



REFORMS IN TAX ADMINISTRATION: THE PHILIPPINE EXPERIENCE

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Economic growth forecast for 2014

Moody's

“Rising Star”

International Monetary Fund (IMF)

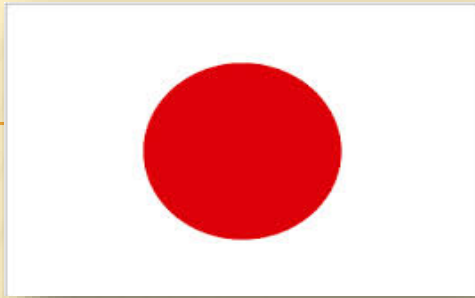
4.8% - 6.5%

Standard and Poor's (S&P)

6.6%

COFACE-

“Among the top countries with emerging economies and is considered to have the most favorable business climate”



JAPAN

- Foreign direct investments** - 14.1% of total inflows
- Loans** - 16.4% of external debt
- Among the biggest portfolio investors** - 1/3 of total portfolio investments from 2007-2009

Strategy Road Map for 2010-2016

To improve revenue performance by:

1. Fighting Tax Evasion
2. Enhancing IT system and electronic tax services
3. Promoting good governance

Fighting Tax Evasion



Bureau's Participation in the Philippines' progress on Economy



	2009 Actual	2012 Actual	Jan-Sept 2013 Actual
Tax Effort	12.2%	12.9%	13.7%
BIR Effort	9.3%	10.0%	10.8%
Others	2.7%	2.7%	2.7%

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

FIGHTING TAX EVASION

Run After Tax Evader's (RATE) Program



The RATE Program's primary objective is to identify and prosecute tax evaders, through the BIR's investigation of large-scale violations of the Tax Code.

FIGHTING TAX EVASION



RATE PROGRAM

- ✓ Investigate potential violators of Philippine tax law
- ✓ Prosecute offenders
- ✓ Public is made aware of the tax offense

FIGHTING TAX EVASION

RATE PROGRAM

As of 10 April 2014:

- **235** individuals criminally charged
- Aggregate tax liabilities amount to a staggering **P110.88 Billion** (around USD \$2.2 B). A huge increment to government coffers which received **P1.253 Trillion** (USD \$28B) in taxes last year.

FIGHTING TAX EVASION



RATE PROGRAM

- ✓ Publicizing indictment and convictions created a “shame campaign” aimed at increasing the compliance mentality in the mind of the public.

Filipinos, “kahihiyan” is a highly valued trait that all seek to preserve.



FIGHTING TAX EVASION



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.	889,763
13	Izakaya Kappo Tsukiji Restaurant	884,978
14	Nihonbashi-Tei Izakaya Restaurant	860,252
15	Tsumura Restaurant, Kuretake Restaurant	

