

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session

House Bill No. **4973**



Introduced by REPRESENTATIVE PANTALEON D. ALVAREZ and
REPRESENTATIVE DAKILA CARLO E. CUA

EXPLANATORY NOTE

As the country's revenue-generating arm, the Bureau of Internal Revenue is charged with the assessment and collection of more than three-fourths (3/4) of the money the government spends to provide for education, healthcare, infrastructure, and national defense to its citizens, and 100% of the internal revenue allotment that each local government unit receives.

The importance of keeping tax administrators competitive, professional and with utmost integrity cannot be highlighted enough. Effective human resources management is a key requirement for tax administrations where people are the most important enablers to carry out their main mandate, which is to collect tax revenue¹. At present, the Bureau is beset with complaints of revenueurs who are unprofessional, without professional initiative, lack institutional knowledge and worse, engaged in corrupt practices. Underpaid and overworked, new recruits leave the Bureau after a year or two in search of a more competitive salary and well-planned career-pathing. The present structure for position and compensation classification in the Bureau, rather than support a culture of service, integrity and progress, serve as hindrance to its own growth and performance.

It must be remembered that the desired objectives of tax policy can only be achieved when it is properly administered. It should thus be the primary objective of the government to introduce appropriate legislation to eliminate corruption and professionalize the ranks of revenueurs, recognize the nature of tax administration as a highly-technical and specialized field, and provide for whatever means necessary to ensure that revenueurs are protected against the risk that comes with revenue collection and in handling amounts of money well beyond the revenueurs' pay.

¹ Asian Development Bank. A comparative analysis of tax administration in Asia and the Pacific. Mandaluyong City, Philippines: Asian Development Bank, 2014.

This legislative measure aims at addressing these concerns through the removal of the BIR from the coverage of Republic Act No. 6758 otherwise known as the "Compensation and Position Classification Act of 1989", or the "Salary Standardization Law". Allowing the Bureau to formulate its own position classification and compensation system shall result in the following:

Elimination of Corruption of Need

Systemic corruption is a perennial issue that hounds the Bureau. Time and again, the Bureau, the Office of the Ombudsman and the Civil Service Commission have filed criminal and administrative cases against erring officials and employees under Republic Act No. 3019, as amended, as a knee-jerk reaction to complaints of taxpayers. However, for true reform to happen, corruption should be addressed at its roots—low salaries and lack of incentives that target the need of BIR personnel. If wages are too low for revenueurs to support themselves and their dependents, the more likely they are to engage in corrupt behavior.

It is always preferable to focus on prevention through the building of integrity through positive and pro-active preventive approach.² The key in avoiding corruption is to design a personnel incentives structure to motivate revenue officers to act in the interest of the Bureau rather than his or her own interest³. Thus, revenueurs should receive compensation that grants them financial security and dignity to resist the temptation to be corrupted.

Encouraging Employment and Retaining Personnel

Recruiting and retaining high-performing employees is a major challenge for tax authorities. Salary grades (SG) in the Bureau range from SG 1 to 30. For lawyers and accountants, the entry levels are set at SG 18 (Attorney II) and SG 11 (Revenue Officer I). While salaries for both entry-level lawyers and accountants may be said to be at par with private sector rates, the room for career growth is lacking. Promotion to Attorney III and higher Revenue Officer positions is limited due to the small number of plantilla positions available. For lawyers who have been promoted to Attorney III, they may only be given promotions if they become Assistant Chiefs (Attorney IV) or Chiefs (Attorney V) of divisions. As a result, in recent years, there has been a steady outflow of professionals and technical personnel in the Bureau.

Low salary and the lack of items for professional growth disincentivizes work in the Bureau. Recruiting and retaining high-performing employees is a key challenge for organizations. Granting the Bureau power to formulate its own compensation and position classification system would allow it flexibility to employ the best-of-the-best human resource available, and retain talent within its ranks.

² Global Programme Against Corruption Prevention: An Effective Tool to Reduce Corruption. Vienna;; United Nations Office for Drug Control and Crime Prevention, 1999.

³ Asher, M. G. 2002. The Design of Tax Systems and Corruption. Singapore: National University of Singapore.

Recognition that Tax Administration is a Technical and Specialized Field

For tax administration to be efficient, effective and at par with the legal and accounting teams in the private sector, high-caliber professionals as well as first-rate technical and support staff trained in the intricacies of taxation must comprise its workforce.

Tax leakages from complex domestic transactions and the sophisticated international tax avoidance measures among multi-national companies can only be plugged if the Bureau is staffed with experts and professional examiners. Recognizing the premium of technical experts in their employ, the governments of Japan, Malaysia, and Singapore have been paying the highest wages to their revenue employees.

