



Foundation for Economic Freedom

FEF Statement of Support to Tax Reform Program

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We, the Foundation for Economic Freedom (FEF), an advocacy group for good economic governance and market-friendly reforms, strongly commend the Department of Finance (DOF) for crafting a forward-looking fiscal program for legislation. The comprehensive tax reform program lays a solid foundation for the government's vision of inclusive growth, improved public services, and improved purchasing power among consumers. We believe that this program will translate to a more comfortable life for all Filipinos along with safe, healthy, and peaceful communities across the country.

With the right set of policies and programs that create an enabling environment for private sector investments, the Duterte administration can achieve its growth target of at least 7% annually, reduce poverty from 21.6% to around 13-15%, and significantly reduce unemployment rate over the next six years. Fiscal stability, sustained funding for government programs, and investment-friendly tax policies can help the government attain these objectives.

The entire package together can help raise the additional one trillion pesos needed annually to fund investments in infrastructure, education, health, social protection, training, and research and development. Moreover, its design and various components address identified problems in the current tax system namely: 1) a narrow tax base; 2) complex collection policies with numerous leakages; 3) cumbersome and costly exemptions with debatable benefits; 4) inequitable taxation of salaried workers; 5) uncompetitive rates vis-a-vis our country's peers; and 6) tax policies that are prone to gaming, evasion, and corruption.

We particularly support the downward adjustments in the personal income tax on the grounds of fairness. We also strongly back the reduction in the corporate income taxes, which will promote and attract more investments and facilitate job creation.

We support the key revenue-enhancing measures and commend the proposals for incremental revenues for public investments, notably: 1) the increase in fuel taxes; 2) the rationalization and reduction in fiscal incentives; 3) the selective lifting of bank secrecy laws with respect to fraud; and 4) the expansion in the VAT base (including lifting of exemptions on cooperatives, low-cost housing, renewable energy, and for senior citizens except medicine).

We fully support the tax reform originally proposed by DOF, and appeal to Senators not to unduly dilute its provisions as this would impair the country's infrastructure spending and fiscal sustainability. Tax reform is particularly important in the face of new spending mandated by the Congress – free irrigation, free tuition in SUCs, escalating pension benefits for uniformed personnel, and increases in SSS pensions unmatched by increases in contribution. Moreover, this targeted revenue hike will temper the impact of anticipated higher interest rates due to global market developments.

We believe that the comprehensive tax reform program will allow every Filipino an equitable opportunity to contribute to a sustained and truly inclusive economic growth.

Release Date: September 14, 2017

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