TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.

FOR PRESS RELEASE:

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PRESIDENTIABLES & OTHER CANDIDATES URGED TO ENACT TAX REFORM WITHIN FIRST 100 DAYS OF ADMINISTRATION

The Tax Management Association of the Philippines (TMAP) is calling on all presidential candidates to certify tax reform as urgent and commit to enact a holistic tax reform measure within the first 100 days of their presidency. TMAP is likewise calling on all candidates for Senate and Lower House seats to support and enact the needed tax reform measure.

The candidates are again reminded of the urgent need to enact tax reform due to the inherent inequity in the current personal income tax system and our uncompetitive corporate income tax rates vis-à-vis the corporate income tax rates of our ASEAN neighbors.

The tax brackets for individuals are outdated resulting in an unfair regressive system. Inflation has eroded the income brackets and has pushed up the meager earnings of salaried individuals into higher tax rate brackets causing increases in income taxes, but without a corresponding increase in purchasing power. This has created inequity and has caused the current personal income tax system to be regressive.

At the same time, the tax gap between salaried workers and self-employed individuals and professionals (SEPs) continue to be significant which further aggravate the unfairness in the tax system. As of 2014, compensation income earners accounted for 86% of total collections from individuals, while SEPs only contributed 14% to total collections.

Moreover, the Philippines effectively imposes the highest personal income tax rate and the highest corporate income tax rate among the ASEAN-6 countries. Reducing the personal and corporate income tax rates will make the Philippine workforce and corporations doing business in the Philippines competitive with their ASEAN neighbors.

Tax reform, however, is not all about just giving tax breaks and providing tax relief. While we need to immediately address the current unfairness and inequity in the system and simplify compliance, a holistic approach to tax reform will have to be undertaken to address any revenue loss from these measures, especially those arising from competitiveness issues, and allow the government to collect more.

With this in mind, TMAP proposes a 5-point Tax Reform agenda to improve fairness and expand the revenue base:

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1. **Restructure the personal income tax and corporate income tax systems**: immediately adjust/restructure income tax brackets for individuals and index the brackets against CPI, and reduce personal income tax and corporate income tax rates in line with our ASEAN neighbors.

2. **Improve tax compliance of self-employed individuals and professionals**: simplify the manner by which SEPs compute their taxable income; simplify the VAT system for SEPs with annual gross sales/receipts of P10 million or below; and simplify return filing, bookkeeping and invoicing requirements. Congress may want to consider also lifting bank secrecy laws consistent with international standards to enable revenue authorities to combat tax evasion.

3. **Broaden VAT base**: in lieu of increasing the VAT rate (already the highest in the ASEAN region), which will adversely impact the poor, consider other measures that would broaden the VAT base and maximize tax collections. The VAT effort rate is just 2.2% of GDP, hence, there is ample leeway to increase VAT collections through other means than just by increasing the VAT rate. For example, the VAT base can be broadened by revisiting exemptions and retaining only those which efficiently and effectively achieve clear social and economic objectives.

4. **Consider indexing the excise tax on petroleum products**: excise tax rates on petroleum peroducts have not been updated since 1997 and fuel prices are expected to stay low for at least a few more years. Morever, lower fuel prices have encouraged car owners to drive more, aggravating traffic and adding to air pollution. Indexing excise taxes within certain parameters will help curb these environmental and mobility issues.

5. **Enact Fiscal Incentive Reform Bill**: data gathered from TIMTA implementation will enable policy and fiscal advisers to recommend elimination of redundant incentives and retention of certain incentives to make the Philippines attractive to foreign investors. Performance-based incentives can be adopted as a policy for the grant of incentives for a fixed term, subject to periodic review and/or adjustments, rather than preferential tax rates in perpetuity.

To show full support for the foregoing and convince the incoming administration to certify tax reform as urgent, TMAP urges taxpayers to join *"April 15 Black Friday,"* a symbolic unity declaration to be held on April 15, 2016, annual ITR filing deadline, demanding for tax reform. Taxpayer-voters are also encouraged to speak to their candidates about the issue, engage them in healthy discussion, and get them to commit to publicly declare support for tax reform.

Taxpayers who wish to participate in *"April 15 Black Friday"* are asked to wear black on that day, post selfies in social media (Facebook, Instagram, Twitter, etc.) holding a "Tax Reform Now" sign, and use the hashtag #April15BlackFriday in their posts.