juices.

The tax, as a health measure, will encourage individuals and families to make healthy choices to ensure healthier and more productive population.

(d) Coal and other Mineral Products

The tax on coal will help promote the shift towards renewable energy sources, while generating the much-needed revenue for infrastructure and social services.

Beginning January 1, 2018, a tax of PhP50.00 from PhP10.00 per metric ton will be imposed on both domestic and imported coal. The tax will be increased by PhP50.00 per metric ton every year until January 1, 2020, when the rate reaches PhP150.00 per metric ton.

On the other hand, the excise tax on all metallic and non-metallic minerals and quarry resources will be doubled from 2% to 4% based on the actual market value of the gross output and on indigenous petroleum from 3% to 6% of the fair international market price thereof.

(e) Tobacco Products

The increase in the excise tax on cigarettes will help discourage the habit of smoking, while generating incremental revenues for health programs and services. Smoking remains a serious health concern and directly increases health risks, such as various cardiovascular and respiratory diseases. While smoking incidence has declined in the country, from 17 million in 2009 to 15.9 million in 2015 according to the Global Adults' Tobacco Survey, failure to increase taxes on cigarettes may result to an increase in the number of smokers in the coming years.

Beginning January 1, 2018, the excise tax on cigarettes will be increased from PhP30.00 to PhP32.50; to PhP35.00 beginning July 1, 2018; to PhP37.50 beginning January 1, 2020; and to PhP40.00 beginning January 1, 2022. After January 1, 2024, the rates will be increased annually by 4%.

(f) Cosmetic Procedures

The TRAIN law introduced an excise tax on non-essential services such as on invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient's appearance and do not meaning fully promote the proper function of the body or prevent or treat illness or disease. The tax is 5% based on gross receipts derived from the performance of such service. The tax however does not apply to procedures necessary to ameliorate a deformity arising from, or directly related to, a congenital or developmental defect or abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease, tumor, virus or infection and cases or treatments covered by the National Health Insurance Program.

(19) Repeal of VAT Exemption Provisions

Section 86 of RA 10963 provides for the repeal of VAT exemption provisions under various laws and subjects affected persons and/or transactions to the VAT under Title IV of the NIRC, as amended, to broaden the VAT base.

However, in the case of government agencies i.e., GOCCs, state universities and colleges (SUCs), and other government instrumentalities (GIs), their VAT obligations shall be chargeable to the Tax Expenditure Fund (TEF) provided for under the annual GAA. Their VAT exemptions are replaced by a targeted tax subsidy provision being administered by the Fiscal Incentives Review Board (FIRB).

In the case of SUCs, their VAT exemption, VAT zero-rating, and VAT credit on their purchases and importations were repealed and the transactions affected therein are now subject to the VAT provisions of Title IV of the NIRC, as amended. Their VAT obligations shall likewise be chargeable to the TEF.

It is worth noting that the use of tax subsidy as administered by the FIRB to answer for the payment of VAT liabilities of GOCCs, SUCs and other GIs is a more practical alternative to the broad/outright grant of VAT exemption. The use of tax subsidy is favored by the government because this can be quantified and is easier to monitor and thus, adheres to fiscal transparency particularly in the use of government resources.

(20) Stock Transaction Tax

Section 39 of RA 10963 amended Section 127(A) of the NIRC of 1997, as amended, by increasing the stock transaction tax

(STT) rate from 0.5% to 0.6% of the gross selling price (GSP) or gross value (GV) in money of the shares of stock sold, bartered, exchanged, or otherwise disposed through the local stock exchange.

The STT is a percentage tax imposed on every sale, barter or exchange of shares of stock listed or coursed through the local stock exchange which is collected by the stock broker from the seller/transferor upon confirmation of the sale and remitted to the Bureau of Internal Revenue (BIR).

The STT should have been part of Package 4 but was included in Package 1 to augment the revenue that will be raised from the TRAIN law. The STT increase was among the "offsetting" measures included in the TRAIN law, as the government lowered personal income taxes to boost the net take-home pay of the average Filipino.

It is anticipated that the increase in the STT rate under RA 10963 is not enough to hamper stock transactions at the PSE especially with the country's solid economic growth and easing inflation which are major ingredients to keep local stock market vibrant.

(21) On Documentary Stamp Tax

RA 10963 increased all documentary stamp tax (DST) rates by 100% except the DST on debt instruments (Sec. 179) which was only increased by 50% and retained the rates on policies of insurance upon property (Sec. 184), fidelity bonds (Sec. 185), indemnity bonds (Sec. 187), and conveyance of real properties (Sec. 196). With the doubling of the tax rates under RA 10963, jai-alai, horse-race tickets, lotto, and etc. have now the highest DST rate of 20% followed by non-life insurance and fidelity bonds at 12.50% and indemnity bonds at 7.50%. Under the Act, the DST on debt instruments is 0.75% compared to shares of stock at 1%. This again gives advantage to debt instruments over original issuance of stocks.

The DST has been a steady and reliable source of government revenues as it is relatively easy to collect and enforce. Available data show that the DST collection remarkably grew from PhP3.5 billion in 1990 to PhP85.9 billion in 2017, sharing around 3% to 6% of the total BIR collection.

By section, from 2010 to 2017, the DST collection on debt instruments (Section 179) had the biggest average contribution annually of 48.59% to total DST collection, followed by policies of insurance upon properties (Section 184) with an average share of 9.65%. The DST on proxies and powers of attorney (Section 193) had the lowest share of less than 1%.

It may be noted that the amendments made in RA 10963 are meant to raise additional revenue for earmarked government projects including infrastructure projects and social services. The DST was not initially part of the TRAIN Law, but was intended to be part of Package 4 of the CTRP which focuses on the taxation of passive income and financial transaction taxes. However, during the ratification of the TRAIN bill, amendments to the DST were squeezed in. The TRAIN law provides hefty income tax cuts for majority of Filipino taxpayers while raising additional funds to help support the government's accelerated spending on its "Build, Build, Build" and social services programs.[22] Thus, the DST increase was among the "offsetting" measures included, as the government lowered personal income tax to boost the net take-home pay of the average Filipino.

By simply doubling most of the DST rates, the TRAIN law did not address its complex structure which makes it confusing and ambiguous. Presently, there are 25 major categories of the DST with varying rates and bases. Thus, there is a need to streamline the DST structure by merging akin documents/instruments/transactions and/or similar tax rates and bases to simplify tax administration for better administrative oversight with the end in view of improving DST collection. There is also a need to lift

[22] https://www.dof.gov.ph/index.php/ra-10963-train-law-and-veto-message-of-the-president/.

some of the existing DST exemptions for equity, revenue considerations, and for consistency of policies which RA 10963 failed to address.

(22) Tax Administration

The TRAIN introduced various reforms on tax administration with the end in view of improving the efficiency and effectiveness of the tax collection enforcement system, and more importantly, tax compliance, as follows:

(a) *Requires the Cooperative Development Authority (CDA) to submit to the Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) reports of the tax incentives availed of by cooperatives*

The TRAIN law requires the CDA to submit a tax incentive report to the BIR and the DOF which shall include information on the income tax, value-added tax (VAT), and other tax incentives availed of by cooperatives under RA 6938[23], as amended. This would then be a part of the database created under the TIMTA. The additional provision on the information that the CDA may provide to the BIR and the DOF will broaden the database of the TIMTA to better monitor and evaluate the fiscal incentives provided by the government which, in turn, can be used in the conduct of cost-benefit-analysis of such fiscal incentives. The analysis would provide the necessary data and information to determine the impact of tax incentives on the Philippine economy. The broader database system of TIMTA could also be used in the crafting of relevant policies particularly on cooperatives.

(b) *Automatic Adjustment of Zonal Values Every Three (3) Years*

The regular adjustments of zonal values will ensure that real property values would keep up with economic growth

[23] Entitled, "An Act to Ordain A Cooperative Code of the Philippines" Date Approved: March 10, 1990.

of the country, and, would, more or less, be reflective of actual market price. Moreover, the government will be able to benefit, revenue wise, from imposing the corresponding taxes on transactions involving real properties.

(c) *Interlinkage of the CRM/POS machines of VAT-registered taxpayers to the BIR's servers for simultaneous sales and purchase data reporting*

This will hinder unscrupulous taxpayers from cheating with their tax liabilities as real-time data are being transmitted to the BIR. The BIR is provided with actual data which it can use to identify establishments for audit. This measure, in effect digitizes/systematizes tax revenue monitoring and collection, making it at par with other countries.

Modernization of tax administration reforms, however, may entail costs both on the part of the BIR and business establishments as it would increase their administrative and compliance cost as well as to the cost of doing business (e.g. acquisition of machines and devices, personnel training, as well as system upgrades of the electronic machines). On the other hand, the BIR will have greater ease in data collation and reporting, thereby enhancing transparency as it could plug leakages, and provide a mechanism for early detection of misdeclaration and tax evasion.

(d) *Establishment of VAT Refund Centers in the BIR and in the Bureau of Customs (BOC)*

The measure will do away with the issuance of tax credit certificates (TCC) which is usually tainted with corruption. Under this new measure, only cash refunds will be granted and no TCC will be issued. The process of granting and denying VAT refund is also made similar to tax assessment under Section 228 of the Tax Code including the evidentiary requirement of such claim. Thus, official receipts or invoices related to purchases and sales of claimants are required to be submitted. Similar to tax assessments/provisions under Section 228, should the BIR deny such claim, it must state the legal and factual basis of such denial; otherwise, such denial would be void.

(e) *Aligning the Powers of the Commissioner of Internal Revenue with the Development in the Exchange of Information (EOI)*

Sec. 5(B) of the previous Tax Code provides that the Commissioner has the power to obtain any information from any person other than the person whose internal revenue tax liability is subject to audit or investigation or from any office or officer of the national and local governments, government agencies and instrumentalities. BIR RMC No. 12-2018[24] however clarifies that the power of the Commissioner to obtain information under Section 5 of the NIRC of 1997, as amended, serves as an exception to both the attorney-client and accountant-client privilege.

(f) *Issuance of Electronic Sales Receipts and the Electronic Sales Reporting System Directly to BIR servers*

The electronic sales reporting system and the use of e-receipts and related invoices is envisioned to hinder unscrupulous taxpayers from cheating with their tax liabilities as real-time data is transmitted to the BIR. The BIR is provided with actual data and information which may be used to facilitate and as reference for its random tax audit as well as tax mapping on business establishments.

This may also discourage the non-issuance of receipts/ invoices and/or underdeclaration of sales which are common among small and medium size business establishments, hence, tax evasion may be minimized. As real-time data will be

[24] Entitled, "Clarifying the Nature and Extent of the Power of the Commissioner of Internal Revenue to Obtain Information Under Section 5 of the National Internal Revenue Code of 1997, As Amended, vis-à-vis Attorney-Client and Accountant –Client Privilege," dated February 22, 2018.

reported on each sale transaction, there will be less disputes between the businesses and tax authorities. It will also greatly improve compliance resulting in increased revenue for the government.

Simultaneous sales and purchase data reporting is envisioned to hinder unscrupulous taxpayers from cheating with their tax liabilities as real-time data is to be transmitted to the BIR. In effect, the BIR is actually provided with actual data which it can use to facilitate its tax audit of business establishments. This, however, may entail, e.g. systems upgrade to BIR's electronic registry to keep up with the fast-paced/real-time data processing.

(g) *Fuel Marking of Petroleum Products*

The TRAIN law provides for fuel marking of petroleum products that are refined, manufactured, or imported into the Philippines, and that are subject to the payment of taxes and duties, such as but not limited to unleaded premium gasoline, kerosene, and diesel fuel oil after the taxes and duties thereon have been paid. It provides for the mechanism on how fuel marking will be done including possible violations thereto. All costs related thereto shall be borne by the refiner, importer, or manufacturer of petroleum products. The fees and charges that may be collected by implementing agencies in relation to the program may be recorded as their trust receipts, and shall be exclusively disbursed to defray the cost of services or equipment required to fully implement the said program.

It is to be noted that fuel fraud causes harm to the environment by replacing quality fuel with adulterants or waste byproducts, resulting in increased fuel consumption and greenhouse gas emissions that worsen air pollution.[25] Illegal fuel-laundering plants often indiscriminately dump waste products in the countryside, causing additional

[25] ADB, "Fuel-Marking Programs: Helping Government Raise Revenue, Combat Smuggling and Improve the Environment https://www.adb.org/sites/default/files/publication/174773/governance-brief-24-fuel-marking-programs.pdf (viewed last 30 October 2018).

environmental damage.[26] As to the diesel and gasoline engines, adulterants also diminish engine performance and lifespan, leading to costly maintenance of fuel-powered vehicles.

The law, likewise requires the DOF to maintain a registry of all petroleum manufacturers and/or importers and the articles manufactured and/or imported by them including a real-time inventory of such products in storage depots. Importers of petroleum products are also required to have BIR-accredited metering devices for accurate determination of volume of petroleum products imported by them. This broadens the DOF's database for the registry for all petroleum manufacturers and/or importers and articles manufactured and/or imported by them including real-time inventory of such products. Moreover, the same maintains the transparency and accountability as access to real-time information is quite open for monitoring tax compliance. The same, however, may entail costs on the part of the DOF for setting up and maintaining a system of registry for all petroleum products and to importers of petroleum commodities which are required to have BIR-accredited metering devices.

(h) *FDA Requirement for Labeling on Sweetened Beverages.*

For proper implementation of the tax on sweetened beverages, the FDA shall require all manufacturers and importers of sweetened beverages covered by the law to put required labeling. With this measure, the beverages will be properly labeled and thus, the consumers will be well-informed of their sugar content. It also provides for an annual review of the impact of the said tax to its health objectives with the view to making recommendations on the tax rate on these beverages.

[26] Ibid.

(i) *Tax Administration and Implementation/Imposition*

To ensure smooth implementation of the TRAIN law, the BIR, which has the mandate to collect and regulate taxes, has issued several guidelines (i.e, Revenues Regulations, Revenue Memorandum Circulars, and Revenue Memorandum Orders), amending certain existing rules under the Tax Code, containing the implementing rules and regulations (IRR) of the TRAIN.

(j) *Penalties Imposed*

Violations of the tax provisions are subject to penalties, such as: printing of fraudulent receipts or sales or commercial invoices (Section 264(b)(4)); failure to electronically transmit sales data on CRM/POS machines to the BIR's electronic sales reporting system (Section 264-A); purchase, use, and possession of sales suppression devices; cumulative suppression of electronic sales record in excess of PhP50 million which is considered as economic sabotage (Section 264-B); and violations of the fuel marking provisions (Section 265-A).

Existing penalties have also been changed, such as: the interest rate charged on any unpaid amount of tax from the existing 20% per annum to twice the legal interest rate for loans or forbearance of money in the absence of an express stipulation as set by the Bangko Sentral ng Pilipinas (BSP). It also provides that the deficiency and delinquency interest shall not be simultaneously imposed/charged (Section 249); increases the fine on attempt to evade or defeat tax (Section 254); and increases the fine for failure to issue receipts or sales or commercial invoices (Section 264(b)).

Thus, the TRAIN law, in particular, shows that it is taking the imposition seriously as non-compliance of this law can be very costly. Penalties were likewise updated to make them relevant and would serve its purpose as a deterrent to would-be violators. Penalties range from PhP100,000 to PhP10 million and may be coupled with imprisonment.

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1. Proposed Reforms on the Personal Income Tax

This paper presents and evaluates the proposals under various bills filed in Congress with the end view of coming up with a comprehensive reform package for the personal income tax (PIT) system.

a. On the Proposed PIT Schedule

- On the Indexation to Inflation of Taxable Income Brackets and Retention of the 5%-32% Tax Rates

Various bills are filed in Congress which intend to address the bracket creep issue by adjusting to inflation the present taxable income brackets while retaining the 5%-32% tax rates. The proposed inflation-indexed amounts for the taxable income brackets are adjusted to varying levels ranging from PhP20,000 to PhP25,000 on the first bracket and from PhP1 million to PhP1.1 million for the top bracket.

However, by just merely indexing the present taxable income brackets to inflation, the Philippines will still impose the highest marginal tax rate of 32% among its ASEAN peers. When compared to other ASEAN countries, the proposed top taxable income levels of PhP1 million or PhP1.1 million are subject to lower income tax rates of: (a) 2% or 3.5% in Singapore; (b) 10% in Cambodia; (c) 15% in Laos; (d) 15% or 20% in Thailand; (e) 20% in Myanmar;

(f) 21% in Malaysia; and (g) 25% in Indonesia and Vietnam. Consequently, the Philippines' PIT will remain uncompetitive and may encourage tax-induced migration by Filipino workers. It may be worth mentioning that while the PIT tax schedule was last revised in 1998, the PhP500,000 highest taxable income on which the top marginal rate is imposed was set way back in 1950 pursuant to RA 590. Thus, mere doubling of the taxable income may not be sufficient if the real value of the amount in 1950 is to be retained.

- On the Proposed Exemption of Certain Income Threshold

All ASEAN member-countries, except for Indonesia, Vietnam and the Philippines impose 0% on certain income threshold in their respective personal income tax schedules.

There are various proposals as to the amount of tax-exempt threshold to be incorporated in the tax schedule. One proposal is PhP396,000 which is based on the family living wage of PhP1,086 per day multiplied by 365 days. The income tax exemption of minimum wage earners (MWEs) shall be repealed and shall be subsumed to the said threshold.

Another proposed exempt threshold amounts to PhP360,000, net of personal and additional exemption (PAE), and other allowable exemptions and deductions. However, this will exempt a number of compensation income earners (CIE**s)** and consequently result in huge revenue loss on the part of the government. On the part of the SEPs, the proposed exempt threshold will likewise significantly erode the already narrow tax base since many of them will be tax-free. At present, they are contributing less income tax to government coffers than the CIEs.

Others propose a tax-exempt threshold of PhP250,000 along with the repeal of MWEs' exemption, PAE and certain exclusions and deductions and integrate them all in the exempt threshold. Also, deductions under special laws, e.g. 13th month pay and other benefits not exceeding PhP82,000.00, premium payment on health and/or hospitalization insurance are proposed to be removed. This proposal will greatly simplify the present PIT system and is therefore supported.

- On Gradual Reduction of Income Tax Rates over Two or Three Years

The proposed gradual reduction of income tax rates over a two or three-year period will cushion the revenue impact of the proposal than an outright reduction from revenue viewpoint and is therefore supported.

- On Incorporating the Minimum Wage Level into the Income Tax Schedule

One proposal seeks to restructure the PIT schedule by replacing the net taxable income brackets with "minimum wage plus X amounts", exempting the amount of "minimum wage," and subjecting to the tax the excess of the minimum wage plus X amount in the lower end of the income bracket. The proposed tax schedule is very complicated and will perpetuate the inequities in the tax treatment of individual taxpayers as a result of the exemption of MWEs. Thus, it is recommended that the exemption of MWEs be lifted and minimum wage be integrated into the exempt threshold in a progressive PIT schedule.

- On Proposed Taxation of SEPs

The proposed imposition on SEPs, with gross sales/receipts (GS/R) below the proposed VAT threshold of PhP3 million, of a tax of 8% of GS/R in lieu of the income tax and percentage tax, is simpler and easier to administer than the net income tax system where the cost of goods sold or cost of services, deductions and exemptions need to be determined and substantiated.

In 2015, there were only 647,505 SEPs tax filers or 26% of 2,497,698 BIR-registered SEPs. With the simplified tax system, it is anticipated that more SEPs will be encouraged to file and pay the income tax. However, it is suggested that all SEPs be given the option to select between the 8% tax on GS/R and the progressive PIT schedule with exempt threshold. Small entrepreneurs will remain exempt while other SEPs will be taxed based on their ability to pay.

b. On Proposed Amendments on Basic PAE Allowance

The proposed claim for personal exemptions of non-working spouse or including financially incapable parents and legal guardians of persons with disabilities (PWDs) or children with special needs (CSNs) in the definition of dependents for purposes of claiming additional exemption allowances, may complicate the PIT system and lead to tax leakages if not efficiently monitored. The additional work for the tax machinery will also increase administration cost; hence, the proposal is not supported.

Moreover, the proposed increase in the age ceiling of qualified dependents from 21 to 23 years old in view of the K to 12 Program pursuant to RA 10533, otherwise known as the "Enhanced Basic Education Act of 2013", may become irrelevant with the proposed integration of the PAE into the tax-exempt threshold in the proposed PIT schedules in a number of bills.

c. On the Indexation of Taxable Income Brackets and PAE Allowances to Present Value Using CPI

The rationale of inflation indexation is to remove from the purview of taxation the effect of inflation on income. It can be applied to all the parameters of the PIT structure such as taxable income brackets, PAE and other fixed deductions because inflation erodes their value in constant terms.

The proposal to adjust the taxable income levels once every three, five or six years as proposed based on the three, five or six-year cumulative inflation rate as the case may be is laudable. In the light of the "bracket creep" phenomenon, the proposed inflation adjustment provision on the PIT structure is supported as it relieves Congress from revising the same from time to time.

On the adjustment to inflation of PAE levels, it may be noted that this was introduced in 1981 by virtue of Presidential Decree (PD) 1773 which provided for the adjustment of not more than once every three years, the amount of PAE, taking into account, among others, the movement of CPI, level of minimum wage and bare existence level. This provision, however, was later repealed under Republic Act (RA) 8424 or The Tax Reform Act of 1997. The PAE amounts were last adjusted in 2008 through RA 9504 to a uniform amount of PhP50,000 regardless of the status of the taxpayer. The additional exemption allowance, on the other hand, was increased from PhP8,000 to Php25,000 for each qualified dependent not exceeding four (4).

d. *On Proposed Exclusion from Gross Income of Certain Income of Taxpayers*

The proposed exclusion of overtime and night shift differential pays from gross income of all salaried taxpayers, thus, exempting them from the income tax will further erode the tax base and affect the progressivity of the tax system. The proposal may also pose administrative burden on the part of taxing authority especially in ascertaining the amount of night shift differential pay that will be entitled to the incentive in the case of workers in airline and navigation companies, manufacturing companies, security agencies and health workers as they alternately work on day and night shift.

The proposed exclusion of 13th month pay and other benefits regardless of amount will erode the tax base and will only benefit high salaried taxpayers. Hence, the status quo on putting a cap on the exemption is recommended.

The proposed exclusion of performance-based bonus (PBB) from gross income of the taxpayer may be considered on the ground that this is given by the government in recognition of the exemplary work of its personnel in carrying out their duties.

e. On Additional Allowable Deductions from Gross Income of Taxpayers

The proposal to allow qualified taxpayers to deduct from their gross income for income tax purposes interests paid from any loan obtained for purposes of acquiring first family home will have adverse revenue implication and may not actually benefit low income taxpayers but rather the high and middle income earners. If the intention is to help Filipino families acquire their first family homes, it may be in the form of direct assistance through various housing assistance programs of different government agencies.

Similarly, allowing educational expenses as deduction from individual taxpayer's gross income would complicate the existing tax system especially among CIEs who are subject to the withholding tax. The provision of grant-in-aid and scholarships to poor but deserving students enrolled in public and private higher education institutions (HEIs) or the increase in budgetary support of the government for state universities and colleges (SUCs) are deemed more beneficial.

Likewise, the proposal to allow medical expenses incurred by individual taxpayers as deduction from gross income is not supported. The provision of the government for 100% Philhealth coverage is seen to be a more direct way of providing the taxpayers access to health benefits rather than through taxation.

The proposed exemption of all allowances and benefits granted to public school teachers, including those in SUCs from income tax will constitute "class legislation" and will run counter to the policy of taxing similarly situated taxpayers equally. The proposal is also biased against the teachers in the private educational institution and individuals.

f. On Lifting of Exemption of Lotto Winnings

The proposed lifting of the exemption of Philippine Charity Sweepstakes and lotto winnings from 20% final withholding tax (FWT) under Section 24(B)(1) of the NIRC of 1997, as amended, is deemed appropriate. If hard earned money are taxable, the more that these easily earned money should be taxed.

Using 2016 payouts by the Philippine Charity Sweepstake Office (PCSO) to its lotto games amounting to PhP16.12 billion, estimated revenue gain from imposing a 20% final tax on such winnings or earnings would amount to around PhP3.2 billion.

However, under RA 1169 or the PCSO Charter, a 5% prize fund tax is being paid to the BIR in lieu of the income tax. Hence, with the proposed imposition of the 20% FWT on lotto winnings, the 5% prize fund tax is recommended to be withdrawn.

g. On Lowering the FBT Rate to Thirty Percent (30%) and Making Fringe Benefits part of Gross Income of Employees

The proposal will be most welcomed by employers as there will be a reduction in the FBT liability. Consequently, the amount of deductions from their gross income for such ordinary and necessary business expense shall be reduced.

The proposal to make fringe benefits a part of the individual taxpayer's gross income subject to regular income tax rates for CY 2020 and onwards will free employers from the tax while employees receiving such form of incentives shall shoulder the tax liability corresponding to such benefit. Such inclusion will push taxpayers to higher income tax brackets.

h. On Preferential Tax Treatment of Employees of RHQs/ROHQs, OBUs and Petroleum Contractors and Subcontractors

The proposal to remove the preferential income tax of 15% of gross income of employees of regional headquarters (RHQs)/regional operating headquarters (ROHQs), offshore banking units (OBUs) and petroleum contractors and subcontractors is supported for simplicity and uniformity in the tax treatment of nonresident alien individuals not engaged in trade or business in the Philippines. This will enhance revenue productivity of the income tax.

2. Proposed Reforms on Estate Taxation

The paper discusses the different aspects of estate taxation and the various proposals filed in Congress to reform the tax.

Under Section 84 of the National Internal Revenue Code (NIRC) of 1997, as amended, the estate tax is computed in accordance with the following schedule:

If the net estate is:	The Tax Shall Be	Plus	Of the Excess Over
Not over PhP200,000	Exempt		
Over PhP200,000 but not over 500,000	-	5%	PhP200,000
Over PhP500,000 but not over 2,000,000	PhP15,000	8%	500,000
Over PhP2,000,000 but not over 5,000,000	135,000	11%	2,000,000
Over PhP5,000,000 but not over 10,000,000	465,000	15%	5,000,000
Over PhP10,000,000	1,215,000	20%	10,000,000

The last revision in the estate tax schedule was made in 1997 by virtue of RA 8424 as amended, when it reduced the topmost marginal rate imposed on net taxable estate from 35% to 20%, among others. The highest tax rate imposed on net taxable estate was 60% under PD 69 and the lowest was at 1% under Commonwealth Act (CA) 466 and RA 579.

