



# Foundation for Economic Freedom

## FEF LAUDS DOF'S TAX POLICY REFORM

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We, the Foundation for Economic Freedom (FEF), an advocacy group for good economic governance and market-friendly reforms, strongly commend the Department of Finance for crafting a forward-looking fiscal program for legislation. The proposed legislative program creates a solid foundation for the government's vision of inclusive growth, improved public services, and improved purchasing power among consumers. We believe that this program will translate to a more comfortable life for all Filipinos along with safe, healthy, and peaceful communities all over the country.

We studied the proposed tax policy reform program, which is the subject of public consultations, and found it to be integral to the attainment of the said vision. It is also aligned with the ten-point socio-economic program adopted by the government.

With the right set of public policies and investment programs that create an enabling environment for private sector investments, the Duterte Administration can attain the growth target of at least 7% annually, reduction of poverty from 26% to 17%, and a sharp reduction in the 25% unemployment rate over the next six years. Fiscal stability, mobilization of resources to fund government programs, and investment-friendly tax policies will serve as a strong foundation to make these growth targets a reality.

The entire package together can raise the additional one trillion pesos needed annually to fund investments in infrastructure, education, health, social protection, training, and research and development. Moreover, its design and various components address identified problems in the current tax system namely: 1) too narrow tax base; 2) too complex collection policies with too many leakages; 3) exemptions with debatable benefits that are too cumbersome and costly to comply with; 4) inequitable taxation of salaried workers; 5) uncompetitive rates vis-a-vis our country's peers; and 6) tax policies that are too prone to gaming, evasion, and corruption.

We particularly support the downward adjustments in the personal income tax on the grounds of fairness. We also strongly back the reduction in the corporate income taxes, which will promote and attract more investments and facilitate job creation. We laud the key revenue-enhancing measures that make these possible. We commend the proposals for incremental revenues for public investments, notably: 1) the increase in fuel taxes; 2) the rationalization and reduction in fiscal incentives; 3) the selective lifting of bank secrecy laws with respect to fraud; and 4) the expansion in the VAT base (including lifting of exemptions on cooperatives, low-cost housing, renewable energy, and for senior citizens except medicine).

These policies will facilitate an equitable opportunity for every Filipino to contribute to the sustainable economic growth of the country that will truly be felt by every sector.

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*For more information, visit [www.fef.org.ph](http://www.fef.org.ph) or contact:*

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