

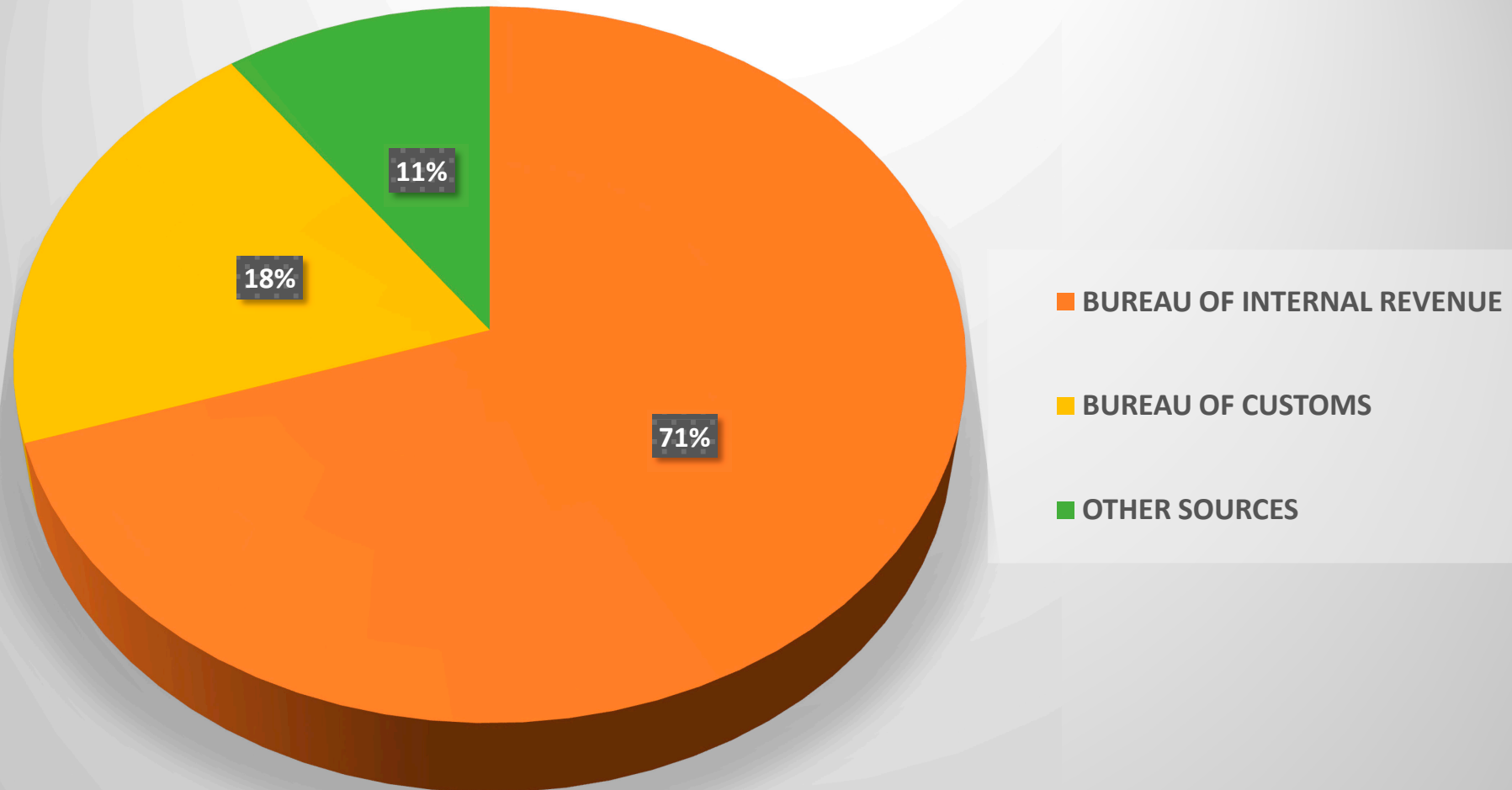


REFORMS AND CHALLENGES IN TAX ADMINISTRATION

**Presented by KIM S. JACINTO-HENARES
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PHILIPPINES**

**The 5th IMF-Japan High-Level Tax Conference for Asian Countries
April 21-23, 2014
Tokyo, Japan**

BIR CONTRIBUTION TO GOVERNMENT REVENUES



Source: 2013 National Treasury Cash Report

BIR REVENUE PERFORMANCE FOR 2013

- Collected P1,216.7 Trillion
- 15% year-on- year revenue growth
- Tax Effort increased to 13.3%
from 12.2% in 2012



