

# Joint Foreign Chambers of the Philippines

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.  
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.  
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.  
Philippine Association of Multinational Companies Regional Headquarters, Inc.

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## Joint Foreign Chambers Support Income Tax Reform

The Joint Foreign Chambers (JFC) expresses its support for reducing personal and corporate income taxes in the Philippines, while raising taxes on consumption in order to maintain enhanced public sector revenue inflows. This position was stated in *Arangkada Philippines 2010* and is consistent with numerous recommendations over many years by Philippine and international economists. Contrary to the view of some that reducing corporate and personal tax rates will decrease total revenues and lead to a deficit, the JFC believes reducing these rates will increase investment and trade with higher total revenues being realized from lower corporate and personal income taxes

The Philippines imposes the second highest personal income tax and the highest corporate income tax among the ASEAN-6 countries. The personal income tax in the Philippines is 32%, while Thailand is 35% (reduced from 37% in 2010), Vietnam is 35%, Indonesia is 30%, Malaysia is 26% (to be reduced to 25% in 2016), and Singapore is 20%. The Philippine corporate income tax is 30%, while Indonesia and Malaysia are 25%, Vietnam is 22% (reduced from 35% in 2010), Thailand is 20% (reduced from 35% in 2010), and Singapore is 17%.

There clearly is a pattern to reduce corporate and individual income tax rates in competing ASEAN economies to make their countries more competitive. The Philippines should not fall behind the regional trend.

The country's current income tax rates were set in 1997. However, adjustments have not been made frequently enough to remedy a growing inequity as more and more salaried workers are paying the highest tax bracket.

Achieving the goal of lower income and higher consumption taxes is a process that will take a number of years. The current administration has yet to adopt a policy to make comprehensive changes in income and consumption taxes. Its sole major tax reform has been to raise taxes on alcohol, cigarettes, and tobacco.

The chairs of the Senate and House Ways and Means committees have taken the lead to propose reforms to correct inequities in the current income tax system, which we support.

The JFC also advocates raising consumption taxes in parallel with reducing income taxes. However, we recognize that raising taxes can be unpopular and difficult to achieve close to national elections, especially the VAT, which at 12% is the highest of the ASEAN-6.



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At this time, we also recommend an increase in excise taxes in gasoline as fuel prices are expected to stay very low for at least several years. At US\$45/barrel, crude oil prices in the world market have drastically declined to one-third of the \$145/barrel price at their peak in July 2008. Lower gasoline prices have encouraged car owners to drive more, aggravating traffic and adding to air pollution in Metro Manila and elsewhere in the country.

We also wish to support the advocacy of the DOF to amend the Bank Secrecy Law (RA 1405) and strengthen the Anti-Money Laundering Act (RA 9160, as amended). A draft bill for the former should be submitted to the Congress as soon as possible, while AMLA amendments under consideration in the Congress have not been reported out of the committee. If approved, the Philippines would no longer be counted among three countries in the world (with Lebanon and Switzerland) as having strict bank secrecy laws. The Philippine revenue collection authorities would have better access to domestic bank accounts in order to strengthen their capacity to collect the correct personal income taxes from all taxpayers. The AMLA amendment extends coverage to casinos.

However, we do not think that the passage of Bank Secrecy Law or AMLA amendments should be conditions precedent for passing the income tax reform proposed in the House and Senate.

The JFC is a coalition of the American, Australian- New Zealand, Canadian, European, Japanese, Korean chambers and PAMURI. We represent over 3,000 member companies engaged in over \$230 billion worth of trade and some \$30 billion worth of investments in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.