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Making the TRAIN work for all

COMMENTARY

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Despite the controversy, the passage of the Tax Reform for Acceleration and Inclusion (TRAIN) into law was a crucial legislative victory for the Duterte administration. If anything, it showed this administration's skill in taking advantage of the President's political capital to push its socioeconomic agenda. The President certified the TRAIN as urgent for congressional approval, and, during his first State of the Nation Address, urged lawmakers to pass the tax reform in full and in haste.

The government's audacity to amend the tax code is laudable. After all, the Duterte administration is embarking on the country's first comprehensive tax program since 1997. Taxpayers have long complained about the high cost of compliance. The tax net is also narrow, as various legislation have provided for several exemptions. Unsurprisingly, despite being one of the most highly taxed countries in the region, the Philippines' revenue collections have always fallen short of their targets. The TRAIN seeks to address these deficiencies.

Analysts predict that economic growth this year will expand at a faster pace than last year's. The TRAIN is heralded as the game-changer. The income tax cuts it requires are expected to boost private consumption as consumers will have stronger purchasing power. The incremental revenues collected from the TRAIN will also strengthen the government's ability to finance its infrastructure programs, especially with its shift from public-private partnerships to overseas and local financing.

In 2016, Candidate Duterte's declared resolve to address Metro Manila's traffic woes and a host of other problems helped propel him to the presidency. His promise resonated among ordinary Filipinos who have long suffered from the country's crumbling infrastructure. His team rightly pointed out that infrastructure development has been concentrated in urban areas, especially Metro Manila, highlighting the urban-rural infrastructure divide in the country.

A survey conducted by the Financial Times during the final quarter of 2017 expectedly showed that Metro Manila residents were dissatisfied with the quality of public transport. The same survey also revealed that most city dwellers nationwide expected traffic to worsen in the next 12 months. Budget Secretary Benjamin Diokno himself has warned that things will get worse before they get better.

According to the government, flagship infrastructure projects will be rolled out at full steam this year. Around 44 big-ticket infrastructure projects totaling P1 trillion are now under construction, and another 15 are expected to be implemented in 2018. In addition, the government is also set to roll out smaller projects included in the Three-Year Rolling Infrastructure Program, which have a target completion year of 2020.

Under the Duterte presidency, government officials are struggling to overcome the bureaucratic challenges that have hounded every administration. So far, public dissatisfaction with the transport system has failed to dampen the President's approval ratings. While the TRAIN revenues were lower than expected, the infrastructure allocation for 2018 reached 6.3 percent of the gross domestic product (GDP), higher than the 2.9-percent average in the past administration, and even surpassing the prescribed 5 percent of GDP threshold. The government now has the means and the momentum to implement these projects. It must not let this opportunity slip by.

The TRAIN law is not perfect. There are some gains and some losses. However, for all its shortcomings, we recognize its long-term benefits, especially if the government manages to implement these infrastructure programs as planned. As it seeks more revenues to fund these investments, the government should also prioritize tax administration measures, such as simplifying taxpayer compliance and plugging leakages in the system.

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*Tax Reform for Acceleration and Inclusion (TRAIN)