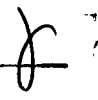


'16 AUG 30 P6:59

SENATE

PS Res. No. 118

RECEIVED BY: 

Introduced by Senator **SONNY M. ANGARA**

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE TAX REFORM PROPOSALS OF THE DEPARTMENT OF FINANCE WITH THE ULTIMATE GOAL OF IMPROVING THE COUNTRY'S TAX COLLECTION EFFORT WHILE ENSURING THAT THE COUNTRY'S TAX SYSTEM IS SIMPLER, MORE EQUITABLE AND PROGRESSIVE

WHEREAS, the Department of Finance (DOF) has committed to submit to Congress by September of this year a Comprehensive Tax Reform Program which will consist of measures aimed at improving the country's tax effort, or the tax collection to gross domestic product (GDP) ratio;

WHEREAS, during the organizational meeting for the 17th Congress of the Senate Committee on Ways and Means held last August 25, 2016, the DOF has presented five (5) packages of tax measures that would raise a total of P435 billion or 3% of GDP by 2019;

WHEREAS, initial details of the five (5) packages include:

Items	Description	Net Revenue Impact
Package 1	Lower personal income tax rates to a maximum of 25% over time with the corresponding imposition of excise tax on petroleum products as well as levying of taxes on sugary products and the expansion of the VAT base by removing unnecessary VAT exemptions	+ P200.7 billion
Package 2	Reduce corporate income tax rates to 25% over time coupled with the rationalization of the fiscal incentives by making the grant of incentives transparent, targeted, time-bound, and performance based while increasing the preferential income tax rate from 5% to 15% and limiting the VAT-zero rating to direct exporters and abolishing the grant of tax credit certificates	- P1 billion
Package 3	Improve property tax collection by lowering the rate of taxes on transfers of properties such as estate tax, donor's tax, documentary stamp tax and other registration fees while at the same time rationalizing the valuation of real properties by updating the market values and making it closer to prevailing market prices	+ P40 billion
Package 4	Reduce the tax on capital income and harmonize the varying tax rates for dollar deposits, investments, dividends, and equity towards 10% while increasing the tax on stocks traded in the stock market from 0.5% to 1.0% of gross selling price	- P1 billion

Package 5	Impose luxury tax on automobiles, yachts, jewelry, review of the mining tax regime and sin taxes as well the possible imposition of carbon tax, and lottery and casino tax	+ P129.4 billion
-----------	--	------------------

WHEREAS, the increase in tax revenues will be achieved by improving the equity, efficiency, and simplicity of the tax system towards a low-rate and broad-based regime to support investment, job creation, and poverty reduction;

WHEREAS, while the DOF recognizes the imperative need to lower the prevailing personal and corporate income tax rates to be at par with our neighboring ASEAN countries, the DOF is also proposing several revenue generating measures to counter the expected revenue loss from the lowering of tax rates;

WHEREAS, to provide a revenue neutral law or achieve a net positive gain, among the tax amendments the DOF is pushing is the imposition of P6 and an additional P5.35 in excise tax per liter on diesel and gasoline, respectively, with an expected revenue gain of P178.2 billion;

WHEREAS, aside from removing value-added tax (VAT) exemption on a number of transactions and limiting the grant of exemptions to raw foods and other necessities such as education and health, the DOF is also recommending the levying of excise taxes on sugar-sweetened beverages and/or fatty food, akin to the sin tax on cigarettes and alcohol, with an expected additional revenue of about P200 billion;

WHEREAS, the DOF also seeks to relax bank secrecy laws for tax fraud cases and the inclusion of tax evasion as a predicate crime to money laundering to improve tax compliance of the hard-to-tax groups as well as reduce, if not totally eliminate, tax evasion in the country;

WHEREAS, the DOF is also targeting reforms on the real estate sector by lowering the rate of taxes on property transfers such as estate tax, donor's tax, documentary stamp tax, as well as rationalize the valuation of real properties to update the valuation of real properties closer to prevailing market prices;

WHEREAS, in addition to the aforementioned proposals, the DOF is also looking at other tax measures such as the review of the luxury taxes on automobiles, yachts, and jewelry, the mining tax regime, possible tax on casino and other lottery winnings, as well as revisiting the effectivity of the sin tax on alcohol and tobacco products;

WHEREAS, these tax packages will have considerable impact on ordinary taxpayers and on the business sector. It is vital for the Senate, as part of the legislative branch of the government primarily in charge of enacting laws with regard to taxation, to be at the forefront in religiously studying each proposal and ensuring that the bill or bills to be passed will have a long-term positive effect on the taxpayers and to the economy through increased investments, more job opportunities, and equitable and progressive tax payments;

NOW, THEREFORE, BE IT RESOLVED, that the Senate of the Philippines direct the proper Senate committee to conduct an inquiry, in aid of legislation, on the tax reform proposals of the DOF with the ultimate goal of improving the country's tax collection and effort while at the same time, ensuring that the country's tax system is simpler, more equitable and progressive;

Adopted,



SONNY ANGARA