

How to make the TRAIN unstoppable

There's no such thing as zero damage to anyone in a tax reform, especially under the TRAIN Law (Tax Reform for Acceleration and Inclusion Law, or Republic Act 10963) that seeks to collect almost P4 trillion by 2022 to help bankroll the country's Build Build Build bid.

However, the individual pain from additional cost of living will need to pale in comparison to the common benefits. If the tax reform performs, it will be game-changing for the country, and even life-changing for the public. Here's what I think are needed to help the momentum and make the TRAIN unstoppable.

**AS EASY
AS ABC**



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1. Support the relaxation of the Bank Secrecy Law.

Under our law existing since post-World War II, the only time that the BIR can go after a taxpayer's bank account is when it is trying to enforce collection on a tax case that has become final and collectible. However, the BIR could not access bank accounts for purposes of tax investigation because of secrecy. In other words, bank accounts cannot be used as evidence against the taxpayer. One can commit fraud successfully by simply depositing unreported income to his bank account.

If that does not sound right, that certainly is the privilege that we've gotten used to. To be honest, it should remain that way for most - for those earning purely compensation income and those engaged in business that are compliant with tax obligations. But the BIR's hands should not be tied when investigating tax fraud. We can put two safeguards against harassment: one, there must be prima facie evidence of fraud, and two, there must be an order from the court to allow such bank account examination. This will not only improve compliance, it will compel a more even playing field.

2. Once a general tax amnesty is offered legislatively, enforce a crackdown after the avallment period lapses.

A general amnesty bill is being deliberated in the Senate. Once this is passed, it's everyone's right to avail of it if qualified, and they advisably should. But an amnesty will only embolden the incorrigible to go back to his old ways after earning a big discount through the amnesty.

Only a strong and honest tax enforcement campaign can give credibility to a tax amnesty program. Without this promise of a threat, the haul will be lesser, and tax amnesty programs will really become part of tax planning (that is, underdeclare, and wait until the next chance for an amnesty).

3. Government should invest in and impose technology that captures invoices centrally.

For sure, without invoices issued (such as what can happen in regular big transactions in some trading places), there's nothing to capture. For the brazen, another enforcement approach is required. However, much can be caught in the web if the electronic invoicing requirement and the technology to capture that centrally are in place. It's much like malls that capture the sales/revenue number of their tenants to ensure proper rent computation.

If that is not yet possible, data analytic tools can help the BIR maximize its existing "relief" system that allows them to compare sales of one to the purchase of the other. The true horror stories of those electronically filing their tax returns without making the corresponding actual tax payment (that can result to billions of delayed or uncollected tax) can be easily resolved and avoided because in those cases, such taxpayers made themselves known by the returns they filed.

* TAX REFORM FOR ACCELERATION
AND INCLUSION (TRAIN)

The Philippine Star
BUSINESS

Sunday / January 28, 2018

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4. You have the right to receive what you bought, including the registered/official invoice or receipt.

I was buying golf gloves at this well-known golf club in Metro Manila that I am not a member of – I was just playing there on a tournament. When they gave me a statement of account for a receipt, I demanded an official receipt. The cashier did not give me any, explaining that a statement of account or whatever document I received was all they could issue, per policy.

It will really help if, along with the BIR registration that establishments are supposed to display, they will also be required to post the BIR hotline for reporting the same establishment if they do not issue official invoices or receipts. Note that all dentists, doctors and other professionals are not tax-free and therefore not exempt from issuing official receipts as well.

5. Support TRAIN 2 on rationalizing incentives and lowering of corporate income tax.

If the government will remove some incentives in TRAIN Law's second phase to recover lost income tax, why would it want to lower corporate income tax for all, that can make it lose out more? The answers: more level playing field, incentive for all enterprises, and a more competitive investment destination. We are almost placed at a no-choice situation due to the lower income taxes imposed by our neighbors and more recently, the income tax reduction in the US.

Lowering corporate income tax appears like a scary proposition. But it is as much a disruptive approach as any that we have not tried. If we can temper its blow, stop the leaks, and take advantage of its global opportunities, the country may just be in a leveled-up, brand-defining TRAIN ride.

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