



## TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.



### FOR PRESS RELEASE:

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## TMAP REITERATES URGENT CALL FOR TAX REFORM

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The Tax Management Association of the Philippines (TMAP) is throwing its full support to various legislative proposals which seek to adjust the personal income tax brackets and lower income tax rates.

In 2014, TMAP formally submitted its comprehensive tax reform proposal to both chambers of Congress with the objective of ensuring greater fairness and equity in the tax system, and simplifying the system to enhance compliance, expand the base and, consequently, increase Government revenue collections. The proposals are supported by studies which show that the Philippines effectively has the highest tax rate in the ASEAN region both for personal and corporate income taxes.

With recent exchanges in media between the Legislative and Executive branches of Government on the issue of tax reform, TMAP believes that it is high time for the Government to address the built-in inequity in the personal income tax system before the term of President Benigno S. Aquino III ends in 2016. Maintaining status quo for the current tax system is no longer acceptable for the working sector which has endured the impact of inflation through the years.

Under the current tax system, TMAP observed that the Government had been relying on raising revenues through inflation, rather than through efficient tax administration. This is detrimental to salaried workers, which account for about 80% of total BIR collections from individual taxpayers.

Based on the BIR's 2014 annual report, TMAP noted that taxes withheld from salaried workers were the single biggest contributor to the jump in BIR collections in 2014. Out of the reported 9.7% increase in total collections of P118 billion from 2013, 2.5% or about P31 billion came from the pockets of salaried workers.

Meanwhile, the supposed P30 billion reduction in Government revenues projected by the DOF-BIR from the tax reform proposals merely account for about 2% of the BIR's total tax collections, which has reached P1.3 trillion in 2014.

TMAP therefore reiterates its proposal to revise the personal income tax table together with the automatic indexing of tax brackets every three (3) years, as follows:

TAX BASE		TAX RATE		
		Fixed Tax	In excess of	Rate
	Not over P300,000	-	-	0%
Over P300,000	Not over P500,000	-	In excess of P300k	10%
Over P500,000	Not over P1,000,000	P20,000	In excess of P500k	20%
Over P1,000,000	Not over P2,500,000	P120,000	In excess of P1M	25%
Over P2,500,000		P495,000	In excess of P2.5M	30%

TMAP added that a staggered reduction of the tax rates over a period of three (3) years will also help cushion the impact on the Government’s revenue targets.

Alternatively, TMAP views the two-step proposal by House Ways and Means Committee Chair, Rep. Romero Federico S. Quimbo (Marikina, 2nd district), as something worth looking into, given the need to pass the tax reform measures at the soonest possible time. Said proposal includes the indexing of tax brackets upon signing into law then reducing the tax rates after three (3) years from enactment of the law.

*“What is important at this point is for the Government to actually show its commitment towards a progressive, equitable and competitive tax system. More than lip service, the Government must agree to sit down and come up with new tax policies and legislation that will address the inherent problems of the system. We know that tax reform will not be a one-shot deal. We expect it to be a long-term process. And TMAP will be more than willing to help the Government in coming up with holistic proposals for much-needed reforms in the tax system,”* says TMAP President Atty. Terence Conrad Bello.

Meanwhile, TMAP also challenges those seeking the presidency in next year’s election to bare their stand on tax reform issues. TMAP would like to push for the inclusion of a tax reform agenda in the campaign platform of presidential hopefuls.

TMAP is an association of tax consultants and corporate tax practitioners, which aims to professionalize tax practice and provide a channel by which the private sector may actively participate in the drafting of tax laws, rules and regulations. TMAP seeks greater fairness in the tax system by upholding taxpayer rights and promoting taxpayer responsibilities in order for the Philippines to achieve higher level of compliance among taxpayers.