

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

First Regular Session
THIRTEENTH CONGRESS

House Bill No. 1342

Introduced by **Representative Juan Miguel F. Zubiri**

EXPLANATORY NOTE

The Road User's Tax Law or Republic Act 8794 is one measure bereft of public support and merit. It is so onerous that it had been disowned by its congressional sponsors who staged a last-ditch appeal to have it aborted.

Those who counseled against RUT's enactment have argued that the economic conditions when the said tax was conceived are different from the ones being obtained now.

When it was first discussed, the world price of crude oil was fifty percent cheaper than it's present cost; the annual GDP growth projection was fairly a robust 4.3 percent before it skidded to the present, but still shaky to the 3.5 percent target; combined unemployment and underemployment rates have yet skyrocketed to 38 percent of the workforce.

Imposing a new tax goes against the usual practice of many states of providing tax relief when the economy is in doldrums in the hope that it will stimulate activity. Here, the reverse is resorted to. When the going gets rough, tough new taxes are written.

Those who believe in RUT peddle the lie that motorists should pay for road maintenance. What they conveniently forget, however, is that motorists and other fuel users already cough up P29.971 billion annually of P82.1 million a day on the excise tax payments on six-oil based products.

In fact, 12 days worth of excise payments on four types of fuel used by motorists is equivalent to what the government expects to collect in road user's tax in a year's time.

The tax- P3.67 in excise tax per liter of aviation turbo gas, P5.35 per liter of premium gasoline, P4.35 per liter of unleaded gasoline, P4.35 per liter of regular gasoline, P.60 per liter of kerosene, and P1.63 of diesel – is collected with ATM-ease.

The tax is cleverly tucked in the pump price of gas so much so that an owner of a bantam car with a short daily itinerary pays at least P12,000.00 a year in gas tax without him knowing it. This demolishes the allegation that motorists use our roads for free.

Unfortunately, while oil taxes lubricate the bureaucracy, it does not make the surface of our roads smooth.

The RUT, at this time, is untimely. What it can only do is fuel protests and inflame passions, all for the P1 billion it can raise in a year. Because RUT comes on the heels of the rise in oil prices and toll fees, and worsening traffic, it is akin to pouring gasoline on an already combustible mixture.

But the evil of RUT lies not on the money it will exact from the public but on the P37-billion World Bank road improvement loan its approval will facilitate, the details of which are deliberately kept nebulous.

In short, it is a Trojan Horse, with the WB loan concealed in its compartment. RUT is not a mere revenue-raising measure that will pester the present generation. It is a loan – release expediter that will hound future Filipinos who will amortize the loan.

The RUT is another manifestation of the knee-jerk reaction of the government to write new taxes when revenue is down instead of vigorously implementing exciting ones.

If tax writing is a national vocation, so is tax evasion, had become a national sport. A recent hearing in the House revealed that P2 billion is lost monthly due to failure of banks to remit taxes. In the Senate, a probe is slowly unraveling the extent of the P8 billion tax credit scam.

Another study showed that at least P165.2 billion in taxes slipped through government from 1997 to mid 1999.

For instance, the top 1,000 business corporation should have paid P50.86 billion in taxes based on a combined income of P149.56 billion in 1998, but ended up paying P39.94 billion only.

Fixed income earners like factory workers and government employees paid income taxes amounting to P47.97 billion during the same period. In contrast, doctors, lawyers and other affluent professionals paid only P3.66 billion.

Value Added Tax is another case. In 1998, proceeds from the tax amounted to P88.05 billion, short of P32.2 billion from the target.

RUT drumbeaters would say that no tax increase has been effected this year. But what about the 12% increase on sin taxes on cigarettes and alcoholic drinks which took effect on January 1 this year and will bring in an additional P4 billion to government coffers.

A RUT repeal, these doomsayers would add, may start a trend wherein taxes already in the statutes would be deleted based on public clamor. But what about the law which

Congress passed and Estrada signed recently, suspending the VAT on bank transactions and salaries of certain professional, for which there was no public clamor?

There is also the question of where our taxes go. A recent World Bank study reveal that at least P280 million is lost to graft and corruption daily. The figure could go higher if wastage of public relations is factored in.

If taxes are indeed the life blood of the government, then our officials must ensure first that only the government is nourished by what the people pay – that blood suckers in suits must be kept out-before they ask us to pay more.

Considering the foregoing, RUT is a regressive and unpopular measure. It must be interred in the graveyard of bad laws.

JUAN MIGUEL F. ZUBIRI
3rd District, Bukidnon

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AN ACT
REPEALING RPUBLIC ACT 8794 OR "AN ACT IMPOSING A MOTOR VEHICLE USERS' CHARGE ON OWNER OF ALL TYPES OF MOTOR VEHICLES AND FOR OTHER PURPOSES"

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

Section 1. Republic Act 8794, or "An Act Imposing a Motor Vehicle User's Charge on Owners of all Types of Motor Vehicles and for Other Purposes." Is hereby repealed.

SEC.2 This Act shall take effect immediately.

Approved.