2014 Goal at
Php 1,456
Trillion

CHALLENGES IN TAX ADMINISTRATION

- Large informal economy
 - Estimated at 40% of the country's GDP
- Low compliance level of registered taxpayers
 - Significant number engage in tax evasion by under-declaring income earned, not filing tax returns, and not paying correct taxes while a number engage in tax avoidance practices bordering on evasion
- Big size of tax debt
 - Outstanding tax arrears at 30% of annual revenues collected
- Under-resourced tax administration
 - Tax officers cannot cope with increasing workload and have difficulty adapting to changes in tax environment

REFORMS IN TAX ADMINISTRATION

- BIR Reform Master Plan for 2013-2016

Has 31 on-going projects and 13 new projects whose main objectives are to intensify tax compliance and enforcement efforts, improve taxpayer service and strengthen good governance

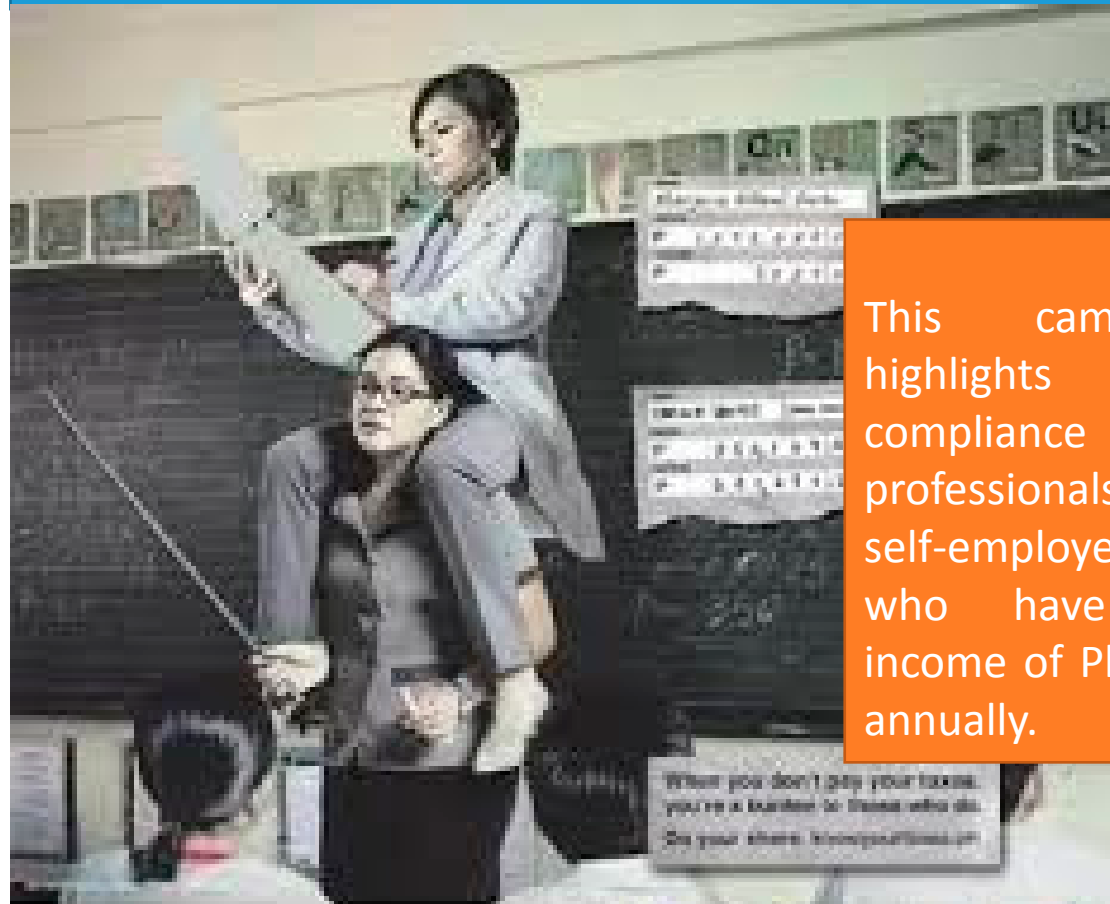
Targets the following areas of tax administration: Taxpayer Service, Registration, Filing and Payment, Audit, Collection Enforcement, Legal Enforcement, Internal Affairs and Human Resources

