

ENACTED INTO LAW

1. **Reform of the Excise Tax on Alcohol and Tobacco Products**

(Republic Act No. 9334) - Implemented

- Alcohol – increases in rates range from 20% to 50%; 8% increase every two years until 2011; maintains specific tax
- Cigarettes – increases in rates range from 13% to 86% for initial year; 3.6% increase every two years until 2011; maintains specific tax
- Cigars – shift from specific tax to ad valorem; increases in rates range from 10% to 15%

2. **Attrition Act of 2005**

(Republic Act No. 9335) – Implemented

- Provides for a system of rewards and sanctions to encourage revenue and customs officials and employees to exceed their revenue targets
- Creates a rewards and incentives fund
- Removes from service employees who fail to meet the revenue targets by at least 7%
- Creates the Revenue Performance Evaluation Board for the purpose.

3. **Reform of the Value-Added Tax (RVAT)**

(Republic Act No. 9337) - Implemented

- Expands the scope of VAT to include power, petroleum, medical and legal services, among others.
- Authorizes the President to increase the VAT rate conditioned on the satisfaction of any of the criteria i.e. 2005 VAT effort exceeds 2.8% OR 2005 NG Deficit to GDP ratio exceeds 1.5%. In February 2006, the VAT rate was raised from 10% to 12%.
- Institutes mitigating measures such as reduction in excise tax on certain petroleum products
- Increases corporate income tax from 32% to 35% to go down to 30% in 2009

4. **Repeal of the Cap on Input VAT Claims**

(Republic Act No. 9361) – Implemented

- Repeals the 70% cap on input VAT claims, which was introduced into the VAT system in November 2005 via Republic Act 9337 or RVAT to address excessive claims of input VAT credit.

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5. **General Amnesty Law**
(Republic Act 9480) – Implemented

- Gives a one-time opportunity for all taxpayers to settle their tax obligations to government.
- Covers all national internal revenue taxes for the taxable year 2005 and prior years that remained unpaid as of December 31, 2005.
- Covers all individuals, estates and trusts, corporations, cooperatives and tax exempt entities that have become taxable as of December 31, 2005.
- Excludes withholding tax liabilities of withholding agents and pending tax or revenue-related cases.
- Requires the submission of a Statement of Assets, Liabilities and Net Worth (SALN) as of December 31, 2005
- Requires payment of the amnesty tax of 5% based on the taxpayer's total declared net worth as of December 31, 2005, or a specified minimum amount, whichever is higher. In general, the absolute minimum is pegged at P50,000.00, save in the case of corporations, wherein the minimum amount ranges from P25,000.00 to P500,000.00.
- Qualified taxpayers have 6 months starting September 2007 to apply and pay the amnesty tax.

DOF PROPOSALS FOR LEGISLATIVE ACTION

1. **Rationalization of Fiscal Incentives** – DOF Proposal has been submitted to and sponsored by the Chairman of the House Committee of Ways and Means (August 28, 2007)
 - Harmonizes into one law all the investment incentive laws
 - Repeals all special laws granting fiscal incentives
2. **Restructuring the Individual Income Tax System**
 - Adopts a Simplified Net Income Taxation for the Self-Employed (SNITS) by limiting allowable business deductions to certain direct costs or allowing optional standard deduction in lieu of itemized deductions
 - Exempts from income tax minimum wage earners