



Kapihan sa Manila Bay

Updates on Tax and Revenue Collections, Proposed Tax Measures, and VAT Collection Efficiency

JUNE 28, 2023

9:30AM

CAFE ADRIATICO, MANILA

January to May 2023 revenues up by 10.8 percent year-on-year

Particulars	Jan to May 2022 actual collection (in billion Pesos)	Jan to May 2023 actual collection (in billion Pesos)	Diff	YoY
Revenues	1,437.2	1,592.8	155.6	10.83%
<i>Tax revenues</i>	1,289.6	1,414.8	125.2	9.71%
BIR	959.0	1,054.5	95.5	9.95%
BOC	320.5	359.3	38.8	12.10%
Other offices	10.1	1.1	(9.0)	-89.53%
<i>Non-tax revenues</i>	147.7	178.0	30.4	20.56%
BTr income	83.4	82.2	(1.1)	-1.34%
Others	64.3	95.8	31.5	48.95%

The cumulative budget gap declined by **28.86 percent** year-on-year

Particulars	Jan to May 2022 actual collection (in billion Pesos)	Jan to May 2023 actual collection (in billion Pesos)	Diff	YoY
Expenditures	1,895.9	1,919.1	23.2	1.22%
Interest Payments	220.5	229.6	9.1	4.13%
Others	1,675.5	1,689.6	14.1	0.84%
Surplus / (Deficit)	(458.7)	(326.3)	132.4	-28.86%
Primary Surplus/ (Deficit)	(238.2)	(96.7)	141.5	-59.39%

MEDIUM-TERM REVENUE PROGRAM

Total Revenue Collection (in PHP Trillion)



Source: Revised Medium-Term Revenue Program, 185th DBCC Meeting on June 9, 2023

PRIORITY REVENUE-ENHANCING MEASURES



Real Property Valuation and Assessment Reform (Package 3)

Aims to promote the development of a just, equitable, and efficient real property valuation system.

This will have a positive impact on revenue generation and resource mobilization performance of LGUs

House of Representatives

Approved on third reading on December 12, 2022

Senate

Pending in the Committee on Ways and Means (for submission of Committee Report)

PRIORITY REVENUE-ENHANCING MEASURES



Passive Income and Financial Intermediaries Taxation (Package 4)

Aims to harmonize the taxation of passive income and financial intermediaries by reducing and simplifying tax rates on financial transactions

House of Representatives

Approved on third reading
on November 14, 2022

Senate

Pending in the
Committee on Ways and
Means since August 31,
2022

PRIORITY REVENUE-ENHANCING MEASURES



VAT on Digital Services

Seeks to level the playing field between and among traditional and digital enterprises

House of Representatives

Approved on third reading on November 14, 2022

Senate

Pending in the Committee on Ways and Means since August 3, 2022

PRIORITY REVENUE-ENHANCING MEASURES



Tax on Sweetened Beverages and Junk Foods

Imposes a new tax on junk foods, raises the levy and expands the tax base on sweetened beverages.

These measures aim to curb excess consumption of unhealthy food items while generating revenues.

Measure	House of Representatives	Senate
Tax on sweetened beverages	Pending in the Committee on Ways and Means since March 13, 2023	No filed bill
Tax on Junk Foods	No filed bill	No filed bill

PRIORITY REVENUE-ENHANCING MEASURES



Excise Tax on Single-Use Plastics

Proposes an excise tax of Php100/kg of plastics to discourage and reduce single-use plastic consumption

House of Representatives

Approved on third reading on November 14, 2022

Senate

Pending in the Committee on Ways and Means since November 22, 2022

PRIORITY REVENUE-ENHANCING MEASURES



Motor Vehicle User's Charge

Proposes a unitary rate of Php1.40/kg of gross vehicle weight. This will generate significant revenues to fund investments in road quality enhancement and road safety

House of Representatives

Pending in the Committee on Ways and Means since July 26, 2022

Senate

No filed bill

PRIORITY REVENUE-ENHANCING MEASURES



Rationalization of the mining fiscal regime

Aims to simplify the current mining fiscal regime and ensure that the government is able to collect its fair share of mining revenues.

House of Representatives

Pending in the Committee on Ways and Means (3rd committee hearing on May 30, 2023)

Senate

No filed bill

Consumption-based taxes, particularly VAT, are the preferred revenue source of advanced and emerging economies



Consumption taxes are less vulnerable to the effects of globalization.

(OECD, 2018)



Consumption taxes are seen to be more progressive.

(ADB, 2022)



Consumption taxes are more neutral compared to income taxes, as the former do not impact savings or investment decisions.

