

# TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.

## 2016 TMAP NATIONAL ELECTION TAX SURVEY

Candidate: Senator Grace Poe

Position: President

Party: Independent

		YES	NO	REMARKS
<b>A. Comprehensive Tax Reform</b>				
1	The last comprehensive tax reform program in the Philippines was in 1997, almost 20 years ago, would you institute moves for a genuine comprehensive tax reform?	X		Reforming the tax system should not be piece-meal. It should be <b>holistic</b> and <b>comprehensive</b> to avoid inconsistencies. Moreover, for every revenue eroding measure, there should be a compensating measure to maintain fiscal stability
2	Do you think it should be a priority of government?	X		It will be part of my <b>First 100 days</b> Agenda. I will issue an executive order that will create a <b>Tax Reform Commission</b> that will draft a comprehensive tax reform program.
<b>B. Adjustment of Personal Income Tax Bracket</b>				
3	The present personal income tax brackets (Section 2A A 2) in our Tax code have not been adjusted since 1987 to take into account changes in the consumer price index (CPI) over the past 29 years. Will you support the immediate adjustment of the tax bracket?	X		An inherent strategy of our tax reform is the <b>immediate adjustment of the tax brackets</b> to take into account the rise in the CPI over the last 29 years.
4	Do you agree that the tax brackets should be indexed and adjustments should be done automatically every three years?	X		We will push for the <b>automatic indexation</b> of tax brackets to avoid the need for legislative intervention.
5	Will the adjustment take place during the first 100 days of the new administration?	X		A <b>Tax reform Commission</b> will be created in my first 100 days in office.
<b>C. Income Tax Rates</b>				
6	Comparison of the corporate and personal income tax rates among ASEAN countries would show that	X		<b>The Corporate Income Tax</b> will be immediately <b>reduced to 25%</b> .

	the Philippines imposes the highest corporate income tax rate at 30%, and highest effective income tax rate on individuals. Will you initiate and/or support the reduction of corporate and individual income tax rates?		<b>The highest effective income tax rate on individuals will be reduced to 25%.</b>
7	Do you agree in a tax system that would free up some burden from wage earners while exacting more from corporate taxpayers and individuals with higher income?		We will ensure that the tax system remains progressive. Low income earners should have a lower marginal tax rate compared to high income earners.
<b>D. Simplified Tax Compliance</b>			
8	Are you in favour of the adoption of a simplified manner of computing net income for self-employed individuals and professionals with annual gross sales/receipts of P 10 million or below, including simplified tax return filing, bookkeeping and invoicing requirements?		<p>We are in favor of simplifying the tax scheme for self-employed individuals and professionals in order to encourage tax compliance. We will replace the current practice of negotiating tax deductions with a non-negotiable standard tax deduction higher than currently allowed whose rate shall be dependent on the nature of the business or profession. Both the threshold and standard deduction rate will be determined by the <b>Tax Reform Commission</b>.</p> <p>As part of the reform, we will also simplify the VAT system for self-employed individuals to encourage compliance.</p> <p>We will continuously assess the time and motions studies of the BIR to reduce processing time. We will institute reforms that will minimize the steps, requirements, fees, and forms imposed by the BIR. We will also simplify the forms to make it more understandable.</p>

9	Are you in favour of exempting marginal income earners (those with annual sales/receipt not exceeding P 100,000) from tax and administrative requirements?			<p><b>We are in favor of exempting marginal income earners from taxes.</b> The <b>Tax Reform Commission</b> will determine the threshold income of the marginal income earner.</p> <p>In terms of <b>administration</b>, we will make tax filing easier and more convenient by allowing marginal income earners to <b>avail of manual filing.</b></p>
<b>E. Value-added Tax</b>				
10	Originally, the rate of VAT was only 10% and increased to 12% by the previous administration (now the highest VAT rate among the ASEAN countries). As an additional source of revenue for the next administration, will you consider increasing the VAT rate further? If so, at what rate?		X	Instead of increasing the rate, we will <b>broaden the VAT base</b> by <b>revisiting the exemptions</b> and retaining only those which efficiently and effectively achieve clear social and economic objectives.
11	When it was originally adopted, the VAT only covered a limited number of transactions. An amendment to the VAT coverage to include additional transactions (i.e. sale of real property used in business, professional income of doctors, lawyers and others). Will you consider broadening further the VAT base by revisiting the exemptions and effectively including more transactions subject to VAT?	X		The <b>Tax Reform Commission</b> will review which VAT exemptions should be removed or retained.
<b>F. Excise Tax on Petroleum &amp; Others</b>				
12	Excise tax rates on petroleum products have not been updated since 1997 and fuel prices are expected to stay low for at least a few more years, would you consider increasing excise tax on petroleum products?	X		<p><b>We will leave it to the Tax Commission to decide on the indexation of excise taxes with inflation.</b></p> <p>We are open to this as a means for increasing revenues. The increased revenues will be used to fund infrastructure projects, especially for developing the country's public</p>