The deductible items allowed in the gross estate of the decedent have also evolved over time. Funeral expenses were already allowed as deduction since 1939 under CA 466 but the deductible amount was limited only to 5% of the gross estate. In 1992, the deduction for family home was allowed and in 1998 under RA 8424, medical expenses and standard deduction were included as deductible items from the decedent's gross estate.

Among ASEAN member countries, only the Philippines, Thailand and Vietnam impose estate tax or inheritance tax. Thailand imposes an inheritance tax of 5% or 10% tax on an estate in excess of 100 million Baht (PhP140.0 million) and Vietnam imposes a flat rate of 10% on an estate in excess of VND10 million (PhP22,000). Brunei and Singapore abolished their estate tax system in 2013 and 2008, respectively.

The proposed reforms under various bills that have been filed in both Houses of Congress vary from the restructuring of the present estate tax schedule, adjusting the amounts of allowable deductions from the gross estate and indexing the same to its present value after a certain period as well as the abolition of the estate tax. These measures aim to ease the burden of the heirs from the ordeal of paying the said tax after having suffered the loss of a loved one and shouldering many other expenses related to the death.

On the other hand, the proposed uniform estate tax rate is deemed simpler and easier to understand, hence, enhancing tax compliance. The proposed rate however, needs to be revisited if the other proposals on exemption and deductions which will substantially diminish the tax base will be approved or pursued.

The use of net estate as basis in the computation of estate tax conforms to the principles of progressivity and equity. However, its determination is tedious and requires numerous documents which will adversely affect tax compliance. Therefore, the adoption of gross estate or "modified" gross estate which is easier to determine may be considered as estate tax base.

The proposal to abolish the estate tax, on the other hand, is seen as unfair and creates the impression that the tax system operates in favor of those who have more in life, the tax being a levy on the transfer of wealth.

3. Updates on the Value Added Tax Gap: 2013 – 2015

The paper updates the value added tax (VAT) gap/leakage for the years 2013 to 2015 using the gap approach based on the 2006 Input-Output (I-O) structure of industries.

The VAT ranked second to income taxes as one of the major revenue sources of the government, contributing on the average 26% to total national government revenues. From PhP490 billion in 2013, collection from the VAT rose to PhP570.2 billion in 2015 representing 4.31% of gross domestic product (GDP), on the average. Of this amount, 50.5% was generated from domestic transactions and 49.5%, from foreign trade.

VAT GAP ESTIMATES: 2013 – 2015
(Amount in Billion Pesos)

Particulars	2013	2014	2015
Gross Domestic Product (GDP)	**11,538.41**	**12,645.27**	**13,307.26**
Total Output (Derived)	**22,557.25**	**24,750.00**	**25,930.27**
Add: Imports	3,718.55	4,099.45	4,459.73
Total Sales	**26,275.81**	**28,849.45**	**30,390.00**
Less: Exports	3,232.80	3,647.47	3,751.26
Exemptions/Exclusions	6,518.04	7,123.63	7,431.79
Stocks Outside VAT Base	(32.06)	(6.52)	(52.80)
Production of Marginal Firms	7,494.07	8,192.73	8,747.81
Taxable Sales	9,062.96	9,892.13	10,511.94
VAT Base	5,229.95	5,668.67	6,045.16
Potential VAT Revenue	626.50	679.03	724.18
Actual VAT Collection	489.98	557.91	570.20
Value-Added Tax Gap	**136.52**	**121.12**	**153.98**
VAT Gap - as a % of Potential VAT - as % of GDP	**21.79% 1.18%**	**17.84% 0.96%**	**21.26% 1.16%**

While GDP expanded by 9.59% in 2014 and 5.24% in 2015, estimated taxable sales rose by 9.15% and 6.27%, respectively. The VAT base also grew by 8.39% and 6.64%, for the same period. In 2015, taxable sales grew faster than the GDP. This could be due to large increases in the production and sales of VATable sectors such as construction; real estate, renting and business activities; and other private services.

The VAT gap/leakage indicates how efficiently the VAT has been collected. As noted, VAT gap/leakage narrowed from 21.8% in 2013 to 17.8% in 2014 implying an increased efficiency in VAT collection for that year. However, in 2015, VAT gap/leakage almost went back to 2013 level. As a percent to GDP, VAT gap stood at 1.18% in 2013, 0.96% in 2014 and 1.16% in 2015.

The decline in VAT gap could be the result of the continued campaign of the Bureau of Internal Revenue (BIR) against tax evaders through its "Run After Tax Evaders" (RATE) and "OplanKandado" programs. The Bureau's collection performance was also enhanced by the automation of tax processes, heightened monitoring and third party matching system. In addition to this was the implementation of the VAT Audit Program to enhance voluntary compliance by focusing on quality audit of VAT returns.

In the case of the Bureau of Custom (BOC), aside from the heightened campaign against smugglers through continuous 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. Another notable measure is the X-ray Inspection Project (XIP), which greatly contributed to the Bureau's campaign against smuggling. It significantly upgraded detection capabilities of the Bureau and therefore reduced cases of misdeclaration of goods and generated additional revenue. The recent countermeasure adopted by the Bureau to thwart smuggling was the requirement for importers to secure the Importer Clearance Certificate (ICC) from the BIR before they can be accredited to import through the BOC. With this measure, it is easier for the BOC to determine if an importer is doing legitimate business and paying the right taxes.

Based on the foregoing, tax authorities should continue to be vigilant on possible abuses of tax subjects particularly in the claims of tax credits and cases of underdeclaration associated with non-issuance of invoices/receipts or issuance of fake invoices/receipts. Hence, to further enhance the revenue productivity of the VAT, the recommendations made in previous studies are reiterated, particularly the following:

1. Continue and sustain initiatives to intensify industry profiling and benchmarking, monitoring, audit and examination of large taxpayers, including enhancing the tax computerization effort of the BIR for easy detection of tax fraud;

2. Monitor closely the carry-over of excess input tax credits in the succeeding years;

3. Intensify the implementation of the RELIEF program and the extensive use of third party information in gathering and processing data necessary to strengthen BIR's assessment and enforcement functions;

4. Strengthen the implementation of the "OplanKandado" and the "RATE" programs of the BIR and the "RATS" program of the BOC; and

5. Disaggregate reports on actual VAT collection by industry for easy monitoring.

4. Proposed Reforms on the Value-Added Tax

The paper traces the historical changes in the VAT system since its inception in 1988 to the present, its revenue performance, and the impact of the proposed amendments to the VAT under Package I of the proposed Comprehensive Tax Reform Program (CTRP).

The Philippines introduced the VAT in 1988 through Executive Order (EO) No. 273. Since then, several laws were enacted to amend and expand the coverage of the VAT but at the same time add certain items to the list of exemptions. One major latest amendatory law is Republic Act (RA) No. 9337 or the Reformed VAT (RVAT) which raised VAT rate from 10% to 12% after meeting certain conditions. It was implemented on November 1, 2005 while the increase in the VAT rate from 10% to 12% took effect on Feb. 1, 2006 via BIR Revenue Memorandum Circular (RMC) No. 7-2006.

Except for the year 1998 when collection dropped by 10.6%, total VAT collections from 1988 to 2004 were generally on the uptrend which ranged from PhP14.3 billion to PhP139.1 billion. When RA 9337 was implemented in the latter part of 2005, total VAT collections more than tripled from PhP156.7 billion in 2005 to PhP259.8 billion in 2006. There was a significant increase in the VAT collection of the BIR (60.4%) and the BOC (72.7%) in 2006, with the increase in VAT rate from 10% to 12%. VAT collection continued to increase from PhP274.04 billion in 2007 to PhP621.95 billion in 2016.

Of the six ASEAN countries imposing the VAT (Philippines, Cambodia, Lao PDR, Thailand, Vietnam and Indonesia), five impose a single VAT rate on sale of goods and services. The Philippines imposes the highest rate of 12%, Cambodia, Indonesia and Lao PDR with 10% and Thailand, 7%. It is noted that in the case of Indonesia, a special levy termed as luxury goods sales tax (LST) with rates ranging 10% to 75% is also imposed. On the other hand, Vietnam has two-tiered VAT rates i.e. a standard rate of 10% and 5% for specific essential goods and services.

While the Philippines' 12% VAT is high by ASEAN standards, its VAT effort stood only at 4.4% of GDP in 2014, same with Thailand with a VAT rate of only 7%. The low ratio of VAT to GDP is due to numerous exemptions and zero-rated transactions under the Philippine VAT system.

Thus, under the CTRP, broadening the VAT base, limiting exemptions and other enhancing measures to improve VAT collection efficiency are being proposed. It is noted that while the Philippines has 59 lines of VAT exemptions in the Tax Code, Indonesia has 37, Thailand, 37 and Vietnam, 25. Moreover, under special laws, more than 80 sectors/entities/individual groups are accorded VAT exemption.

On May 31, 2017, the House of Representatives approved on 3rd reading, Package 1 of the CTRP as HB 5636. Meanwhile, SB 1408 on the same package was filed in the Senate of the Philippines. The proposed reforms on the VAT as indicated in the bills are as follows:

1. Limit the imposition of 0% VAT to direct exporters only;

2. Include electric cooperatives in the definition of sale or exchange of services subject to the VAT under Section 108 (A) of the NIRC of 1997;

3. Subject 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 to VAT exemption instead of zero-rate;

4. Remove VAT exemption of cooperatives under Section 109 (L), (M), and (N) of the NIRC as amended;

5. Remove VAT exemption of real property utilized for low cost and socialized housing;

6. Remove VAT exemption on the lease of a residential unit with a monthly rental not exceeding PhP10,000. (now PhP12,800);

7. Remove VAT exemption of the National Grid Corporation of the Philippines (NGCP);

8. Retain the VAT exemption of the senior citizens and persons with disabilities (PWD); and

9. Increase VAT threshold from PhP1.5 million (now PhP1,919,500) to PhP3 million which is to be adjusted to inflation not later than January 31, 2018 and every three (3) years thereafter.

The proposals on the VAT under the CTRP are supported. Fiscal prudence dictates that to compensate for the foregone revenues from the restructuring of the personal income tax, the broadening of the VAT base would be an effective revenue raising measure.

VAT exempt transactions tend to break the VAT chain, which lead to higher costs and prices, and revenue losses to the government. Zero rating, on the other hand, is extremely complex as it provides strong incentives for fraud, creates excessive burden on tax administration, and effectively erodes the base.

For a VAT regime to be effective it must have a broad base and limited number of exemptions. The exemptions create problems in compliance and administration, particularly when a company produces both exempt and/or VATable items/transactions as well as numerous efficiency and effectiveness problems.

5. Restructuring the Excise Taxation of Motor Vehicles

The paper reviews the proposed reforms on excise taxation of motor vehicles as one of the sources of revenues to compensate for forgone revenue from the proposed lowering of the personal income tax (PIT).

Historically, a three-tiered excise tax on automobiles ranging from 5% to 20% based on the manufacturer's or importer's selling price, net of excise and sales tax, depending on the engine displacement and fuel used i.e. whether it is gasoline or diesel fed, was first imposed in 1986 via EO 36. The tax was in addition to the then 30% sales tax imposed on original sale of automobiles except motor vehicles classified as trucks, jeeps and utility vehicles. In 1988, EO 273 prescribed a revised excise tax schedule for automobiles which was also based on engine displacement for gasoline and diesel fed automobiles.

In 1997, Revenue Regulations (RR) 14-97[1] was issued implementing the provisions of Section 149 of Title VI of the NIRC, as amended, imposing an excise tax on automobiles and other motor vehicles. It defined "automobile" as any four (4) or more wheeled vehicle other than trucks specially designed for the transport of persons with a seating capacity of less than 10 adult passengers, including the driver. Subsequently, it was amended by RR 14-99 (October 13, 1999) and RA 9224 in August 2003.

In 2003, RA 9224 revised the excise tax structure and based it purely on vehicle price regardless of engine displacement and type of fuel used. In particular, it imposed an ad valorem tax (AVT) based on the manufacturer's or importer's selling price, net of excise tax and VAT in accordance with the following schedule:

EXCISE TAX ON AUTOMOBILES UNDER RA 9224
2003 – PRESENT

Net Manufacturer's Price/ Importer's Selling Price	Rate
Up to PhP600,000	2%
Over PhP600,000 to PhP1.1 million	PhP12,000 + 20% of value in excess of PhP600,000
Over PhP1.1 million to PhP2.1 million	PhP112,000 + 40% of value in excess of PhP1.1 million
Over PhP2.1 million	PhP512,000 + 60% of value excess of PhP2.1 million

[1] Entitled, "Revenue Regulations Governing the Imposition of Excise Tax on Automobiles and Other Motor Vehicles."

Under RA 9224, tax regime on automobiles was changed from pure AVT where the rate is directly applied on the price or value of the automobile to marginal tax rates applied to the excess of a pre-defined threshold vehicle price in the tax schedule (similar to income tax). Also, it effectively reduced the rates from the previous 15%-100% to 2%-60% and removed the distinction between gasoline and diesel-fed engines.

A new definition of the term "automobile" was also provided under the Act, as any 4 or more-wheeled motor vehicle regardless of seating capacity, which is propelled by gasoline, diesel, electricity or any other motive power. Buses, trucks, cargo vans, jeeps/jeepneys substitutes, single cab chassis, and special purpose vehicles are not considered as automobiles.

Available data show that from a high collection of almost PhP6.0 billion in 1996, the excise tax collection on automobiles went down to PhP4.1 billion in 1997 and further to PhP1.5 billion in 2003 under EO 273. With the full year implementation of RA 9224 in 2004, the collection hardly improved to PhP1.8 billion and remained more or less on that level up to 2009. Starting 2010, the collection hit PhP2.0 billion and more. Its percentage contribution to total excise tax collection, Bureau of Internal Revenue (BIR) collection, and Gross Domestic Product (GDP), has been decreasing from percentage ratio of 9.7% to 1.6%, from 1.1% to 0.2% and from 0.3% to 0.02%, respectively, from 1996 to 2015.

All ASEAN member-countries impose "excise tax", "excise duty" or equivalent excise tax-like levy on motor vehicles (MV). In particular, the Philippines, Lao PDR, Thailand and Vietnam impose the excise tax while Brunei, Malaysia and Singapore collect the excise duty. Other member-countries have their own unique excise taxes: the specific tax on certain merchandise and service tax in Cambodia, excise tariff-luxury sales tax in Indonesia and commercial tax in Myanmar.

These countries impose AVT rates based on the price or value of the MV. However, the Philippines is the only member-country that imposes marginal tax rates while all others directly apply the tax rates to the price or value of the MV.

Brunei imposes a standard rate of 20% based on the value of the MV except for certain types of tractors which are taxed at 15%. Singapore also collects 20% excise tax except on motorcycles which are taxed at 12%. Myanmar applies two-tiered rates of 25% and 5% of selling price depending on the type of MV. Cambodia imposes three-tiered rates of 10%, 20% and 30% of ex- factory selling prices of automobiles based on their tariff headings and engine displacement. The higher the engine displacement, the higher is the excise tax. Hence, Indonesia, Lao PDR, Malaysia, Thailand and Vietnam also apply multiple tax rates depending on the type of MV and engine displacement.

Thailand is the only country that imposes the excise tax based on the CO2 emission rate of each type of MV and engine. The higher the emission rate, the higher the excise tax rate.

Indonesia, on the other hand, considers the seating capacity of the MV aside from the type of engine and cylinder in its excise tax structure. In particular, it levies higher tax on MVs used for transporting less than 10 passengers including the driver than on those with 10 up to 15 passengers and exempts MVs with 16 or more seating capacities.

It is noted that the present tax of 2% on the first bracket under the Philippine tax schedule is the lowest compared with the 5% or 10% minimum tax rate in other ASEAN-member countries. The proposed increase in the minimum tax from 2% to 4% in the first bracket and from 20% to 40% in the second bracket will make the rates comparable with its ASEAN peers. Given the tax savings on personal income tax and low increase in the monthly amortization in case of car financing, buying a car in the first and second brackets will still be affordable among middle income employees.

On the other hand, the significant increase in the proposed marginal tax rates ranging from 100% to 200% on high-priced automobiles under the third and fourth brackets will enhance the progressivity of the tax and is justified on the ability to pay of potential buyers.

6. The Road Tax or Motor Vehicle User's Charge in Selected ASEAN Member-Countries

The "Road Tax" or Motor Vehicle User's Charge (MVUC), also known by various names in the ASEAN member-countries is primarily levied on motor vehicles for road usage. Aside from generating revenue, it is imposed to achieve some policy objectives, such as to compensate for road damages, limit vehicle population and thus reduce traffic congestion, and encourage the use of eco-friendly fuel, among others.

The MVUC is a road tax imposed in the Philippines pursuant to RA 8794. It is a specific tax levied for each unit of motor vehicle (MV). The rate of the MVUC depends on the type of vehicle, weight of the vehicle and whether it is for hire, or for private or government use (Section 3 of RA 8794). Private and government vehicles are imposed with higher rates than those for hire. The types of vehicle are passenger cars, utility vehicles, sports utility vehicles, motorcycles, tricycles, trucks, trailers, and buses. The amount of MVUC ranges from as low as PhP240 to as high as PhP12,600 per year.

All ASEAN member-countries impose a "road tax" on motor vehicles though at various nomenclature. While the Philippines collects and imposes the "motor vehicle user's charge" or MVUC, Singapore, Malaysia, Brunei and Cambodia, collect a "road tax"; Indonesia and Thailand, the "motor vehicle tax"; Vietnam and Myanmar, the "road user charges"; and Laos, the "road tax sticker".

Gross vehicle weight (GVW) is used as basis in the road tax of the Philippines, Indonesia, Thailand and Vietnam. Laos also considers weight as basis in the imposition of the road tax on transport trucks but only as an option to engine capacity. The GVW reflects the relative level of damage to the roads and/or environmental pollution due to the use of the MV. On the other hand, engine capacity is used as basis in the road tax in Brunei, Laos, Malaysia and Singapore. Thailand also considers engine capacity as basis in the imposition of the tax on private cars if not exceeding seven (7) passengers.

The use of the MV, i.e., whether for private or public use is considered in the MVUC/road tax of the Philippines, Brunei, Indonesia and Vietnam. In the Philippines, MVs for hire are subject to lower tax than those for private and government use, while in Brunei taxi is taxed twice that of a private car. In Thailand, inter-provincial taxi or service vehicles are likewise taxed higher than private passenger cars with seating capacity of more than 7.

On the other hand, Indonesia is the only country that bases its road tax on sale value of the MV and on the number of MVs owned by individuals. The fuel used by the MV is also considered in the road tax of Singapore, Indonesia and Thailand.

Thailand gives special preferences to vehicles driven by renewable energy, ecological conservation energy, or economical energy and natural gas. In Singapore, vehicles using diesel as fuel are imposed a higher rate at 25% more than the tax on vehicles using green or petrol and petrol hybrid fuels.

The country's MVUC was imposed in 2000 and implemented on staggered basis until 2004 after which the President of the Philippines may adjust the rates reflecting, but not exceeding the annual rates of the CPI as stipulated under Section 3 of RA 8794. It is further provided under RA 8794 that the President, upon the recommendation of the Road Board, may adjust the rates but not more than once every five (5) years.

Since the last staggered rates of the MVUC took effect in 2004, the same no longer reflect realistic levels and can be adjusted to take into consideration the effects of inflation. If the MVUC is to be adjusted to inflation using the CPI, the rates would have grown by about 82% from its 2004 rate.

Since taxation could be used as a tool for public policy to promote or discourage a certain set of actions, the MVUC could also be used to address the problems in the transportation sector such as worsening traffic congestion and deteriorating air quality.

The biggest reason for traffic congestion in Metro Manila, especially in EDSA, is the volume of vehicles traversing the main thoroughfares. As of 2016, the total number of private cars and utility vehicles was 3.2 million of the 9.25 million total number of MVs throughout the Philippines. The low price of brand new cars contributed 19% of the increase of private cars. Therefore, the Philippines may adopt the policy of Indonesia of imposing additional charge on the owners of several vehicles to limit the growth of private vehicle ownership and indirectly promote the use of public transport with additional available funds to finance needed transportation infrastructure.

Lastly, vehicles that use renewable or economical energy may be given preferential treatment by way of a discount from the prescribed MVUC rate. Such policy is adopted in Thailand, Singapore and Indonesia.

7. Proposed Tax Reform on the Excise Tax on Petroleum Products

For the period 1987 to the present, four (4) laws were enacted relative to excise taxation of petroleum products, viz.: (a) EO 195 - Revising the Excise Tax Rates of Certain Petroleum Products, effective June 17, 1987; (b) RA 6965 - Revising the Form of Taxation on Petroleum Products from Ad Valorem to Specific, effective September 19, 1990; (c) RA 8184 - Restructuring the Excise Tax on Petroleum Products, effective July 26, 1996; and (d) RA 9337 - Reformed Value Added Tax (RVAT) Law, effective November 5, 2005.

Excise tax collection on petroleum products for the period 2006 to 2015 moved erratically with annual average of PhP10.7 billion. However, the average ratio of the excise tax collection on petroleum products to total excise tax collection declined from 22.2% in 2006 to 7.5% in 2015, and to total BIR collection from 2.0% to 0.8% and to GDP from 0.2% to 0.1% during the period.

The declining ratio of the excise tax collection on petroleum to GDP implies that the tax has not been responsive to the changes in GDP which indicates leakages or weaknesses in the tax system. It is noted that the last time the ratio of the excise tax collection on petroleum to GDP was above 1% was in 1997. Since then, it has gone down to less than 0.1% in 2015. RA 8184 brought in a short-lived increase in the excise tax collection. However, after two (2) years of implementation, said ratios started to decline. RA 9337 resulted in further decrease in the excise tax collection upon its full year implementation in 2006.

Among 10 ASEAN member-countries, five (5) are imposing the excise tax or excise duty, namely, Philippines, Lao PDR, Singapore, Thailand and Vietnam while 2 are imposing excise tax-like structure namely, specific tax on certain merchandise and services tax of Cambodia and commercial tax of Myanmar. In the case of Indonesia, Malaysia, and Brunei, no excise taxes are imposed on petroleum products.

Four countries are using ad valorem tax rates. These are Lao PDR with excise tax rates ranging from 5% to 25%; Myanmar, two-tiered rates of 8% or 10%; Vietnam, 10% excise tax on all kinds of gasoline, naphtha, reformate components and other components for mixing gasoline; and Cambodia, 20% tax on certain kinds of petroleum.

In Lao PDR, gasoline is taxed at an average of 23% while diesel, aviation fuel and vehicle fuel at 10%. In Myanmar, a tax rate of 10% is imposed on gasoline, diesel oil or jet fuel and 8% on natural gas.

Philippines and Singapore impose specific tax rates which vary depending on the type of petroleum product. The tax base is per liter (or per kilogram for certain products) for the Philippines and per decaliter (equivalent to 10 liters) for Singapore. Singapore is imposing higher tax rates when converted to Philippine Peso, ranging from SGD 0.20/decaliter to SGD 7.10/decaliter or PhP6.71/liter to PhP23.81/liter compared to Philippines with PhP0.00/liter to PhP4.35 per liter.

Thailand is the only ASEAN country which has mixed impositions (ad valorem or specific rate), of which the tax depends on the rate that will produce the highest value. The ad valorem rate ranges from 0% to 36% while the specific tax rate ranges from Baht 0.00 to Baht 7.00 or PhP0.00 to PhP9.33 per liter/kilogram.

In the Philippines, the excise tax on naphtha, regular gasoline and other similar products of distillation was lowered from PhP4.80 to PhP4.35 per liter and the excise tax of kerosene, diesel and fuel oil were set to PhP0.00 under RA 9337. However, from equity standpoint, rich people also consume diesel. Moreover, diesel is one of the highest contributors to environmental pollution worldwide. Furthermore, the exemption of diesel from the excise tax under RA 9337 is not in line with international practice.

The proposal below is in line with best practice in the excise taxation of petroleum products i.e. to have minimum excise tax rate differentials between products to avoid product substitution and tax evasion opportunities. Likewise, in order to optimize taxation, the structure should be simple with minimum items or categories.

Part of the incremental revenue from the excise tax on petroleum shall be allocated to fund highly targeted transfer programs in the first year of implementation such as the Pantawid Pasada to offset increase in fares. Also, the money that will be generated mostly from the rich will plow back to the poor through the unconditional cash transfer program and improved infrastructure and basic social services.

DOF PROPOSED EXCISE TAX RATES ON PETROLEUM PRODUCTS

Present Rates				DOF Proposal	
Gasoline & Others		Diesel & Others		Gasoline & Others	Diesel & Others
Regular gasoline	4.35	Diesel	0.00	PhP7/liter (second half of 2017)	PhP3/liter (second half of 2017
Lubricating oils (ltr.) and greases (kg.)	4.50	Processed Gas	0.05		
Waxes and petrolatum (kg.)	3.50	Denatured alcohol used for motive power	0.05	PhP9/liter (2018)	PhP5/liter (2018)
Naphtha	4.35	Kerosene	0.00		
Leaded gasoline*	5.35	LPG	0.00	PhP10/liter (2019)	PhP6/liter (2019)
Unleaded gasoline	4.35	Asphalts (kg.)	0.56		
Avturbo	3.67	Fuel oil	0.00	PhP10.40/ liter (2020**)	PhP6.24/liter (2020**)

*Phased out
**Annual indexation by 4% starting 2020
Note: There shall be no indexation for the year if the average Dubai crude oil price in the month preceding the scheduled indexation exceeds USD100/barrel

The proposed adjustment of the tax rates will bring in more revenues for the government that will offset any revenue loss from the lowering of the personal income tax. Aside from generating revenue, it will partially recoup the cost of the damage brought about by the production, transportation, storage and use of petroleum-derived fuels on the environment.

8. Comparative Organizational Structure of ASEAN Revenue Authorities

The paper discusses the organizational structure of ASEAN revenue authorities. It provides information on the comparative institutional arrangement and degree of autonomy of revenue authorities with their respective Ministry/Department of Finance (MOF), internal organization design, and human resources management which contribute to their overall revenue performance.

A. Institutional Arrangements for Revenue Authorities

1. Relationship with the Ministry/Department of Finance

ASEAN revenue authorities are either traditional departments (directorate) within the Ministry/Department of Finance or semi-autonomous agencies (affiliate) placed within the broader umbrella of the Ministry/Department.

A traditional department is a division/unit within the MOF and generally possesses little or no autonomy as it is subject to the Ministry's direct supervising authority. A semi-autonomous agency, on the other hand, is placed as an attached agency within the broader umbrella of a ministry and granted moderate to fair degree of autonomy in its management and operation.

