# THE KEY LINK

**CARLOS G. DOMINGUEZ III**
SECRETARY OF FINANCE, REPUBLIC OF THE PHILIPPINES
PCCI-USAID TAX REFORM ROAD SHOW
MARCH 10, 2017

No previous tax reform package ever enjoyed the complete support of relevant constituencies

# Former DOF, NEDA chiefs back Duterte's tax reform program

By: Ben O. de Vera - Reporter / @bendeveraINQ Philippine Daily Inquirer / 04:42 PM January 09, 2017

Bureau of Internal Revenue (INQUIRER FILE PHOTO)

MANILA — A dozen of the country's former chief economists and finance chiefs on Monday said the Department of Finance's proposed tax policy reform program would help the country achieve inclusive growth as well as slash poverty en route to becoming a high middle-income country by 2040.

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# IMF backs DOF's tax reform package

**Published** October 16, 2016 6:22pm

By JON VIKTOR D. CABUENAS, GMA News

The finance department over the weekend said it has received the backing of the International Monetary Fund (IMF) on its planned comprehensive tax reform package, as well as proposals to relax the country's bank secrecy law.

## ADB says reforms will make taxation more progressive, sustain growth

Posted on **February 21, 2017**

THE Asian Development Bank (ADB) said the focus of tax reforms on increasing the excise on key goods will make the system less regressive, helping improve the business environment while sustaining growth.

## World Bank supports gov't tax reform program

By CNN Philippines Staff

Updated 10:54 AM PHT Mon, September 26, 2016

**Metro Manila (CNN Philippines) —** The World Bank has agreed to help the Department of Finance (DOF) implement its tax reform program, which is in line with President Duterte's 10-point socioeconomic plan.

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# 15 business groups back tax reform bill

By: Ben O. de Vera - Reporter / @bendeveraINQ Philippine Daily Inquirer / 10:26 AM February 10, 2017

Big business and foreign chambers have expressed support for the Department of Finance's proposed bill aimed at bringing down personal income tax rates while increasing levy on consumption.

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# Large taxpayers back DOF's tax reform program

Published February 13, 2017 7:18pm

Large taxpayers in the country support the planned Comprehensive Tax Reform Program (CTRP), JG Summit Holdings Inc. President and CEO Lance Gokongwei said.



# Senior citizens, PWDs back tax reform plan

By Philippines News Agency - FEBRUARY 18, 2017

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ASIDE from international institutions and acknowledged economic experts, the Department of Finance (DOF)-backed Comprehensive Tax Reform Program (CTRP) now pending in Congress has also earned the support of private citizens.

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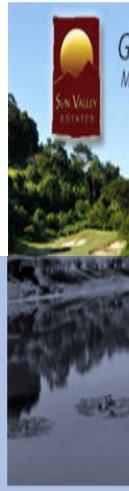

# Simplifying the Tax System

We are simplifying the income tax brackets by decreasing it to six (6) brackets. Tax rates for 99% of taxpayers will gradually decrease over the next few years of implementation.

**PROPOSED TAX SCHEDULE (Second half of 2017, 2018, and 2019)**

| Annual Income Bracket | Tax Rate | Percent of Taxpayers |
|---|---|---|
| 0 - 250,000 | 0% | 83% |
| Over 250,000 - 400,000 | 20% of the excess over 250,000 | 8% |
| Over 400,000 - 800,000 | 30,000 + 25% of the excess over 400,000 | 6% |
| Over 800,000 - 2,000,000 | 130,000 + 30% of the excess over 800,000 | 2% |
| Over 2,000,000 - 5,000,000 | 490,000 + 32% of the excess over 2,000,000 | 1% |
| Over 5,000,000 | 1,450,000 + 35% of the excess over 5,000,000 | 0.1% |

**PROPOSED TAX SCHEDULE (2020 onwards)**

| Annual Income Bracket | Tax Rate |
|---|---|
| 0 - 250,000 | 0% |
| Over 250,000 - 400,000 | 15% of the excess over 250,000 |
| Over 400,000 - 800,000 | 22,500 + 20% of the excess over 400,000 |
| Over 800,000 - 2,000,000 | 102,500 + 25% of the excess over 800,000 |
| Over 2,000,000 - 5,000,000 | 402,500 + 30% of the excess over 2,000,000 |
| Over 5,000,000 | 1,302,500 + 35% of the excess over 5,000,000 |

*The simplified tax system will increase the take-home pay of most individuals thereby putting more money in people's pockets. This will make the system fairer and more equitable.*

**Increasing the disposable income of wage earners will, in turn, boost economic productivity**

**Bureau of Customs collections grew**

# 8.2%

**year-on-year**

**Bureau of Internal Revenue grew**

**9.3%**

**year-on-year**

**From January 1 to March 3 of this year, both have posted double-digit Y-O-Y growth in collections, at 13% and 15% respectively**

# Dominguez orders BOC, BIR to sue cigarette tax evaders

Agencies now busy pinning down Mighty Corp. for fake cigarette tax stamps

By: Ben O. de Vera - Reporter / @bendeveraINQ Philippine Daily Inquirer / 04:59 PM March 05, 2017

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SIMPLER

FAIRER

# MORE EFFICIENT

While we yield revenues by cutting income tax rates,

we seek to offset that by putting in tax policies that broaden the tax base

# VAT Comparison with Other Countries

A fair VAT system is one with a low rate and exemptions limited to raw food, health and education.

In the Philippines, we have a VAT system with numerous exemptions leading to large leakages from people who take advantage of the VAT system to pay less tax.

# Comprehensive Tax Reform Package

## is the key link to a more inclusive economy further down the road

# Infrastructure gap

**Highly exclusive growth and a domestic economy characterized by uneven distribution of wealth**

# A benign setting for increasing the pace of our economic expansion

# A demographic hump that will bring millions of young Filipinos to the workforce

# Cinderella moment

# Demographic sweet spot

# We could easily achieve a growth rate of

# 7%

## and sustain that well into the medium term

**Bring down our poverty rate to a mere 14% by 2022**

# Become a high economy in one generation

# Close the infrastructure gap and invest in our human capital

# Shift to an investments-led economy in the near term

## Projected annual expenditure for infrastructure:

# P1 TRILLION

## The comprehensive tax reform package seeks to increase:

# P800 BILLION

***Additional revenues to fund an urgent infrastructure program, expand programs of social inclusiveness and bring down poverty rates to more civilized levels***

# The Comprehensive Tax Reform Package is the key to redeeming our nation’s future

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