MAJOR EFFORTS AND EXPERIENCES

Objective 1. Intensifying tax compliance and enforcement efforts

- Shifted the agency to “law enforcement mode”
- RATE Program
- “Oplan Kandado”
- Aggressive public information campaign against tax evaders
 - Ads versus tax evaders
 - Tax Watch Campaign – Publish-what-you-pay
- EOI Program – Institutionalized in 2013 and now widely promoted as tool for fighting tax evasion under the RATE program

Media Ads against Tax Cheats



This campaign ad highlights the low compliance level of professionals and other self-employed individuals who have combined income of Php500 Billion annually.

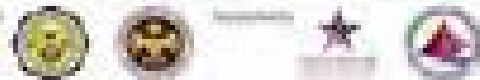
1 OUT OF 2 SELF-EMPLOYED PROFESSIONALS IN MAKATI PAID LESS TAX THAN A PUBLIC SCHOOL TEACHER.

STANTS
ORES
TEST

With 100% compliance and 100% tax rate, you can pay P128	P128
With 100% compliance and 100% tax rate, you can pay P138	P138
With 100% compliance and 100% tax rate, you can pay P19	P19
With 100% compliance and 100% tax rate, you can pay P82.50	P82.50
With 100% compliance and 100% tax rate, you can pay P200	P200
With 100% compliance and 100% tax rate, you can pay P475	P475

WHERE IS YOUR FAIR SHARE IN DOING GOOD CORPORATE?

TIN Filing and Payment Deadline: April 15
2019 Hotline: 021-8000



Tax Watch Campaigns



DO CAR COMPANIES PAY THE RIGHT TAXES?

Rank	Business Name	Income Tax Due (in PHP)
1	Yellow Cab Pizza	17,574,713
2	Max's Makati, Inc.	3,437,894
3	Sugi Makati	2,319,819
4	Dencio's Bar and Grill	1,421,949
5	Cowboy Grill, Shakey's	1,363,206
6	Conti's Pastry Shop and Restaurant	1,295,893
7	Café Via Mare, Oyster Bar, The Daily Juice	1,260,868
8	Ballpark Snacks, Inc.	1,183,908
9	T.G.I. Friday's	1,117,128
10	People's Palace Thai Restaurant	1,095,958
11	Milky Way Café, Azuthaiya Restaurant	937,738
12	Aquatic Property Management & Dev't Corp.	923,710
13	Izakaya Kappo Tsukiji Restaurant	889,763
14	Nihonbashi-Tei Izakaya Restaurant	884,978
15	Tsumura Restaurant, Kuretake Restaurant	860,252



Only 9 out of the 50 highest-rated restaurants in Makati* are top taxpayers**.

- People's Palace
- Tsukiji Japanese Restaurant
- Zuni
- Sala Bistro
- Amber Golden Plate Restaurant
- Bubba Gump's
- Sugi
- New Bombay
- Milky Way Café

2011 Top 50 Restaurant Taxpayers in Makati**

Some taxpayers' income tax dues cover sales from branches outside Makati. Also, some restaurants in Makati may be officially registered in RDOs in other cities. Hence, they may not be on this list.

