

DEPARTMENT OF FINANCE



Revenue mobilization: The Philippine experience

June 5, 2024

Outline of the presentation

1. Tax reforms: the why and wherefore
2. Tax reforms in the Philippines
3. The Medium-Term Fiscal Framework
4. Programs to improve revenue mobilization
5. Major challenge

Tax reforms: the why and wherefore

What needs to be done?

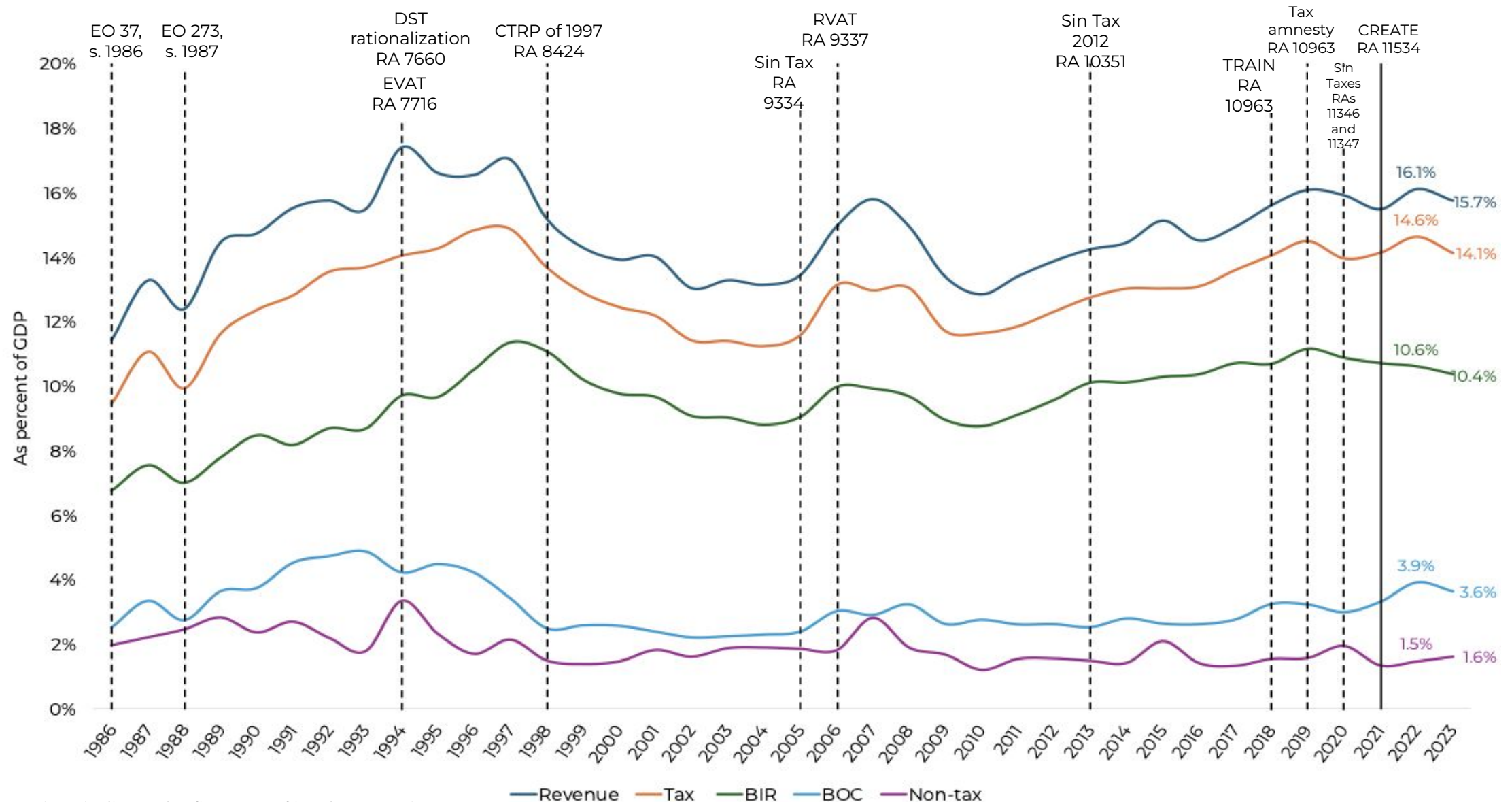
Why the need for reform?