TAX WATCH



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



FIGHTING TAX EVASION

MEDIA ADS AGAINST TAX CHEATS

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

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

P120

P138

P10

P82.50

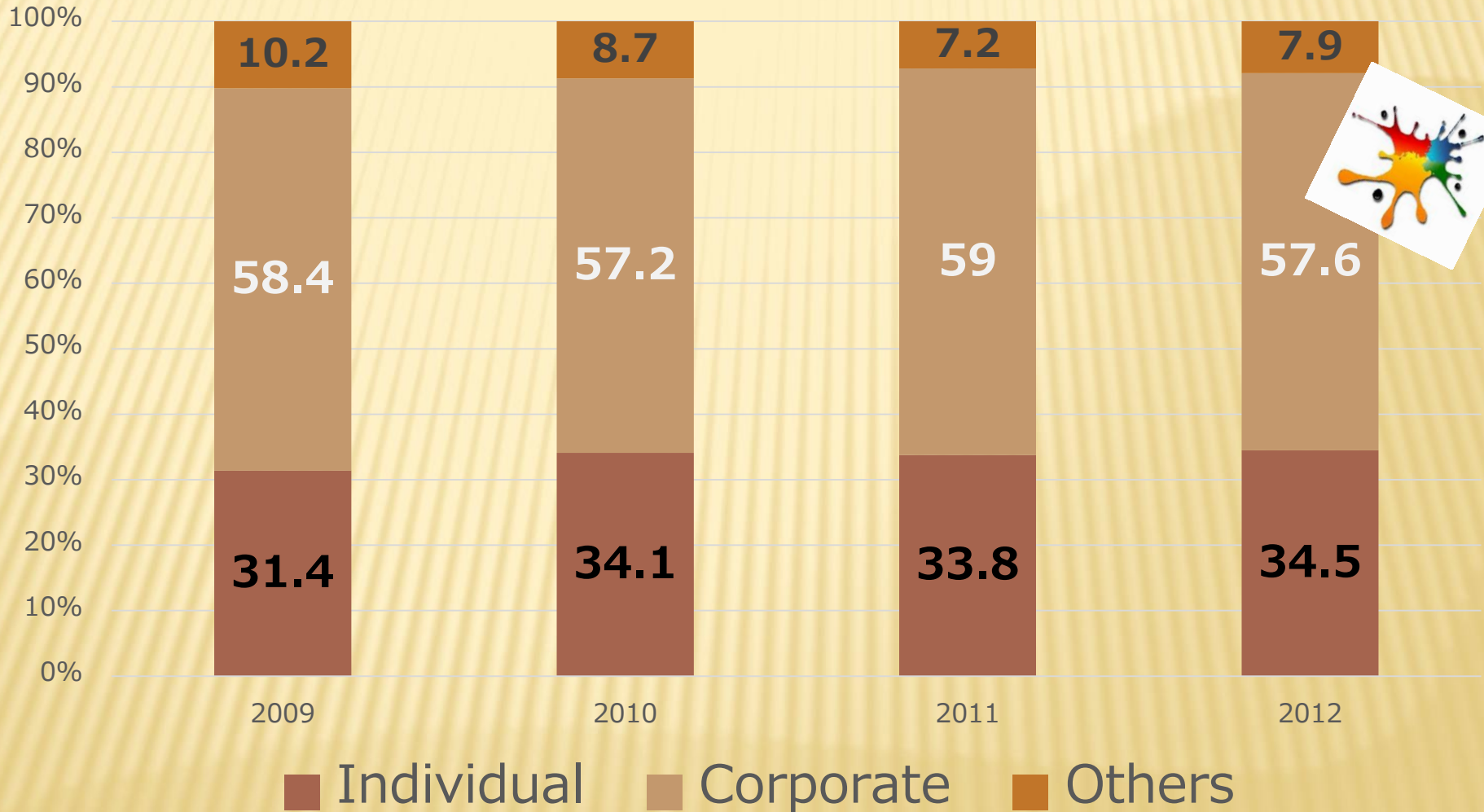
P200

P475

WHERE IS YOUR FAIR SHARE IN DOING GOOD GOVERNANCE?



INDIVIDUALS BEAR AN INCREASINGLY LARGER BURDEN OF INCOME TAXES (35%)



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.

Enhancement of the IT system

Enhancement of the IT system

Electronic Tax Information System or eTIS – Project

- BIR's single largest IT undertaking, which will see the establishment of a single, web-based automation solution for the tax system

Goal

- to modernize BIR and provide an enhanced tax administration system that can be fully utilized by the agency nationwide

Enhancement of the IT system

✘ 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

Enhancement of the IT system

Active Users

2012	2013
54,000	67,000

Tax Collection

2012	2013
P646 Billion (USD 14.68 B)	P790 Billion (USD 17.9 B)

STRENGTHENING GOOD GOVERNANCE

“ Good governance is good economics.
”



Image by [filipinovitruallawyers](#)

-Philippine Economic Team

Good Governance

Integrity Management Program (IMP)

It is a preventive anti-corruption measure that is being employed throughout the Philippine Government. It is focused on the establishment of a standard but flexible approach, at the agency and program level, to ensure that the prescribed norms of conduct for public officials are consistently applied.

BIR's Integrity Policy Statement

The BIR shall maintain and continuously improve the integrity of its officials and employees along with taking appropriate measures to promote transparency and service excellence in the discharge of its singular mandate to assess and collect all internal revenue taxes that are necessary for nation-building.

Good Governance

Statement of Assets and Liabilities, and Net Worth (SALN)

Failure of any public official or employee to submit his/her SALN and/or failure to disclose or misdeclaration of any asset, liability, business interest, financial connection, and relative in the government in his/her SALN shall be punishable by law under RA 6713.



Good Governance

- ✦ **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 service excellence 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

Good Governance

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 actions against erring revenue personnel



Good Governance

Motivation of Employees

Performance-based system of recognition for employees who have contributed most to the accomplishment of the Bureau's overall targets and commitments



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.