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*based on reviews at www.tripadvisor.com
 **based on 2011 income tax dues of taxpayers registered in BIR Revenue District Offices (RDOs) 47 to 50; excludes taxpayers under the BIR Large Taxpayer Service

TAX WATCH

Effects of the Enforcement Activities

- High profile cases and a very visible BIR are effective in instilling fear in the taxpayer's consciousness that BIR will go after tax evaders.
- Media campaigns highlight Filipino core value "hiya" and tell off non-compliant taxpayers that they are a burden to compliant taxpayers.
- Campaigns are effective in building support from compliant taxpayers of the BIR's fight against tax evasion.

MAJOR EFFORTS AND EXPERIENCES

Objective 2. Improving Taxpayer Service

- Public Awareness Campaign (PAC) aimed at educating the public of their duty to register, file and pay taxes .



- BIR created RFP website and Youtube channel
- RFP infomercials are shown in major TV stations

- Increased taxpayer access to online services
 - ✓ **eREG** – Electronic Registration
 - ✓ **eAccReg** - Electronic Accreditation of Suppliers of CRM/POS Machines
 - ✓ **eFPS** – Electronic Filing and Payment System
 - ✓ **eBIR Forms**- Electronic BIR Forms
 - ✓ **eSubmission**- Electronic Submission of Alphalists
 - ✓ **eRELIEF** - Electronic Reconciliation of Listings for Enforcement
 - ✓ **eDST** – Electronic Documentary Stamp Tax
 - ✓ **eCAR** - Electronic Certificate Authorizing Registration
 - ✓ **eOSTTT** - Online System for Transfer Tax Transactions
 - ✓ **eORB** - Electronic Office Registry Book for Excise products
 - ✓ **eSales** - Electronic Sales
 - ✓ **eComplaint** - Electronic Complaint (against establishments which do not issue receipts)
 - ✓ **eATRIG** -Electronic Authority to Release Imported Goods
- More e-Lounges for taxpayers

Effects of New Taxpayer Services

- Increased taxpayer database from 20,833,287 in 2012 to 23,039,555 in 2013
- Increased online payment transactions from 826,640 in 2012 to 955,183 in 2013 and online tax collections from Php 646 Billion in 2012 to Php 790 Billion in 2013
- eServices yielded higher taxpayer satisfaction results because they are more convenient to use
- Infomercials and use of internet to reach more taxpayers effective in building awareness

MAJOR EFFORTS AND EXPERIENCES

Objective 3. Strengthening Good Governance

“ Good governance is good economics. ”

- Philippine Economic Team



- **Establishing an Integrity Management Program as over-all framework for Integrity and Professionalism**
 - The ultimate goal of the Program is to maintain and improve the integrity, professionalism and competence of tax officials in order to promote transparency and excellence service in tax administration
 - **Initiatives aligned to the Program:**
 - ✓ Standardized pre-employment exams including integrity tests in the Recruitment and Selection Process of new employees
 - ✓ Performance Management System/Performance Governance System
 - ✓ Organizational and Management Development Program/Rationalization Plan
 - ✓ Capacity Development for the BIR - particularly developing eLearning modules

Cont....

✓ Aggressive campaign against corruption

- eComplaint – web-based facility where taxpayers can lodge administrative complaints against tax officials
- Stronger internal audit/ control program
- Improved enforcement of administrative processes against erring revenue personnel



- **Harnessing IT resources for a more transparent and efficient tax system**
 - ✓ **Electronic Tax Integrated Tax System or eTIS-** a major ICT undertaking aimed at providing a single, web-based automated system
 - ✓ **Accounts Receivable Management System or ARMS-** a Database for easy monitoring and tracking of accounts receivables and delinquent accounts
 - ✓ **Mobile Revenue Collection Office Systems or MRCOS-** Tool for mobile receipting of tax returns filed, reporting of tax collections and generation of collection reports
 - ✓ **Internal Revenue Stamps Integrated System or IRSIS-** System for printing and distributing secured stamps for cigarettes to ensure proper collection of excise taxes on cigarettes

Effects of Good Governance Reforms

- Realized initial gains in restoring public confidence and trust in the tax system
- Improved public perception of the BIR as shown in local surveys
- Consistent growth in tax collections



**Good
Governance**

END OF PRESENTATION

Thank you.