

## General and estate tax amnesty

**A**side from the lowering of personal income tax and simplification of tax compliance for small businesses, the lowering of transfer taxes, i.e., donor's and estate taxes, is another tax relief for ordinary Filipinos.

Under the old estate tax system, the net estate of the deceased was subject to up to 20 percent estate tax with only the first P200,000 exempted.

Under the TRAIN law, the transfer tax rates both for donation and estate (or inheritance) will be fixed at 6 percent, similar to the Capital Gains Tax. This means whether you sell, donate or inherit a property, it will be subject to 6 percent flat rate.

Further, the standard deduction of P1 million was increased to P5 million while the family home of P1 million was significantly adjusted to P10

million. This literally exempts ordinary Filipinos from paying additional taxes on the estate of their deceased loved ones.

According to the 2016 BIR Annual Report, other taxes including the estate tax accounted for less than 6 percent of the year's tax take.

Obviously, the "ultra-rich" managed to go around the law and transferred their properties and other accumulated wealth without having to pay the 20 percent estate tax. Otherwise, we could have exceeded the revenue target given the number of billionaires who passed away in the last two decades.

Unfortunately, our poor farmers and those in the countryside who inherited land, mostly for agricultural purposes, were held hostage because of their unpaid estate taxes. They weren't able to transfer the titles of the land since most of them barely have money to buy their basic needs.

The same applies for a lot of MSMEs who have grown their businesses but failed to declare correct profit and pay the right taxes.

Due to lack of knowledge and professional help, they resorted to paying compromises or "under-the-table" to settle their annual BIR audit.

Some even hired BIR examiners as their accountants or auditors just to get rid of the additional costs of being audited annually and paying "under-the-table."

This is probably one of the reasons why collections from BIR audit remains insignificant at less than 3 percent for the last two decades. It has been compromised and both parties have benefited.

As a former BIR examiner, I know this for a fact. The same reason why I was proposing for tax amnesty before the tax reform. But now that we have passed package one, maybe this is the perfect time to declare general and estate tax amnesty.

Package 1b was thus music

to my ears.

In a statement, the Department of Finance mentioned that the approved TRAIN law was just two-thirds of package one, as the remaining one-third involves provisions on the estate tax amnesty, a general tax amnesty, the proposed adjustments in the Motor Vehicle Users Charge and amendments to the bank secrecy law and automatic exchange of information.

If this happens, everyone can start fresh. It will really be a TRAIN to progress where honesty and integrity are upheld.

With the Seal of Honesty (SOH) Certification Program of the BIR in partnership with the Center for Strategic Reforms of the Philippines (CSR Philippines), honest and compliant taxpayers will be rewarded while those who made a mistake in the past may avail themselves of the general tax

amnesty before we start opening bank accounts once we have lifted the bank secrecy law.

Hopefully, BIR personnel will also be exempted from the Salary Standardization Law (SSL).

Finally, sending bigtime tax evaders and corrupt examiners to jail will send a strong message that our government is really serious with its fight against corruption. INQ

\* TAXATION

\* TRAIN