The advantages of being a semi-autonomous revenue authority are as follows: (a) It can be free from political interference in its day-to-day operations; (b) It can implement human resources policies differently from the MOF according to its needs so as to recruit and retain highly motivated and skilled staff members; (c) It can implement organizational reforms such as establishing specialized audit functions more conveniently compared to a directorate type of organization; and (c) Its budget arrangements offer more flexibility to invest in information and communication technology (ICT).

Among ASEAN member-countries, only Malaysia, Philippines, and Singapore have semi-autonomous revenue authorities.

On the other hand, revenue authorities in Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Myanmar, and Thailand are functioning as directorates in the MOF. The conservative institutional arrangement of these revenue authorities may be attributed to the centralized form of government, either as a monarchical type of government (Brunei, Cambodia, and Thailand) or a communist/socialist state (Lao PDR).

2. Delegated Authorities

Authorizing revenue bodies to design internal structure allows them to devise network size and geographical location of revenue offices, and permits them to set up, modify, and organize the revenue districts and tax offices in the country. This authority can lead to better performance as the bureaus are able to adjust to changes in the needs and demands of the taxpayers and are able to formulate an internal organizational structure that will best accommodate their operations.

Among ASEAN tax bureaus, the Philippines, Lao PDR, Malaysia and Singapore have the highest degree of flexibility or delegated authority.

B. Internal Organization of Revenue Bodies

1. Models of International Organization Plan

The internal organization design of a tax bureau is a factor to its overall effectiveness and efficiency. The effectiveness of reforms instituted in a revenue authority is anchored mainly on an effective organization.[2]

There are three (3) broad models for tax administrations' internal organization design, namely: (a) tax item-based wherein the structure is based on by type of taxes; (b) function-based wherein the structure is based according to business functions;

[2] Kidd, Maureen, "Revenue Administration: Functionally Organized Tax Administration," International Monetary Fund (IMF) Technical Notes and Manuals. June 2010

and (c) taxpayer segment-based which is organized according to the taxpayer group or segment.[3]

All ASEAN tax bureaus adopt the function-based internal organization design. Singapore adopts a hybrid of function-based and tax-item based while Thailand, a hybrid of function-based and taxpayer segment-based. The Philippines tax bureau, although generally function-based also includes divisions to manage the compliance of large taxpayers.

2. Office Network

Generally, tax bureaus adopt a three-tier structure of office network; headquarters or national offices, regional offices, and district offices. Headquarters or national offices are commonly located in the country's capital or its key cities. Under the headquarters or national offices are regional offices that are situated across the country, which supervise the district offices that usually deal with frontline tax administration services.

Five (5) ASEAN tax bureaus (Cambodia, Indonesia, Myanmar, Philippines, and Thailand) adopt a three-tier structure of office network. It may be observed that the countries which have the most number of offices including headquarters are the countries with the largest land area (Thailand, Indonesia, and Myanmar). On the other hand, Brunei Darussalam and Singapore have their headquarters and all tax operations performed in one office.

The population to offices ratio gives a measure of the density of tax office networks. Thailand has the most number of tax offices with 862 or a ratio of 80,000 people per office; followed by Indonesia with 570 offices with a ratio of 420,000 people per office in 2013. In the Philippines, the ratio is 680,000 people per office.

[3] Satoru Araki and Iris Claus, "A Comparative Analysis of Tax Administration in Asia and the Pacific," Asian Development Bank, April 2014.

Recent reforms in tax administration include the reduction of the number of tax offices by reconfiguring them into smaller number of large offices in order to achieve economies of scale. Additionally, finding alternative ways in delivering services to taxpayers (i.e., use of internet in service delivery) is also viewed as a way to attend to growing number of taxpayers.[4]

C. Human Resources Management

1. Aspects of Human Resources Management

All ASEAN revenue authorities have staff development initiatives to enhance risk management skills and staff training. These trainings and developments are beneficial as they increase the workers' productivity and reduce staff turnover. It is also crucial so that the staff will be able to cope with rapid changes that take place in the tax bureaus' service delivery.

They also have performance management system in place which is important to enable the tax bureaus to monitor the performance of their staff and the organization as a whole.

The most autonomous tax bureaus in terms of human resources management are those of Malaysia and Singapore, while Cambodia tax bureau remains to be the least autonomous. The Philippines tax bureau, on the other hand, also has all the indicators of an autonomous human resources management except for the flexibility to set its own pay levels.

2. Staff Turnover Rate

Aside from low compensation, high turnover rate may be attributed to a number of factors like staff dissatisfaction, and macroeconomic factors like recession or even good economic condition. Recession may cause revenue authorities to cut their costs by downsizing, leading to high turnover rate.

[4] OECD (2015), op. cit.

Among the ASEAN tax bureaus, Singapore has the highest turnover rate (6.6%) followed by Brunei Darussalam (5.8%). The Philippines has a turnover rate of 4% while Indonesia and Malaysia both enjoy lower turnover rates of 2.7% and 1.3%, respectively.

9. Tax Administration Reform Proposals Under the Tax Reform for Acceleration and Inclusion

This paper presents the tax administration reform proposals under Package 1 or the Tax Reform for Acceleration and Inclusion (TRAIN).

The proposals are as follows:

1. Recognition of electronic receipts or electronic sales or commercial invoices in the issuance of receipts as required under Section 237 of the NIRC of 1997, as amended and their transmission directly to the BIR at the same time and date of each sale transaction;

2. Creation of an electronic sales reporting system that will link sales and purchase data entered on the cash register machines/point-of-sales (CRM/POS) machines of VAT-registered taxpayers to the BIR servers for simultaneous reporting of sales and purchased data;

3. Interconnectivity of the BIR with concerned government agencies, LGUs, GFIs and GOCCs;

4. Increase in the threshold amount for keeping books of accounts from PhP50,000 to PhP250,000 of quarterly sales, earnings, receipts or output of taxpayers and increase in the threshold amount for taxpayers required to be examined and audited by independent Certified Public Accountants (CPAs), from more than PhP150,000 to more than PhP750,000;

5. Expansion of the authority of the Commissioner of Internal Revenue (CIR) in the exchange of information with foreign authority to include authority to receive information on bank deposit accounts and other relevant data held by financial institutions and inquire into bank deposits of a specific taxpayer even in the absence of a request for exchange of tax information with a foreign tax authority;

6. Provision for fuel marking on petroleum products; and

7. Increase in existing penalties and imposition of new ones for acts or omissions deemed as offenses.

8. Submission of the Cooperative Development Authority (CDA) to the BIR of a tax incentive report which shall include information on the income tax, value-added tax (VAT) and other tax incentives availed of by cooperatives registered and enjoying incentives under RA 6983, as amended by RA 9520;

9. Submission of the BIR of such report to the DOF to be included in the database created under RA 10708, otherwise known as "The Tax Incentives Management and Transparency Act (TIMTA); and

10. Requirement for the professionals to present a certificate of tax payment from the BIR or certified true copy of their latest income tax return (ITR), at the option of the taxpayer, upon application for renewal of their respective professional license.

It also proposed that a limitation/cap be put on the maximum penalty imposed for unpaid amount of tax at the rate of 60% interest rate or in no case to exceed the total interest corresponding to a period of 3 years.

The proposed use of electronic receipts (e-receipts) and related invoices and their direct transmission to the BIR servers, through interlinkage of sales and purchase data from the CRM/POS machines of VAT-registered taxpayers, for simultaneous sales and purchase data reporting is envisioned to hinder unscrupulous taxpayers from cheating with their tax liabilities as real-time data will now be transmitted to the BIR.which it can use to facilitate its tax audit of business establishments.

The proposed interconnectivity of CRM/POS machines of VAT-registered taxpayers to BIR servers will entail costs both on the part of the BIR and business establishments as it would increase their compliance cost and consequently, their cost of doing business. In most countries, businesses procure and install their CRM/POS machine while in some, the tax authorities provide some cost recovery schemes.

The proposed electronic interconnectivity of the BIR with other concerned agencies would promote inter-agency partnerships and data-sharing and optimize data exchange to facilitate revenue reporting system and could also be useful for law enforcement purposes.

The proposed adjustment in the threshold amount for keeping books of account from PhP50,000 to PhP250,000 and for taxpayers to be examined and audited by independent CPAs from more than PhP150,000 to more than PhP750,000 will mean a 400% increase in threshold amounts which are higher than the increase in CPI from 1997 to September 2017 at 241.13%. The present thresholds for the keeping of books of accounts were set in 1997 with the passage of RA 8424 (December 11, 1997).

The proposal requiring the Cooperative Development Authority (CDA) to provide the BIR with tax incentives report is essential and helpful not only to the BIR but to policy makers and the CDA in the monitoring and supervision of cooperatives. This will also ensure that they are correctly and faithfully complying with the tax provisions of the Philippine Cooperative Code of 2008.

The proposal to show certificate of tax payment or ITR for professional license renewal will ensure that professionals or the so-called "hard-to-tax group" are paying their taxes. Data from the BIR reveals that SEPs contribute only an average of 15% of the total individual income tax collection

On the exchange of information (EOI), the Philippines enacted RA 10021 "Exchange of Information on Tax Matters Act of 2009" in 2010 in compliance and commitment to internationally-agreed standards required for the exchange of tax information with its treaty partners to help combat international tax evasion and avoidance and to help address tax concerns that affect international trade and investments. The authority of the CIR will thus be strengthened not only in terms of inquiring but also in receiving information on bank deposit accounts and other related data held by financial institutions which are deemed necessary or critical in tax audits or investigations. As of to date, the Philippines has 41 effective Double Taxation Agreements (DTAs) in force with different countries worldwide providing for such exchange of information with treaty partners.

Further, it is worth mentioning that the BIR is pushing for the lifting of the bank secrecy law for tax purposes in order to align the Philippines with other countries adopting a single and consistent global standard in tracking tax fraud.

There is also a proposed mandatory marking for all petroleum products that are refined in, manufactured in and/or imported into the Philippines, and that are subject to the payment of taxes and duties. The marker shall be introduced at the refinery or at the terminal, before the petroleum product is offloaded or transported to the domestic market. The fuel marking scheme as a tax administration measure will prevent fuel fraud and smuggling due to unequal tax rates imposed on different kinds of fuel.

Furthermore, the proposal to increase existing penalties, as well as to impose new ones for acts or omissions deemed as offense can be correlated to penalties provided in other relevant laws.

10. Proposed Imposition of Excise Tax on Sugar Sweetened Beverages in the Philippines

Sugar-sweetened beverages (SSBs) refer to non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packed and sealed in accordance with the Food and Drug Administration (FDA) Standard, that contain sugar added by the manufacturers.

An excise tax on SSBs is being proposed to reduce consumption of drinks with added sugar that causes adverse health effects. It is a health measure aimed at influencing consumers to improve their beverage consumption patterns in order to achieve better health outcomes.

SSB consumption has been positively linked with growing rates of obesity in many parts of the world. These beverages contain added sugar such as sucrose or fructose in large amounts, which contribute to the overall energy density of diets. It is said that SSBs have little nutritional value and do not provide the same nutrients that can be found in healthy food and drinks. Thus, regular consumption of SSBs results in increased total energy intake which can lead to unhealthy weight gain.

There is a proposal to impose among others, a PhP10.00 excise tax per liter of volume capacity on SSBs containing purely locally produced sugar and PhP20.00 for other beverages that will take effect beginning January 1, 2018. The rate of tax shall be indexed to inflation once every 3 years after considering the effect of the three-year cumulative CPI via rules and regulations to be issued by the Secretary of Finance.

These beverages include: (a) sweetened juice drinks; (b) sweetened tea and coffee; and (c) other beverages such as all carbonated beverages with added sugar, including those with caloric and non-caloric sweeteners; flavored water; energy drinks; sport drinks; powdered drinks not classified as milk, juice, tea and coffee; cereal and grain beverages; and other non-alcoholic beverages that contain added sugar. Excluded are: (a) plain milk and milk drink products without added sugar; (b) all milk products; (c) 100% fruit juices; (d) 100% natural vegetable juices; (e) meal replacement and medically indicated beverages; (f) ground coffee; and (g) unsweetened tea.

The imposition of an excise tax on SSBs is deemed timely and justifiable on the ground that these beverages are addicting for some, and have been substituted for drinking water. Certainly, the habit of excessive consumption of these products causes adverse health effects. Thus, given a strong public support, together with substantial health benefits and additional revenue that could be expected from the tax, it is a highly supported policy option of the government.

11. Junk Food Tax

The paper discusses the possible imposition of a tax on junk foods to discourage and combat the overconsumption of these kinds of food and promote better health among Filipinos.

Junk foods basically refer to foods and beverages with little or no nutritional value and have plenty of calories, salt, and fats. Excessive eating of junk foods is one of the bad dietary habits that Filipinos developed over the years. Along with the lack of physical activity, this habit causes obesity among Filipinos.

Over the years, various studies were conducted to determine the effect of junk food consumption on health. Some of the health risks or diseases developed by the consumption of junk food are obesity, type 2 diabetes, digestive problems, fatigue and weakness, memory impairment, heart diseases, liver and kidney damage, and risk of cancer.

Health-related food taxes and regulations were proposed and implemented by various government organizations and countries to lessen junk food consumption. Among others, Mauritius and Fiji impose excise and ad valorem taxes on soft drinks, respectively, while French Polynesia imposes taxes on sweetened drinks, beer, confectionary and ice cream. Cook Island imposes import duties on either soft drinks or sugar. Meanwhile, India, Kerala State imposes tax on burgers, pizzas, and sandwiches sold at restaurants and fast food chains.

The adoption of an excise tax on junk foods, based on similar impositions in other countries where the tax ranges from 2% to 14.5%, 1%, 2%, 5%, and 10% of tax rates is being proposed. The estimated revenue from the proposed tax range from PhP2.7 billion in 2017 to PhP34.1 billion in 2021.

However, the imposition of the proposed excise tax on junk foods will result in the increase of its selling price. Details of the simulation reveal that an excise tax rate of 1% on junk food products worth PhP100 will result in an additional PhP1 in selling price. The same increase in price will be observed for junk food products worth PhP10 using excise tax rate of 10%.

12. Feasibility of Imposing a Tax on Processed Meat

Processed meat refers to meat that has been transformed through salting, curing, fermentation, smoking, or other processes to enhance flavor or improve preservation. The additives help slow bacterial growth, which increases shelf life and therefore creates a less perishable product. Examples of processed meat products include sausage, bacon, ham, hotdogs, pepperoni, corned beef and the likes.

In 2015, there were a total of 250 registered processing meat companies in the country based on the National Meat Inspection Service (NMIS) data. The National Capital Region (NCR) had the largest concentration of processing meat facilities at 30% thereof; followed by Central Luzon (21%), CALABARZON (18%), Central Visayas (6%), and Davao Region (5%).

From 2010 to 2015, total annual gross income of local processed meat manufacturers grew erratically with highest increase recorded in 2012 when the amount grew from PhP10 billion to PhP17 billion or by 67% in 2011. On the other hand, the lowest drop was recorded in 2011 when total gross income declined to PhP10 billion from PhP14 billion in 2010. In 2015, the industry's gross income reached PhP22 billion.

The proposal to tax processed meat products aims to discourage unhealthy diet to offset economic costs of illnesses and to address the environmental issues associated with livestock raising. The proposal is based on the concept of "Pigovian tax", which is a tax levied on a market activity generating negative externalities that result to higher social costs. The externalities of unhealthy foods include medical costs for treating illnesses, lost productivity at work (e.g. time off sick) and premature death. Thus, the government needs to collect sufficient tax from these foods to pay for the external costs they create.

Meanwhile, the People for the Ethical Treatment of Animals (PETA) called for an excise tax on meat to help cover the health and environmental costs from using animals for foods. Also, based on a report published by the Chatham House in 2015, meat should be taxed to help tackle global warming. The study found that the livestock sector has been "completely overlooked" in the efforts to tackle climate change.

In conjunction with the above cited studies, the rates prescribed by the PETA and Chatham House, PhP10 may be adopted for purposes of estimating the revenue from the proposed tax on processed meat. Given a total of 250 registered processed meat manufacturers in the country with average daily production ranging from 80 kg to 64,000 kg per day. The estimated total production of processed meat every year ranges from 7.3 million kg to 5.8 billion kg. With the proposed rate of PhP10.00 per kg., the estimated revenue ranges from a minimum of PhP73 million to PhP58 billion.

13. Proposed Imposition of Casino Entrance Fee

The paper examines the feasibility of imposing an entrance fee to the casinos in the Philippines to raise needed revenue for the government and to regulate entrance thereto.

In 2016, there were 54 casinos operating in the Philippines, registering a growth rate of 74% from 31 in 2007. Of the total, 44 are Philippine Amusement and Gaming Corporation (PAGCOR) operated casinos and 10 are licensed casinos. Meanwhile, gross gaming revenue (GGR) or gross bets less payouts also grew from PhP35.53 billion in 2007 to PhP128.44 billion in 2016 or by 262% during the 10-year period. In 2016 of the total GGR, 80% was generated by licensed casinos.

The Social Weather Station (SWS), in its survey on gambling in 2005, estimated that 53% of the Filipino adult population engaged in some form of gambling. With a total projected adult population (medium assumption) of 47.14 million in 2005, about 24.98 million were regularly engaged in one or more forms of gambling. On the other hand, a study conducted by the Technavio Research revealed that over 67% of foreign visitors who came to the Philippines visited a gambling hub in Manila in 2015.

Meanwhile, licensed and PAGCOR-operated casinos recorded a total of 16.68 million local entrants from 2014-2016 or an average of 5.56 million annually, 99% of which played at casinos while the remaining 1% were registered patrons of PAGCOR-operated casinos. In 2016, on the average, casinos in the country accommodated around 16,100 daily or 489,300 monthly. In terms of growth rate, the number of local entrants of casinos increased by 5% to 6% annually.

Presently under Section 14(3) of PD 1869 only tourists and/or foreigners who are not residents of the Philippines and residents who are at least 21 years old with gross income for the previous year of at least PhP50,000, as certified by the BIR, are allowed to play in the country's casinos. However, in practice, said requirement is neither observed nor imposed.

The proposal to impose an entrance fee to casinos is no longer necessary since there is already a qualifying fee collected by the PAGCOR since 1993. It is recommended that the same be strictly enforced in all casinos operating in the Philippines. Also, the existing qualifying rate of PhP100 may be raised to PhP500 to factor in the effect of inflation since it was first imposed. Higher rates of PhP1,500 can also be an option for low-income earners to think twice before engaging in casino gambling. The collection of higher qualifying fee in all casinos could be a practical way to discourage those who do not have enough money to spend in casinos.

14. An Examination of Women Participation in the Philippine Stock Market

The paper determines the degree of women participation in the Philippine Stock Exchange (PSE) in terms of investment. It also identifies the major impediments that hinder women from investing in the stock market and make recommendations to address these.

Stock market plays an important role in the economy as it serves as an indicator of the future economic performance of the country. It also serves as a platform for companies to raise capital and for investors to trade shares of stock. The selling of stocks through the stock exchange enables companies to finance their business expansions, thus, creating new jobs and driving the economy to further growth.

Based on the PSE annual surveys, it appeared that there were more male than female investors from 2008-2015. On the average, 56% of retail stock market accounts consisted of male investors while 44% were female.

Stock market accounts can be classified into traditional or online accounts. Traditional stock market accounts assign a licensed salesperson to handle stock market accounts and take orders via written instructions or through phone calls. On the other hand, online stock market accounts are those whose main interface is through the internet.

In 2008, majority or 91% of the retail stock market accounts were classified as traditional accounts and 9% were online accounts. However, online accounts grew much faster than traditional accounts. It may be observed that while majority of male investors steadily relied on traditional accounts throughout the years, female investors, on the other hand, slowly shifted to online accounts beginning 2011 and eventually exceeded the number of traditional accounts in 2015.

It should be noted that women comprised nearly half of the Philippines' 101 million population in 2015, and just like men, are considered as critical economic players. However, women's contributions have not been fully felt in all the sectors of the economy especially in the stock market.

Based on the Financial Literacy Index Report published by MasterCard Intelligence, gender disparity gap in financial literacy was evident in the Philippines in 2013. The country scored 96, lacking four points to attain the gender parity, which means that the country has not made as much progress in financial literacy as compared to other countries in Asia Pacific. In 2014, the Philippines improved its score to 100 in financial literacy index in gender gap whereby women in the country have also been able to remain nearly at par with their male counterparts in literacy proficiency.

The foregoing discussions depict that women are behind men in terms of stocks trading. Empirical evidence suggests that factors such as financial literacy, marital status, savings, among others, affect an individual's investment decision especially in stocks which is generally perceived to be risky and uncertain. It was likewise mentioned that women are more risk-averse than men that lead them to invest in financial instruments other than stocks. Also, friction costs like taxes, fees and charges may, somehow, have bearing on the investor's choice of investment as they add up to the amount of money they have to shell out.

Nevertheless, although the figures of Filipino women investing in the stock market may be inferior than men, the numbers are significantly improving through the years. Women participation in all the sectors in the economy is imperative in order for them to contribute towards enhancing the economic growth of the country. Therefore, it is necessary for the government to ensure that both women and men be financially literate to effectively participate in economic activities and to take appropriate financial decisions for themselves and their families.

15. Taxation of Political Advertisements

The paper provides information on the extent of expenditure on political ads during the past elections and how much it contributed in terms of taxes.

National and local elections in the Philippines are held every 3 or 6 years, depending on the position. The president, vice-president and senators are elected for a 6-year term and elections are held every 6 years on the second Monday of May.[5] Meanwhile, the members of the House of Representatives, governors, vice-governors, members of the Sangguniang Panlalawigan (provincial board members), mayors, vice-mayors, members of the Sangguniang Panlungsod/members of the Sangguniang Bayan (city/municipal councilors), barangay officials, and the members of the Sangguniang Kabataan (youth councilors) are elected for a three-year term on the same day every 3 years.

The term "political advertisement" or "election propaganda" refers to any matter broadcasted, published, printed, displayed or exhibited, in any medium, which contains the name, image, logo, brand, insignia, color motif, initials, and other symbol or graphic representation that is capable of being associated with a candidate or party, and is intended to draw the attention of the public or a segment thereof to promote or oppose, directly or indirectly, the election of the said candidate or candidates to a public office. In broadcast media, political ads may take the form of spots, appearances on TV shows and radio programs, live or taped announcements, teasers, and other forms of advertising messages or announcements used by commercial advertisers. Political advertising includes matters, not falling within the scope of personal opinion, that appear on any internet website, social media networks, blogging sites, and micro-blogging sites, in return for consideration, or otherwise capable of pecuniary estimation. It does not include similar expressions that fall within the scope of personal opinion.

Presently, political ads are subject to 5% creditable withholding tax (CWT) and 12% value added tax (VAT). Campaign contributions are, however, exempt from income tax and donor's tax, subject to certain conditions.

There is a proposal to lift VAT liability on political ads. This is contrary to the generally accepted principle that for VAT to be effective, it should be broad-based with limited exemptions. Also, it will complicate the VAT and increase the compliance and administrative cost particularly for businesses which produce/render both exempt and non-exempt goods/services.

[5] Twenty-four senators serve a six-year term with half of them elected every three years to ensure that the Senate is maintained as a continuous body, though staggered.

The proposed VAT exemption will reduce the fiscal space or the capacity of government to provide additional budgetary resources for desired purposes without any prejudice to the sustainability of its financial position. Political ads have become essential to any campaign strategy. These help candidates be known and recognized by the voters. Moreover, through said ads, many people gain employment. However, advertising also entails a huge amount of money and is also subject to certain rules and regulations under the law. Strict monitoring of political ads is recommended to ensure that politicians and/or political parties do not circumvent any law and/or regulation and to ensure that all taxes due to the government are properly declared and collected.

Finally, the proposed lifting of the VAT on political ads is not supported in the light of its revenue implication to the government ranging from an estimated revenue loss of PhP572 million to PhP3.2 billion annually. Further, it is not attuned with the present move of the government to broaden the VAT base and limit the exemptions to raw food, education and healthcare.

16. Proposed Foreign Tourist Tax

The paper explores the possibility of imposing a foreign tourist tax in the Philippines, its revenue potential and implications on local tourism industry. It also examines the practices in the ASEAN and other selected countries.

Total visitor arrivals in the country was generally on an uptrend during the past 16 years except in 2003 and 2009. Said declines were due to the outbreak of the severe acute respiratory syndrome (SARS) that affected travel and tourism in Asia, and the global economic crisis, respectively.

In the ASEAN region, the Philippines ranked 6th in terms of total number of visitor arrivals from 2011-2016, behind Malaysia, Thailand, Singapore, Indonesia, and Vietnam.

Foreign tourist tax, also known through various names such as accommodation tax or sojourn tax, is common in most European countries. Some countries apply the tax locally while others impose it on a national basis. Some countries base the tax on hotel category/type while others compute it as a percentage of hotel room charges.

The tourist tax is specifically levied on foreign tourists, which can be in the form of entry taxes, hotel taxes or other specific tourism industry-based tax. Its imposition has gained interest among policymakers and stakeholders as it is a potential source of revenue to finance tourism infrastructure and tourism-related projects and programs.

A foreign tourist tax in the nature of an "accommodation tax" of say PhP1,000 or PhP1,500 per person would generate for the government an average annual revenue ranging from PhP9.4 billion to PhP14.2 billion.

On the other hand, a foreign tourist tax of PhP1,620 (US$31.91) which is equivalent to the travel tax paid by Filipinos when traveling abroad may be included in airline tickets. Around PhP15.3 billion annually is expected to be raised by the government out of the said proposal.

However, the proposed tax may dampen the country's tourism industry and consequently derail all efforts of the government in promoting the country as a premier tourist destination. The possibility of government not attaining its projected tourist arrivals until 2022 is likewise not farfetched.

Considering also that the country lags behind other ASEAN member countries in terms of attracting tourists, a tax imposed thereon would further make the country uncompetitive.

17. Proposed Automated Teller Machine Card Transaction Tax

The paper discusses the feasibility of imposing a tax on automated teller machine (ATM) card transactions and reviews similar taxes imposed in selected countries.

An ATM is an electronic telecommunications device that enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier or bank teller. The system that connects the ATM now enables cashless payments for purchases made by ATM cardholders. The system debits the ATM cardholder's account with his bank for every purchase made using his ATM card thus, making transactions safer and more efficient.

For the period 2012 to 2016, the number of ATM transactions grew from 333.5 million to 538.9 million, registering an average growth rate of 12.81% annually. The average annual and monthly BancNet switch transactions stood at 439.99 million and 36.67 million, respectively or an average of 1.22 million transactions per day. It is worthy to note that switch transactions include ATM or point-of-sale (POS) transactions.

