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SENATE

P. S. RES. NO. 407

Introduced by **SENATOR LEILA M. DE LIMA**

RESOLUTION
DIRECTING THE APPROPRIATE COMMITTEE TO CONDUCT AN
INQUIRY, IN AID OF LEGISLATION, ON THE IMPACT OF THE
DUTERTE ADMINISTRATION'S COMPREHENSIVE TAX REFORM
PROGRAM, WITH THE END IN VIEW OF ENSURING UNIFORM AND
EQUITABLE TAX SYSTEM

WHEREAS, Article VI, Section 28 (1) of the Constitution provides that “[t]he rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation”;

WHEREAS, Article II, Section 9 of the same provides that “[t]he State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all”;

WHEREAS, last 29 May 2017, President Duterte certified as urgent for Congressional approval House Bill No. 5636, or the proposed Tax Reform for Acceleration and Inclusion Act (TRAIN)¹;

WHEREAS, on 31 May 2017, *Inquirer* reported that the House of Representatives, voting 246 for and 9 against, passed on third and final reading Duterte’s TRAIN bill before it adjourned *sine die*²;

WHEREAS, on 31 May 2017, *CNN Philippines* said that the TRAIN bill provides for lower personal income taxes and estate taxes, but will impose higher excise tax on fuel, new cars and sugar sweetened beverages in order to recoup P138 Billion in

¹ Department of Finance. PRRD certifies tax reform bill as urgent. (2017, 29 May). Retrieved from <http://www.dof.gov.ph/taxreform/index.php/2017/05/29/prrd-certifies-tax-reform-bill-as-urgent/>

² *Inquirer*. (2017, 31 May). *Inquirer.net*. Retrieved from <http://newsinfo.inquirer.net/901433/house-passes-dutertes-tax-reform-package-on-final-reading>

foregone revenue resulting from the lowered collectible personal income and estate taxes³;

WHEREAS, on 31 May 2017, *Rappler* reported that the TRAIN bill also removes VAT exemptions, such as those: (1) provided under special laws, except Senior Citizens and Persons with Disability; (2) for cooperatives, except those selling raw agricultural produce; (3) for low-cost and socialized housing; (4) for power transmission; (5) for lease of residential units; (6) for domestic shipping importation; and (7) for boy scouts and girl scouts⁴;

WHEREAS, *CNN Philippines*, in the same report cited above, also stated that certain members of Congress have called the measure “anti-poor” and that “working Filipinos [will] benefit from lowered personal income tax, but the poor [will] pay for it through heightened tax on fares, diesel, and sugar”⁵;

WHEREAS, on 23 May 2017, *Davao Today* reported that Bayan Muna Representative Carlos Isagani T. Zarate even withdrew his co-authorship of the TRAIN Bill since the reform will ironically make the poor pay more and “is not reflective of the aspiration of pro-people and genuine progressive system of taxation”⁶;

WHEREAS, on 01 June 2017, *Rappler* quoted Associated Labor Unions-Trade Union Congress of the Philippines (ALU-TUCP) Spokesperson Allan Tanjusay as saying that “[t]he excise tax on fuel is expected to drive the prices of basic commodities up. The impact of the proposed tax measure to workers is not uplifting because those who are already poor workers would become even poorer...”⁷;

WHEREAS, while *Rappler* reported on 24 May 2017 that, under the proposal, Filipinos with a monthly income of P21,000 or below will now be exempted from paying personal income taxes,⁸ it also reported on 31 May 2017 that, according to the Department of Finance, if passed, the proposal will nonetheless increase prices of cars, power rates and jeepney fares⁹;

WHEREAS, while the proposal purports to lower the tax burden of those earning above minimum wage, in truth, it merely transfers the burden of paying such foregone revenue to all Filipinos, many of whom, as it stands, are already earning below minimum wage or, worse, are unemployed and have thus no capacity to pay;

³ CNN Philippines. (2017, 31 May). CNN Philippines. Retrieved from <http://cnnphilippines.com/news/2017/05/29/Duterte-marks-tax-reform-bill-urgent.html>

⁴ Rappler (2017 May 31), retried from <http://www.rappler.com/nation/171540-house-approves-tax-reform-bill>

⁵ *Supra* foot note # 3

⁶ Davao Today. (2017, 23 May). Davao Today. Retrieved from <http://davaotoday.com/main/economy/solon-withdraws-co-authorship-on-duterte-admins-tax-reform-bill/>

⁷ Rappler. (2017, 01 June). Rappler. Retrieved from <http://www.rappler.com/nation/171667-duterte-tax-reform-package-big-mistake-alu-tucp>

⁸ Rappler. (2017, 24 April). Rappler. Retrieved from <http://www.rappler.com/business/157792-former-dof-neda-chiefs-tax-reform>

⁹ Rappler. (2017, 31 May). Rappler. Retrieved from <http://www.rappler.com/newsbreak/in-depth/160097-tax-reform-duterte-income-tax>

WHEREAS, on 14 March 2017, Philippine Star reported that unemployment rate in the country increased to 6.6% in the January 2017 Labor Force Survey, equivalent to 39.3 million employed individuals¹⁰;

WHEREAS, the Government must be ready to withstand the economic shocks of the proposal, while taking into consideration other economic factors like rising unemployment;

WHEREAS, Congress is duty-bound to ensure that tax proposals abide by the Constitutional standard of uniform and equitable tax system, and that they have long-term positive effects for all stakeholders, including taxpayers, those who pay direct and indirect taxes alike, and the Government;

WHEREAS, there is an urgent need to investigate such impact, in aid of legislation, especially in light of the passage of the TRAIN bill in the lower House;

NOW THEREFORE, BE IT RESOLVED, as it is hereby resolved, to direct the appropriate committee to conduct an inquiry, in aid of legislation, on the economic impact of the Duterte Administration's Comprehensive Tax Reform Program, with the end in view of ensuring uniform and equitable tax system.

Adopted,


LEILA M. DE LIMA

¹⁰ Philippine Star. (2017, 14 March). Philippine Star. Retrieved from <http://www.philstar.com/business/2017/03/14/1681058/unemployment-rate-increases-january-2017>