

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

17th Congress
First Regular Session
House Bill No. **5028**



Sponsored by Deputy Speaker Raneo E. Abu

**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**

EXPLANATORY NOTE

Taxation is the power by which the sovereign raises revenue to defray the necessary expenses of the government from among those, who in some measure, are privileged to enjoy its benefits and must bear its burden. In this regard, therefore, tax is the enforced proportional contribution from persons and the properties levied by the State by virtue of its sovereignty for the support of government and for public needs.

The Bureau of Internal Revenue (BIR) is the primordial agency of our government mandated to assess and collect all national internal revenue taxes, fees and charges, and the enforcement of all tax laws. The role of the BIR in advancing President Rodrigo R. Duterte's Ten-Point Economic Agenda can never be highlighted enough. The taxes that the BIR collects primarily fund infrastructure, education, health, rural development and the internal revenue allotment of all local government units. In light of the upcoming Comprehensive Tax Reform, the BIR should be equipped to take the President's challenge of funding the Administration's programs.

With a total allowed *plantilla* of 21,491 employees¹, the Bureau should be providing top-notch taxpayer service and unparalleled tax administration. However, this is not the case since the BIR lacks needed personnel. In recent years, the BIR seems to have become merely a "last option" for professional, technical and skilled job-seekers. With 27,219,916 registered taxpayers to service, the BIR only has 9,835 in its complement which amounts to a ratio of 2,767 taxpayers to 1 revenue officer.

¹ Executive Order No. 366

Considering taxation is a power that is so vital, that on it the very existence of the State depends, revenueurs must be afforded with considerable motivations for them to be efficient and thereby highly productive in performing their revenue collection functions. These can be feasibly achieved by granting our revenueurs with higher pay and premium. Presently, the entry-level accountant in the BIR receives P19, 077.00 while an entry-level Accountant 1 in the Securities and Exchange Commission (SEC) and the Insurance Commission (IC) receives P50, 238.00 and P46, 104.00. Newly-recruited lawyers in the SEC and IC are paid P53, 754.00 and P66, 524.00, respectively, while BIR entry-level lawyers are paid P35, 693.00.

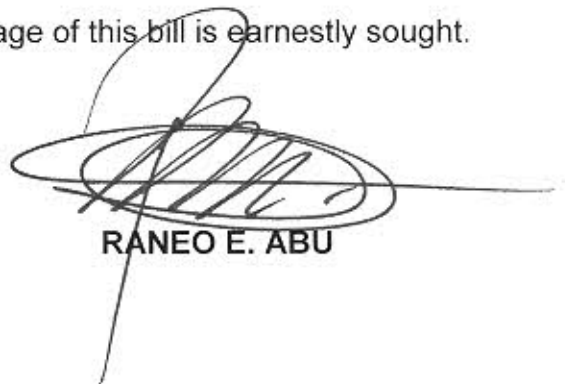
Such glaring disparity in compensating our revenueurs would help explain why the BIR is flooded with complaints of BIR personnel who are unprofessional, incompetent, or worse, corrupt. The current structure for position and compensation classification only encourages and worsens the current system of incompetence and corruption. Due to these problems, tax collection suffers and large scale tax evaders get away.

It is worthy to note that the Bureau of Customs (BOC) has been allowed through Section 202 of the Republic Act No. 10863 or the Customs Modernization and Tariff Act to conduct a compensation study with the end view of developing and recommending to the President a competitive compensation and remuneration system to attract and retain highly qualified personnel. This representation believes that the BIR deserves the same privilege, if not more, for their efforts and for the betterment of tax administration.

This bill, therefore, seeks to address this urgent concern 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".

With competitive salaries it is expected that corruption of need shall be eliminated, and that more job-seekers shall see the BIR as a worthy employer and revenue collection for the betterment of the Philippines a worthy cause to fight for. The increase in salaries of Bureau officials and employees would also be a symbolic recognition that Tax Administration is a very technical and specialized field. In the end, this measure is seen to reinvigorate the primary revenue collection agency of the government.

In view of the foregoing, the timely passage of this bill is earnestly sought.



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*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;

(c) The total compensation provided for government personnel must be maintained at a reasonable level in proportion to the national budget; and

(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.

Approved,