

Mapping the Future: TRAIN's next stations: Package 1B and 2

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Package 1B of the TRAIN law (House Bill 7105) was filed on Feb. 5, 2018 with the House of Representatives and referred to the committee on ways and means on Feb. 6, 2018. The Department of Finance (DOF) expects the bill to be passed this month.



Package 1B constitutes a general and estate tax amnesty, and relaxation of our Bank Secrecy Law.

I am personally looking forward to the passage of this bill. This will not only benefit the government and the Filipino taxpayers, but also enable us to promote honesty in paying taxes. The estate tax amnesty will help our farmers maintain their lands, while the general tax amnesty can help our micro, small, and medium enterprises (MSMEs).

In giving these small businesses a fresh start, we will be fostering economic growth from the ground up. However, we cannot simply stop there.

The root cause of the waived fines needs to be addressed as well, and the Bureau of Internal Revenue (BIR), in partnership with the Department of Trade and Industry (DTI) and the Center for Strategic Reforms of the Philippines, has launched a certification program that aims to promote honesty and integrity in paying taxes to complement a general tax amnesty.

Revenue Memorandum Circular 60-2017 officially announced the launch of the Seal Of Honesty (SOH) Certification Program on July 2017.

Duly certified/awarded SOH taxpayers shall be entitled to benefits such as issuance of annual tax clearance without prejudice to information not available at the time of the issuance, last priority audit and other privileges which DTI and other government agencies may also extend to certified honest taxpayers.

You may visit www.sealofhonesty.ph or email info@sealofhonesty.ph for more details about the certification.

To supplement the “economic growth from the ground up” of Package 1B, the government has also taken steps to foster economic growth from outside.

The long overdue corporate tax reform bill, filed on March 21, 2018 as House Bill 7458, was formally referred to the committee on ways and means on May 15, 2018. This bill constitutes Package 2 of the TRAIN law.

Already, we have one of the highest income tax rates in Asia Pacific, and this tax reform aims to address just that.

The proposed bill will provide a rate that is more competitive than that charged in our neighboring countries, complemented further by the lowered personal income taxes as implemented in Package 1 of the TRAIN Law.

We can expect this bill to result in more foreign direct investments and therefore spur economic development.

It is important to make sure that this reform will bring about equitable benefits to the currently promoted industries and economic zones.

Although there are dissenting opinions, I agree with the DOF on “the need to rationalize and modernize the tax incentive system to make incentives time-bound, performancebased and not excessively complex with far too many different, even overlapping laws, rules and regulations.”

While I fully support TRAIN 2 on lowering corporate income tax to 25 percent or even lower as our fellow members of the Association of Southeast Asian Nations are planning to further lower their corporate income tax to remain competitive, it has to be immediate and not “contingent on the modernization of the fiscal incentives regime toward one that rewards those who truly deserve it.” (The article reflects the personal opinion of the author and does not reflect the official stand of the Management Association of the Philippines or MAP. The author, popularly known as the Philippine Tax Whiz, is one of the 2017 Outstanding Young Persons of the World, one of the 2015 The Outstanding Young Men of the Philippines (TOYM), an Asia CEO Young Leader of the Year, and founding president of the Asian Consulting Group (ACG) (formerly Abrea Consulting Group) and the Center for Strategic Reforms of the Philippines (CSR Philippines). Feedback at <consult@acg.ph> or <map@map.org.ph>. For previous articles, please visit <map.org.ph>)