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Price pressure from TRAIN temporary – BSP

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Price pressure from the new tax reform law may be temporary and may not require policy response just like the previous tax reform programs, the Bangko Sentral ng Pilipinas (BSP) said yesterday.

Zeno Ronald Abenoja, director at the BSP's Department of Economic Research, said during the general membership meeting of the Bank Marketing Association of the Philippines, consumer prices may increase this year following the implementation of Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) law.

"Price pressures could come from higher consumption taxes and increased demand due to higher infrastructure spending and disposable income," Abenoja said.

However, he reiterated the impact of the new tax reform law is transitory.

Abenoja also cited higher domestic oil prices, weather disturbances that could affect harvest in February and March, as well as the reduction of the overall domestic supply of rice due to the eruption of Mayon Volcano.

He said potential second-round effects include minimum wage adjustment, transport fare hike and inflation expectations.

According to Abenoja, the government has been adopting possible mitigating measures to temper price pressures, including the strengthening of price monitoring through joint efforts from the Department of Trade and Industry as well as the Department of Agriculture.

Furthermore, Abenoja expects rice prices to stabilize through rice importation from the private sector under the minimum access volume and the National Food Authority (NFA).

He also took note of the proposed rehabilitation plan from different banner programs for rice, corn, high value crops development, agriculture, livestock and poultry.

Other mitigating social programs include the unconditional cash transfers for the poorest households, as well as the subsidy for jeepney drivers and small power utilities group.

Furthermore, Abenoja said the implementation of Republic Act 9337 or the Value Addex Tax Reform Act that expanded the country's VAT base in 2005 and raise the rate to 12 percent from 10 percent in 2006 did not require a policy response from the BSP.

REFORM FOR
TAX ACCELERATION AND
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