



TAX FORUM SERIES 1: DOF Unveils Tax Reform Package

By

Maria Lucrecia R. Mir, PhD, MNSA

Direct Taxes Branch

You heard it first at the Senate Tax Forum! After much anticipation leading up to the national elections, the Department of Finance through Undersecretary Karl Kendrick Chua presented the Duterte administration's chief vehicle to finance the 10-point socio-economic agenda – the Comprehensive Tax Reform Package – at the Tax Forum Series 1 spearheaded by the Senate Tax Study and Research Office (STSR). The Tax Series is the brainchild of Director General Rodelio Dascil, MNSA, who believes that the general public has the right to know how their government intends to put the people at the center of development via tax reform.



“The concept of taxation may be too technical or even too harsh for the comprehension of the ordinary man and even for most of us here in this room. But we have to admit that this is the bloodline that supports not only the operations of the entire bureaucracy, but also the lives of the Filipino people.”

Dir. Bong Villanueva, Emcee, Tax Policy and Administration Branch



Held on September 29 at the Senate of the Philippines, the Tax Forum Series 1 began with a prayer led by Ms. Angelique Patag.



Deputy Secretary for Legislation Edwin Bellen said in his opening remarks that this is an opportune time to know the Duterte Administration’s plans in terms of tax reform that would complement its big and ambitious to-do list.



Senator Sonny Angara, Chairperson of the Committee on Ways and Means, thanked the STSRO for its invaluable support behind the Committee, saying that he felt confident defending tax measures because of STSRO’s good staff work. For his insights on the proposed tax reform package, Senator Angara verbalized his plan to bring the matter to the industries and the common tao that will be affected.



Director Rechilda Gascon, Service Chief of the Tax Policy and Administration Branch introduced the guest speaker and chief panelist, Undersecretary Karl Kendrick Chua.



Meanwhile, Director Maria Lucrecia Mir, Service Chief of the Direct Taxes Branch introduced the panel of reactors, namely Atty. Benedict Tugonon (President of Tax Management Association of the Philippines), Atty. Fredieric Landicho (Partner at Navarro-Amper and Company), and Atty. Benedicta Du-Baladad (Chair, Tax Committee of the Philippine Chamber of Commerce and Industry).



By way of closing remarks, Director General Rodelio Dascil assured the Chairperson of STSRO’s continued dedicated quality service as the technical arm of the Committee on Ways and Means, and asked the audience to look forward to the next Tax Forum.



DOF Proposed Tax Reform Package

Package	Revenue eroding measures	Offsetting measures	Passage
1. Personal income tax (PIT) and consumption tax	<ul style="list-style-type: none"> Adjust brackets to correct "income creeping" Reduce PIT max rate to 25% over time, except for the highest income earners to maintain progressivity Shift to a modified gross system to simplify PIT system 	<ul style="list-style-type: none"> Expand the VAT base by limiting exemptions to raw food and other necessities (e.g., education, health) Increase excise on all petroleum products & index to inflation Increase excise on automobiles <p>Mitigating measures</p> <ul style="list-style-type: none"> Low income consumers and businesses are already protected by the marginal threshold, which can be adjusted if needed Use targeted programs to protect the poor and vulnerable <p>Complementary tax admin reforms</p> <ul style="list-style-type: none"> Relax bank secrecy for fraud cases Include tax evasion as a predicate crime to money laundering 	TBA

Package	Revenue eroding measures	Offsetting measures	Passage
2. Healthy tax		<ul style="list-style-type: none"> Levy a tax on sweetened beverages and index to inflation Increase excise on alcohol and tobacco after the current sin tax matures 	TBA

Package	Revenue eroding measures	Offsetting measures	Passage
3. Corporate income tax (CIT)	<ul style="list-style-type: none"> Reduce CIT rate to 25% over time Simplify other corporate income tax provisions to improve compliance 	<ul style="list-style-type: none"> Rationalize fiscal incentives: transparent, targeted, performance-based, & time-bound Sunset provisions to existing incentives Expand the coverage of the Fiscal Incentives Review Board to include all incentive recipients beyond GOCCs Replace the 5% gross income earned tax rate to a reduced corporate income tax rate of 15% Strictly limit VAT zero-rating to direct exporters Give full VAT refund in cash Abolish tax credit certificates 	TBA