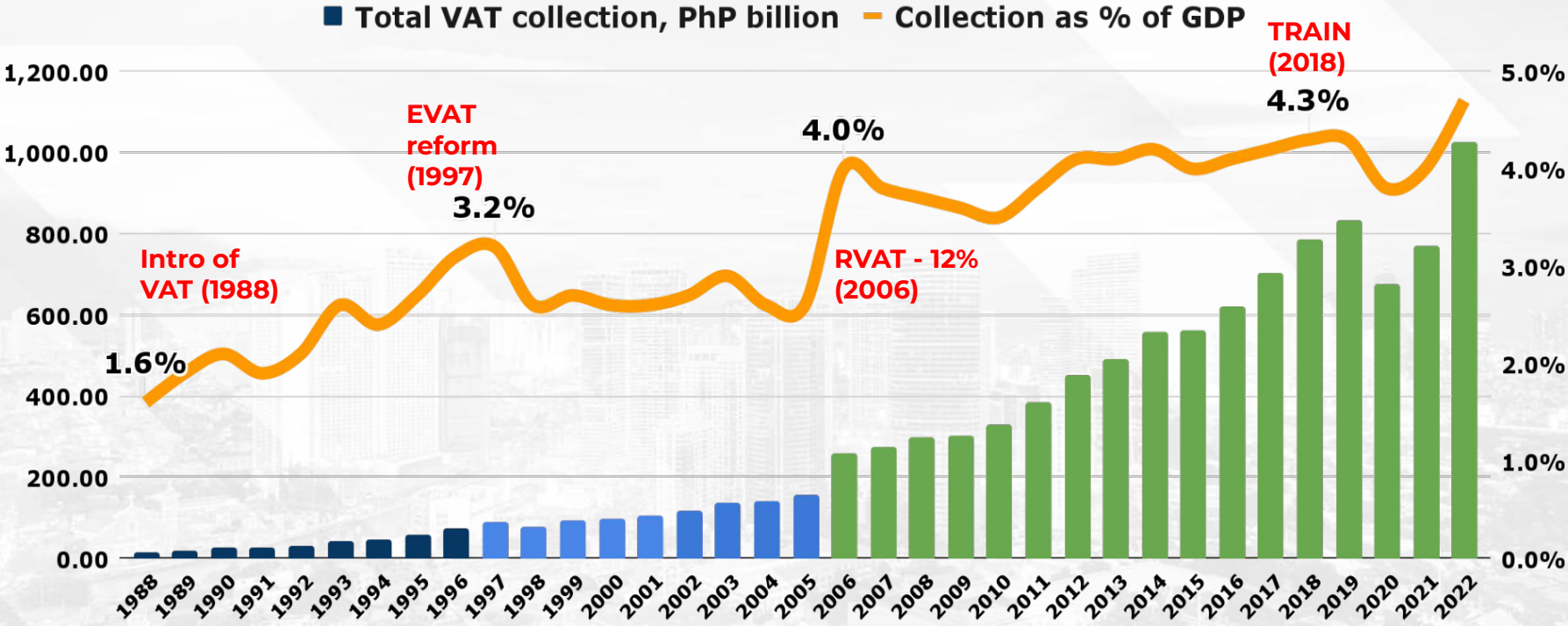
(Seidman, 1989; McCaffery, 2002; Frank, 2005; Bankman and Weisbach, 2006;



