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FINANCE CHIEF SEEKS TO ASSURE NEW LAWMAKERS ON TAX REFORM 1

Finance chief seeks to assure new lawmakers on tax reform

FINANCE SECRETARY Carlos G. Dominguez III reached out to lawmakers of the incoming 18th Congress on Monday, downplaying — in a forum to inform the public on government achievements midway into President Rodrigo R. Duterte’s six-year term — risks from supporting tax reforms.

Trade Secretary Ramon T. Lopez and Socioeconomic Planning Secretary Ernesto M. Pernia, for their part, asked the new Congress to focus on measures that will further open the country to foreign investments.

Mr. Dominguez sought to downplay the conventional wisdom that support for tax laws translates to fewer votes come election day. Lawmakers have been reluctant in sponsoring or supporting tax measures, drawing from the experience of current Senate President Pro Tempore Ralph G. Recto, who lost a 2007 senatorial bid after pushing for the increase in value added tax rate to 12% from 10%.

Saying that the Executive’s “confidence level is very high” when it comes to approval of future tax reforms — especially after the first three went through the eye of a needle since late 2016 in the recently concluded 17th Congress, Mr. Dominguez said in the 2019 Pre-State of the Nation Address Economic and Infrastructure Forum at the Philippine International Convention Center in Pasay City on Monday: “I’m very confident that... lessons in this last election, where no one who supported tax reform lost, will resonate in the minds of legislators.”

Mr. Dominguez cited the cases of Senator Juan Edgardo M. Angara, who placed fifth in the May 13 senatorial race and re-elected Albay 2nd district Rep. Jose Maria Clemente “Joey” S. Salceda, despite their sponsorship of Republic Act No. 10963, which cut personal income tax rates and increased or added levies on several goods and services.

“The message from the electorate is that if the tax reform is fair — if the money is not stolen and is used for their benefit, in infrastructure and education — they will win,” he said.

Also enacted was RA 11213, which grants estate tax amnesty and amnesty on delinquent accounts unpaid after being given final assessment; while the proposed gradual increase in excise tax on tobacco products to P60 per pack by 2023 from P35 currently awaits President Rodrigo R. Duterte’s signature.

Remaining tax reforms include measures to reduce the corporate income tax rate gradually to 20% by 2029 from 30% currently which is the highest in Asia, to streamline fiscal incentives by removing redundant ones and making perks performance-based and time-bound, to simplify taxes on investment instruments, to centralize real property valuation and assessment, as well as to increase government share from mining revenues and excise taxes imposed on alcohol products.

Messrs. Lopez and Pernia pushed removal of restrictions on foreign investments, such as amendments to the 82-year-old Commonwealth Act No. 146, or the Public Service Act; RA 7042, or the Foreign Investments Act of 1991; and RA 8762 or the Retail Trade Liberalization Act of 2000.

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“Continuing reforms — ... [on]the Public Service Act, the Retail Trade Law — will open up many more sectors; the review of... the Foreign Investment Negative List (FINL) to shorten the list... will again encourage and entice more investments in the broader range of industries that will now be open to greater foreign equity participation,” Mr. Lopez said.

The FINL outlines industries and activities reserved for Filipinos and those that are open to foreign investors in limited degrees.

Mr. Pernia pushed for the same measures, noting that the Philippines is the “most restrictive” Southeast Asian country in terms of entry of foreign investors and that even socialist Vietnam is more open to such capital. “Here in the Philippines, there are so many areas where foreign direct investment is only partially open to foreigners; so the legislature really should pass many of these bills, such as [amendments to] the Foreign Investment Act, the Retail Trade Act, Public Service Act, and with those three acts passed, liberalizing the economy, we could really expect much more foreign direct investments,” he said.

University of Santo Tomas political science professor Marlon M. Villarin said via text: “I think tax reform will continue to have... support in both houses... in the 18th Congress. We expect to have a super majority that will surely manifest legislative support for Pres. Duterte’s ‘Build Build Build’ program, where central to its realization are tax reform measures that will defray govt expenditures.”

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