

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
Second Regular Session

House Bill No. 4838



**Introduced by Partido ng Manggagawa
Representative Renato "Ka Rene" B. Magtubo**

**An Act
Repealing Republic Act No. 9337, otherwise known as the Expanded Value-
Added Tax of 2005**

EXPLANATORY NOTE

The Constitution's Declaration of State Policies, specifically Article II Section 9, states that "the State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."

Moreover, the Constitution, this time in Article II Section 18, states thus: "The State affirms labor as the primary social economic force. It shall protect the rights of workers and promote their welfare."

The Expanded Value-Added Tax Law unfortunately runs counter to the aforementioned cardinal Constitutional provisions as it would further erode the already very much diminished real value of the take home pay of the mass of working people.

The standard socio-economic nomenclature in this regard is the concept of living wage. It is defined as the income needed for a family of six (6) to provide for the family's food and non-food expenditures with sufficient allowance for savings and investments for social security so as to enable the family to live and maintain a decent standard of human existence beyond mere subsistence level, taking into account all of the family's physiological, social and other needs.

The National Capital Region has the highest wage rate, now at P325 (broken down at P250 for the minimum wage and P75 for the cost-of-living allowance). Yet, this is far below the living wage of P663 as determined by the National Wages and Productivity Commission (NWPC) in March 2005. The Department of Labor and Employment has announced on several occasions that there would be no wage hike in the horizon.

The cost-push spiral due to rising oil prices has fueled an unprecedented inflation, now already at close to 10%, overshooting NEDA's estimates. The Expanded Value-Added Tax will hit hard on all sectors, especially the working people. The EVAT of 2005 intends to raise the tax from what is now 10% to 12% or a 20% increase, and to lift exemptions previously granted to energy and power. With the dropping of the "no pass

on provision” for energy and power, the impact will surely be passed on or shifted to them.

The working people in both urban and rural areas take up 75% of the tax burdern and consumes 94% of NAPOCOR sales to households and 96% of oil consumption. Without doubt, not only will these hit hard the billing statements of individual consumers of electricity and energy; it will also impact on the production of goods and the generation of services.

Almost every movement or transaction will now be taxed, without exception. For the poor people, they will be hurt more also by the lifting of the exemption for the services of medical practitioners and lawyers, among others.

Had it not been stopped, the E-VAT stand to siphon off Php 6.6 billion from incomes, especially of the poor and middle class for 2005 and another Php 15 to 20 billion for 2006.

A 2 percentage-point increase in VAT for petroleum products would mean a 7.265 billion pesos take in for 2006. DOE figures indicate an average of another 12% increase in the pump prices of petroleum products, on top of the countless price increases the past 12 months.

Table 6. Estimated Revenue from the E-VAT (Billion of pesos addl revenues)

Petroleum Products	At 10% VAT	At 12% VAT
Premium Unleaded Gasoline	6.41 bn pesos	7.70 bn pesos
Unleaded gasoline		
Regular Gasoline	3.48	4.18
Avturbo	0.52	0.62
Kerosene	1.60	1.92
Diesel	15.46	18.55
Fuel Oil	5.52	6.62
LPG	3.33	4.00
Total	36.32	43.59 bn pesos

The lifting of the tax exemptions on power and energy will easily add up to electricity bills. While the lifting of the tax exemptions on both power and energy will trigger off an inflationary push to the cost of basic commodities, including the staples, transportation, and other transactions. On the aggregate then, the EVAT will significantly erode the already very much diminished real value of wages of the ordinary man on the street.

This will definitely slow down overall consumption, which for now appears to be the prime engine for the economy’s growth.

But that is not the end of the sad story. The EVAT will only provide more opportunities for graft and corruption.

Problem is, these amounts would be collected from the people, but it does not necessarily mean the amounts would end up in BIR. That is very unfortunate but that is the state of affairs.

That is because BIR cannot audit with reliability NAPOCOR, MERALCO, and even the oil companies. Or the likes of San Miguel Corporation. That is because BIR does its

auditing mano-mano. How can a mano-mano BIR examiner audit a bodega of computer generated financial papers? BIR does not have CAATS or COMPUTER-ASSISTED AUDITING TECHNIQUE SYSTEM.

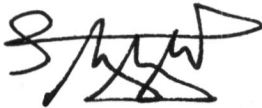
But, granting that all the presumed revenue targets will be collected, the worst or saddest part of it is that, the realized revenues would just be used to pay the burgeoning public debt, about which the people had no hand at all, whether in the planning, in the procurement, or, most important of all, in the actual utilization.

Why should the working people pay for debts they did not borrow or benefit from? That is the more profound consideration than meets the taxpayer's eye, and heart, and soul!

The proposed bill, **"An Act Repealing Republic Act No. 9337, otherwise known as the Expanded Value-Added Tax of 2005"** aims to halt from any further slide an unfavorable tax can bring to the already pathetic standard of living of the working people, so that they can still hold on to whatever level of welfare they manage to survive on.

But more importantly, it aims to unburden the working people from a regressive tax intended to address a burgeoning debt stock, which, in the first place, they never benefited from.

With the conviction that the welfare of the working people remains dear to the members of this august body, the immediate passage of this bill is fervently aspired.



RENATO "Ka Rene" B. MAGTUBO

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**"An Act Repealing Republic Act No. 9337, otherwise
known as the Expanded Value-Added Tax of 2005"**

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

SECTION 1. Republic Act No. 9337 dated May 24, 2005 is hereby repealed.

SECTION 2. This Act shall take effect upon its approval.

Approved,