				transport sector and to subsidize public transport fares to reduce the burden on commuters. This will encourage private car owners to shift to public transport.
13	As a means to reduce air pollution, would you support legislation granting tax breaks to hybrid or electric vehicles?	X		<p><b>We are in favour of granting tax breaks to hybrid vehicles as a means to encourage a more environmentally-friendly transport system.</b></p> <p>However, the proposal will go through the proposed Tax Reform Commission which, together with DOF, NEDA, DOTC and DENR, shall conduct a feasibility study as well as to determine additional tax revenues to offset the losses brought about by the tax break.</p>
14	Would you consider increasing the excise tax on alcohol products, luxury or high-end automobiles, and other non-essential goods to increase tax collection?	X		We shall introduce excise taxes on <b>sugar sweetened beverages</b> and <b>non-essential beauty products/services</b> to increase revenues which can be allotted for health spending.
<b>G. Rationalization of Fiscal Incentives</b>				
15	With the passage of the TIMTA Law (Tax Incentives Management and Transparency Act), it is now possible to monitor the various Investment Tax Incentives (ITI) granted by various Investment Promotion Agencies (i.e. BOI, PEZA, BCDA, PRA, TIEZA, and others). Will you support the passage of Fiscal Incentives Rationalization Act that will allow greater scrutiny of the way it is are granted and managed, eliminate redundant incentives and retain only those which are necessary to make the Philippines attractive to foreign investors?	X		We will work for the <b>passage of a Fiscal Incentives Act</b> that will rationalize the granting and management of fiscal incentives, eliminate redundant incentives and retain only those that are needed to attract foreign investments. Foreign investors are more concerned with infrastructure, the ease of doing business, and respect for their property rights and contracts than they are for fiscal incentives.

<b>H. Estate Tax</b>			
16	Some countries have already abolished or at least temporarily suspended the imposition of estate tax, which is imposed on assets of a deceased individual upon death. Would you consider the abolition of estate tax in the Philippines?		<b>X</b> Abolishing the estate tax in the National Internal Revenue Code will negate the concept of progressive taxation.
17	Currently, the family home deduction for estate tax purposes is P 1 million; would you agree to increase the amount considering the increase in the value of real properties in the Philippines? How much should be the deductible amount?	<b>X</b>	<b>We agree to increase the deductible amount.</b> The amount should <b>take into account the rise in property values</b> in the Philippines. However, the deductible amount will be determined by the <b>Tax Reform Commission.</b>
18	How about existing standard deduction, which is currently at P 1 million, would you consider increasing the amount, which is effectively not subject to estate tax? If so, how much?	<b>X</b>	<b>We will increase the tax exempt threshold based on the rise in the CPI.</b>
19	The brackets in the current estate tax table have not been adjusted since 198, would you support an adjustment to the estate tax brackets to consider changes in the consumer price index?	<b>X</b>	The tax brackets will be adjusted based on the rise in the Consumer Price Index.
<b>I. Tax Administration</b>			
20	Experts say that in PH only few are paying and more taxes are being collected from the few through recurring tax audit. Yet, there are businesses and/or individuals who can get away with not being registered with the BIR. Do you believe the tax system in the Philippines is unfair to many?	<b>X</b>	Yes we still have a large underground economy of unregistered businesses that do not pay taxes. Big businesses are also able to avoid paying taxes by taking advantage of loopholes. Meanwhile fixed income earners whose taxable income are withheld at source are the ones paying taxes diligently. Our tax rates are too high and burdensome especially to fixed income earners. Our tax system is also too complicated driving people to avoid or evade taxes. We need to lower tax rates and

				eliminate tax exemptions and loopholes in our tax laws that encourage tax avoidance.
21	Some countries adopted drastic reforms like the reorganization of their tax administrations and human resources, giving higher pay to employees but imposing greater accountability, resulting in the improvement of the overall performance of their tax agencies. Do you think there is a need to adopt similar institutional reforms in our tax agencies like the BIR and BOC?	X		<p>Yes, we can learn much from the best practices of other countries. We will improve the capital and human resources of the <b>BIR</b> and reengineer its business process to provide more transparency. It is imperative that we provide additional trained professionals in tax administration. These trained professionals must be required to demonstrate familiarity with the electronic system of tax administration.</p> <p>For the current tax administrators, we will prioritize the implementation of the elearning program to train and familiarize them with the system and increase their competency in using the system.</p> <p>In addition to that, we will expand the agency's Information Technology capabilities by streamlining the electronic tax information system (eTIS) as the main corporate system to be used by all offices for improved tax administration. In terms of transparency, we will institute changes in the audit procedures that will remove manual interference in the process.</p> <p>To effectively monitor the agency's operations and ultimately align it to our goals, we will introduce a broader set of key performance indicators</p>

			<p>(KPI) to be used by all regional and district offices.</p> <p>For the <b>BOC</b> we will pass and implement the Customs Modernization and Transparency act.</p> <p>We will consider raising the pay of our tax and customs personnel to a level at par with their counterparts in the private sector and use pay as an incentive for good performance. At the same time we will raise and strictly enforce performance standards and dismiss employees and officials unable to meet them.</p>
22	Would you strongly push for the elimination of corruption at the BIR & BOC?	<b>X</b>	<p>We shall reengineer the BIR business process to remove manual interference in the audit process.</p> <p>We will pass and Implement the Customs Modernization and Transparency Act to automate customs processes</p>
23	Would you support the lifting of bank secrecy laws consistent with international standard to enable revenue authorities to combat tax evasion?	<b>X</b>	<p>We will <b>liberalize bank secrecy laws</b> as a means to generate additional government revenues as well as make tax evasion a predicate crime in the Anti-Money Laundering Act to enable us to catch big tax cheats.</p>
24	Would you consider granting a tax amnesty program as a prelude to the adoption of a comprehensive tax reform program?		<p>The tax reform commission will explore the desirability of a tax amnesty program.</p>

I am allowing TMAP to disclose my answers to the public and post it at the TMAP website, and other social media pages of the association.

Name of Candidate: **Senator Grace Poe- Llamanzares**

Position: **President**

Date: **26 April 2016**