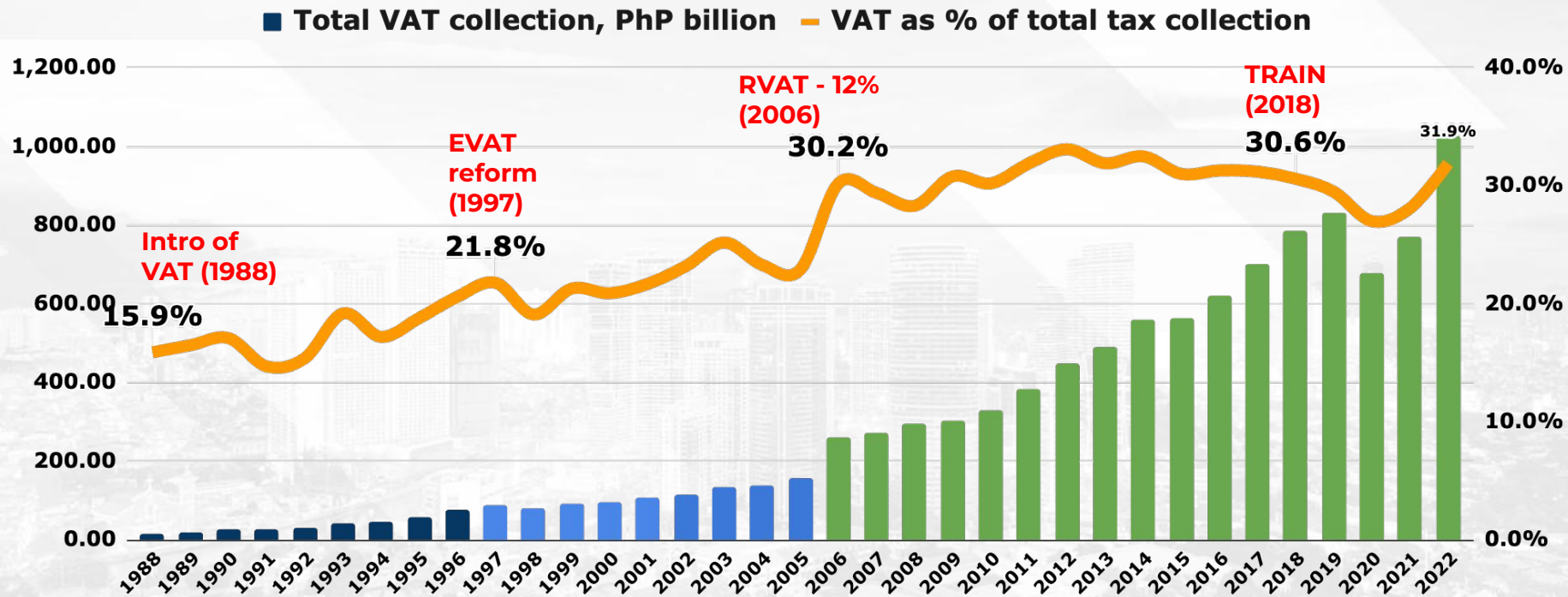
There is consistent increase in the number of countries adopting the VAT.

(OECD Consumption Tax Trends 2022)

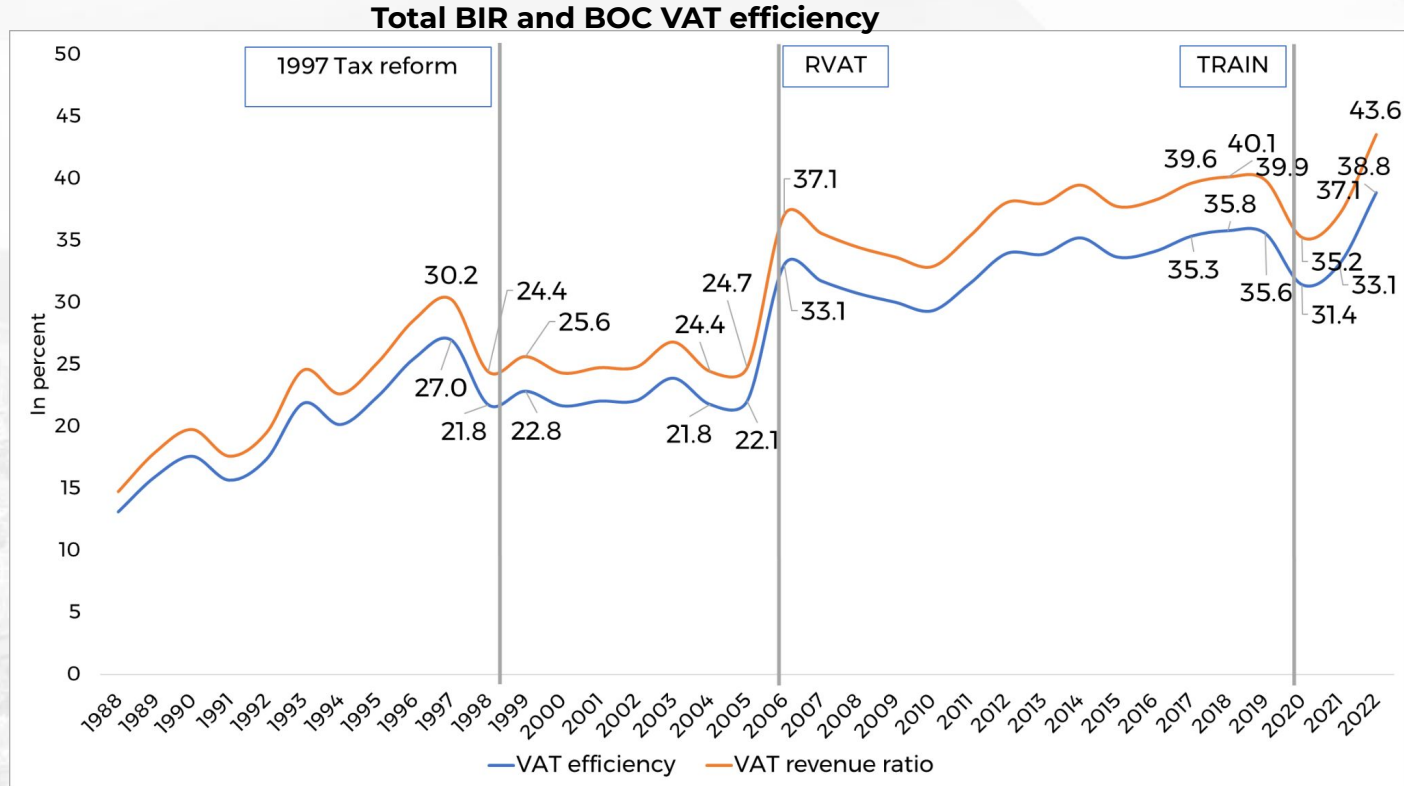
Historical VAT collections and VAT-to-GDP ratio since the introduction of VAT in 1988



