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Everyone can join the TRAIN (2)

By: Peter Wallace

Here's more on what's in the TRAIN (Tax Reform for Acceleration and Inclusion), and its impact.

The power consumption of middle-class families is at least 200 kilowatt hours a month, so on average they will pay P16 more for electricity. This is based on the increase of 8 centavos per kWh announced by Meralco as a result of the implementation of the coal excise tax and the removal of the value-added tax exemption of the National Grid Corp. of the Philippines under TRAIN. So a call center employee who earns P30,000 a month, and whose family consumes about 200 kWh a month, will pay an extra P16, but he or she will have some P3,400 more per month to more than cover the extra cost. For the poor using less than 100 kWh, they'll pay no more as it's subsidized by the government.

The Department of Finance also said that among the TRAIN's key provisions is the earmarking of up to 30 percent of the incremental revenues to be raised from this law for social services, which include an additional unconditional cash transfer (UCT) of P200 a month for the country's 10 million poorest households for 2018. The amount will increase to P300 a month in 2019 and 2020.

Aside from the additional UCTs, the government, with the extra money it will have, is also planning to raise spending on primary healthcare and basic education services, and this should benefit more Filipinos, especially the poor and marginalized. Higher infrastructure spending from the government will also translate to more construction projects in rural areas, which should be instrumental in employing poor but qualified workers.

The implementation of TRAIN is win-win for both poor and middle-class Filipinos. As Finance Secretary Carlos Dominguez

pointed out, one major benefit of the infrastructure buildup program (tagged "Build, build, build"), is the distribution of wealth to the countryside: Farmers and other rural workers will eventually be able to transport their goods at lower cost and widen their access to markets. Dominguez added that people in urban centers, in turn, will get to enjoy lower prices of basic goods because of the reduced cost of transporting and distributing them.

Aside from raising government revenues for infrastructure development and various social services, the first package of TRAIN also ensures the implementation of tax administration reforms such as the fuel marking and monitoring system. This is very important given the huge revenue losses (VAT and excise taxes) from smuggled or misdeclared fuel. The Asian Development Bank estimates losses to reach almost P38 billion per year. Meanwhile, the Institute for Development and Econometric Analysis says that "smuggled gasoline accounts for an average of 23 percent of gasoline consumption from 2000 to 2006." Fuel-marking is important as it can achieve two of the Duterte administration's goals—add to government coffers and combat corruption.

TRAIN Package 1 has given workers more money to spend while helping fund our desperately needed infrastructure (sadly not as much as was wanted and should have been given, but definitely a good addition). Let's hope Congress will be a bit more amenable to increases in Package 2, which, if agreed to as planned, will create lots and lots of jobs. With businesses paying less tax, and people with more money to spend, businesses will grow. More employees will be needed. And foreign businesses will now

see the Philippines as a desirable alternative to Vietnam—if we keep wages competitive, and employment more flexible. But all this is for columns of the future.

I hope the Supreme Court has the good sense to throw out the petition of the Makabayan bloc as being without merit, and, anyway, not within its purview as it is not a fact-determining body. Lower courts, if at all, do that. And for God's sake, no temporary restraining orders. Let's think of the nation for a change, not listen to some petulant whiner.

For now a courageous administration has begun a major reform that modernizes taxation, makes it fairer, and stimulates the economy to the benefit of all. Let's hope Congress passes with equal alacrity the second and third packages of tax reforms before it gets caught up in the election fever. It's a long overdue epochal change, for the betterment of society.

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* TAX REFORM FOR ACCELERATION
AND INCLUSION