Based on available data from the Bangko Sentral ng Pilipinas (BSP), ATM charges of banks to cardholders of other banks ranges from PhP0 to PhP100 for withdrawal and PhP0 to PhP10 for every balance inquiry.

In general, the rationale for the imposition of ATM card transaction tax is to raise revenues. Among the countries that implemented a bank debit tax were Argentina, Peru, Brazil, Venezuela, Columbia and Ecuador. The bank debit tax was imposed because the transactions on which they fall were viewed as a convenient and effective tax handle, against a background of weak tax administration and, typically in the face of difficult fiscal/revenue situation.

It is noted that the said tax was introduced with a specific, short, intended life span because its objective is to produce a burst of revenue until such time as more desirable taxes can be designed and enforced. Moreover, most countries adopted or considered adopting the bank debit tax during times that their banking systems could be judged to be undercapitalized, with additional investment in such banking systems being the goal.

The proposed ATM transaction tax shall be imposed on every ATM card transaction on top of the usual bank charges. The current ATM charges go to the banks and form part of their non-lending income or receipts falling under the definition of gross income subject to 7% gross receipts tax (GRT) as provided under Section 121(c) of the NIRC of 1997, as amended. The proposed tax shall be collected by the ATM owner-banks and remitted to the Bureau of Internal Revenue (BIR).

Further, the proposed tax may be imposed either as an ad valorem tax or specific tax. In case of ad valorem tax, the rate will be a certain percentage of the amount of the transaction. It can also be a fixed or specific tax. A single rate or multi-rates may be used under both the ad valorem or specific tax. A single rate may be imposed to cover all transactions or the rate may differ depending on the amount of transaction or type of transaction e.g. withdrawal, deposit, bills payment, etc.

Additional revenue may be generated with the proposed imposition of the said tax. Using the 2016 volume of switch transactions and a specific tax of PhP1, or PhP2, or PhP5 tax for each transaction, the potential revenue will amount to PhP538.93 million, or PhP1.08 billion, or PhP2.69 billion, respectively.

However, there will also be the tendency for the tax base to erode over time, as taxpayers would find ways to avoid them, for instance by resorting to cash payments or shifting to offshore bank accounts. Since the tax will be on top of the current bank charges, it may discourage cardholders to do banking activities through ATM and opt to transact personally with the banks that may cause long queues and wasted time. Moreover, for equity considerations, other modes of conducting banking activities such as mobile or internet banking should also be covered by the tax.

In addition, the proposed ATM tax may adversely affect localities in the country which have no banks since ATM allows cardholders to do banking transactions in the absence of banks in the area. As of June 2017, a total of 571 cities and municipalities in the country are unbanked.

The policy behind the proposal should be made clear in order to define the coverage of the proposal. Otherwise, it will result to leakages which may adversely affect its administration and may affect only those who cannot avoid the said tax especially the poor and vulnerable.

18. Effective Tax Rates of the Local Business Tax in Selected Local Government Units

The paper estimates the effective tax rates (ETRs) of the local business tax (LBT) by type of business using actual tax schedules and rates imposed by sample local government units (LGUs) in 2016. The ETR is computed by dividing the estimated tax due by the total gross sales/receipts for each business group. The estimated tax due is computed by applying the applicable tax rate to the actual gross sales/receipts that were provided by the sample LGUs.

Under the Local Government (LGC) of 1991, the tax is imposed on eight (8) business groups, namely:

1. Manufacturers, assemblers, repackers, processors, brewers, distillers, rectifiers compounders of liquors, distilled spirits and wines;
2. Wholesalers, distributors or dealers;
3. Exporters, and those engaged in essential commodities;
4. Retailers;
5. Contractors and other independent contractors;
6. Banks and other financial institutions (FIs);
7. Peddlers; and
8. Businesses not specified in the LGC.

At present, the LBT structure poses difficulties in tax administration as it requires identification of business type and the applicable tax rate based on the corresponding gross receipts/sales from the tax bracket. Another instance that shows the complexity of the present LBT is in the case of taxpayers that are engaged in various businesses which makes it difficult for tax administrators to determine the tax liabilities of the said taxpayers. Further, the present tax structure gives an opportunity for taxpayers to manipulate their accounts to minimize their tax liabilities.

The ETR is indicative of the tax burden of a business. It measures the average rate at which a business is taxed. In general, the average ETR of all local businesses is estimated at 0.72% which means that for every PhP100 gross sales/receipts, PhP0.72 is the estimated tax due. In particular, the average ETR of sample cities is higher at 0.72% as compared to 0.53% of sample municipalities. The higher ETR of sample cities can be explained by their authority to impose rates exceeding the maximum rates allowed for municipalities by not more than 50% under Section 151 of the LGC of 1991.

In terms of business group, 'other businesses' and retailers have the highest ETRs at 1.51% and 0.86%, respectively. In contrast, exporters engaged in essential commodities and banks and other FIs have the lowest at 0.30% and 0.24%, respectively.

Specifically, the manufacturers group has an average ETR of 0.35%. The average ETRs of sample municipalities is 0.46% while the cities registered a slightly lower average ETR of 0.35%.

The wholesalers of non-essential commodities group has an average ETR of 0.48%. The average ETR of cities is 0.48% while municipalities registered a slightly higher average ETR of 0.57%.

The exporters and those engaged in essential commodities business group has an average ETR of 0.30%. In particular, average ETR of cities and municipalities is 0.31% and 0.27%, respectively

The retailers group has an ETR of 0.86%. The average ETR of sample cities is lower at 0.86% as compared to 1.47% of sample municipalities.

The contractors group has an average ETR of 0.77%. The average ETR from sample cities and municipalities are close at 0.77% and 0.74%, respectively.

The total average ETR of banks and other FIs is 0.24%, which is the lowest among the business groups covered by the LBT. The average ETR of sample cities is lower at 0.24% compared to the 0.53% ETR of sample municipalities.

The 'other businesses' group has a total average ETR of 1.51%. In particular, ETRs of sample cities range from 0.37% to 3.00% while the range for municipalities is from 0.31% to 2.00%.

The graduated tax schedule prescribed in the LGC remained the same since it was initially implemented in 1992. Although the system may have been consistent with the prevailing conditions when it was initially implemented, some reforms may be required to adapt to the LGUs' fiscal needs, the current price levels and business and economic conditions as follows:

1. Differentiated schedules for the five (5) major groupings, namely, (a) manufacturers group, (b) wholesalers group, (c) retailers, (d) contractors, and (e) other businesses should be reconsidered;

2. Graduated schedules of the major groups do not manifest clear economic policy. Moreover, the differences in the number and size of brackets, as well as the rates indicate inconsistent policies. Given that the schedules were patterned after the former Local

Tax Code[6], the income bracketing may already be obsolete due to inflation and the rise in income levels;

3. Levying lower effective tax rates on businesses with higher gross receipts is inconsistent with the constitutional mandate of a progressive tax structure. Multinationals, generally demand more services from the government and have higher rates of return from investments due to the extent of their operation and their high quality management. Accordingly, they should be subject to higher effective rates compare to businesses with smaller ventures;

4. Considering that the revenue collected from the peddler tax is nominal and the administration of said tax is difficult it may be more efficient if the imposition on peddlers be considered as a regulatory fee rather than a tax; and

5. Retention of the preferential tax treatment of banks and other financial institutions, exporters and those dealing with essential commodities is vital. It is in line with the existing policies of the government to subject them to minimum financial intermediation cost and develop the capital market, expand export industry and curb increases in the prices of consumer products to avoid unduly affecting the marginalized sector, which belongs to a larger portion of the community of most LGUs.

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[6] Presidential Decree 231 entitled "Enacting a Local Tax Code for Provinces, Cities, Municipalities and Barrios", effective July 1, 1973. This law covered local taxation prior to the LGC.

Chapter 3

TECHNICAL ASSISTANCE TO CONGRESS AND VARIOUS AGENCIES/INTER-AGENCY GROUPS

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:

SB 222
Amending Section 150 of Republic Act No. 7160, Otherwise Known as "The Local Government Code of 1991"

SB 222 proposes to amend the allocation of sales, for local business tax (LBT) purposes, of manufacturers, assemblers, contractors, producers and exporters among various local government units (LGUs) where the principal office, branch or sales outlet, factory, project office, plant or plantation of their businesses are located.

The bill seeks to amend Section 150 (Situs of the Tax) of the Local government Code (LGC) of 1991 by reducing the sales allocation of the city or municipality where the principal office is located from 30% to 10% and increasing that of the city or municipality where the factory, project office, plant or plantation is located from 70% to 90%.

The proposal aims to help the cities and municipalities outside Metro Manila to cope with their financial and infrastructure needs and to provide additional source of funding for better public services, thereby attracting investments and local migration.

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The proposal to reduce the sales allocation to the LGUs is supported. Generally, principal offices are located in the cities in Metro Manila and other regions in the country where most taxable activities are concentrated. Meanwhile, factories, project offices, plants and plantations are mostly situated in rural or less developed municipalities with limited tax bases and financial resources. Therefore, the proposal will expand the tax base of municipalities where these factories, project offices, plants or plantations of big businesses are commonly located.

In 2014 and 2015, the over-all collections from the LBT of all cities amounted to PhP43.7 billion and PhP50.6 billion, respectively, which are almost six times that of total LBT collection of all municipalities amounting to only PhP7.5 billion and PhP8.6 billion, respectively, during the same period. The proposal will boost the revenue collection of the municipalities. It will pave the way for LGUs hosting factories, plantations, or project offices to have greater capacity of providing better basic services, undertake development projects, and attain economic growth.

However, more than just the increased sales allocation for the LGUs hosting factories and plantations, a more important concern is ascertaining the accuracy of reported sales in the head office and the shares given to these LGUs. There is a tendency for businesses to under-declare their total sales since these are not directly reported/recorded in the factories, plantations, or project offices, but in the principal office which is outside the taxing jurisdiction of LGUs hosting the former. Also, with the complexities in the operation of some businesses, there may be instances when the business tax is paid only to the LGU where the head office is located or the major business operations are conducted.

The situs of the tax provision under Section 150 of the LGC is intended to address such problem by apportioning the gross receipts/sales and consequently, the collection of the tax due thereon to LGUs hosting the different activities of the business. However, the lack of proper guidelines for the operationalization of the situs rules from government authorities contributed to less effective implementation.

Moreover, the situs rule in its present form has some gray areas to be addressed. For instance, Section 150(b) does not have a provision in case the business maintains all or a combination of types of business units, i.e. a principal office, branch/sales outlets, factory, project office, plant or plantation either being hosted by the same LGU or by different LGUs. There are also instances when the business maintains depots or other types of business units not enumerated in the LGC which also accept orders from dealers in their respective areas.

Further, Section 150(d) is not clear on what unit of measurement will be used in factories and plantations in determining the volume of production and how the apportionment will be operationalized. Similarly, in the case of project offices of contractors located in various LGUs, the basis of the apportionment is not clear. There are other more cases which are not explicitly provided in the current situs rules and have been the subject of requests for opinion/rulings from the Bureau of Local Government Finance (BLGF).

In view of the foregoing, it is recommended that the BLGF issue concrete guidelines to operationalize the sales allocation scheme as provided in Section 150 or the situs of the tax rules.

LGU treasurers should also be capacitated in establishing/verifying the amounts of gross sales/receipts submitted by businesses. Under Section 171 of the LGC, they are authorized to examine the books of accounts, and other pertinent records of any corporation subject to local taxes, fees and charges in order to ascertain, assess and collect the correct amount of the tax, fee or charge.

Lastly, there should be coordination and information sharing between treasurers of LGUs with businesses locating their business units in their respective localities.

SB 308
Creating the Office of the National Taxpayer Advocate to Safeguard the Rights of the Taxpayers and for Other Purposes

SB 815
Ordaining a Bill of Rights for Taxpayers

SB 308, otherwise known as "The National Taxpayers Advocate Act of 2016", and SB 815, otherwise known as "The Taxpayer Bill of Rights Act of 2016" seek to create the Office of the National Taxpayers 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 ONTA shall have, among others, the following powers and functions:

1. Assist taxpayers in resolving problems with the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC);

2. Identify areas in which taxpayers have problems in dealings with the BIR and BOC;

3. Propose changes, to the extent possible, in the administrative practices of the BIR and BOC to mitigate identified problems;

4. Identify potential legislative changes which may be appropriate to mitigate such problems; and

5. Issue taxpayer assistance orders (TAOs).

The ONTA shall submit a report to the respective Committee on Ways and Means of the Senate of the Philippines and the House of Representatives, copy furnished the Secretary of Finance and the Commissioners of the BIR and the BOC.

The bills also seek to decree "The Taxpayer Bill of Rights" in addition to the rights and remedies provided for under the National Internal Revenue Code (NIRC), as amended, the Customs Modernization and Tariff

Act (CMTA) and Republic Act (RA) No. 1125, as amended, creating the Court of Tax Appeals (CTA) and all other rules and regulations, circulars and issuances thereof. The proposed bill of rights include:

1. Taxpayers' Basic Rights;
2. Taxpayers' Rights in Civil Cases; and
3. Taxpayers' Rights in Criminal Cases.

The bills aim to protect and safeguard the rights of the taxpayers and to provide clarity to both the taxpayers and revenue officials on how to do their respective business professionally, efficiently and transparently and, consequently, improve compliance of taxpayers.

* * *

The creation of the ONTA for the protection and to safeguard taxpayers' rights is akin to the creation of the Commission on Human Rights, which was created to safeguard and protect the rights of the citizens against the immense powers of the State. The proposed ONTA is patterned after the Office of the Taxpayer Advocate, otherwise known as Taxpayer Advocate Service (TAS) of the United States (US).

The proposed taxpayer's bill of rights (TABOR) is recognized. The TABOR has been in place in some countries, most significantly in developed countries, specifically, the US and Canada and is geared towards introducing changes in organizational culture and improved taxpayer protection and rights. Among the ASEAN member countries, only Thailand and the Philippines have published list of taxpayer rights in their website. However, these rights are not those contemplated under the bills and in place in the USA and Canada. The BIR has included in its website a portion of the TABOR but most of it covers the general procedures in the conduct of an audit by the BIR.

To a certain extent, the TABOR is expected to enhance taxpayer compliance as it creates taxpayer awareness of their rights and the avenues of redress when they believe they have received inadequate services from the BIR and/or BOC. In effect, the taxpayers will expect revenue officers to serve them with the highest level of professionalism, courtesy and fairness. However, it may be noted that the proposed rights may be considered superfluous as these are already provided under the Constitution and several legislated laws such as NIRC, CMTA, the law creating the CTA and the Rules of Court and Rule of Evidence. Thus, aggrieved taxpayers may invoke these laws in any proceedings, consequently, dispensing the need to create another office for the same purpose. However, there is a need to collate the rights and remedies contained in the provisions of existing laws and the Constitution for codification and publication for easy access of taxpayers. Also, the creation of new office will be needing funds for personnel complement, among others, to be fully realized which could compete with priority programs of the government.

SB 343
Providing Assistance to Fresh Graduates by Waiving Government Fees and Charges Collected in Connection with Documentary Requirements for Employment

SB 1426
Waiving Government Fees and Charges on the Issuance of Documents Required in the Application for Employment of First-Time Jobseekers

SB 343 otherwise known as the "Fresh Graduates Pre-Employment Assistance Act of 2016" seeks to provide assistance to fresh graduates by waiving government fees and charges collected in connection with documentary requirements for employment.

On the other hand, SB 1426, otherwise known as "First Time Jobseekers Assistance Act of 2017" proposes to waive the collection of fees and charges on issuance of documentary requirements for the employment of first time jobseekers, who may be fresh graduates, early school leavers, dropouts or students taking leave of absence.

SB 343 proposes that all government agencies and instrumentalities, including GOCCs and LGUs, shall not collect fees or charges from a fresh graduate Filipino citizen on the condition that the same is paid in connection with the application for the granting of licenses that serve as a proof of identification, clearance, certificate, or other document usually required in the course of employment; that the applicant is applying for the aforementioned documents within one year after graduation from high school, college or any vocational or technical course; and that the fees to be waived does not cover those in connection with the grant of professional licensure examination by the Professional Regulation Commission (PRC) or with granting of a Philippine passport by the Department of Foreign Affairs (DFA).

SB 1426 provides that all government agencies and instrumentalities, including GOCCs, LGUs and government hospitals shall not collect fees or charges from first-time jobseekers. The waiving of fees is on the condition that the fee or charge is paid in connection with documentary requirements for employment locally or abroad; and that the application for such document is submitted within one year after graduating or taking a leave from high school, college or any technical vocational course in any mode/s of learning.

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The proposal could be a big help to the parents/families of fresh graduates, whose children are still generally dependent on them for finances. The revenue loss that the government may incur could eventually be offset by the payment of income tax and increased consumption taxes once they are gainfully employed and able to contribute to the country's economic growth.

However, it is noted that government agencies would be directly affected in their provision of services especially those agencies whose collection from fees and charges form part of their budget. In the case of the LGUs, they have very limited revenue sources. The proposal may also contradict the local autonomy policy which should allow the LGUs to decide on matters affecting them.

The proposal will also complicate tax administration as it would be tedious to identify and monitor who among the applicants are first time jobseekers and whether the documents being requested are for employment or not; thus, it could be subject to abuse. The provision for administrative monitoring to ensure strict compliance to the objective of the proposal would entail cost on the part of the government. The proposal would also mean exempting some first time jobseekers who can actually afford such services, thereby depriving the government of much needed revenue.

SB 858
Setting a Ceiling to the Indebtedness of the Republic of the Philippines to Ensure Macroeconomic Stability and Sustainable Growth and for Other Purposes

SB 858, otherwise known as the "Government Indebtedness Cap Act of 2016", proposes to limit total indebtedness of the NG and any of its agencies, offices, GOCCs which carry the sovereign guaranty of the Republic of the Philippines to an amount not exceeding 50% of the latest gross domestic product (GDP).

The proposal is intended to compel our economic managers to be more accurate and prudent in their targets on the revenue and expenditure program. This will allow Congress to assert its power of the purse.

* * *

The initiative would preclude the possibility of excessive contracting of loans and guarantees and continuous programming of expenditures based on the estimated revenue. It would compel government authorities to exercise prudence, accountability and discipline in spending government money.

Moreover, the proposed debt-to-GDP ratio of not exceeding 50% may be considered as an acceptable level. It is believed that as long as a country can continue to pay interest on its debt without refinancing or harming economic growth, it is generally considered to be sustainable. The debt-to-GDP ratio measures the indebtedness level that indicates the country's ability to pay back its debt.

From 2017-2022, the debt-to-GDP ratio is projected to remain manageable and sustainable predicting a downward trajectory. From a projected 40.20% debt-to-GDP ratio for 2017, it is expected to further decrease to 36.70% by 2022.

On the other hand, it may be noted that there is a prevailing policy on foreign borrowing as stipulated under Section 2 of RA 4860 (August 8, 1966) as amended by PD 81 which provides that the debt which the President is authorized to incur shall not exceed US$1 billion or its equivalent in other foreign currencies at the exchange rate prevailing at the time the loans, credits or indebtedness are incurred. The proposal is necessary as the present policy is already obsolete since it has been in existence for 45 years now. Also, the bill includes domestic loans in the ambit of the proposed debt cap which is necessary for proper debt management.

Considering the present foreign debt limit of not exceeding US$1 billion, NG external debt has breached the said cap which ranged from US$22 billion to US$48 billion from 2011 to 2016.

Despite the positive outlook on the country's economy, it is still fundamental for the government to practice proper debt management to avoid payment defaults and/or debt service eating up much of the revenues of the government. It is important to consider other economic factors such as stable exchange rate, a well-planned debt payment profile, among others, in order to maintain a manageable debt level. In addition, the government should continue to provide impetus to generate higher, sustained income and more inclusive growth so as to shield the country from debt trap. Lastly, the preservation of the good credit standing of the country is significant in order to protect the economy and encourage foreign investors to put up their business and resources in the Philippines, generating more economic activities and higher revenues that would eventually lead to the country's less dependence on borrowings.

SB 1044

Exempting Sales of Construction Materials and Lease of Construction Equipment Intended for Socialized Housing Projects and Housing or Rehabilitation Projects for Victims of Disasters, from Value-Added Tax; Amending for the Purpose Section 109 of the National Internal Revenue Code

SB 1044 proposes to exempt from the 12% value-added tax (VAT) construction materials including lease of equipment for socialized housing as well as housing projects for disaster victims.

The objective of the bill is to lower the cost of socialized housing through the exemption from the VAT the sale of construction materials thus, ensuring the availability of housing for victims of disasters.

* * *

For real estate transactions, the sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by RA 7279, otherwise known as the Urban Housing Development Act of 1992, and other related laws, residential lot valued at PhP1,919,500 and below, house and lot and other residential dwellings valued at PhP3,199,200 and below are exempt from the VAT under Section 109(P) of the Tax Code, as amended.

The target beneficiaries under RA 7279 are the bottom 30% of the income percentile of the population who are considered "underprivileged" and "homeless" as determined by the National Economic Development Authority (NEDA). Pursuant to Section 18 of the Act, developers are required to allot 20% of a housing project's total cost for the construction of socialized housing units. Also, greater private sector participation in socialized housing is encouraged as expressed in Section 20 of the Act which provides incentives to private sector developers and contractors.

While the intention of the bill is recognized, the government's thrust under the Comprehensive Tax Reform Program (CTRP) is to broaden the VAT coverage and limit the exemptions to agricultural raw food, and other necessities such as health and education services.

The proposal contravenes the well-settled principle that for VAT to be effective, it must be broad-based with limited exemptions. The proposal will break the VAT chain and induce cascading problems. The preferential treatment may also become a source of leakage/abuse that will further erode the VAT base and cause unwarranted loss in government revenues.

In addition, the selective application of VAT exemption could result in tedious accounting work on the part of business entities because they have to apply different costing for every sale of construction materials sold to different customers thereby complicating compliance on the part of the taxpayer and administration on the part of the tax authority. Moreover, it is not certain whether or not the VAT exemption accorded to the developers will translate to lower prices of housing units.

In lieu of the proposed VAT exemption, an option that may be considered is the provision of direct subsidy to the purchaser through the issuance of housing vouchers and/or other transparent and straightforward subsidy schemes.

SB 1325
Creating the Regional Investment and Infrastructure Corporation of Central Luzon to Facilitate the Creation of the Central Luzon Investment Corridor, and for Other Purposes

SB 1325 seeks the establishment of a corporate body to be known as the Regional Investment and Infrastructure Corporation (RIIC) of Central Luzon, which shall be under the general supervision of the Office of the President (OP). The RIIC, among others, shall coordinate and assist existing ecozones, administer and grant fiscal and non-fiscal incentives granted under various laws and accept any local or foreign investment, business or enterprise subject to the provisions of the Constitution. The RIIC shall also have the power to create, develop, promote and operate Special Economic Zone (SEZ) within the Central Luzon and other programs connected with it.

The bill seeks to grant RIIC-registered agro-industrial and agro-processing ecozone export enterprises and agro-industrial, agro-processing and agro-tourism ecozone enterprises with the following tax incentives:

a. Four years income tax holiday (ITH);

b. Special 5% tax on gross income earned (GIE) in lieu of all national and local taxes after the ITH;

c. Tax and duty free importation of production equipment and machineries, breeding stocks, farm implements, including spare parts and supplies of the equipment and machineries;

d. Exemption from export taxes, wharfage dues, imposts and fees;

e. Exemption from payment of local government fees such as

Mayor's permit, business permit, permit on the exercise of professions/occupation/calling, health certification fee, sanitary inspection fee, and garbage fee;

f. Zero VAT rate on local purchases to include telecommunication, power and water bills;

Upon expiry of the ITH, a 5% final tax on gross income earned in lieu of all national and local taxes shall be applied and distributed as follows:

a. 3% to the RIIC;

b. 1% to be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located; and

c. 1% to be directly remitted by the business establishments to the NG through the BIR.

* * *

To achieve the promotion of investments, encourage free trade and foster national and local pride as well as to decongest Metro Manila by dispersing industries and populations, the RIIC will be established to develop the Central Luzon Investment Corridor (CLIC) Master Plan through the active participation of all stakeholders in planning and implementing the creation and continuous operation of an aggregation of SEZ within the area that utilizes the CLIC.

However, the creation of another governmental agency is no longer necessary and will only duplicate the functions of the PEZA. Its creation will have budgetary implications which may contravene the government's thrust/program on rightsizing.

As to the creation of other ecozones in CLIC by the RIIC, it may noted that RA 7916, as amended by RA 8748, already provides for the establishment of ecozones which requires proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of the PEZA and must conform with its requisites. For reasons of efficiency, practicality and policy consistency, it may be better to adhere to the plan of the PEZA in this regard.

The proposed tax and duty exemption of RIIC-registered enterprises is no longer be necessary during the availment of the 5% GIE since RIIC-registered enterprises during this period are exempt from all national taxes, including taxes and duties on importation. However, such exemption is relevant during the ITH period.

As to the exemption from export taxes, it should be noted that EO 26 (July 1, 1986) already abolished export duties on all export products except logs. Hence, proposed incentive is no longer necessary.

Local fees are imposed to regulate businesses and the proposed exemption therefrom is not endorsed. The exemption from wharfage dues, imposts and fees and local fees such as sanitary inspection fee and garbage fee is inconsistent with the cost recovery principle which stresses that the cost of providing services should be recovered to sustain the services. Moreover, most fees and charges are nominal in nature.

The proposed zero-rating of VAT on local purchases would be contrary to the present thrust to adopt a broad-based VAT for a more effective taxation of goods and services.

Finally, there is an ongoing rationalization of fiscal incentive provisions in view of the need to integrate these into one framework for easier reference and access by investors and for transparency. Given this initiative, it may be more practical to align the proposal to this initiative.

SB 1478

Institutionalizing the Bamboo Industry Development in the Philippines, Creating the Bamboo Industry Research Development Center (BIRDC), Appropriating Funds Therefor, and for Other Purposes

SB 1478 to be known as the "Philippine Bamboo Industry Development Act of 2017" declares it the policy of the State to provide a self-reliant and independent economy to its people and support indigenous, scientific and technological capabilities and skills. It shall establish a program for a sustainable utilization, propagation and promotion of bamboo as furniture, construction design material, and food, among others. The promotion of the bamboo industry is aimed for poverty reduction, inclusive growth, environmental conservation and protection, agricultural productivity enhancement and climate change mitigation and adaptation.

