

SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES
H. No. 4755



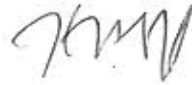
Introduced by Representative H. Harry L. Roque Jr.

EXPLANATORY NOTE

Taxation is the lifeblood of the State, and the power to tax is one of the strongest of all powers of government. However, consistent with the policy of the 1987 Constitution, taxation must be progressive. The imposition of tax measures should reflect a balance of the needs of the government and the people.

Recently, lawmakers have proposed the imposition of additional taxes. While the intentions behind these taxes may be good – i.e. to support the government – it is unclear whether the aim of these policies is necessary and reasonable, in light of the realities of government spending. A look at the national budget would reveal that a significant portion of government appropriations is unused every year. This unused portion shows that the absorption capacity of the government is high, making the additional imposition of taxes redundant. So long as the government can afford to spend on basic services and infrastructure, any additional tax imposed on the Filipino people is oppressive and unjustifiable. Similarly, the government should also focus on improving tax collection. While the middle class are easily targeted by the government, many small, medium, and large businesses escape from their tax burdens by failing to report their taxes properly.

The purpose of this bill is to set a threshold absorptive capacity and tax collection ratio, while limiting the imposition of additional tax measures to be consistent with government need.

A handwritten signature in black ink, appearing to read 'H. Harry L. Roque Jr.', with a stylized, cursive script.

H. HARRY L. ROQUE JR.

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AN ACT REGULATING THE
IMPOSITION OF NATIONAL TAXES TO BE PROPORTIONAL TO
ACTUAL GOVERNMENT SPENDING

SECTION 1. *Short title* – This Act shall be known as the “Ultimate Tax Reform Act.”

SECTION 2. *Absorptive Capacity Benchmark* –For the purposes of this Act, the Absorptive Capacity Benchmark shall refer to the percentage of unused appropriations of the annual national budget divided by the total amount of appropriations available for any given year.

SECTION 3. *Prohibition on imposition of taxes beyond threshold Absorptive Capacity Benchmark* – The Department of Finance, in cooperation with the Bureau of Internal Revenue and the Bangko Sentral ng Pilipinas, shall set a threshold absorptive capacity benchmark, which is reflective of the sufficiency of tax collection measures. No measures to impose additional or higher taxes shall be imposed so long as the threshold absorptive capacity has not been met.

SECTION 4. *Proportionality of new tax measures with tax collection* – The Department of Finance in cooperation with the Bangko Sentral ng Pilipinas, shall also set a threshold collection rate for taxes, which is reflective of the sufficiency of revenue

collection by the Bureau of Internal Revenue. No measure to impose additional or higher taxes shall be imposed so long as the threshold collection rate has not been met.

SECTION 5. *Separability Clause.* - If any provision is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SECTION 6. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule, or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

SECTION 7. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,