House panel endorses TRAIN 2

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The House of Representatives committee on ways and means yesterday endorsed the second package of the controversial Tax Reform for Acceleration and Inclusion (TRAIN) law.

Approval came a day after Senate President Vicente Sotto III volunteered to sponsor what the Department of Finance (DOF) has labeled as TRAIN 2 after his colleagues refused to have anything to do with it due to fear of public backlash because of the continually rising inflation caused by the TRAIN law.

Several senators are seeking reelection in the May 2019 midterm polls.

Sotto took up the cudgels and filed his version of the bill in order to start the deliberations in the Senate.

The first installment of the socalled tax reform law imposed new and higher taxes on fuel, sugar-sweetened beverages and tobacco products. It also reduced income tax for millions of individual taxpayers.

In filing Senate Bill 1906, Sotto said his focus is on lowering the corporate income tax of micro, small and medium enterprises from 30 to 25 percent.

The bill also provides for the rationalization of investment tax incentives, he said.

Sotto's staff met with DOF Undersecretary Karl Kendrick Chua the other day in preparation for the filing of the bill.

Sotto said he saw the merits of TRAIN 2 after meeting with the DOF officials.

In pushing for the reduction of the corporate income tax rate, Sotto noted that 915,000 registered corporations have become partners of the government when it comes to generating much needed revenues for the state.

Chua also told the House committee that about 300 laws grant such incentives on more than 4,000 corporations.

Many of these businesses have been enjoying these privileges for decades, he said.

Chua said those contributing to job generation and economic growth would continue to enjoy incentives.

Chua admitted that some of those that would be adversely affected by TRAIN 2 are call centers.

The business sector is jittery about the second installment of tax reform. Business leaders have warned the administration and lawmakers that if fiscal incentives were taken away, many businesses would close shop or relocate to other countries.

On Tuesday, Speaker Gloria Macapagal-Arroyo said the passage of TRAIN 2 is a priority of the House under her leadership.

"It's not called TRAIN 2 because TRAIN 2 is misleading. This is going to be a corporate incentives reform. Remember in the SONA (State of the Nation Address) of President Duterte, it's there," she said.

Another House leader, Deputy Speaker and Batangas Rep. Raneo Abu, said TRAIN 2 "is not a tax bill."

"It is a corrective measure to address redundant incentives given to firms which fixed income earners are in a way subsidizing. We should support infant industries but it should be time bound. We are lowering the corporate income tax. That will cushion the effect of removing the incentives of those companies which for so long enjoy the incentives but no inputs to exports and labor," he said.