

Perplexed on how TRAIN reforms the taxes on consumers



FROM BOTH
SIDES NOW
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I am beginning to miss listening to DOF or DTI representatives. We need to understand what is going on with prices. I was surprised to see how the "turon- saging" (banana fritters) that I used to buy in a major supermarket for ₱15.00 now costs ₱20.00. "May tax na po sa sugar," the sales lady explained. My classmate noted with disgust that a bunch of camote tops now costs ₱12.00, instead of ₱6.00 in an apparent way for sellers to compensate for an increase in transport costs. And Anthony, the soft drink lover in my class, is trying to figure out why the increase in the price of a liter of soft drink is greater than the ₱7.00 tax that was brought about by the TRAIN. There are many tales of woes and I surmise that there will be many more because of the many changes that TRAIN introduced into the indirect tax system, or the taxes that consumers pay.

1. TRAIN withdrew some VAT exemptions but gave away some others. Prescription medicine for diabetes, high cholesterol, and hypertension are now exempt. Association dues which were interpreted by BIR to be subject to VAT are now exempt. Exemption levels on small traders have been adjusted - from annual sales of ₱1.92 million to ₱3.0 million. Housing rentals of ₱15,000 per

month are not subject to the VAT (up from ₱10,000). Question, if you can rent a room or a house for ₱15,000 per month, are you poor? I ask this because the basic premise of a non-regressive VAT is the exclusion of the poor from taxation.

2. Increases in the excise tax rates on petroleum products are now painfully felt. Diesel which used to be exempt will carry a ₱2.50 tax per liter. This is still a preferential rate, however. Unleaded gas is now taxed at ₱7.00. Unfortunately, the preferential rate for diesel-fed gas like SUVs continues. And who can afford SUVs, the poor?

Aviation turbo gas, which powers aircraft, carries a much lighter tax burden for some "preferred" reasons. Could it be because Congress would like every Juan to travel by air? The increase in the tax rate on aviation turbo is so minuscule, i.e. from ₱3.67 per liter to ₱4.00, or a ₱0.33 adjustment. It is also a wonder why the tax of ₱4.00 will remain constant until 2020 while the tax on gasoline is programmed to increase every year to a max of ₱10.00 per liter in 2020. Av turbo gas will therefore become more "preferred" than kerosene, the fuel of the poor. In 2020, users of kerosene will be taxed at ₱5.00 while owners of aircraft will pay a tax of ₱4.00. Strange! LPG is another favored product. TRAIN imposes a tax rate of ₱1.00 on LPG compared to ₱3.00 on kerosene. Is it because LPG users are poorer than those using kerosene? I believe it is the contrary.

3. The case of motor vehicles is more perplexing. The tax rate on cheap vehicles (i.e. ₱600,000 and below) was increased from 2% to 4%, but the tax rate on the more expensive vehicles has been lowered. Prior to TRAIN, vehicles that cost over ₱2.1 million were taxed at 60%. Now, they will be subject to only 20% with a maximum rate of 50%. A Mitsubishi Pajero that used to be taxed at ₱752,000 will now carry a lower tax, i.e. ₱500,000. In contrast, the tax burden on low-priced cars has been increased by 100%. Talk about the goal of protecting the poor by making the distribution of the tax burden progressive! And why an exemption for pickups? To make them more affordable? I must see the logic behind exempting Nissan Frontier which carries a price of ₱1.3 million; Toyota HiLux-₱0.78 million; Ford Ranger, ₱1.05 million (depending on the variants).

4. Another surprise was the increase in the tax rate on cigarettes from ₱30.00 to ₱32.50 per pack. The increase is merely a pittance in response to the advocacy of health groups to increase the tax to about ₱60.00 per pack. As early as 1996, I thought that the tax rate should be ₱100.00 per pack to curtail the addiction to smoking.

While I read and re-read the provisions of TRAIN, I console myself and constantly remember that tax policies are not just products of noble minds. They are equally shaped by vested interests and lobby groups.

Déjà vu!

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✶ TAX REFORM FOR ACCELERATION
AND INCLUSION (TRAIN)

✶ CONSUMERS FEB 0 8 2018