

# TRAIN's bells and alarms

**J**ust a few days after it took effect, the Tax Reform for Acceleration and Inclusion (TRAIN) law has set off more than just a few alarms. In addition to allegations it was procedurally infirm (there is a pending case in the Supreme Court challenging it), TRAIN has been criticized as being antipoor.

While Congress tried its best to cushion the law's impact on the poor, it shifted the burden of taxation to consumption—greater excise tax on certain goods (such as petroleum products and coal). Consequently, oil companies have been raising fuel prices since mid-January. The price of basic commodities (e.g. rice, vegetables, fish) and services (e.g. electricity, jeepney fares) have increased as well. Indeed, the rise in excise taxes on fuels has left suppliers little, if no choice, but to shift the burden to consumers. A spike in fuel prices equals higher transportation costs for all goods and services.

Despite the many warning signs and growing public anxiety, President Duterte and the TRAIN's proponents continue to harp on the bigger take-home pay everyone will be getting. According to the Department of Finance, 83 percent of Filipinos will no longer need to pay taxes as they belong to the P250,000 and below income class who are exempt from personal income tax.



## POINT OF LAW

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Critics said the proponents were suffering from tunnel vision, noting the savings from the exemption would just go to the higher prices of basic commodities and services. The critics added even the P200-monthly subsidy for the qualified recipients from the poorest of the poor is far from sufficient to make up for the inflationary costs.

The hefty income tax cuts and subsidy are just some of the many features of TRAIN. The law was primarily envisioned as an economic measure to spur investment.

It also calls for sacrifice from all of us.

Additional revenues are seen to finance the long-awaited projects under Mr. Duterte's "Build, Build, Build" program, which is aimed at attracting much-needed investments. More investments mean more jobs and higher pay for our people.

Indeed, TRAIN is a two-

pronged attack on poverty. It seeks to correct a number of deficiencies in the tax system to make it simpler, fairer and more efficient. It also aims at redistributing some of the gains to the poor. It is envisioned to reduce the poverty rate to 14 percent from 22 percent by 2022 and eventually eradicating extreme poverty by 2040.

Despite its immediate and direct impact on the prices of basic goods and services, it is too early to criticize or derail the TRAIN. What we have just seen is the first of the four tax reform packages. Let's wait for all the packages to be completed before passing judgment.

Once completed as envisioned, the TRAIN will hopefully travel smoothly towards its ultimate destination. I fervently hope that it will be able to reasonably demonstrate—sooner than later—that the vision behind it is achievable. Otherwise, President Duterte's "greatest gift to the Filipino people" will be touted (unfairly, I think) as a grand deception or another case of fake news. God forbid! INQ



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\* TRAIN - Tax Reform for Acceleration and Inclusion