The bill provides the following tax incentives to investors in plantation development and bamboo processing factories:

a. Classification of bamboo nurseries and plantations as pioneer and bamboo processing as preferred areas of investment by the Board of Investments (BOI) under its Investment Priorities Plan (IPP) subject to pertinent rules and regulations;

b. Exemption of plantation owners in public lands from payment of forest charges imposed by the NG and other fees or taxes imposed by LGUs;

c. Duty-free importation of machines and equipment by plantation owners, including nursery facilities, bamboo processing and other related businesses, subject to pertinent rules and regulations;

d. Deductibility of expenses incurred for income tax purposes, subject the provisions of the NIRC of 1997, as amended. Provided that the deduction shall only apply to the taxable period, when expenses were incurred. Expenses incurred in the development and operation of a bamboo plantation prior to the commercial harvest shall be regarded as ordinary and necessary expenses or as capital expenditures of purposes of tax treatment.

* * *

The intention of the bill to promote the bamboo industry is supported considering its tremendous potential in poverty reduction, inclusive growth, environmental conservation and protection, agricultural productivity enhancement and climate change mitigation and adaptation.

The proposal intends to classify bamboo nurseries and plantations as pioneer and bamboo processing as preferred areas of investment under the IPP subject to pertinent rules and regulations. However, bamboo nurseries/plantation and bamboo processing may already be subsumed or considered as preferred activities which may register with the BOI and qualify for EO 226 incentives under the 2017 IPP under the "Agriculture, Fishery and Forestry" heading.

With regard to the forest charges imposed by the NG and other fees imposed by LGUs, the same should not be waived. The proposed exemption is not consistent with the cost recovery principle which stresses that the cost of providing services should be recovered wholly or partially to sustain the services which can also benefit the plantation owners.

Further, it may be noted that the proposed exemption of plantation owners from the RPT needs to be reconsidered as it constitute the financial mainstay of LGUs. Such an exemption will also impinge on the fiscal autonomy of LGUs as to dissipate their financial resources, rendering them unable to undertake their development projects/initiatives.

On the proposed exemption from import duties of machines and equipment by plantation owners, including nursery facilities, bamboo processing, and other related business, such importation may already be subject to 0% duty rate in accordance to the Association of Southeast Asian Nations (ASEAN) Trade in Goods Agreement (ATIGA).

In case the proposed exemption from import duties will push through, such a provision will set a precedent for other sectors to clamor for the same treatment which in turn could adversely affect the revenue of the government.

The provision on the deductibility of expenses incurred for the development and operation of a bamboo plantation prior to the commercial harvest from the gross income for income tax purposes is already allowed under Section 34(A)(1)(a) of the NIRC of 1997, as amended.

It may be noted that an investor engaged in plantation development and bamboo processing factories may opt to locate within a SEZ and register with the PEZA and be entitled to the fiscal incentives as provided under Book VI of EO 226.

Finally, in line with the thrust of the government to rationalize fiscal incentives system to make it transparent, performed-based, targeted and time-bound, it is suggested that the subject bill conform with the ongoing efforts in the rationalization of fiscal incentives.

House Bill (HB) No. 28
Establishing a Special Economic Zone and Freeport in the Municipality of Mansalay Providing Funds Therefor, and for Other Purposes

HB 203
Establishing the Southern Palawan Special Economic Zone in the Province of Palawan, Creating for the Purpose the Southern Palawan Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes

HB 346
Establishing the Special Economic Zone in the City of Tacloban Creating for this Purpose the Tacloban City Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes

HB 359
Establishing the Cagayan de Oro Special Economic Zone in Baranga Balubal, Cagayan de Oro City, Misamis Oriental and Appropriating Funds Therefor

HB 595
Establishing the Surigao del Sur Special Economic Mining Zone and Freeport in the Municipality of Carrascal, Cantilan, Madrid, Carmen, and Lanuza, Province of Surigao del Sur Providing Funds Therefor and for Other Purposes

HB 905
Establishing the Special Economic Zone and Freeport in the Province of Ilocos Sur, Creating for this Purpose the Ilocos Sur Special Economic Zone and Freeport Authority, Appropriating Funds Therefor and for Other Purposes

HB 1636
Amending Republic Act No. 7916, Otherwise Known as the “Special Economic Zone Act of 1995”

HB 2033
Establishing the Special Economic Zone and Freeport in the Province of Ilocos Norte, Creating for this Purpose the Ilocos Norte Special Economic Zone and Freeport Authority, Appropriating Funds Therefor and for Other Purposes

HB 2053
Establishing the Jalaur Economic Corridor

HB 2429
Establishing the Sangley Point Special Economic Zone in the City of Cavite, Province of Cavite, Creating for the Purpose the Sangley Point Development Authority, Appropriating Funds Therefor and for Other Purposes

HB 2461
Establishing the Bohol Special Economic Zone in the Province of Bohol, Creating for the Purpose the Bohol Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes

HB 2475
Establishing the General Santos City Special Economic Zone and Freeport in the Province of South Cotabato, Creating for This Purpose the General Santos City Special Economic Zone and Freeport Authority, Appropriating Funds Therefor and for Other Purposes

HB 2672
Establishing a Special Economic Zone in the City of Bislig, Province of Surigao del Sur, Creating for the Purposes the Bislig Economic Zone Authority, Appropriating Funds Therefor, and Other Purposes

HB 2927
Establishing a Special Economic Zone in the Island Garden City of Samal in the Province of Davao del Norte, Creating for that Purpose the Samal Island Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes

HB 3133
Directing the Conversion of Sangley Point in Cavite City Into an International Logistics Hub

HB 3342
Creating a Special Economic Zone and Tourism Zone and Freeport in the Municipalities of Salcedo, Mercedes and Guiuan, Including the Islands of Calicoan, Homonhon, Suluan, and Manicani, in the Province of Eastern Samar, Creating for this Purpose the Eastern Samar Special Economic and Tourism Zone Authority, Appropriating Funds Therefor and for Other Purposes

HB 4462
Converting the Government Arsenal Located in Camp General Antionio Luna, Lamao Municipality of Limay, Province of Bataan, Into, and Creating and Establishing the Special Economic Defense Zone, Creating for the Purpose Special Economic Defense Zone Authority, Appropriating Funds Therefor and for Other Purposes

HBs 28, 203, 346, 359, 595, 905, 2033, 2053, 2429, 2461, 2475, 2672, 2927, 3133, 3342, and 4462 seek to establish/convert special economic zones (SEZs), freeports zone (FPZs), industrial zone, tourism and mining zones, international logistics hub and their governing bodies, and grant varying fiscal incentives regime thereto.

HB 1636 seeks to amend Section 24 of RA 7916 (February 24, 1995), as amended by RA 8784 (June 1, 1999) pertaining to the distribution of the 5% tax on gross income earned (GIE), particularly reducing the national government's (NG) share by 1.5% and allocating it to the provincial government where the location of the ecozone is part of the territorial boundaries, to wit:

a. 1.5% to the NG;

b. 2% to be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located; and

c. 1.5% to be directly remitted to the treasurer's office of the province where the location of the ecozone is part of its territorial boundaries.

* * *

The intent of the bills to generate jobs, increase productivity and income and improve the level and quality of life of the residents of suitable and strategic locations in the country through the creations of SEZs and freeports is laudable. However, for policy consistency, the proposed SEZs/freeports and similar entities should adhere to the provisions of RA 7916 (The Special Economic Zone Act of 1995), as amended, which provides that areas that may be established as ecozones shall require a proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of PEZA.

The proposals to make some of the mentioned zones as "freeports" may have to be reconsidered. The proliferation of freeports would pose a serious threat to the domestic economy as their operations are highly susceptible to leakages, especially in the absence of an effective and efficient security system.

Also, the bills' intention to create SEZs and freeports and their authorities may also have to be reconsidered. The creation of several authorities will duplicate the functions of the PEZA, the government corporation vested with the powers to set the general policies and to supervise and coordinate the establishment and operation of ecozones. Furthermore, the creation of additional government corporations to administer and operate the zones has budgetary implications and may contravene the government's ongoing reform of the public corporate sector.

The government's promotion of ecozones as an economic growth catalyst as shown in the growing number of industrial enclaves that have been or are being put up in practically all key areas in the Philippines is recognized. It may not be amiss to mention that as of July 31, 2016, there were 833 approved PEZA SEZs, of which 348 only are operating, 145 proclaimed and 340 with development in progress. Thus, any proposed legislation creating SEZs may be superfluous as this may only add up to the number of non-operational SEZs.

The broad coverage of the proposed exemption of the Authorities from all taxes, duties, fees, imposts, costs and service fees in any court proceedings in which they may be a party, is not supported. A broadly worded provision of exemption is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems, especially in the absence of an effective and efficient monitoring system. Further, it should be noted that the exemption from service fees in court proceedings will violate an important institutional safeguard of the judiciary independence which is fiscal autonomy.

As to the donations by any person or any entity in favor of the Authorities, it is worthy to note that the same is already covered by the exemption from the donor's tax pursuant to Section 101(A)(2) and (B)(1) of the NIRC and the deductibility from the donor's gross income for income tax purposes, pursuant to Section 34(H)(2)(a) of the NIRC.

It may also be noted that with the full implementation of the Tax Incentives Management and Transparency Act (TIMTA) - RA 10708 (December 9, 2015), efficient monitoring of the grant of tax incentives is achieved as the actual tax expenditures claimed by registered enterprises are recorded and included in the database maintained by the DOF.

Moreover, the proposed incentives, among others, includes the 5% tax on GIE which is similar to what is granted to PEZA ecozones and a number of incentives similar to those contemplated to be offered under the proposed rationalization of fiscal incentives.

The grant of VAT and duty exemption or refund on the importation of capital equipment and raw materials used exclusively in their registered activities will enable them to lower their cost of doing business and thus be more competitive in the world market.

The proposed duration of the availment of fiscal incentives to a maximum of 20 years is supported as this would force the registered enterprises to be efficient and optimize the incentives given. The time-bounding of incentives is necessary as an indeterminate grant of incentives is costly to maintain and creates unwarranted opportunities for leakages/abuses.

However, the provision that the period could be extended to industries deemed indispensable to national development and interest per Special Economic Defense Zone Authority (SPEDZA) is clearly not in accordance with the thrust of setting time-bound incentives. The discretionary determination of sunset period extension may adversely affect government revenues and expenditures considering that the proposal offers substantial incentives.

In line with the thrust of the government to streamline the provision of fiscal incentives for administrative efficiency, it is suggested that the subject bills conform with the ongoing efforts in the rationalization of fiscal incentives.

Lastly, the proposed revision on the allocation of the proceeds of the 5% tax on GIE would diminish the share of the NG by 1.5% in favor of the province where the location of the ecozone is part of its territorial boundaries. As such, the proposal may be better referred to the concerned agencies, i.e., BIR, the PEZA and the LGUs where the PEZA ecozones are located.

HB 124

Declaring the Pasonanca Watershed Forest Reserve Located in Zamboanga City as a Protected Area Under the Category of Natural Park and Providing for its Management

HB 2362

Establishing the Bongsanglay Mangrove Forest Reserve and Natural Park, Province of Masbate and Appropriating Funds Therefor

HB 3167

Declaring the Mayon Volcano Natural Park in the Province of Albay as a Protected Area and Providing for its Management

Unnumbered Substitute Bill to HB 230

Declaring the Bessang Pass Natural Monument in the Municipality of Cervantes, Ilocos Sur, as a Protected Area, and Providing for Its Management

Unnumbered Substitute Bill to HB 610

Declaring the Agoo-Damortis Protected Landscape and Seascape in the Province of La Union as a Protected Area and Providing for Its Management

Unnumbered Substitute Bill to HB 1990

Declaring the Peñablanca Protected Landscape and Seascape Located in the Municipality of Peñablanca, Province of Cagayan, as a Protected Area and its Peripheral Areas as Buffer Zone, Providing for its Management and for Other Purposes

Unnumbered Substitute Bill to HB 2789

Declaring Pamitian Cave in the Municipality of Rodriguez, Province of Rizal as a Protected Area Under the Category of Protected Landscape and Providing for It Management

HBs 124, 2362, 3167, Unnumbered Substitute Bills to HBs 230, 610, 1990 and 2789 declare the Pasonanca Watershed Forest Reserve (PWFR) located in Zamboanga City Bongsanglay Mangrove Forest Reserve and Natural Park, Mayon Volcano Natural Park (MVNP), Bessang Pass Natural Monument (BPNM), Agoo-Damortis Protected Landscape and Seascape (ADPLS), Peñablanca Protected Landscape and Seascape (PPLS) and Pamitian Cave as protected areas under the category of natural parks and provide for their management and administration.

Among others, the bills authorize their respective protected area management board (PAMB) to issue all necessary permits within the park/landscpe/seascape, and collect reasonable fees therefrom.

The bills provide for the establishment of trust funds/revolving funds for purposes of financing the projects of the system. They also provide that donations, endowments and grants in the form of contributions that shall be made to the proposal. Funds shall be exempt from income or gift taxes and all other taxes, fees and charges.

* * *

RA 7586 (June 1, 1992), otherwise known as the National Integrated Protected Areas System (NIPAS) Act of 1992, provides the legal framework for the establishment and management of protected areas in the Philippines.

The declaration of the Pasonanca Natural Park, Bongsanglay Mangrove Forest Reserve, MVNP, BPNM, ADPLS, PPLS, and Pamitian Cave as protected areas under the category of natural parks are in order. They are among the 113 protected areas formally proclaimed by the President under the NIPAS. The enactment of the subject bills will formally establish the said parks as protected areas under the NIPAS pursuant to Rule No. 6 of DAO No. 2008-26 or the Revised Implementing Rules and Regulations of RA 7586.

On the proposed authority for Pasonanca Natural Park, Bongsanglay Mangrove Forest Reserve, MVNP, BPNM, ADPLS, PPLS, and Pamitian Cave to impose and collect resource and water user's fees and to issue necessary permits and collect reasonable fees therefrom carries the mandate of the NIPAS Act and conforms to the intent and objective of AO 31 and is therefore supported.

Further, the bills similarly propose the creation of trust funds and a revolving fund to finance the operation and management of the natural parks and the landscape and seascape. RA 7586 and its implementing rules already have the structure for the financing of protected areas; thus, the proposal to create a separate special fund for the protection, management, and conservation of the proposed Pasonanca Natural Park, Bongsanglay Mangrove Forest Reserve, MVNP, BPNM, ADPLS, PPLS, and Pamitian Cave may only duplicate such financing structure and complicate the already crowded earmarked funds. 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.

The proposed exemption of donations, endowments, and grants in the form of contributions that shall be made to the proposed Funds from income or gift taxes and all other taxes, charges or fees imposed by the government or any political subdivision or instrumentality is already provided under Section 16 of RA 7586 or the NIPAS Act, as reiterated under RA 10629 (September 26, 2013), and Rule 18 of Department of Environment and Natural Resources (DENR) AO 16, 2008-26 (December 24, 2008).

Also, Section 101 of the NIRC of 1997, as amended, provides that gifts made to or for the use of the NG or any entity created by any of its agencies which is not conducted for profit, or to any political subdivision are exempt from the donor's tax. Furthermore, donations shall be deductible from the gross income of the donor for income tax purposes pursuant to Section 34(H) of the NIRC.

HB 695
Creating the National Revenue Authority, Providing Funds Therefor

HB 695 seeks to create a public organization with corporate-like features to be known as the National Revenue Authority (NRA) to replace and assume the powers and responsibilities of the BIR to implement the internal revenue tax laws. It shall be attached to the Department of Finance (DOF).

The primary responsibility and objective of the NRA is to raise revenues to finance the operations of the government consistent with fiscal policy and revenue collection targets.

The Authority shall have an authorized capital of PhP10,000,000,000 which shall be fully subscribed by the Republic of the Philippines. For services rendered in the discharge of its mandate, the Authority shall receive from the government an annual service fee equivalent to not less than 1% but not more than 2% of the revenues collected in the immediately preceding calendar year, net of collections accruing to the LGUs including the internal revenue allotment (IRA), and other agencies. In the initial year of operation, the service fee shall be 2% of net revenues collected in the immediately preceding year, which shall be appropriated in the annual General Appropriations Act (GAA).

The Authority shall be entitled to 5% of annual collections in excess of its collection target set by the Development Budget Coordination Committee (DBCC) on the condition that no portion of the performance bonus shall accrue to the members of the Revenue Board.

The Authority shall be governed by a Revenue Board to be composed of seven (7) members with the Secretary of Finance as Chairperson and the following as members:

a. Director-General of the National Economic and Development Authority (NEDA);

b. Secretary of Budget and Management;

c. Chairperson of the Securities and Exchange Commission; and

d. Three (3) representatives from the non-government sector which shall include an economist, an accountant, and a lawyer.

The Board is empowered to appoint the Chief Executive Officer (CEO) who shall head the Authority. The CEO shall enter into a performance contract with the Board for a term of 3 years with possibility of reappointment depending on his/her performance. The CEO may be removed by a majority vote of all the members of the Board prior to the end of the 3-year term for failure to meet his/her commitments in the performance contract. He/She shall exercise the powers and functions of the Commissioner of Internal Revenue (CIR) under the NIRC of 1997.

In addition, the CEO is also empowered to establish a performance-based management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of all personnel of the Authority.

* * *

The bill intends to address growing taxpayer dissatisfaction particularly over front-line services, high level of tax evasion/avoidance and increasing perception of systemic corruption in the BIR. The bill also envisions that the new Authority shall be free from political interference in terms of decisions pertaining to revenue rulings, audit and assessment, personnel management, and budgeting.

The proposed creation of a new internal revenue agency vested with corporate powers is supported in principle as it is envisioned to address the existing institutional and other constraints besting the BIR. Corporatizing the BIR will afford it more flexibility particularly in terms of providing competitive compensation package to enable it to attract and retain the most qualified people who will undertake the tax administration functions anchored on a performance-based personnel management program.

Among the ASEAN-member countries, only Singapore is structured as corporate-like revenue authority. Much like other corporations, the Inland Revenue Authority of Singapore (IRAS) derives its fund from all moneys received for services rendered to the government as its agent.

The provision for a time-bound performance-based contract for officials and employees with possibility of reappointment or pre-termination of contract should performance fall short is also supported as this will give the Authority the power to hire or fire people depending on qualifications and performance. The performance-based management system is expected to promote efficiency in the discharge of functions and help ensure the attainment of performance targets.

The provision for the payment of service fee by the government at a rate not lower than 1% but not higher than 2% of revenues is also supported. Providing for a fixed percentage of funding for the Authority will enable it to program its activities/expenditures for the year which could greatly improve its service delivery to the taxpaying public.

Moreover, the proposal to provide for a performance bonus of 5% of annual collection in excess of target set by the DBCC only reiterates what is already provided under Section 285 of the NIRC. Said amount shall be utilized as incentive bonus for the revenue personnel, purchase of necessary equipment and facilities for the improvement of tax administration. The provision that no amount of the performance bonus shall accrue to the members of the Revenue Board is supported to avoid possible abuse on the use of the fund.

The proposal that the CEO shall be appointed by the Revenue Board is a departure from the present practice where the CIR is appointed by the President. This could be one way of insulating the said position from politics and in turn promoting and enhancing the performance-based management system.

The provision for the allocation of 5% of annual collections in excess of the collection target to the NRA will provide a definite source of funding for the NRA. However, there is no assurance as to the sufficiency of the funds given the various factors which could adversely impact on the revenue generation efforts of the NRA. To ensure that the measure would be met with least resistance by affected BIR employees, the bill should include a provision which would provide adequate remuneration/benefits for those who will be displaced or adversely affected by the bill.

The proposed creation of the Authority has higher potential of improving the efficiency and effectiveness of tax administration in the country. However, it should be stressed that the shift from the BIR to NRA alone does not guarantee that the problems of low revenue generation and weak tax administration will be solved. Tax policy reforms to make the tax system simpler, more efficient and more equitable for all along with tax administration measures will be needed to boost collections.

HB 1026
Amending Section 99 of Republic Act No. 8424, or the National Internal Revenue Code of the Philippines

HB 511
Restructuring the Transfer Taxes, Amending for the Purpose Title III of the National Internal Revenue Code, as Amended

HB 1026 proposes the following donor's tax schedule to replace the current schedule provided under Section 99 of the NIRC of 1997, as amended:

If the Net Gift is

Over	But Not Over	Tax Shall Be	Plus	Of the Excess Over
	PhP100,000	Exempt		
PhP100,000	200,000	0	2%	PhP100,000
200,000	500,000	PhP2,000	4%	200,000
500,000	1,000,000	14,000	6%	500,000
1,000,000	3,000,000	44,000	6%	1,000,000
3,000,000	5,000,000	204,000	6%	3,000,000
5,000,000	10,000,000	404,000	6%	5,000,000
10,000000		1,004,000	6%	10,000,000

For gifts to stranger, the bill proposes a donor's tax of 6% based on net gifts.

On the other hand, HB 511 seeks to replace, among others, the current graduated donor's tax rate schedule with rates ranging from 2% to 15% with a flat rate of 3% of the net gifts during the calendar year in excess of PhP300,000. For gifts to a stranger, it proposes a donor's tax of 6% of the total net gifts in excess of PhP300,000. The bill proposes to increase the exemption from donor's tax of dowries or gifts made on account of marriage from PhP10,000 to PhP30,000, amending for the purpose Section 101(A)(1) of the NIRC of 1997, as amended.

The bill also proposes that the BIR shall index all exemptions and deduction limits in accordance with the movement of the CPI produced by the National Statistics Office (NSO) now the Philippine Statistics Authority (PSA) in the computation of any transfer tax liability. The CPI to be used shall be the CPI of the month preceding the month of death, or the month when the donation was made.

The proponent justifies that the proposed indexation lessens the degree of unfairness caused by the non-movement of exemptions and deduction limits despite the changes in prices of properties. Moreover, it lessens the possibility of piecemeal legislations to adjust the exemptions and deduction limits in the future to adapt to the demands of the public.

* * *

The design of the proposed graduated estate tax schedule under HB 1026 will result in instances where a slightly higher net gift will pay substantially higher amount of donor's tax than those with slightly lower net gift. Likewise, a donation to a non-stranger amounting to more than PhP3 million will be imposed a donor's tax higher than that made to a stranger.

It should be note that in a graduated tax schedule using cumulative method of computation as presently adopted in the NIRC of 1997, as amended, the fixed amount of tax in a bracket is the highest amount of tax due in the preceding bracket. Hence, if the marginal tax rate is changed, the fixed amount of tax should necessarily be changed.

Although the higher tax on family members vis-à-vis strangers might encourage distribution of wealth, this will also encourage simulation of mode of transferring property between family members where instead of donation, the mode may either be via sale or through inheritance. If through sale, the 6% capital gains tax (CGT) is the same as the proposed 6% donor's tax on stranger. Therefore, if the restructuring of donor's tax schedule is pursued and the graduated form is retained, the proposed schedule should be redesigned to ensure the fairness of gift taxation.

On the other hand, the proposed flat rate is deemed simpler and easier to understand, hence, enhancing higher chances of tax compliance. However, the proposed rate is only half of the current CGT rate of 6% of the presumed gain realized from the sale or conveyance of real property classified as capital asset. The rate difference might encourage the simulation of transaction involving real property to avoid the payment of 6% CGT. Hence, if a flat rate is pursued, the proposed 3% donor's tax should be increased to 6% to make it at par with the CGT on real property. Likewise, to simplify donor's tax administration and to make it uniform, the difference in the tax treatment of donations between family members and strangers should be removed.

The proposed increase in the tax exempt gifts to PhP300,000 is not endorsed, The current exempt amount of PhP100,000 should be retained as it is deemed still reasonable. However, to simplify further the donor's tax, the PhP10,000 exempt amount on dowries or gifts on account of marriage may be deleted as the same may be taken cared of by the exempt amount of PhP100,000 per the donor's tax schedule under Section 99 of the NIRC of 1997, as amended.

Moreover, the proposed CPI-indexed adjustment aims to maintain the real value of amount originally approved by the legislature. The delegation of the task to the executive branch of the government to adjust the legislated amounts saves resources and time needed by the legislature to accomplish the task. However, the proposed indexation is tedious and requires more administrative resources to implement. Therefore, if the CPI-indexation is pursued, the indexation of exempt amount of net gift should be made on a triennial or quinquennial basis using CPI as published by the Philippine Statistics Authority (PSA) reckoned from the date of the effectivity of the Act.

HB 1253
Amending Republic Act No. 10863 Otherwise Known as the "Customs Modernization and Tariff Act"

HB 1253 seeks to amend RA 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA), by authorizing the BOC to use at least 1% of its annual income derived from its collections of duties and taxes for the following modernization program expenditures, but excluding augmentation of personal services expenditures:

a. Acquisition, upgrading and modernization of equipment and information technology equipment and systems; and

b. Construction, repair and rehabilitation of structures and facilities.

The bill aims to help the BOC modernize its equipment and information technology systems to be able to fully implement the provisions of the CMTA and transform it into an efficient and effective agency.

* * *

The bill's proposal to earmark a portion of the revenue collected by the BOC from the imposition of customs duties and taxes is in support of its envisioned modernization. It is recognized that the accession of the BOC to internationally accepted customs standards necessitates the upgrading of the systems and facilities presently used by the BOC, including the acquisition of new equipment and information technology systems, and the construction/rehabilitation of structures and facilities.

As a matter of policy, however, the government does not encourage the earmarking of funds as it is not in keeping with the government's one fund policy. Adding another layer of earmarked funds may further complicate the budgeting system and may result in less transparency and poor accountability especially for those with automatic retention provision. Also, it can increase the government's accounting and financial reporting costs as earmarked revenues require separate tracking and accounting to effectively monitor the flow of funds from the funding source to the beneficiaries.

It may be worth mentioning that the CMTA already contains a provision on the earmarking for the Forfeiture Fund under Section 1151 thereof. The amount accruing to the fund shall be utilized for certain purposes including the modernization program and other operational efficiency and trade facilitation initiatives of the Bureau.

HB 1266
Strengthening the Laguna Lake Development Authority (LLDA), Thereby Repealing Republic Act No. 4850, as Amended, Otherwise Known as the Laguna Lake Development Authority Act of 1966, and for Other Purposes

HB 1266, otherwise known as the Laguna Lake Development Authority Act of 2016, proposes to grant the following tax privileges:

a. Exemption from all taxes, licenses, fees, imports, charges, costs and duties, except real property tax incidental to its operations and service/filing fees in any court or administrative proceedings in which it may be a party, restrictions and duties to the Republic of the Philippines, its provinces, cities, municipalities and other government agencies and instrumentalities;

b. Exemption from any tax or fee imposed by the government on the sale, purchase or transfer of foreign exchange; and

c. Exemption from taxes (both as to principal and interest) on notes, bonds, debentures, and other obligations issued by the Authority.

