

Income-tax cuts, a doable measure

by [Jeffrey Salazar](#) - April 3, 2016

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ELECTION fever is on, and one of the hottest issues is tax reform. The Philippines has the second-highest income-tax rate, at 32 percent, among the Asean countries, after Thailand and Vietnam. To minimize the impact of this high-tax burden, there are a number of tax-reduction measures put into place over the years. In 2008 Republic Act (RA) 9504 exempted the salaries of the minimum-wage earner from payment of income tax. Likewise, the personal and additional exemptions as deduction from the income-tax base were revised, with the personal-exemption level increased to P50,000 and the amount of additional exemption adjusted from P8,000 to P25,000. The latest tax breaks in 2014 and 2015 are the tax exemption of the benefits from collective-bargaining agreement and productivity-incentive scheme of P10,000, and the increase in the exemption threshold of other employee benefits from P30,000 to P82,000, in accordance with RA 10653.

The Aquino administration has pronounced that it is open to a tax reform, which will hinder the growth of the economy.

Many Filipinos are now hoping that the next president will have tax reform as part of the election platform.

If income-tax rate will be decreased or exemptions will be increased, it will result in additional take-home pay of employees, more purchasing power and a more active market. Ideally, reduction in income tax will not result to decline in tax collection,

but merely deferral of revenue recognition. The tax cut given to the employees will be reverted back to the government in the form of other taxes. If the additional take-home pay by Juan is used for purchasing more goods or services, there will be increased collections in the sales tax: percentage tax, value-added tax and income tax.

Of course, there are challenges. The government worries that the increased tax collections will not necessarily arise due to the existence of underground market, or taxpayers resorting to schemes to evade payment of taxes. The Bureau of Internal Revenue (BIR) is already counteracting these practices with its “Oplan Kandado,” Run After Tax Evaders program and Tax Mapping activities.

To make income-tax reform doable, we must do our share by demanding the issuance of the sales receipt when we make our purchases. This may compel the seller to record the transaction in the books. The sales receipt may also be used to protect the customers for warranty-claim purposes.

Tax reform is a consolidated effort of both the government and the public. If we do our part by engaging only with BIR-registered businesses, we will be doing our share to ensure that part of our payments in our purchase will be returned back to the government in the form of taxes.

With the efforts of our lawmakers and the incoming administration, we can have a tax reform without hindering the country’s economic growth. This will result in a win-win situation for the government, the taxpayers and the economy, as a whole.

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