Package	Revenue losing measures	Offsetting measures	Passage
4. Property tax	<ul style="list-style-type: none"> Lower the rate of the estate and donor's tax Lower the rate of transaction taxes on land (DST, transfer tax, registration fees) 	<ul style="list-style-type: none"> Centralize and rationalize valuation of properties Increase valuation closer to market prices Review valuation every 3 years and adjust accordingly 	TBA
5. Capital income tax	<ul style="list-style-type: none"> Reduce the tax on interest income earned on peso deposit and investment from 20 to 10% 	<ul style="list-style-type: none"> Harmonize capital income tax rates for dollar deposits and investment, dividends, equity, fixed income rates towards 10% Increase tax on stocks traded in the stock market from 0.5% to 1% on gross selling price. 	TBA

Package	Revenue losing measures	Offsetting measures	Passage
6. Other tax measures as needed		<ul style="list-style-type: none"> Fatty food tax Other luxury tax, such as on yachts and jewelry. Mining taxes Carbon tax Gambling, lottery and casino tax 	As needed

Proposed income tax system

First year		Number taxpayers	Percent
	Income Bracket		Tax Rate
1	0 - 250,000	4,659,173	83%
2	Over 250,000 - 400,000	539,465	10%
3	Over 400,000 - 800,000	232,232	4%
4	Over 800,000 - 2,000,000	148,215	3%
5	Over 2,000,000 - 5,000,000	28,099	1%
6	Over 5,000,000	5,593	0%
		5,612,777	100%

Note 1: The 4,659,173 number of taxpayers in the first bracket includes minimum wage earners numbering 1,752,009

Note 2: The 5,612,777 total taxpayers is based on the 2013 BIR dataset, which is based on alpha list.

Note 3: According to the labor force survey, total number of workers in 2013 was around 41.1 million.

Second year onwards	
	Income Bracket
1	0 - 250,000
2	Over 250,000 - 400,000
3	Over 400,000 - 800,000
4	Over 800,000 - 2,000,000
5	Over 2,000,000 - 5,000,000
6	Over 5,000,000

Second year onwards		Tax Rate
1	0	0
2	0 +	15% of the excess over 250,000
3	22,500 +	20% of the excess over 400,000
4	102,500 +	25% of the excess over 800,000
5	402,500 +	30% of the excess over 2,000,000
6	1,302,500 +	35% of the excess over 5,000,000



Comments made by Senator Sonny Angara during the organizational meeting and initial public hearing of the Committee on Ways and Means held last 25 August 2016, highlighting the STSRO's role, importance and accomplishments:

“X X X. AND I THINK I WOULD LIKE TO TAKE THIS MOMENT TO THANK EVERYBODY FROM THE STSRO FOR BEING SUCH A VALUABLE AND SUPPORTIVE GROUP BEHIND THE COMMITTEE ON WAYS AND MEANS, NOT ONLY BEHIND THE CHAIRMAN BUT ALSO BEHIND EVERY MEMBER WHO NEEDS ASSISTANCE ON ISSUES PERTAINING TO TAX. I THINK HALF OF THE BILLS WE PASSED IN SIXTEENTH CONGRESS HAD TAX IMPLICATIONS AND THEY NEEDED THE HELP OF THE STSRO. SO, THANK YOU VERY MUCH, LADIES AND GENTLEMEN, FOR THAT.”



The Observance of Legislative Process. - Senator Sonny Angara in an article published in the Philippine Star dated October 2, 2016 stressed that he does not oppose the proposal to adjust the rates so long as the proper law-making procedure is followed. He wants the income tax brackets adjusted by *indexing it to inflation* based on the consumer price index (CPI) as published by the Philippine Statistics Authority (PSA) to provide immediate tax relief and raise the take-home pay of Filipino workers. He added that this *“is truly long overdue.”* He further mentioned that the threshold amount of P500,000.00 provided in the 1997 Tax Code does not have the same value at present because of inflation.



*

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Senate of the Philippines
17th Congress
Senate Tax Study and Research Office

TAX FORUM SERIES 1
Insights on
President Duterte's Comprehensive Tax Reform Package
with
DOF USEC KARL KENDRICK T. CHUA
(Main Presenter)
ATTY. BENEDICT ROMERO TUGONON, TMAP; ATTY. BENEDICTA DU-BALADAD, PCCI & MAP; AND
ATTY. FREDIERIC B. LANDICHO, NavarroAmper&Co
(Reactors)
September 29, 2016,
Sen. Pecson Room, Senate of the Philippines, Pasay City



Registration Committee

Arrival of Guests, Participants and Speakers





Staff and Friends





Guests and Participants



**Resource Persons, Reactors,
Organizers and Moderator**



Awarding of Certificates



TAXBITS is an official publication of the Senate Tax Study and Research Office (STSR) located at Rm. 524, Senate of the Philippines, Financial Center, Pasay City.

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