The broad coverage of exemption from all kinds of taxes, national or local, incidental to the operations of the LLDA is not supported. A broadly worded provision of exemption is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems, especially in the absence of an effective and efficient monitoring system. Moreover, it can raise issues of unfair competition or undue engagement of government enterprises enjoying tax privileges in activities that can also be or are already being handled by private investors.

The proposed exemption of the LLDA from fees and charges is not consistent with the cost recovery principle which stresses that the cost of providing government services should be recovered wholly or partially to sustain the services.

The grant of income tax exemption to the LLDA runs counter to the intent of Section 27(C) of the NIRC, as amended which limited the tax exemption from income tax to a short list of GOCCs in order to make the income tax more revenue productive and effective fiscal policy tool. Moreover, the proposed exemption of the LLDA from any tax on its sale, purchase or transfer of foreign exchange would be contrary to the policy to adopt a broad-based VAT for a more effective taxation of goods and services.

The proposed exemption from any tax of all notes, bonds and debentures, and other obligations issued by the LLDA, both as to principal and interests needs to be clarified. In practice, the principal portion of an obligation is not subject to tax. However, its income portion in the form of interest income is generally subject to 20% final withholding tax (FWT) instead of the regular income tax rate of 30% for corporations. For policy consistency, interest income of the Authority should be made subject to the 20% FWT. Further, the exemption from the documentary stamp tax (DST) on bonds, debentures and certificates of indebtedness is not endorsed.

Finally, as to the exemption from taxes and duties on importations, it may be better if the LLDA avail of the tax subsidy provision implemented by the Fiscal Incentives and Review Board (FIRB) pursuant to the terms and conditions of EO 93 and the annual GAA for reasons of fiscal transparency/ discipline.

HB 1419

Creating the Manila Bay Development Authority, Prescribing Its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes

HB 2318

Creating the Lake Lanao Development Authority, Defining Its Powers, Functions and Duties, and for Other Purposes

HB 2430

Creating the Sustainable Bicol River Development Authority, Prescribing Its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes

HB 2485
Creating the Lake Mainit Development Authority, Prescribing Its Powers, Functions and Duties, and Providing Funds Thereof

HB 3147
Creating the Lake Lanao Watershed Development Authority and Providing Funds Therefor

HB 3231
Creating the Abra River Basin Development Authority, Prescribing Its Powers and Functions and Appropriating Funds Therefor

HBs 1419, 2318, 2430, 2485, 3147 and 3231 seek to establish the following Authorities: Manila Bay Development Authority (MBDA); Lake Lanao Development Authority (LLDA); Sustainable Bicol River Development Authority (SBRDA); Lake Mainit Development Authority (LMDA); Lake Lanao Watershed Development Authority (LLDWA); and Abra River Basin Development Authority (ARBDA).

The bills seek to grant the Authorities with tax privileges, as follows:

a. Exemption from all national and local taxes, licenses, fees, and duties incidental to their operations;

b. Exemption of their subsidiary corporations for 5 years upon establishment, after which, they shall be subject to all taxes on a graduated scale;

c. Exemption from any tax or fee imposed by the government on the sale, purchase or transfer of foreign exchange; and

d. Exemption from any tax or fee (both as principal and interest) on notes, bonds, debentures and other obligations issued by the Authorities.

> In the case of HB 3231, it further provides that all obligations entered into by the ARBDA and any income derived therefrom, including those contracted with private international banking and financial institutions shall be exempt from all taxes including the principal and the interest.

* * *

The intention of the proposals to establish governmental entities that shall oversee and implement the development of the lakes, rivers and watersheds located in specific areas of the country is recognized. Such policy initiative is in line with the provision on Article II, Section 16 of the 1987 Philippine Constitution.

However, the broad coverage of exemption from all kinds of taxes, national or local, incidental to the operations of the Authorities is not supported. A broadly worded provision of exemption is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems, especially in the absence of an effective and efficient monitoring system. Also, it can raise issues of unfair competition or undue engagement of government enterprises enjoying tax privileges in activities that can also be or are already being handled by private sectors.

In particular, the grant of income tax exemption to the Authorities runs counter to the intent of Section 27(c) of the NIRC of 1997, as amended which limited the exemption from income tax to a short list of GOCCs in order to make the income tax more revenue productive and effective fiscal policy tool. Moreover, the proposed exemption of the Authorities from any tax on its sale, purchase or transfer of foreign exchange would be contrary to the policy to adopt a broad-based VAT for a more effective taxation of goods and services.

The proposed exemption from any tax of all notes, bonds and debentures, and other obligations issued by the Authorities, both as to principal and interests needs to be clarified. In practice, the principal portion of an obligation is not subject to tax. However, its income portion in the form of interest income is generally subject to 20% final withholding tax (FWT) instead of the regular income tax rate of 30% for corporations. For policy consistency, interest income of the Authority should be made subject to the 20% FWT. Further, the exemption from documentary stamp tax (DST) on bonds, debentures and certificates of indebtedness is not endorsed.

The proposed exemption of the Authorities from fees and charges is not consistent with the cost recovery principle which stresses that the cost of providing government services should be recovered wholly or partially to sustain the same.

The proposed exemption of the Authorities from the real property tax (RPT) needs to be reconsidered as the RPT constitutes the financial mainstays of LGUs. Such exemption will impinge on the fiscal autonomy of LGUs as it will dissipate its financial resources. Moreover, RA 7160 or the LGC of 1991 removed or lifted all tax exemptions from real property tax except those specifically retained under Section 234 of the law.

The exemption from the inheritance taxes part should be revisited or even deleted. It may be noted that inheritance tax was already repealed under Presidential Decree (PD) No. 69 (January 1, 1973) and integrated into the estate tax for practical administrative reasons.

Lastly, the grant of tax incentives to the Authorities should also be time-bound. This would force the Authorities to be efficient and to optimize the incentives made available to them as well as eliminate the possibility of incentive shopping and other possible abuses or leakages.

HB 2168

Increasing the Threshold for Certain Non-VAT Taxpayers, Amending for the Purpose Sections 109 and 236 of the National Internal Revenue Code of 1997, as Amended

HB 2168 seeks to increase from PhP1,500,000 to PhP3,000,000 the threshold gross annual sales and/or receipts qualified for VAT exemption by amending specifically Sections 109(W) and 236(F) and (G) of the NIRC of 1997, as amended.

The proposed increase in the VAT threshold shall cover the sale or lease of goods or properties or the performance of services other than the transactions mentioned in Section 109(A) to (V) of the NIRC under the exempt transactions.

The said tax measure is warranted in order to support entrepreneurs, i.e., micro and small enterprises (MSEs) thereby relieving them of the rigorous tax procedures.

Also, the bill provides that the threshold amount shall be adjusted to its recent value using CPI as published by the PSA not later than 6 years after the effectivity of the Act and every 6 years thereafter.

* * *

The bill will provide opportunities for MSEs to focus on maximizing their resources towards intensifying economic activities through more investments in labor and capital, thus, resulting in accelerated job generation.

The proposed increase in VAT threshold to PhP3 million will ensure that micro businesses as well as barangay micro business enterprises (BMBEs) under RA 91787 would no longer register for VAT. Also, small entrepreneurs, e.g. self-employed and professionals (SEPs) with gross sales/receipts below the VAT threshold will not be required to pay the VAT.

For consistency of provisions for similarly situated taxpayers, marginal income earners (MIEs) under BIR Revenue Regulation (RR) No. 11-2000 must be redefined to be those deriving gross receipts not exceeding PhP3 million. Moreover, for equity reasons, MSEs, BMBEs, MIEs and SEPs with gross receipts below PhP3 million should be similarly taxed.

The SEPs are proposed to pay 8% of gross sales/receipts in lieu of income tax and percentage tax. If pushed through, the same tax treatment should be accorded to MSEs, BMBEs and MIEs.

Among the member-countries in the ASEAN, Singapore has the biggest VAT threshold of PhP35.6 million (SGD1 million) followed by Indonesia at PhP18.2 million (IDR4.8 billion), Malaysia at PhP5.6 million (RM500,00) and Thailand at PhP2.6 million (Baht1.8 million).

The Philippines ranks 5th at PhP1.9 million while Vietnam has the lowest threshold of PhP0.22 million (VND100 million). With the proposal, it will rank 4th next to Malaysia.

The proposed threshold of PhP3 million is actually more than the inflation-indexed amount. Using the change in CPI from 2012 to 2018, the threshold would increase from PhP1,919,500 to PhP2,257,367 only.

HB 2665
Providing a Five (5) Year Tax Holiday for the Horse Racing Industry

HB 2664, otherwise known as the "Philippine Horse Racing Tax Holiday Act of 2016", seeks to provide the horse racing industry a 5-year tax holiday on: (a) winnings or dividends on place wagers; (b) horse prizes; and (c) imported horses intended for racing/breeding purposes (broodmares and stallions included).

At present, there are 3 operating racing clubs that the government granted a franchise to operate and maintain race tracks, namely: (a) Manila Jockey Club, Inc. (MJCI), (b) Philippine Racing Club, Inc. (PRCI) and (c) Metro Manila Turf Club, Inc. (MMTCI).

The proposed 5-year tax exemption on winnings or dividends on placed wagers, horse prizes and imported horses intended for racing/ breeding purposes (broodmares and stallions included) is not endorsed given the government's need for revenues. The government collected a total of PhP2.08 billion from 2011 to 2015 or an annual average of PhP415 million from taxes on winnings and prizes. Meanwhile, the estimated duty and VAT collections from the importation of horses totaled to PhP48 million or an average annual of PhP10 million from 2012 to 2016.

The horse racing clubs have already benefited from the shift in tax obligations from the 25% franchise tax to 12% VAT which gave them substantial concessions while adversely affecting the government revenues and the legal beneficiaries/recipients.

HB 2915
Promoting the Development of Mineral Processing and in the Process Banning the Export of Iron, Nickel, Chromite, Manganese, Black Sand and Other Strategic Metallic Ores, and for Other Purposes

HB 3229
Promoting the Development of Mineral Processing and in the Process Banning the Export of Unprocessed Mineral Ores, and for Other Purposes

HBs 2915 and 3229 seek to include mineral processing (MP) in the Investment Priorities Plan (IPP), every year, to be prepared by the BOI in accordance with EO 226 or the Omnibus Investment Code of 1987 and shall be listed as a preferred area of investment.

Also, the bills propose that individuals, partnerships, cooperatives, corporations or other entities engaged in MP shall be entitled to the incentives provided for under Chapter XVI of RA 7492 or the Philippine Mining Act of 1995, including those on incentives for pollution control devices, income tax-carry forward of losses, income tax-accelerated depreciation, and investment guarantees.

In addition, the proposals provide for the following additional incentives to individuals, partnerships, cooperatives, corporations or other entities engaged in MP which can generate all or 70% of their own electricity, subject to certain conditions:

a. Additional Deduction for Labor Expenses – Instead of being allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the first 5 years from registration only, said incentive shall be extended to the first 6 years from registration: Provided, that, in order to be entitled to this incentive, the project must still meet the prescribed ratio of capital equipment to number of workers set by the BOI.

b. Tax and Duty Exemption on Imported Capital Equipment – Importation of machinery and equipment and accompanying spare parts needed for the construction, operation and maintenance of the power plant shall be exempt to the extent of 100% of the customs duties and national internal revenue tax payable thereon.

c. Tax Credit on Domestic Capital Equipment – A tax credit equivalent to 100% of the value of the national internal revenue taxes and customs duties that would have been waived on the machinery, equipment and spare parts, had these items been imported shall be given to the entities which purchase the said items from a domestic manufacturer; Provided, that, the said equipment, machinery and spare parts are reasonably needed and will be used exclusively by the entity in the generation of electricity.

d. Exemption from Contractor's Tax – The entity shall be exempt from the payment of contractor's tax, whether national or local for the construction, operation and maintenance of the power plant.

* * *

On the proposed inclusion of MP in the IPP every year and to be listed as a preferred area of investment, it may be noted that Section 90 of RA 7942 provides that mining activities shall always be included in the IPP and as such may register with the BOI to avail of incentives under EO 226. However, under the 2017 IPP, incentive to mining was limited to capital equipment only.

Further, the proposed entitlement to the incentives under RA 7942 of individuals, partnerships, cooperatives, corporations or other entities engaged in MP is already covered under Section 90 to 94 of the same law.

On the proposed additional incentives to individuals, partnerships, cooperatives, corporations or other entities engaged in MP that can generate their own power, it may be noted that such incentives are already available under Article 39, Title III of the EO 226. It is to be noted that the contactor's tax is already supplanted by the VAT. Hence, if the intention is VAT exemption, this runs counter to the principle that for VAT to be effective and equitable, it should be as broad-based as possible with minimum exemptions/zero-rating.

An entity engaged in MP may opt to locate within a SEZ and register with the PEZA and be entitled to the fiscal incentives as provided under PD 66 or those provided under Book VI of EO 226.

Finally, in line with the thrust of the government to rationalize fiscal incentives system to make it transparent, performed-based, targeted and time-bound, it is suggested that the bills conform with the ongoing efforts in the rationalization of fiscal incentives. There is also a need to integrate incentive provisions into one framework, for easier reference and access by the investors.

HB 3201
Strengthening the National Museum of the Philippines, Repealing for the Purpose Republic Act No. 8492, Otherwise Known as the National Museum Act of 1998, and Appropriating Funds Therefor

HB 3201 renames the National Museum as the "National Museum of the Philippines" (NMP) or "Pambansang Museo ng Pilipinas), which shall continue to be classified as a national government agency (NGA).

The bill seeks to exempt the NMP from paying import taxes and tariff duties on all to be directly used in its operation, including but not limited to books and other printed or digital publications, films and other similar media, art material, chemicals for preservation and restoration, exhibit and technical supplies and equipment, and any item acquired or in the process of being acquired for its collections.

Also, donations and legacies to the NMP in the form of money or in kind, other than collection items, shall be exempt from donor's, estate and inheritance taxes.

For donations in kind, except collections items, the Board of Trustees shall recommend to tax authorities the appropriate amount of exemption for donations of objects or donations in kind: provided, that the Board shall refer to qualified external evaluators to determine the proper valuation of the donation.

All donations of such items as the NMP might seek to acquire for its collections shall qualify for deductions against income and/or inheritance taxes of the donor based on their estimated market value in Philippine Pesos as certified by a resolution of the Board of Trustees, which shall formulate the said estimate upon the advice of the NMP and external experts, if appropriate, should no market or appraised value, in Philippine or foreign currency, within the last two (2) years be available for the item in question.

The extent of the deductions shall be 150%, 200% and 300% of the estimated market value in the Philippine Peso for any work of national significance, for any work of important and outstanding national significance, and for any work of the most exceptional and extraordinary national significance, respectively.

Deductions against taxable inheritance under the Act that may exceed the total amount owed may be deductible from the taxable income of the legal heirs within the current year or otherwise spread over a maximum of 5 consecutive years including the current year.

Deductions against taxable income under the Act may be made in full within the current year or otherwise spread over a maximum of 5 consecutive years including the current year (Section 23).

The policy to pursue and support the cultural development of the Filipino people through the preservation, enrichment and dynamic evolution of Filipino national culture, based on the principle of unity in diversity in a climate of free artistic and intellectual expression conforms with the Constitution.

Section 25 of RA 8492 (February 12, 1998) already exempts the NMP from the payment of import taxes and tariff duties on all art/display materials and equipment directly used for the Museum's non-profit programs including but not limited to books, art materials, chemicals for preservation and restoration, exhibit and technical equipment and films. Also, it provides for the exemption from donor's, estate and inheritance taxes of donations and legacies to the NMP.

At present, donations or gifts to any government entity are already exempt from the donor's tax pursuant to Section 101(A)(2) of the NIRC of 1997, as amended, and are deductible in full from the donor's gross income for purposes of the income tax pursuant to Section 34(H)(2)(a) of the Tax Code.

The exemption from the donor's tax of donations of any form and their deductibility from gross income of the donor for income tax purposes to affiliated agencies of the National Commission for Culture and the Arts (NCCA) in accordance with the provision of the NIRC are reiterated under Section 35 of RA 10066, also known as the "National Cultural Heritage Act of 2009.".

Also, pursuant to Section 86(A)(3) of the NIRC, bequests, legacies and transfers to government agencies are in effect exempt from estate taxes as the same are deductible from the gross estate for purposes of determining the value of the net estate subject to tax.

The proposed exemption from the inheritance tax of donations and legacies to the NMP should be revisited or even deleted. Under PD 69 (January 1, 1973), inheritance tax was already repealed and integrated into the estate tax for practical administrative reasons.

On the deductibility of donations of items to the NMP collections, the proposal should be reconciled. If the intention is to make the deduction against the gross income for income tax purposes, then it should be categorical or explicit to avoid confusion/misinterpretation.

The proposed deductibility from income and/or inheritance taxes on taxable income equivalent to 150%, 200% and 300%, of the estimated market value of the donation, as the case may be, will erode the revenue base that the government needs. Furthermore, such provision will set a precedent for other similarly situated agencies to clamor for the same treatment which in turn could adversely affect the revenue of the government.

HB 3436
To Tax Twenty Percent of Lotto Earnings, Ten Percent of Which for Housing and Another Ten Percent for Education and Prescribing Mechanism Therefor

HB 3436 seeks to impose a 20% tax on all lotto winnings or earnings and the proceeds thereof shall be allocated equally to housing and education purposes.

The bill aims to institutionalize the mode of sharing the blessings gained by the winners not only to a tiny circle of private individuals known to them but to as many people and beneficiaries as possible.

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Sections 24(B)(1) and 25(A)(2) of the NIRC of 1997, as amended, exempt from the 20% final tax the winnings that are derived from the Philippine Charity Sweepstakes and lotto. Such exemption is in line with the fact that a 5% Prize Fund tax is already being deducted and paid to the BIR pursuant to RA 1169, as amended by PD 1157.

If the bill is pursued, all lotto winnings or earnings will be subject to 20% tax. Prizes range from as low as PhP20.00 to millions of pesos from all lotto games will be subject to tax.

The proposal may be considered for the reason that winnings are money that may be considered as “easily earned”. The use of the term “easily earned” is only meant to emphasize that being able to win a substantial amount of money in a lottery is generally the result of luck or fortune. Thus, aside from the windfall, the winning is also tax-free. This tax treatment may be deemed unfair for other sources of income that are a result of hard work, blood and sweat which are subject to tax. Therefore, the proposal that winnings in the lotto will be subject to tax is justifiable.

For uniformity, all prizes or winnings from other PCSO and non-PCSO games should also be subject to the 20% tax as proposed in the bill. It is however, suggested that the bill should clarify whether the tax is final or creditable. Likewise, the bill should provide for the amendment of the provisions of the NIRC of 1997, particularly Sections 24(B)(1) and 25(A)(2).

It is to be noted that under RA 1169, as amended by PD 1157, a 5% Prize Fund tax is paid to the BIR in lieu of the income tax. It is therefore suggested that the said Prize Fund Tax be repealed and instead impose a 20% final tax on such winnings to avoid double taxation.

Likewise, the bill provides that the proceeds of the proposed 20% tax on lotto winnings or earnings shall be allocated equally for purposes relating to education and housing. Although the proposed earmarking of the proceeds of the tax appears popular or reasonable, it has to be reconsidered as it will limit the government's flexibility in the allocation and use of fund to where it deems it is more needed. Hence, it is suggested that the proceeds of the tax be remitted to the General Fund.

HB 3929

Converting the Zamboanga City State Polytechnic College Into a State University to be Known as Zamboanga Peninsula Polytechnic University and for Other Purposes

HB 4218

Converting the Davao Oriental State College of Science and Technology in the City of Mati and All Its Satellite Campuses Located in the Province of Davao Oriental Into a State University to be Known as the Davao Oriental State University, Integrating Therewith the Governor Generoso College of Arts, Science and Technology in the Municipality of Governor Generoso, Province of Davao Oriental and Appropriating Funds Therefor

HB 3929 seeks to convert the Zamboanga City State Polytechnic College into Zamboanga Peninsula Polytechnic State University. HB 4218 seeks to convert the Davao Oriental State College of Science and Technology in the City of Mati and all its satellite campuses located in the Province of Davao Oriental into the Davao Oriental State University, and integrate therewith the Governor Generoso College of Arts, Science and Technology, located in the municipality of Governor Generoso, Davao Oriental. Both bills propose the following:

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), as amended;

b. Exemption from donor's tax of donations in any form to the University and for the same to be considered as allowable deductions from the gross income of the donor for income tax purposes, in accordance with the provisions of the NIRC of 1997, as amended; and

HB 3929, also propose the imposition of 0.5% ad valorem tax on all imported technical equipment, tools and machineries to support technology research programs and other projects of the University.

* * *

The conversion of the Zamboanga City State Polytechnic College into a state university is in line with its mandate to implement programs in industry technology, education programs with emphasis on technological research innovations, technology inventions and discovery of cutting-edge knowledge in order to provide more opportunities for the people of the region to avail of higher technology education to be able to compete in the ASEAN and world labor market.

The conversion of the Davao Oriental State College of Science and Technology into a state university is sought as it has been elevated from Level 1 to Level 3 state college status after complying with the accreditation standards set by the Accrediting Agency of Chartered Colleges and Universities in the Philippines, Inc. As a university, it will be in a better position to introduce need-based research, extension services and production activities which complement the promotion of socio-economic progress and can help the people of Davao Oriental and neighboring provinces achieve their goals of becoming globally competitive.

The proposed exemption from customs duties on the importation of books or publications, upon certification by the CHED and in accordance with the provisions of the TCCP (now Customs Modernization and Tariff Act or CMTA) may no longer be necessary as it is already in place pursuant to Article XIV, Sec. 4(3) of the 1987 Philippine Constitution.

Also, as a signatory to the United Nations Educational, Scientific and Cultural Organization (UNESCO) Florence Agreement, the Philippines honors and undertakes the commitment "not to apply customs duties or other charges on, or in connection with, the importation of (a) books, publications and documents; (b) educational, scientific and cultural materials listed in Annexes B, C, D, and E of the Agreement; which are the products of another Contracting State, subject to the conditions laid down in those annexes" to advance mutual knowledge and understanding of people through all means of mass communication, promote free flow of ideas by word and image and to achieve the widest possible dissemination of the diverse forms of self-expression.

Moreover, to ensure the adequate supply of affordable and quality books, RA 8047 (June 7, 1995) or the Book Publishing Industry Development Act and its IRR provided for the applicable fiscal and non-fiscal incentives for book development. Likewise, EO 885 (June 5, 2010) lifted the tariffs on educational materials including technical and scientific books which was affirmed by DOF Order No. 57-2011 (December 12, 2011).

Aside from the exemption from the payment of tariff duties, the importation of books is exempted from the VAT pursuant to Section 109(R) of the NIRC, as amended, and reiterated under DOF Order No. 57-2011.

On the proposed exemption from the donor's tax, the same may no longer be necessary as this provision is already in place pursuant to Article XIV Sec. 4(4) of the 1987 Philippine Constitution and Section 101(A)(2) and 101(B)(1) of the NIRC of 1997, as amended.

On the proposed deductibility of donations from the donor's gross income for income tax purposes, the same is already provided under Section 34(H)(2)(a) of the NIRC, as amended. It also provides that any donation which is made to the government or to any of its agencies or political subdivision not in accordance with the said annual priority plan shall be subject to the limitation prescribed under Section 34(H)(1) of the Tax Code.

As regards the proposal to impose an ad valorem tax of 0.5% on all imported technical equipment, tools and machineries, the same is not clear and needs clarifications if it shall be an add-on imposition.

HB 4106

Further Strengthening the Powers and Functions of the Authority of the Freeport Area of Bataan (AFAB), Amending for this Purpose Republic Act No. 9728, Otherwise Known as the "Freeport Area of Bataan Act of 2009"

HB 4106 seeks to further strengthen the powers and functions of the Authority of the Freeport Area of Bataan (AFAB), amending for this purpose RA 9728, otherwise known as the "Freeport Area of Bataan (FAB) Act of 2009" by exempting the AFAB from the payment of all national and local taxes, among others (Section 2).

* * *

RA 9728 (October 23, 2009) converted the Bataan Economic Zone in Mariveles, Bataan into a special economic zone and freeport, known as the FAB. The AFAB was also created to operate and manage the FAB.

The said law provides for fiscal incentives available to registered enterprises operating within the FAB as provided for under RA 7916 (Special Economic Zone Act of 1995), or those provided under EO 226 (Omnibus Investment Code of 1987), as amended.

The proposed exemption of the AFAB from all national and local taxes is likely to create opportunities for abuses/leakages, as well as implementation or interpretation problems, especially in the absence of an effective and efficient monitoring system. In addition, such tax exemptions may set a precedent for other investment promotion agencies (IPAs) to clamor for similar treatment which may also adversely affect the revenues of the government.

Further, the grant of income tax exemption to the AFAB runs counter to the intent of Section 27(C) of the NIRC, as amended, which limited the exemption from income tax to a short list of government corporations in order to make the income tax more revenue productive and effective fiscal policy tool.

As to the proposed real property tax (RPT) exemption of the AFAB, it may noted that it is currently exempt therefrom by virtue of Supreme Court decision in the consolidated cases of City of Lapu-Lapu vs. Philippine Economic Zone Authority (PEZA) and Province of Bataan vs. PEZA in GR No. 184203 (November 26, 2014). Moreover, Article 420 of the Civil Code classifies a port as property of public dominion. Thus, the FAB is owned by the state and cannot be taxed pursuant to Section 234(a) of the LGC.

As to other taxes, the proposed exemption is untimely given the present thrust of the government to broaden or raise more revenue to finance its infrastructure, human capital and social protection programs in the next 6 years. Thus, the status quo on the current tax treatment of AFAB would better serve the government.

Lastly, in view on the ongoing reforms of fiscal incentives system, it may be more practical and prudent to align whatever tax privileges the bill intends to grant to the AFAB with the thrust of said reform for consistency and uniformity in government's overall tax incentives framework.

HB 4739
Imposing Climate Tax on Electric Power Consumption Otherwise Known as the "Piso Para sa Kalikasan Act"

HB 4739 proposes the imposition of a climate tax equivalent to PhP1.00 per one kilogram of carbon dioxide (CO2) emission on residential electricity users with more than 60KWh monthly electricity consumption. The proposed climate tax on electricity (CTE) is to be computed as follows:

$$CTE = E \times 0.553$$

Where:

CTE is the applicable tax
E is the electricity consumption in kilowatt-hours (KWh)
0.553 is the CO2 emission in kilogram per KWh consumption of electricity

Residential consumers will be exempted from paying this proposed climate tax if their monthly consumption does not exceed 60 KWh or if the electricity they consume comes from renewable-energy (RE) sources.

