

# Senate eyes reduction of 12% VAT to 10%

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The Senate may lower the 12percent value-added tax (VAT) on basic goods back to 10 percent under the proposed second installment of the Duterte administration's tax reform package, according to Senate President Vicente Sotto III.

## Inflation countermeasure

He mentioned on Sunday the decrease in VAT as a possible countermeasure to rocketing inflation that had been blamed by critics on the Tax Reform for Acceleration and Inclusion (TRAIN) Act, which raised excise taxes on fuel and a host of other goods and services, and rationalized personal income taxes.

In May, inflation surged to a five-year high of 4.6 percent, sparking calls for the suspension of the TRAIN law.

Economic managers, however, said the TRAIN law had only a minimal effect on the rise in the prices of basic commodities, arguing that other external forces were in play.

## Can't suspend TRAIN

Sotto, in an interview on dzBB radio, said it was unlikely that Congress would heed calls to suspend the implementation of the entire TRAIN measure, though he expressed openness to review particular provisions on the increase in petroleum products.

"The TRAIN itself definitely we cannot suspend but its contents, including the excise tax [on fuels], let us see and study if we can stand firm on that. I am talking only of certain provisions of the law, and not the whole TRAIN," he said.

"If this is not viable, then we can take up TRAIN 2 and amend it. For example, we can lower the VAT and set it at 12 percent under TRAIN 2, because there were things [in the first TRAIN] that we were not able to take up and which we can take up now," Sotto said in Filipino.

In March, House leaders filed TRAIN 2 or the second installment of the tax reform package focusing on corporate income taxes. The bill is titled "Corporate Income Tax and Incentives Reform Act."

There is no Senate version yet, but at least five senators have filed measures proposing reforms in the corporate income tax.

## Reduce VAT exemptions

Sen. Panfilo Lacson, who voted against the TRAIN, earlier proposed lowering the consumption tax to 10 percent as well as reducing the country's 143 VAT exemptions, instead of raising excise tax on fuel.

He reiterated that call last month, saying he might file a new bill to that effect after consultations with the Department of Finance.

Sotto, in the interview, said the country's economic managers should also be asked about the implementation of mitigating measures under the first TRAIN law to help indigents and low-wage earners cope with rising inflation.

"I'm sure they will be asked what is taking them so long. We also need to hear their reasons, and of course, the reasons have to be valid. They can't just say 'we're just slow'," he said.

At least three senators have prodded government agencies speed up the release of benefits for indigents, including the P300-per-month unconditional cash transfers, fuel vouchers for jeepney drivers, and 10-percent fare discounts for the unemployed and minimum-wage earners, and 10-percent discount in rice from the National Food Authority, among others.