With a competitive salary and incentive package, the Bureau may be able to employ and retain personnel of high-caliber without fear of organizational “brain drain” to the private sector, or any capacity-building investment going to waste.

Protection of Bureau Personnel from Risks

One aspect of tax administration that recent administration have not focused on is the fact that BIR personnel face occupational hazards in the performance of their function. Revenue officers on premise (ROOPs) manning mines and production plants; revenue collection officer who travel from one locality to another to afford access to taxpayers in far-flung areas to pay their taxes; and even revenue examiners in conflict areas whoa are threatened by armed men, are some of the Bureau’s unsung heroes. In recent years, a number of BIR personnel have also been the target of ambush attempts and death threats. To recognize the danger that revenue officers face by providing for institutionalized hazard pay and insurance will allow these personnel a sense of security in performing their mandate.

Better Taxpayer Service

As front-line personnel, revenue officers are expected to attend to taxpayers’ every need. However, the allocation of revenue officers vis-à-vis the number of taxpayers they cater to is largely disproportionate. Also, with a salary viewed as inequitable, most revenue officers have also adopted the culture of no longer performing essential functions “well-beyond their pay grade”. This representation believes that a competitive salary and incentive package for revenue personnel equates to deeper commitment to the Bureau and the taxpaying public, greater accountability and higher quality of service. The increases in salary and the grant of incentives being merit-based, revenue officers shall be pushed to perform and give the standard of service that taxpayers truly deserve.

For the above reasons, it is imperative that the Government support this initiative for capacitating and strengthening BIR personnel. In light of this, it is proposed that the Bureau of Internal Revenue, as the foremost revenue generating arm of the government, be removed from the coverage of Republic Act No. 6758 otherwise known as the "Compensation and Position Classification Act of 1989", or the "Salary Standardization Law".

This is the House counterpart of the Bill filed by Sen. Aquilino "Koko" Pimentel III.



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Introduced by REPRESENTATIVE PANTALEON D. ALVAREZ and
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AN ACT EXEMPTING THE BUREAU OF INTERNAL REVENUE
FROM THE COVERAGE OF REPUBLIC ACT NO. 6758,
OTHERWISE KNOWN AS THE SALARY STANDARDIZATION LAW,
AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. *Declaration of Policy.* – It is the policy of the State to reform tax administration and ensure efficient and effective collection of taxes by employing and maintaining competent and professional revenue officials and personnel to collect taxes and enforce internal revenue tax laws. Towards this end, the State shall exempt the Bureau of Internal Revenue (BIR) and its employees from the coverage of Republic Act No. 6758, otherwise known as the Salary Standardization Law, as amended.

SEC. 2. *Exemption from Salary Standardization.* – The BIR and its employees shall be exempt from the coverage of the Salary Standardization Law.

The BIR is hereby authorized to formulate its own Compensation and Position Classification System based on the following principles:

(a) BIR personnel shall be paid just and equitable wages in accordance with the principle of equal pay for work of equal value;

(b) Basic compensation for BIR personnel shall generally be comparable with those in the private sector doing comparable work and must be in accordance with prevailing laws on minimum wages;

(c) The BIR Compensation and Position Classification System shall be determined through a comprehensive analysis and audit of actual duties and responsibilities of the Bureau's officials and employees;

(d) A review of government compensation rates, taking into account the performance of the Bureau, its overall contribution to the national economy, and the possible erosion in purchasing power due to inflation and other factors, shall be conducted periodically;

SEC. 3. *Incentives to Bureau Officials and Personnel.* – The Bureau, subject to the approval of the President, may provide for other incentives not provided under existing laws and Civil Service laws.

SEC. 4. *Approval of the President.* – The BIR Compensation and Position Classification System implemented pursuant to this Act shall be approved by the President, and shall be subject to periodic review by the BIR, in consultation with the Department of Budget and Management (DBM), Department of Finance (DoF) and the Civil Service Commission (CSC), not more than once every three (3) years, without prejudice to yearly merit reviews or increases based on performance.

SEC. 5. *Non-diminution of Salaries.* – The BIR Compensation and Position Classification System to be developed and recommended by the BIR, as approved by the President, shall apply to all positions, on full or part-time basis, now existing or hereafter created: *Provided*, That in no case shall there be any diminution in the authorized salaries of incumbent employees of the BIR as of December 31, 2016, upon the implementation of the approved BIR Compensation and Position Classification System.

SEC. 6. *Appropriation Clause.* – The amount necessary to implement this Act shall be included in the General Appropriations Act of the year following its enactment into law.

SEC. 7. *Separability Clause.* – If any of the sections or provisions of this Act is held invalid, 'all other provisions not affected thereby shall remain valid.

SEC. 8. *Repealing Clause.* – All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 9. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.