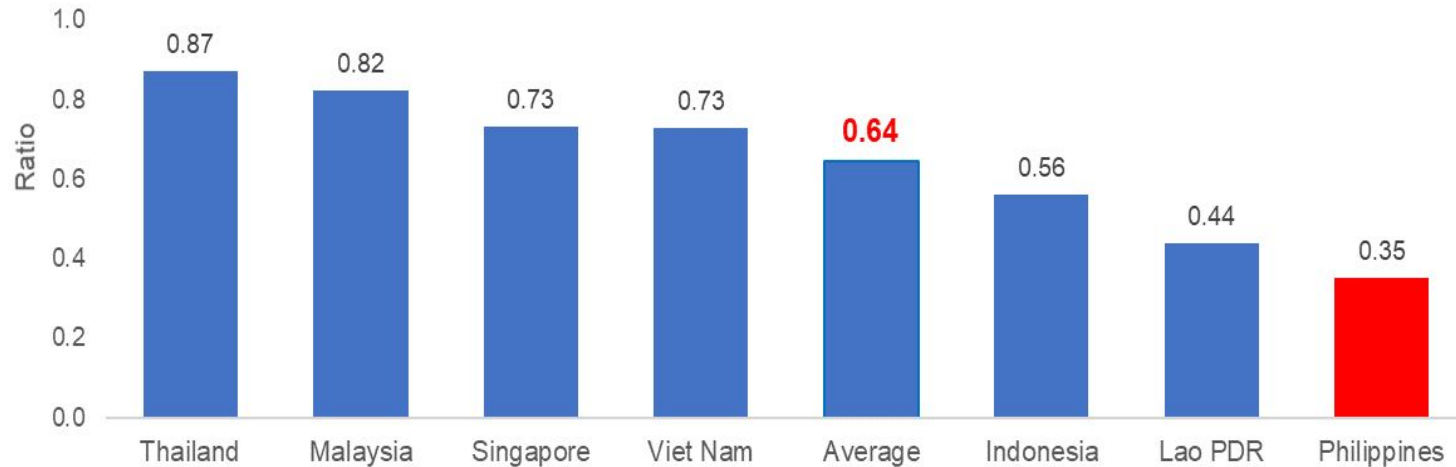
Historical VAT collections and VAT as percentage of total tax collections



The VAT efficiency and VAT revenue ratio remain historically low for the Philippines despite the expansion of the VAT base and limiting exemptions



VAT revenue ratio remains low compared to other countries in the Asia Pacific, despite the expansion of the VAT base and the limiting of the exemptions in the last 25 years



Note:

1. Philippines: DOF-FPMG staff estimates

Source: OECD

The Philippines has the highest VAT rate compared to ASEAN peers, but reports the lowest VAT efficiency.

Country	VAT/GST rate (2023)	VAT efficiency (2016-2020)
Philippines	12%	0.40
Singapore	8%	0.71
Vietnam	8%	0.70
Malaysia	Goods: 10% Service: 6%	0.48 - 0.29
Thailand	7%	0.79
Indonesia	11%	0.50

VAT efficiency = Ratio of VAT collection to total consumption, divided by VAT rate.

Note: The comparative table is based on available resources and is subject to the detailed implementing rules and regulations of each country. The findings are primarily based on country-level tax summaries, as supported by the country-specific tax codes.



Without exemptions, zero rating, and at 100 percent efficiency, it is estimated that the government has to be collecting VAT equivalent to approximately 10.7 percent of GDP.

At present, we are only collecting around 4.7 percent of GDP which makes the combined tax policy and administrative gap to around 6.0 percent of GDP.



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