Generate revenues:

- a. Fiscal consolidation
- b. Reduction of poverty and inequality
- c. Fund special projects and programs of the government

Tax reforms in the Philippines

Historical tax reforms in the Philippines



Notes: Lines indicate the first year of implementation.

Dotted lines indicate revenue generation reforms while the solid line indicates an economic recovery package.

Key reforms

1. ***The sin tax laws of 1997, 2005, 2012, and 2020***

- Increased the rates and provided indexation to inflation
- Fund the Universal Health Care Program, health facilities enhancement program, medical assistance program, and SDGs

2. ***VAT reforms of 1986, 1994, 1998, and 2005***

- Expanded the base and increased the rates
- Incremental revenues were allocated for education and infrastructure, improved the fiscal condition of the country until 2012

3. ***Comprehensive Tax Reform Program of 1997***

- Broaden the tax base, which would allow lower tax rates, and to plug the perceived loopholes in the indirect tax system.

4. ***Tax Reform for Acceleration and Inclusion (TRAIN) Law of 2018***

- Lowered the rate and broadened the base
- Fund the Build, Build, Build projects to reduce infrastructure gap, funded the unconditional cash transfer

5. ***CREATE Law of 2021***

- Reduced the CIT rates by 10 percent for SMEs and 5 percent for large corporations
- Largest economic stimulus package for private enterprises in our country's history

Tax Reform Program: Package 1

We are putting more money in people's pockets



We want to fund investments for our people for a more inclusive growth



Shift to a simplified Personal Income Tax (PIT) system by adjusting brackets to correct *bracket creeping*, and reducing the max rate to 30% over time, except for the highest income earners to maintain progressivity.



Restructure the tax for self-employed professionals to an optional flat tax of 8% (in lieu of income and VAT, or percentage taxes) for gross sales below ₱3 million.



Reduce and restructure the donor's tax to a single tax rate of 6% on net donations for gifts exceeding ₱250,000 annually, regardless of relationship between donor and donee.



Reduce and restructure the estate tax to a single tax rate of 6% based on the net value of the estate. Standard deduction of ₱5 million and up to ₱10 million for one family home is exempted.



Broaden the VAT system by reducing the number of exemptions.



Staggered increase of excise tax on petroleum products.



Simplify excise tax on automobiles.



Introduce a tax on sugar-sweetened beverages (SSB).



Introduce and update taxes on: cosmetic procedures, coal excise, mining, tobacco, foreign currency deposits, capital gains, stock transactions, and documentary stamp taxes.

We are committed to uplift the poor and the vulnerable through a progressive social protection using targeted cash transfers.



Tax administration reforms under the CTRP Package 1 reform

1. Fuel marking
2. Registry of petroleum manufacturers and importers
3. Tax incentive report
4. Limiting the number of pages of income tax returns
5. Establishment of VAT refund centers
6. Automatic adjustment of zonal values
7. Labeling of sweetened beverages
8. Audit threshold
9. Electronic sale reporting system
10. Electronic receipts

Medium-Term Fiscal Framework (MTFF)

To ensure a sound fiscal management, we have set Medium-Term Fiscal Framework (MTFF) targets.



**Bring down the
debt-to-GDP
ratio to less than
60 percent**



**Reduce
deficit-to-GDP
ratio**



**Maintain high
investment in
infrastructure at
5 to 6 percent of
GDP annually**

The MTFF proposes measures that will enhance the fairness and efficiency of our tax system

1. Promote efficient tax administration through digitalization



2. Put in place measures that will help our tax system catch up in the digital economy



3. Introduce tax measures that will promote environmental sustainability to address climate change



4. Pursue the remaining tax reform packages of the Duterte administration



PRIORITY OF THE DEPARTMENT:

Passage of the priority legislative measure.



**VAT on
Digital
Services**



**Rationalization
of Mining Fiscal
Regime**



**Package 4 of
the CTRP
(PIFITA)**



**Motor Vehicle
User's Charge**



**Excise Tax on
Single-use
Plastics**

Why are we pushing for the passage of DOF tax reform measures?