The bill aims to help reduce greenhouse gas (GHG) emissions in the country, particularly CO2 emissions.

The proceeds of the proposed tax shall be earmarked solely for programs that assist communities in adapting to climate change and managing disaster risks; improving the resiliency of critical infrastructure; protecting environmental quality and wildlife; and meeting international commitment made by the Philippines to assist with climate change adaptation and disaster risk reduction and management.

* * *

The intention of the bill to impose a climate tax on residential users with more than 60KWh monthly consumption to compensate the CO2 emissions produced in using electricity is well-taken and supported. The proposal is expected to generate revenue that can be used for programs to protect the environment and explore alternative and cleaner sources of energy.

However, presently, the residential users are already subject to the energy tax. The tax has been in existence since 1979 pursuant to Batas Pambansa Bilang 36 to promote the efficient utilization of electricity. It is levied and collected on residential customers with monthly electric power consumption of more than 650KWh wherein the rich people are the ones generally hit by the tax.

From 2010-2016, an average of PhP278 million annually was collected from the energy tax representing 0.02% of the total tax collection of the BIR covering the same period. Meanwhile, based on a typical month (August 2015), there was a total of 5.24 million residential customers with a total electricity consumption of 991,236 megawatt hour (MWh). The energy tax collection amounted to PhP16 million for the month or PhP192.04 million annually.

The proposed climate tax is estimated to generate a monthly revenue of PhP535.72 million or PhP6.43 billion annually. Hence, from MERALCO customers alone, there will be an incremental revenue of over PhP6 billion a year or 33.5 times more than the collection of PhP192 million under the energy tax. Based on the total energy collection of PhP303 million in 2016, the total incremental revenue will be around PhP10 billion. To avoid overburdening residential users, the existing energy tax is suggested to be repealed and replaced by the proposed climate tax.

The proposal to impose a climate tax on residential users of electricity above a specified threshold is supported. However, it should be noted that at present, residential customers and senior citizens with less than 100KWh month consumption are granted lifeline discounts and senior citizen subsidy. Thus, for consistency of policies, the proposed 60KWh exempt threshold may be increased to 100KWh or even higher since present law exempts those with 650KWh consumption and below. Moreover, the proposed rate of PhP1.00 per kilogram of CO2 emission may be reconsidered as it is deemed too high and burdensome for residential consumers.

HB 4839

Amending Sections 141, 142, and 143 of the National Internal Revenue Code of 1997 Increasing and Restructuring the Excise Tax Rates on Alcohol

HB 4839 seeks to amend Sections 141, 142, and 143 of the NIRC, as amended, by increasing the excise tax rates on alcohol products, i.e., distilled spirits, wines and fermented liquors. It also seeks to revert to the two-tier excise tax structure on fermented liquor to level the playing field of the stakeholders producing alcohol products using domestic raw materials with those that are using imported raw materials.

The bill proposes to amend the imposition of the unitary excise tax of PhP23.50 on fermented liquors starting January 1, 2017 while maintaining the 4% annual adjustment for the specific tax effective January 1, 2018 under RA 10351. However, a 5% specific tax shall apply to fermented liquors affected by the "no downward classification".

The bill also proposes for an automatic annual adjustment of 5% in the specific tax of distilled spirits and wines starting January 1, 2018.

Under the proposal, the increase in the excise tax rates which factors in inflation aims to raise revenue for the government.

Under the proposal, the proposed tax rate on sparkling wines with net retail price (NRP) of more than PhP500.00 is lower by 2.3% or PhP18.90 from PhP818.90 under RA 10351. The same goes for still wines and carbonated wines containing more than 14% of alcohol where the tax rate under the proposal is lower by 0.3% or PhP0.20 from the PhP70.20 tax rate under RA 10351.

The estimated incremental revenue from the proposed increase in distilled spirits vis-à-vis the increased tax rates under RA 10351 would be around PhP5.4 billion, assuming that the 2016 volume of removals and average NRP would increase by 7%.

On the other hand, estimated incremental revenue from the proposal vis-à-vis unitary tax rate of PhP23.50 starting 2017 and the imposition of a mandatory 4% increase in 2018 onwards under RA 10351 would amount to PhP8.7 billion.

The proposal to increase the excise tax rates of alcohol products as well as amend the imposition of the unitary excise tax of PhP23.50 on fermented liquors (reverting to the two-tier excise tax structure) starting January 1, 2017 is intended as a tax enhancing measure. However, it still recommends the retention of the unitary rate on fermented liquor which may be increased further if only to gain more revenues from fermented liquor. The unitary rate is aligned with the World Trade Organization (WTO) requirement of non-discrimination between local and imported products as experienced in distilled spirits.

Further, considering the successful implementation of RA 10351 on sin products for more than 4 years, on revenue collection and public health, it is only appropriate to assess first the effectiveness of a unitary tax system in reducing alcohol consumption, particularly on fermented liquor before any amendments to the law are made.

Lastly, under Section 11 of RA 10351, the Congressional Oversight Committee is mandated to review the impact of the tax rates provided under the Act beginning third quarter of calendar year (CY) 2016. In addition, the Senate has an ongoing assessment/review of the Act which started as early as September 2016.

HB 4881
Granting Exemption to Estate of Deceased Members of the Armed Forces of the Philippines and the Philippine National Police Who Die in Service and Amending for this Purpose the Provisions of Republic Act No. 8424

HB 4881 proposes to exempt the estate of a member of the Armed Forces of the Philippines (AFP) or the Philippine National Police (PNP) from the payment of estate tax under Section 84 of the NIRC of 1997, as amended. The tax relief is sought to honor the men and women in uniform who lay their lives on the line to protect the life, liberty and properties of the people.

* * *

The objective of the bill to recognize the invaluable role of uniformed personnel in the maintenance of peace and order, protection of life, liberty and property of the people and of the State and in securing our sovereignty and national territory is well-taken.

At present, estate tax system under the NIRC of 1997, as amended, already provides for numerous deductions from the gross estate of the decedent, that, if taken together may in fact exempt an estate from the burden of paying estate tax. Based on the items of deductions, medical and actual expenses, family home, and standard deductions alone already amount to PhP2.7 million. Aside from this amount, the first PhP200,000.00 of the net estate is exempt from estate tax under Section 84 of the NIRC of 1997, as amended. Hence, the estate of a deceased uniformed personnel may no longer be subject to estate tax, taking into account the amount of deductions available. Thus, those who will most likely benefit from the proposal are the high ranking officials or affluent members of the AFP and PNP who may still have net estate after deduction.

Further, the bill is loosely worded and therefore, ambiguous. The bill uses the phrase “who died in service” but fails to define the same and may be interpreted differently. It may be taken in a general sense such that it will apply to all members of the AFP and the PNP who died during their tenure, whatever may be the cause of death or it may only apply to those who have actually died during legitimate military or police operations or in warzones, or in a hospital or other areas as a result of such operation.

Furthermore, it bears stressing that the government is not oblivious to the heroism of the men in uniform. Pursuant to RA 6963 (September 4, 1990), the families and beneficiaries of the members of AFP and PNP who have sustained an injury or died while in the performance of their duty are provided sufficient safety nets by providing both monetary and non-monetary benefits.

Moreover, members of the AFP and PNP who suffered from work-connected sickness or injury resulting to disability, or their families and heirs in case of work-connected death, may avail of the employee's compensation (EC) benefits at the Government Service Insurance System (GSIS) despite their exclusion from the coverage of RA 8291, otherwise known as "The Government Service Insurance Act of 1997".

Additionally, it should be mentioned that retirement benefits of the members of the AFP and PNP are non-contributory and coming from the annual GAA. Hence, the government has been so generous when it comes to granting benefits to uniformed personnel both during their lifetime and even to the heirs and beneficiaries after their demise.

In view of the foregoing, the proposed exemption from the estate tax of the member of the AFP and PNP who died in service is not supported.

HB 4892

Establishing the Virtual One Stop Shop for the Purpose of Streamlining the Permitting Process of Power Generation Projects

HB 4892 seeks to streamline the permitting process of power generation projects. Specifically, the bill seeks to establish a virtual one stop shop under the control and supervision of the Department of Energy (DOE) to address the lengthy permitting process. The virtual one stop shop is envisioned to:

a. Eliminate duplication, redundancy, and overlapping mandates of various government agencies in documentary submissions and processes;

b. Supply an online platform for government agencies to approve applications as well as coordinate and share information; and

c. Provide a paperless processing system which serves as a single gateway for new power generation developers to access all information necessary to comply with requirements.

The bill aims to attract greenfield power generation developers and fast tract the construction of power plants in order to meet the country's energy demand.

* * *

The establishment of a virtual one stop shop (VOSS) to streamline the permitting process of power generation projects is supported. Given the crucial role that power supply plays in our economic growth, it is imperative that efforts/initiatives to ensure sufficiency of energy supply to meet current and future demands of energy should be supported.

As regards the proposed departments and agencies that will compromise the Inter-Agency Technical Working Group (IATWG) of the VOSS, it is suggested that the BIR be represented in cases where the permitting process requires its documentary requirements.

For the formulation of the fees and charges that will be imposed and collected in the implementation of the VOSS, it is emphasized that Administrative Order (AO) No. 31, s. 2012 (October 1, 2012), as implemented by DOF-DBM-NEDA Joint Circular 1-2013 (January 30, 2013), provides guiding principle in the determination of rates of existing fees and/or in the imposition of new fees.

HB 5572
Granting Automatic Travel Tax Exemption to Public Officials and Employees, Private and Public School Teachers and Students Engaged in Official Representations, Academic Conferences, International Research Consortium and Sport Tournaments Abroad

HB 5572 otherwise known as the "Expanded Automatic Travel Tax Exemption Act", seeks to, among others, grant automatic travel tax exemption to public officials and employees, private and public school teachers and students engaged in official representations, academic conferences, international research consortium and sport tournaments abroad.

At present, several groups are exempt from paying the travel tax provided that they secure the original documents necessary for the exemption and proceed to the nearest travel tax office of the Tourism Infrastructure and Economic Zone Authority (TIEZA) to avail of travel tax exemption. From 2012 to 2016, there were a total of 2,345,832 availments of the travel tax exemption or 43,645 annually.

On the other hand, the TIEZA issued Memorandum Circular No. 1 s. 2016 lifting the processing fee of PhP200.00 in the availment of Travel Tax Certificate.

It is to be noted that the collection of travel tax has become relevant due to its role in funding government's various tourism-related activities wherein 50% goes to the TIEZA, 40% to the Higher Education Development Fund of the CHED and 10% to the National Endowment Fund for Culture and Arts of the National Commission for Culture and Arts. The travel tax collection steadily increased from a total of PhP3.50 billion in 2012 to PhP4.74 billion in 2016 or an average annual increase of 7.96% during the 5-year period.

The bill not only reiterates present travel tax exemption of several groups but also widens the coverage to include private school teachers and students. For equity reasons, the proposal may be considered. The move is a way for the government to show its support and encourage private schools, universities and colleges to participate in academic conferences and the likes, that would help them enhance their knowledge, hone their skills, and gain experience.

On the other hand, the proposal to grant automatic travel tax exemption by allowing exempt passenger to show his/her travel documents at the airport at the point of embarkation is not endorsed. Proper procedures provided under Rule VI of the Omnibus Rules and Regulation on Travel Tax must be followed in order to avail the said exemption. This is important to ensure that the travel tax exemption is granted only to legitimate persons.

Unnumbered HB
Institutionalizing the National School Feeding Program for Public Kindergarten and Elementary Pupils and Appropriating Funds Therefor

Unnumbered HB seeks to establish a National School Feeding Program (NSFP) as an alternative approach of providing free supplementary meals, including fresh milk-based, through a program menu that shall be designed by the Department of Education (DepEd) particularly for children studying in public kindergarten and elementary nationwide. The DepEd shall be the lead agency to implement the NSFP.

The NSFP intends to pursue the following objectives:

a. To ensure that adequate health and nutrition programs are accessible to school children throughout their early childhood years;

b. To achieve improved attendance and survival rates in public kindergarten and elementary schools;

c. To enhance the physical, social, cognitive, psychological and language development of young children;

d. To mitigate malnourishment among school children, thus, ensuring that they will be adequately prepared for the formal learning system; and

e. To establish an efficient system for early identification, prevention, referral and intervention of developmental disorders and disabilities in early childhood.

It is proposed that any donation, contribution, bequest or grant which may be made to DepEd purposely for the NSFP shall be exempt from the donor's tax and the same shall be considered as allowable deduction from the computation of the income tax of the donor in accordance with the provisions of the NIRC of 1997, as amended. Provided, that the donation is duly approved by the Secretary of Education upon the recommendation of the Executive Director of the National Nutrition Council (NNC), in case of food products, and the Secretary of Health, in case of vaccine and vitamin products.

The objective of the Unnumbered HB to mitigate malnourishment among school children through the NSFP is recognized and supported.

Donations, contributions, bequests or grants to the DepEd being a government agency may be exempt from the donor's tax pursuant to Section 101(A)(2) and (B)(1) of the NIRC of 1997.

With regard to the proposed deductibility of donation made to the DepEd, it must be noted that the bill provides conditions that are provided already under the NIRC of 1997 only [Section 34(H) of the NIRC of 1997, as amended].

Unnumbered HB
Regulating the Production, Importation, Sale, Provision, Use, Recovery, Collection, Recycling and Disposal of Plastic Products

The Unnumbered HB, otherwise known as the "Plastic Products Regulation Act", seeks to regulate the use of plastic bags and other plastic products. It proposes measures to regulate the use of plastic bags by requiring commercial establishments to provide biodegradable plastic products to the consumers; establishing In-Store Recovery Program,; and the phasing-out of plastic materials that are non-biodegradale, non-reusable, non-recyclable or non-safe to be in contact with food.

The bill, among others, provides that commercial establishments shall require their customers to surrender an equivalent or practically equivalent plastic bag for the provision of a new plastic bag , otherwise, the customer or the consumer will be charged a fixed fee of PhP5.00 per plastic bag. The fee which shall be reflected in their receipts shall go to a special environmental fund.

Also, it seeks to create a Special Environment Trust Fund for Plastic Product Regulation to be managed by the National Solid Waste Management Commission (NSWMC). The Fund is to be composed of levies, fees, and fines collected pursuant to the implementation and enforcement of the Act and will be used exclusively for the following: (a) improve the capacity of LGUs and local law enforcement agencies for the implementation of the Act; (b) conduct information and education campaigns on plastic products regulation and related environmental awareness measures; (c) assist and provide incentives for manufacturers and community-based initiatives for the production of native reusable bags, as well as for non-government and civil society organizations promoting proper solid waste management; and (d) additional provisions for the Solid Waste Management Fund under RA 9003. Further, 40% of the collected fines shall be allocated to or retained by the barangay where the fined prohibited acts are committed to finance solid waste management initiatives of said unit.

* * *

The proposal to regulate the use of plastic bags and other plastic products is already covered under RA 9003 (January 26, 2001), otherwise known as the "Ecological Solid Waste Management Act of 2000", thus, the proposal may no longer be necessary.

RA 9003 has provided the institutional mechanism through which the solid waste management framework is developed and implemented. The establishment of a NSWMC and Solid Waste Management Board (SWMB) in each LGU is mandated by the Act to be represented by public officials, in their ex-officio capacity, and the private sector. The Commission serves as the coordinating body and likewise develops and implements the National Solid

Waste Management Framework. The LGUs are primarily responsible for the implementation and enforcement of the provisions of RA 9003 within their respective jurisdictions.

On the proposed In-Store Recovery Program which requires payment of a fixed fee of PhP5.00 per plastic bag, it is noted that the charging of a fee for a plastic bag is currently practiced in some commercial establishments where plastic bags are banned. Likewise, some LGUs have enacted ordinances that ban the use of plastic bags and impose a fee for using it. The LGUs have the power the levy fees or charges by enacting an ordinance for this purpose, provided that the fees are not unjust, excessive or oppressive.

On the establishment of a Special Environmental Trust Fund (SETF), it should be noted that there is an existing special account in the National Treasury created pursuant to Section 46 of RA 9003, called the Solid Waste Management Fund (SWMF), which is being administered by the NSWMC. It is sourced from the fines and penalties imposed under the Act; proceeds of permits and licenses; donations, endowments, grants and contributions; and amount allocated under the annual GAA. The Fund is supposed to be utilized to finance products, facilities, technologies, and processes that would enhance proper solid waste management; awards and incentives; research programs; information, education, communication and monitoring activities; technical assistance; and capability building activities. The Fund is projected to be a catalytic fund which shall initiate bigger and wider Solid Waste Management (SWM) engagements in the future.

Meanwhile, the initial budgetary allocation of the NSWMC amounting to PhP20,000,000 was already appropriated from the Organizational Adjustment Fund in 2001 under Section 58 of RA 9003 to cover operating expenses of the Commission and the National Ecology Center as well as the expenses of the LGUs to carry out the mandate of the Act. On the other hand, it was gathered that the NSWMC's application for the SWMF for inclusion in the GAA is pending for approval by the DBM. The said fund is not yet utilized since it was created in 2000 under RA 9003.

The regulation of plastic products as proposed by the bill is already embodied under RA 9003. The proposal of the bill on plastic product regulation may be one of the approaches to achieve the objectives of the Act. Hence, instead of creating another law that would reprise the provisions of

RA 9003, the proposed measure of the bill to regulate the use of plastic bags is recommended to be submitted as a concrete program of a comprehensive solid waste management to the NSWMC. Further, it is recommended that all environmental programs of LGUs be consolidated especially those imposing fees for the use of plastic bags into one program to be able to fully realize the purpose of RA 9003 and provide for a stable source of funds for the SWMF.

Unnumbered HB
Giving Juridical Personality to the Veterans Memorial Medical Center

The Unnumbered HB proposes to exempt the Veterans Memorial Medical Center (VMMC) from the payment of all income and all other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the government or any political subdivisions, agencies and instrumentalities.

* * *

The intent of the bill to promote the general health and well-being of veterans anchored on Article 14, Section 7 of the 1987 Philippine Constitution is supported.

However, the broad coverage of exemption from all income and all other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the government or any political subdivisions, agencies and instrumentalities in favor of the VMMC is not supported. A broadly worded provision of exemption is likely to create opportunities for abuses/ leakages, as well as implementation or interpretation problems.

Presently, VMMC, being a unit of the Philippine Veterans Affairs Office (PVAO), is exempted from local taxation as provided under Section 133(o) of the RA 7160, otherwise known as the LGC. The said provision recognizes the basic principle that LGUs cannot tax the NG which merely delegated to them the power to tax. However, the VMMC is subject to national taxes since the PVAO's charter provides no exemption therefrom.

Further, exempting the VMMC from fees and charges is not consistent with the cost recovery principle which stresses that the cost of providing services should be recovered to sustain the services. Also, the government has already issued AO 31 (October 1, 2012) which requires the upgrading of fees and charges in line with the cost recovery principle.

The proposed exemption of the VMMC covers taxes and customs duties on importation. This is in view of the need for any hospital to procure equipment and materials to sustain its operation as well as the need to replace these items, given the advances in and requirements of patients' care and medical treatment.

The VMMC, being a GOCC, may avail of tax subsidy as an alternative to the proposed outright/broad tax exemption. It is administered by the Fiscal Incentives Review Board (FIRB) in the case of government corporations, subject to the provisions of EO 93 (March 10, 1987) and the annual General Appropriations Act (GAA). The use of tax subsidy is more precise and direct and adheres to fiscal transparency particularly in the use of government resources.

Unnumbered Substitute Bill to HBs 133 and 177
Ensuring the Preservation and Management of Protected Areas, Amending for the Purpose Republic Act No. 7586 Otherwise Known as the National Integrated Protected Areas System Act of 1992

The Unnumbered Substitute Bill to HBs 133 and 177 seeks to amend certain Sections of RA 7586 and proposes to establish a comprehensive system of integrated protected areas with the classification of national park pursuant to the 1987 Philippine Constitution.

The bills seek to authorize the Protected Area Management Board (PAMB) to implement and establish criteria and set fees and charges in accordance with existing guidelines and raise funds for the protected areas.

Section 14 of the bill seeks to amend Section 16 of RA 7586 by expanding the funding sources for the Integrated Protected Area/s Fund (IPAF) for purposes of financing the projects and sustaining the operation of protected areas and the system. It also provides for the retention by the PAMB of 75% of all revenues raised to be deposited in any government depository bank and that disbursement from the fund shall be used only for the protection, maintenance, administration and management of the protected area. The remaining 25% shall be deposited as special account in the General Fund in the National Treasury for financing the projects of the system.

It also proposes that all grants, bequests and endowments, donations and contributions made to the Protected Area Fund to be used actually, directly, and exclusively by the protected area shall be exempt from donor's tax and shall be considered as allowable deduction from the gross income of the donor for the purpose of computing the taxable income.

Section 26 thereof proposes the participation by the LGUs within the protected area in its management through representation in the PAMB. It authorizes the LGUs to appropriate portions of their share in the annual IRA and other income for the use of protected area; Provided that all funds directly coming from the LGUs shall be exempted from the 25% remittance requirement for the IPAF under Section 14 of the bill.

* * *

On the proposed authorization of the PAMB to implement and establish criteria and set fees and charges, it may be noted that AO 31, s. 2012 authorizes the rationalization of fees and charges by NGAs including GOCCs that are authorized by their charters or enabling laws to impose and collect fees for services rendered. AO 31 is anchored on Section 54, Chapter 12, Book IV of the Revised Administrative Code of 1987 (EO 292, July 25, 1987) which finds application only with respect to government entities required by law to render services for a fee.

On the other hand, under RA 7586, the administration and management of the NIPAS is placed under the control and administration of the Department of Environment and Natural Resources (DENR). Section 10(f) of said law provides that the DENR Secretary is empowered to fix and prescribe reasonable NIPAS fees to be collected from government agencies or any person, firm or corporation deriving benefits from the protected areas.

The delegation of the power to set the rates of fees and charges is consequential to the delegation of the power to administer the protected areas. The power to set the rates of fees and charges almost always emanates from the power to administer and regulate. It serves as a tool to be able to properly discharge the management and regulation control of an agency. Being provided with management and supervision control, the PAMB will eventually be able to acquire technical expertise and resources to be able to establish the criteria and set the rates of fees and charges. However, it is to be noted that such rates of fees and charges may still have to be approved by the Secretary of DENR being the head of the department.

On the proposed expansion of the funding sources of the trust fund known as the IPAF, the same is supported to ensure sustainability in financing the area. The proposal to retain 75% of all revenues raised to be deposited in the Protected Area – Retained Income Account (PA-RIA) and 25% to the revenues to be deposited as a special account in the general fund (SAGF), is only a reiteration of the provision of RA 10629 on sources of incomes for purposes of financing the projects and sustaining the operation of protected areas and the system.

As a general policy, earmarking of revenues is discouraged by the government as it is not keeping with the "One Fund" policy and it limits capability to raise revenue and finance urgent government expenditures. However, exceptions are allowed when authorized by law as stipulated under Section 4(a) of the general provisions of RA 10924 (December 29, 2016) otherwise known as GAA of 2017.

The proposed exemption from the donor's tax, the provision on the deductibility of grants, bequests and endowments, donations and contributions made to the IPAF from the gross income of the donor is already provided under Section 16 of the NIPAS Act.

Likewise, the proposed provision is consistent with Section 101 of the NIRC of 1997, as amended. Moreover, such donations shall be deductible from the gross income of the donor for income tax purposes pursuant to Section 34(H) of the NIRC.

Considering that the tax exemption is already provided under the NIPAS Act and does not deviate from the existing provisions of the NIRC of 1997, as amended, its reiteration in the bill is supported.

On the other hand, the participation in the management of protected areas by LGUs is in line with the policy of local autonomy as provided under the 1987 Constitution. The Administrative Code requires the DENR to coordinate with LGUs in the enforcement of natural resource conservation laws and regulations and in the formulation/implementation of natural resource programs and projects.

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. Repealing the Estate Tax Under RA 8424, or the National Internal Revenue Code of 1997, as Amended (SB 107)

2. Amending Section 2 of the National Internal Revenue Code of 1997, as Amended, Establishing a Taxpayer Assistance Service in the Bureau of Internal Revenue and for Other Purposes (SB 132)

3. Declaring a One-Time Amnesty on Estate Tax, Inclusive of Fines, Interest, Penalties, Surcharges and Other Additions Thereto, and for Other Purposes (SB 293)

4. Amending Section 84 of Chapter I, Title III of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (SB 294)

5. Increasing the Estate Tax Exemption, Amending for the Purpose Section 84, Chapter I, Estate Tax, Title III of the National Internal Revenue Code of 1997, as Amended (SB 769)

6. Instituting Estate Tax Reform, Amending for this Purpose Sections 84, 86(A), 89, 90, and 97 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (SB 867)

7. Enhancing Revenue Administration and Collection by Granting an Amnesty on All Unpaid Internal Revenue Taxes Imposed by the National Government for Taxable Year 2015 and Prior Years (SBs 920, 942, and 1494)

8. Amending Sections 84, 86, 89, 90, and 97 of Title III, Chapter I, Estate Tax of the National Internal Revenue Code of 1997, as Amended (SB 980)

9. Repealing Chapter I of Title III of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (SB 1053)

10. Exempting the Bureau of Internal Revenue from the Coverage of RA 6758, Otherwise Known as the Salary Standardization Law, as Amended, and for Other Purposes (SBs 1314, 1315, and 1316)

11. Exempting the Bureau of Customs from the Coverage of RA 6758, Otherwise Known as the Salary Standardization Law, as Amended, and for Other Purposes (SB 1383)

12. Institutionalizing Energy Efficiency and Conservation, Enhancing the Efficient Use of Energy, Granting Incentives to Energy Efficiency and Conservation Projects, and for Other Purposes (SB 1531)

13. Imposing an Excise Tax on Sugar Sweetened Beverages by Inserting a New Section 150-A in the National Internal Revenue Code of 1997, as Amended (HB 292)

14. Strengthening RA 6971 or the Productivity Incentives Act of 1990 (HB 354)

15. Establishing the Fiscal Regime and Revenue Sharing Arrangement for Large-Scale Metallic Mining, and for Other Purposes (HB 422)

16. Classifying Services Rendered by Tollway Operators 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 1010)

17. Strengthening the Balik Scientist Program and Appropriating Funds Therefor (HB 1204 and Unnumbered HB)

18. Establishing a National Vision Screening Program for Kindergarten Pupils and Appropriating Funds Therefor (HB 3222)

19. Amending Certain Provisions of RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, and for Other Purposes (HB 3719)

20. Amending Certain Provisions of RA 8424, Otherwise Known as the National Internal Revenue Code of 1997, and for Other Purposes (HB 3720)

21. Providing for a Free and Culture-Sensitive System of Registration Concerning the Civil Status of Indigenous Peoples and for Other Purposes (HBs 4545 and 4649)

22. Granting Amnesty in the Payment of Estate Tax (HB 4814)

23. Exempting Start-Up Enterprises from Taxes Arising from the First Two Years of Operation (HB 4983)

24. Exempting the Bureau of Customs and the Bureau of Internal Revenue from the Coverage of RA 6758, Otherwise Known as the Salary Standardization Law, as Amended, and for Other Purposes (HB 5496)

25. Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, And 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (HB 5636)

26. Increasing the Taxes on Finite Minerals and Mineral Products and Quarry Resources (HB 6029)

27. Mandatory Marking of Petroleum Products (Unnumbered HB)

28. Amending RA 7653, Otherwise Known as "The New Central Bank Act" (Unnumbered HB)

29. 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 (Unnumbered Substitute Bill to HB 438)

30. Institutionalizing Energy Efficiency and Conservation, Enhancing the Efficient Use of Energy, Granting Incentives to Energy Efficiency and Conservation Projects, and for Other Purposes (Substitute HB in Substitution of HBs 182, 812, 970, 1220, 1527, 2388, 2540, and 3040)

FISCAL INCENTIVES REVIEW BOARD

The NTRC has continuously rendered assistance to the Fiscal Incentives Review Board (FIRB) as its Technical Secretariat in accordance with EO 93. For 2017, the NTRC prepared studies/papers on the following: (a) magnitude of tax subsidy grant and utilization, by recipient, from 2001 to 2016; (b) projected VAT-exempt purchases/sales of state universities and colleges (SUCs), government institutions (GIs) and government-owned and/or controlled corporations (GOCCs) ; (c) oversight report on tax subsidy recipient; (d) status report on tax subsidy approved by the FIRB in 2016; and (e) FIRB accomplishment reports.