Aside from the additional revenue that will support the MTFF targets, we are pushing for the passage of the tax reform to:

1. Update the rates to make it more competitive with our peers
2. Level the playing field and make the tax system fairer or progressive
3. Simplify certain taxes
4. Utilize tax policies that correct externalities
5. Promote investment, capital market development, and financial inclusion
6. Promote higher economic growth

Tax administration measures could also provide additional tax collection every year as these continue to improve the collection efficiency.



**Ease of paying taxes;
Digital transformation roadmap**



**Intensify anti-corruption and
integrity development efforts;
Customs Modernization Program;
Intensify collection of lawful revenues
Enhance trade facilitation**

Ease of Paying Taxes

E O P T

PER REPUBLIC ACT NO. 11976

Programs to improve domestic revenue mobilization

Programs to improve tax compliance

Tax knowledge

BUSINESS

TRAIN to finance 5 infrastructure projects in 2019

Mary Grace Padin - The Philippine Star ①
August 8, 2018 | 12:00am



MANILA, Philippines — Revenues from the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Act will be used to fund at least five infrastructure projects in 2019, the Department of Budget and Management (DBM) said yesterday.

During a hearing conducted by the Senate Committee on Finance on the 2019 proposed national budget, Budget Secretary Benjamin Diokno said part of the proceeds from TRAIN would be allocated for the implementation of the government's flagship infrastructure projects next year.

Source: The Philippine Star

TRAFFIC ADVISORY

**EXPECT HEAVY TRAFFIC DUE TO REDECKING OF
BARKADAHAN BRIDGE ACROSS MANGGAHAN FLOODWAY, HIGHWAY 2000
FROM JUNE 2019 TO JANUARY 2020
PLEASE TAKE ALTERNATE ROUTE.**

SORRY FOR THE INCONVENIENCE.



Source: Province of Rizal, Philippines Facebook page

Information dissemination



Source: BIR

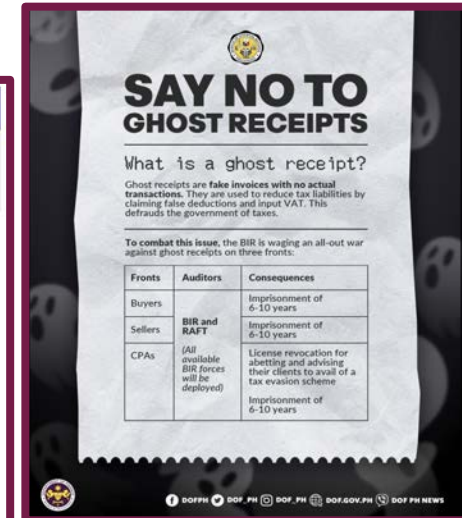
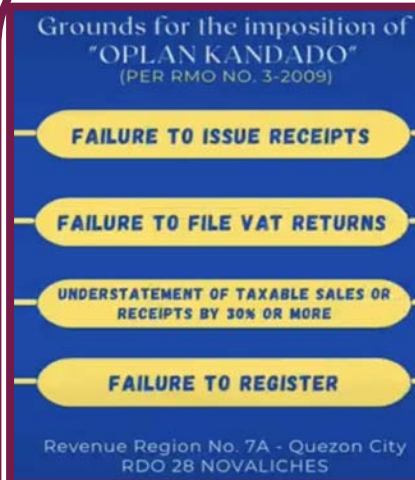


Source: Inquirer.net



Source: BIR

Enforcement



Major challenge

Tax collection in a digital economy

Digital economy accounts for 8.4 percent of our Gross Domestic Product (GDP) in 2023 (Philippine Statistics Authority)

HEADLINES

E-ECONOMY SOUTHEAST ASIA REPORT

PH digital economy on track to hit \$24B in 2023

By: [Alden M. Monzon](#) - @inquirerdotnet Philippine Daily Inquirer / 02:03 AM December 04, 2023



<https://business.inquirer.net/435004/ph-digital-economy-on-track-to-hit-24b-in-2023>

EXPLAINER

Philippines: Digital economy to hit \$35 billion by 2025

<https://gulfnnews.com/special-reports/philippines-digital-economy-to-hit-35-billion-by-2025-1.1713537262833>

“Tax complexity itself is a kind of tax.”

-Former US Senator Max Baucus

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