The NTRC also served in the meetings of the FIRB and its Technical Committee. It prepared the following: agenda and minutes of the meetings; 20 reports; 2 evaluation and studies; 356 endorsements and/or letter replies to queries for tax subsidy availment; 2 FIRB Resolutions; and 2 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.

TASK FORCE ON FEES AND CHARGES

As the 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), 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 prepared the following:

(a) Monthly Projected Revenues from Fees and Charges of Top 20 Collecting Agencies: January – December 2017

(b) Comparative Collection from Fees and Charges from NGAs – Ranked from Highest to Lowest (January-December, CYs 2013-2015)

(c) Top 10 Collecting Agencies for the Past 5 Years; and

(d) Update on the NGAs Compliance with AO31 on the Rationalization of Fees and Charges.

The NTRC also extended technical assistance to the Department of Trade and Industry (DTI) and National Privacy Commission (NPC) in connection with fees and charges.

TECHNICAL COMMITTEE ON REAL PROPERTY VALUATION

The NTRC continuously acts as a 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 the 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 commitments to its 2017 GAD Plan, the NTRC conducted a study entitled, "An Examination of Women Participation in the Philippine Stock Market." It also prepared NTRC GAD Plan and Budget for 2018 and 2017 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, a number of NTRC representatives participated in the Film Screening held on March 20-24, 2016 at the Cinema Theque Centre, Manila during the National Women's Month Celebration as well as in the GAD Forum on Women inspiring Women held on March 21, 2017 at the Bureau of Treasury.

The NTRC also displayed streamers on the National Women's Month Celebration (March 8, 2017) and the 18-Day Campaign to End VAW (November 25 – December 12, 2017) in the strategic location of NTRC; and posted it in the NTRC website.

TAX INFORMATION DISSEMINATION

In line with its tax information dissemination and taxpayer's 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. NTRC publications include the following:

1. NTRC Tax Research Journal (published bi-monthly)

2. NTRC Annual Report

3. 2016 Philippine Public Finance and Related Statistics

4. Infographics Uploaded in the NTRC Website

The NTRC also compiled the 2017 BIR Revenue Regulations (RRs), Revenue Memorandum Circulars (RMCs), and BOC Issuances such as Customs Memorandum Orders (CMO), Customs Administrative Orders (CAO), and Customs Memorandum Circulars (CMC).

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A. Conferences and Seminars Abroad

1. **Robert D. Aspa**, Tax Specialist II, Direct Taxes Branch, attended the Course on Financial Programming and Policies held at Singapore on March 6-17, 2017.

2. **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, attended the Comparative Tax Policy and Administration Program held at Harvard Kennedy School Executive Education in Massachusetts, U.S.A. on August 21 to September 2, 2017.

B. Local Conferences and Seminars

1. **Nedinia B. Mendiola,** OIC, and **Ma. Rhea L. Caro**, Supvg. Tax Specialist, Planning & Coordinating Branch, attended the Finalization Writeshop on DOF GAD National Framework Strategy and GAD Planning/Workshop held at Baguio City on January 15-19, 2017.

2. **Gian Carlo D. Rodriguez**, Chief Adm. Officer, **Cecilia V. Salvatierra**, Adm. Officer V and **Grace A. Manalo**, Accountant III, Administrative & Financial Branch, attended the Forum on Guidelines for Release of Funds in FY 2017 held at Summit Hall, Philippine International Convention Center (PICC), Pasay City on February 2, 2017.

3. **All NTRC Officials and Employees** attended the GAD Seminar on Access and Management of Essential Medicines held at the NTRC Social Hall on March 24, 2017.

4. **Mark Lester L. Aure**, Supv. Tax Specialist, Local Taxation Branch, **Edrei Y. Udaundo**, Statistician III, Tax Statistics Branch, and **Leo Paul A. Marcellana**, Comp. Maint. Tech II, Information Technology Unit, attended the Pentaho Training held at the Seminar Room 2nd Floor, DICT Bldg., Diliman Quezon City on February 23-24, 2017.

5. **Selected NTRC Officials and Employees**, attended the Seminar on CTRP Package 1 held at Bureau of Treasury Office , Ayuntamiento, Intramuros, Manila on March 3, 2017.

6. **Selected NTRC Officials and Employees**, attended the Film Showing of "In Da Red Corner" and "Babae" held at PICC, Pasay City on March 9, 20 and 24, 2017.

7. **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, attended the First Quarter Meeting of the Formal Labor and Migrant Workers Council held at Madison 101 Hotel and Tower, Aurora Blvd., Quezon City on March 13-15, 2017.

8. **Selected NTRC Officials and Employees**, attended the Seminar on Civil Service Commission (CSC) Laws and Rules and RA 6713 An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees held at NTRC Social Hall on March 17, 2017.

9. **Mark Lester L. Aure**, Supv. Tax Specialist, Local Taxation Branch, attended the Supervisory Development Course (SDC) Track 2 and 3 held at the Civil Service Commission, Quezon City on March 20-23, 2017.

10. **Selected NTRC Officials and Employees**, attended the Women Inspiring Women Forum held at Bureau of Treasury, Intramuros, Manila on March 21, 2017.

11. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the "GIGAMON-COMSTORE- MICROGENESIS DICTEU SESSION" held at DICT Audio-Visual Room, DICT Bldg., Diliman Quezon City on March 31, 2017.

12. **Trinidad A. Rodriguez**, Resource Speaker, Executive Director, Office of the Executive Director, and **Leo Paul A. Marcellana**, Comp. Maint.

Tech II, Information Technology Unit, attended the 1st Quarterly Seminar and Meeting of Philippines Association for Government Budget Administration (PAGBA), Inc. on April 4-5, 2017.

13. **All NTRC Officials and Employees**, attended the NTRC 57th Anniversary Celebration, Athletic and Cultural and GAD Activities on April 7-8, 2017.

14. **Selected NTRC Officials and Employees**, attended the Friday Learning Session on Gross Domestic Product held at Bureau of Treasury, Intramuros, Manila on April 21 and June 30, 2017.

15. **Analiza G. Berja**, Statistician II, Direct Taxes Branch, attended the Course on Univariate Time Series Analysis and Forecasting with Applications to Economics and Finance held at University of the Philippines (U.P.), School of Statistics, Diliman, Quezon City on April 24-27, 2017.

16. **Venchito P. Salvador**, Supvg. Admin. Officer, Administrative & Financial Branch, attended the Seminar-Workshop on Basic Records and Archives Management held at Prince Plaza Hotel, Baguio City, Benguet on April 24-28, 2017.

17. **Trinidad A. Rodriguez**, Executive Director, Office of the Executive Director, and **Debbie F. Asistio-Sy**, Chief Tax Specialist, Fiscal Incentives Branch, attended the Opening Ceremony of the 30th ASEAN Summit held at Plenary Hall, PICC, Pasay City on April 29, 2017.

18. **Selected NTRC Officials and Employees**, attended the 2017 Labor Day Celebration held at Malacañang, Manila on May 1, 2017.

19. **All NTRC Officials and Employees**, attended the Echo Seminar on Financial Programming and Policies of **Robert D. Aspa**, Tax Specialist II, Direct Taxes Branch, held at NTRC Social Hall on May 5, 2017.

20. **Debbie F. Asistio-Sy**, Chief Tax Specialist, Fiscal Incentives Branch, **Marlene L. Calubag**, Chief Tax Specialist, Indirect Taxes Branch, **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, and **Jonah P. Tibubos**, Statistician IV, Tax Statistics Branch, attended the PIDS Research Workshop “Assessment of Tax Reform per HB 4774”

held at 18th Floor Three Cyberpod Centris – North Tower, EDSA, Quezon City on May 22, 2017.

21. **Grace A. Manalo**, Accountant III, and **Cecilia V. Salvatierra**, Adm. Officer V, Administrative & Financial Branch, attended the 39th Annual National Convention held at Iloilo Convention Center, Iloilo City on May 23-27, 2017.

22. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the Fortinet Technology Update held at DICT Bldg., Diliman, Quezon City on May 25, 2017.

23. **Selected NTRC Officials and Employees**, attended the Friday Learning Session on Philippines' Push into Infrastructure Investment: Economic and Financial Policy Implications held at Bureau of Treasury, Intramuros, Manila on May 26, 2017.

24. **Gian Carlo D. Rodriguez**, Chief Adm. Officer, and **Leo Paul A. Marcellana**, Comp. Maint. Tech II, Information Technology Unit, Administrative & Financial Branch, attended the Eye in the Sky: Driving Digital Transformation in Government held at Centennial Hall B, The Manila Hotel on May 29, 2017.

25. **All NTRC Officials and Employees**, attended the Seminar on the Updates on Comprehensive Tax Reform Program (CTRP), held at the NTRC Social Hall on May 30, 2017 with **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, and **Marlene L. Calubag,** Chief Tax Specialist, Indirect Taxes Branch as Resource Persons.

26. **Teresita L. Solomon**, Deputy Director, Office of the Executive Director, attended the 7th Annual CES Thought Leaders' Congress (TLC) held at Diamond Hotel, Roxas Blvd., Manila, on May 31, 2017.

27. **Gian Carlo D. Rodriguez**, Chief Adm. Officer, and **Leo Paul A. Marcellana**, Comp. Maint. Tech II, Information Technology Unit, Administrative & Financial Branch, attended the Information Systems Strategic Planning Seminar-Workshop held at the Seminar Room 2nd Floor, DICT Bldg., Diliman, Quezon City on May 31, 2017 to June 2, 2017.

28. **Selected Technical Staff** attended the Friday Learning Session (FLS): The Determinants of Poverty Incidence in the Philippines held at Bureau of Treasury, Intramuros, Manila on June 9, 2017.

29. **NTRC Executive Staff and Selected NTRC Employees** attended the 2017 NTRC Executive Staff Mid-Year Assessment and Review and GAD Planning Workshop held at Department of Finance Cottage, Baguio City on June 9-11, 2017.

30. **Selected NTRC Officials and Employees** attended the 2017 Independence Day Celebration held at Rizal Park, Manila on June 12, 2017.

31. **All NTRC Officials and Employees**, attended the Seminar on Records Inventory and Disposition Management, held at the NTRC Social Hall on June 14, 2017.

32. **Jun V. Ocol**, Tax Specialist II, and **Borgjie B. Distura**, Tax Specialist II, Local Finance Branch, attended the 3rd Asian Public Governance (APG) Forum on Local Finance Management held at Movenpick Hotel, Mactan Island, Cebu City on June 14-15, 2017.

33. **Mark Lester L. Aure**, Supv. Tax Specialist, Local Taxation Branch, **Perfecto M. Marcelo III**, Tax Specialist II, Planning & Coordinating Branch, and **Lee Ann A. Batang**, Adm. Officer II, Personnel Division, attended the FOIKnow More: Moving Towards Enhanced Standard of Transparency held at Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Quezon City on June 15, 2017.

34. **Selected NTRC Officials and Employees** attended the ISO 9001:2015 Training Courses held at NTRC Social Hall.

35. **Debbie F. Asistio Sy**, Chief Tax Specialist, **Florescinda Mae C. Napa**, Tax Specialist II, **Donald Jay E. Moralejo**, Tax Specialist II, and **Juliet V. Faustino**, Adm. Aide VI, Fiscal Incentives Branch conducted ocular inspection of AFPCES stores in Cavite and Batangas on June 16, 2017.

36. **Grace A. Manalo**, Accountant III, and **Venchito P. Salvador**, Supvg. Admin. Officer, Administrative & Financial Branch, attended the SDC

Track 2 and 3 held at the Civil Service Commission, Quezon City on June 19-22, 2017.

37. **Anna Catherine P. Revilles**, Adm. Assistant III, Administrative & Financial Branch, attended the 2nd Quarter 2017 Human Resource Managers Fellowship Meeting and Learning Session held at the Department of Agriculture, Conference 1, Diliman, Quezon City on June 21, 2017.

38. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the Forum entitled "NCM's Initiatives for the Second Half of the Year" held at DICT Bldg., Diliman, Quezon City on June 22, 2017.

39. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the DICT Launch - Top Three (3) Priority Projects (NGP, NBP, Free WiFi Project) held at Diamond Hotel, Manila on June 23, 2017.

40. **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, attended the Conference Workshop for Public Sector Unionism on the Development of the Philippine Public Sector Labor Relation Roadmap held at Estancia de Lorenzo, San Mateo, Rizal on June 25, 2017.

41. **Selected NTRC Officials and Employees** attended the Workshop on Tax Reform Packages 2 to 5 held at The Manor Hotel, Baguio City on June 26-29, 2017.

42. **Gian Carlo D. Rodriguez**, Chief Adm. Officer, and **Elizabeth Miriam L. Paredes**, Adm. Officer V, Administrative & Financial Branch, attended the Orientation on Government Procurement Process and Requirements Related to the Grant of 2017 Performance-Based Bonus held at the AFP Theater, Camp Aguinaldo, Quezon City on June 27, 2017.

43. **Venchito P. Salvador**, Supvg. Admin. Officer, Administrative & Financial Branch, attended the NAPC FLMW-PGEA-TUP "Back-to-Back Forum on Contractualization and Granting of Civil Service Eligibility of Contractual Government Workers" held at the Madison

Hotel, Aurora Blvd., Quezon City on June 29, 2017.

44. **Venchito P. Salvador**, Supvg. Admin. Officer, and **Lorelli D. Villaflores**, Adm. Officer V, Administrative & Financial Branch, attended the Enhanced PRIME-HRM Forum 2017 held at the Philippine Ports Authority, Multi-Purpose Hall, Port Area, Manila on June 30, 2017.

45. **NTRC Officials and Employees** attended the GAD Seminar on Database Management and Analysis Incorporating Gender Using Basic and Advance MS Excel held at the NTRC Social Hall on July 3-4, 2017 with Analiza G. Berja, Statistician II as resource person.

46. **Lorelli D. Villaflores**, Adm. Officer V, Personnel Division, Administrative & Financial Branch, attended the 2017 Public Sector HR Symposium held at Pasay City on July 4-6, 2017.

47. **Selected NTRC Officials and Employees** attended the 2nd Batch Meeting and Briefing on Philippine Economy held at Sergio Osmeña Theater, Bureau of Treasury, Intramuros, Manila on July 7, 2017.

48. **Justine Philip R. Alegria**, Tax Specialist II, Economics Branch attended the NAST 39th Annual Scientific Meeting held at The Manila Hotel, Manila on July 12-13, 2017.

49. **Selected NTRC Officials and Employees** attended the Consultative Forum on Capital Income Taxation under CTRP Package 4 held at Makati Shang-ri La Hotel, Makati City on July 14, 2017.

50. **Grace A. Manalo**, Accountant III, Administrative & Financial Branch, attended the 1-Day Conference- Seminar in celebration of Accountancy Week held at SMX Convention Center, Mall of Asia, Pasay City on July 19, 2017.

51. **Cecilia V. Salvatierra**, Adm. Officer V, **Marilou S. Banzon**, Adm. Assistant II and **Rolando A. Dimla,** Adm. Aide VI, Administrative & Financial Branch, attended the PhilGEPS Buyers Training held at AM Zone Internet Café, Ortigas Avenue Extension, Pasig City on July 20-21, 2017.

52. **Milagros G. Alvarez,** Planning Officer II, **Perlita V. Yumul,** Adm Officer II, and **Lee Ann A. Batang**, Adm. Officer II, Administrative & Financial Branch, attended the 2nd PAGBA Quarterly Seminar and Meeting held at L'Fisher Hotel, Bacolod City on July 25-29, 2017.

53. **Selected Technical Staff** attended the Friday Learning Session on Surveys on Governance and the Quality of Life held at Bureau of Treasury, Intramuros, Manila on July 28, 2017.

54. **Selected NTRC Officials and Employees** attended the GAD Seminar on Investment Securities and Other Financial Instruments for Capital Income Taxation held at the NTRC Social Hall on August 3 and 4, 2017 with **Gian Carlo D. Rodriguez**, Chief Adm. Officer, and **Grace A. Manalo**, Accountant III, Administrative & Financial Branch as resource persons.

55. **NTRC Officials and Employees** attended the Seminar on Overview of the Stock Market held at the NTRC Social Hall on August 7, 2017.

56. **Abraham P. Solomon**, Comp. Maint. Tech III, and **Leo Paul A. Marcellana**, Comp. Maint. Tech II, Information Technology Unit, Administrative & Financial Branch, attended the First Technology Modernization and Digital Transformation Program Planning Workshop held at One Tagaytay Place Hotel Suites, Tagaytay City on August 17-19, 2017.

57. **NTRC Officials and Employees** attended the Orientation on Quality Management System of the NTRC held at the NTRC Social Hall on August 17, 2017.

58. **NTRC Officials and Employees** attended the GAD Seminar on Women's Leadership held at the NTRC Social Hall on August 18, 2017 with Ma. Berlie L. Amurao, Supv. Tax Specialist, Indirect Taxes Branch as resource person.

59. **Trinidad A. Rodriguez**, Executive Director, Office of the Executive Director (as resource speaker), **Edrei Y. Udaundo**, Statistician III, Tax Statistics Branch, and **Ronnel L. Yambao**, Tax Specialist II, Planning & Coordinating Branch, attended the Leadership Training Seminar 2017

held at GLC 4, Jose Rizal University, Shaw Blvd., Mandaluyong City on August 19, 2017.

60. **Ma. Rhea L. Caro**, Supvg. Tax Specialist, **Lillian S. Flores**, Senior Tax Specialist, Planning & Coordinating Branch, and **Lorelli D. Villaflores**, Adm. Officer V, Personnel Division, Administrative & Financial Branch, attended the GAD Operations Planning cum Immersion Program/Field Review of GAD Local Learning Hub held at Las Casas de Azucar, Bataan on August 21-23, 2017.

61. **Leo Paul A. Marcellana**, Comp. Maint. Tech II, Information Technology Unit, Administrative & Financial Branch, attended the Oracle Database 12c: Backup and Recovery Workshop Ed2 held at Proximate Conference Room, DOF Bldg., Manila on August 22-25, 2017.

62. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the Oracle Database 12c: Performance Management and Tuning Training held at Proximate Conference Room, DOF Bldg., Manila on August 29-31 and September 4, 2017.

63. **Selected NTRC Officials and Employees** attended the Civil Service Commission -National Capital Region (CSC-NCR) R.A.C.E. To Serve Fun Run held at Quirino Grandstand, Manila on September 2, 2017.

64. **Selected NTRC Officials and Technical Staff** attended the Seminar on Government Securities held at Ayuntamiento, Intramuros, Manila on September 6, 2017.

65. **Lee Ann A. Batang**, Adm. Officer II, Administrative & Financial Branch, attended the JDS Promotion Seminar for 16th Batch held at Civil Service Commission Bulwagan Silid, Batasan Hills, Quezon City on September 11, 2017.

66. **Anna Catherine P. Revilles,** Adm. Officer II, Administrative & Financial Branch, attended the 3rd Quarter 2017 Human Resource Managers Fellowship Meeting and Learning Session held at the Parole and Probation Administration Multi-Purpose Hall, DOJ-Agencies Bldg., Diliman, Quezon City on September 22, 2017.

67. **Selected NTRC Officials and Employees** attended the Revision on NTRC Quality Management System Manual and Cascading of Technical Guidelines on Operational Control and Procedures held at the NTRC Social Hall on September 23, 2017.

68. **All NTRC Officials and Employees** attended the Seminar on QMS Implementation on Operational Controls and Procedures held at the NTRC Social Hall on September 25 and 26, 2017.

69. **Lorelli D. Villaflores**, Adm. Officer V, Personnel Division, Administrative & Financial Branch, attended the 2nd National Government Agencies Summit for Learning and Development (L&D) Professionals held at Landbank Plaza, 1598 M.H. Del Pilar, Malate, Manila on September 29, 2017.

70. **Abraham P. Solomon**, Comp. Maint. Tech III, Information Technology Unit, attended the Government Common Platform Kick-Off held at Hall A Cocoon Boutique Hotel, 61 Scout Rallos St., Brgy, Laging Handa, Quezon City on September 18, 2017.

71. **Selected NTRC Officials and Technical Staff** attended the Insurance Commission Seminar on the Supervision and Taxation of Insurance and Pre-Need Companies: and Securities and Exchange Commission Seminar on Securities Market held at the Insurance Institute for Asia and the Pacific, Inc., Ayala Life-FGU Center, Makati City and the Securities and Exchange Commission Seminar on Securities Market at the PICC Complex, Pasay City on September 29, 2017.

72. **Executive Staff** attended the Revision of NTRC QMS Manual and Cascading of Technical Guidelines on Operational Control and Procedures held at NTRC Social Hall on September 23, 2017.

73. **Selected NTRC Officials and Employees** attended the Walk for Life held at the SM Mall of Asia, Pasay City on October 1, 2017.

74. **Jonah P. Tibubos**, Statistician IV, Tax Statistics Branch, **Roselyn C. Domo**, Supv. Tax Specialist, Direct Taxes Branch, and **Perfecto M. Marcelo III**, Tax Specialist II, Planning & Coordinating Branch, attended the Lecture on “Tax Reform for Acceleration and Inclusion”

held at the AG New World Manila Bay Hotel, Pedro Gil St., Manila on October 3, 2017.

75. **All NTRC Officials and Employees**, attended the Seminar on the Development of Comprehensive Tax Reform Program (CTRP) I held at the NTRC Social Hall on October 5 and 6, 2017 with **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch as resource person.

76. **All NTRC Officials and Employees**, attended the Orientation on the Program to Institutionalize Meritocracy nad Excellence in Human Resource Management (PRIME-HRM) held at the NTRC Social Hall on October 12, 2017 with **Lorelli D. Villaflores**, Adm Officer V, Personnel Division as resource person.

77. **Selected NTRC Officials and Employees** attended the Annual AGAP Convention-Seminar and the awarding rites for CY 2016 Outstanding Accounting Offices held at the Waterfront Cebu City Hotel, Salinas Drive, Lahug, Cebu City on October 17-21, 2017.

78. **Selected NTRC Officials** attended the Users' Forum on BSP- Produced Statistics held at the Bulwagang Bangko Sentral, 19th Flr. Multi-Storey Bldg., Malate, Manila on October 18, 2017.

79. **Gian Carlo D. Rodriguez**, Chief Adm. Officer, Administrative & Financial Branch, and **Ma. Rhea L. Caro**, Supvg. Tax Specialist, Planning & Coordinating Branch attended the Technical Training Workshop on Use of eFOI Portal held at the Social Hall, Mabini Bldg., Malacañang, Manila on October 27, 2017.

80. **Lorelli D. Villaflores**, Adm. Officer V, Personnel Division, Administrative & Financial Branch, attended the CSI Leadership Series held at Conrad Manila Hotel, Seaside Blvd., Pasay City on November 3, 2017.

81. **Ma. Rhea L. Caro**, Supvg. Tax Specialist, Planning & Coordinating Branch, and **Cecilia V. Salvatierra**, Adm. Officer V, Administrative & Financial Branch, attended the GAD Budget Fora 2017 held at the Sports and Cultural Center, COA Central Office, Commonwealth Ave., Quezon City on November 9, 2017.

82. **Selected NTRC Officials and Employees** attended the Seminar on Achieving Gender Equality in the Philippine Capital Market Through Tax Reform held at the Muralla 1, The Bayleaf, Intramuros, Manila on November 10, 2017.

83. **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, attended the 4th Quarter Council Meeting back-to-back with Orientation on Human Trafficking and Illegal Recruitment and Forum on Contractualization in the Private and Public Sector held at the APO View Hotel, Davao City on November 20-23, 2017.

84. **All NTRC Officials and Employees**, attended the Cascading of QMS Manual of the NTRC held at the NTRC Social Hall on November 22-23, 2017 with **Gian Carlo D. Rodriguez**, Chief Adm. Officer, and **Venchito P. Salvador**, Supvg. Admin. Officer, Administrative & Financial Branch as resource persons.

85. **Donaldo M. Boo**, Chief, Tax Specialist, Direct Taxes Branch, **Roberto D. Alvarez**, Adm. Aide VI, Planning & Coordinating Branch, **Venchito P. Salvador**, Supvg. Admin. Officer, and **Lee Ann A. Batang**, Adm. Officer II, Personnel Division, Administrative & Financial Branch, attended the National Convention of Government Employees held at the PICC, Pasay City on December 8, 2017.

86. **Selected NTRC Officials and Employees** attended the Technical Guidelines on Management Review held at the NTRC Conference Room on December 9, 2017.

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