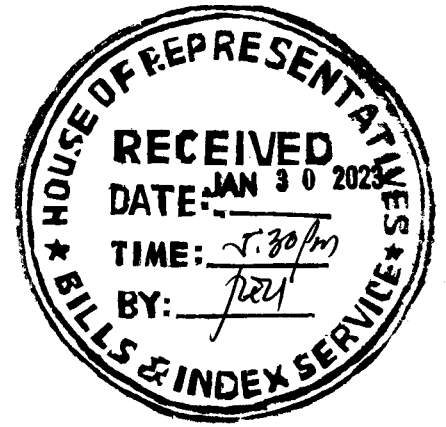


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 6993



Introduced by **Representative JOEY SARTE SALCEDA**

AN ACT
AMENDING SECTION 150 OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED

EXPLANATORY NOTE

The single most crucial flaw of the country's tax system is its failure to tax the rich. This failure exacerbates inequality and promotes the concentration of financial resources crucial to the economy in the hands of very few individuals.

In response to this socioeconomic condition, international and national organizations have recommended wealth taxes based on the net worth of so-called "super-rich" individuals. While morally sound, the practical problem with a wealth tax based on net worth is that capital is extremely mobile, and many countries offer "tax-haven" passports to extremely wealthy individuals.

The Philippines also has limited means to track wealth hidden in other countries. The Senate has not ratified the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (CMAT/MCMAAT), which the Philippines signed in 2014. This means we cannot invoke automatic exchange of information in tax jurisdictions where we suspect wealth of Filipino super-rich individuals are deposited. Absolute bank secrecy especially for foreign currency deposits will make enforcement very difficult if wealth is denominated in currencies other than the peso.

Finally, much of the estimated net-worth is in market-valued financial securities. Their perceived value changes every day.

The easiest way to tax wealth is through conspicuous or luxurious consumption and through taxation of immovable assets (i.e., land). Consumption taxes can be imposed at the point of importation or sale, making them easier to enforce. Similarly, property taxes on immovable assets are difficult to evade. An increase in real property tax rates across the board will be painful and counterproductive, but proper valuation of luxury real estate (such as those in gated subdivisions and golf courses) will help increase revenues and make the tax system more progressive.

Conceptually, this measure sees a non-essential good as a good whose prices are beyond the reach of the bulk of consumers, and which are not significant or important inputs to other value-adding industries. This measure also increases the non-essentials goods tax rate from 20% to 25%.

The revenue potential of major items in the proposal are as follows:

	Estimated sales (PHP bn)	At 25% rate
Luxury watches	4.8	1.21
Luxury cars	11.5	2.87
Private jets	0.2	0.05
Sale of residential properties above P100 million	24.0	6.00
Beverages above P20,000	10.3	2.57
Leather products above P50,000	11.3	2.83
TOTAL	62.1	15.50

Sources: Statista, Salceda estimates

The non-essentials goods tax will be on top of all other taxes. The tax on luxury cars, for example, will be on top of the automotive excise tax, which is arguably a pollution and congestion tax but not yet a luxury tax. The tax on luxury residential properties will be on top of VAT and other taxes on its sale.

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


JOEY SARTE SALCEDA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 6993

Introduced by **Representative JOEY SARTE SALCEDA**

AN ACT
AMENDING SECTION 150 OF THE NATIONAL INTERNAL REVENUE CODE,
AS AMENDED

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

SECTION 1. Section 150 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

SEC. 150. *Non-essential Goods*. – There shall be levied, assessed and collected a tax equivalent to [twenty percent (20%)] **TWENTY FIVE PERCENT (25%)** based on the wholesale price or the value of importation used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value-added tax, of the following goods:

(a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver and other metals of similar or greater value. The term ‘imitations thereof’ shall include platings and alloys of such metals;

(b) Perfumes and toilet waters;

(c) Yachts and other vessels intended for pleasure or sports [.]

(d) **WRISTWATCHES VALUED MORE THAN FIFTY THOUSAND PESOS (P50,000.00);**

(e) **BAGS, WALLETs, AND BELTS VALUED MORE THAN FIFTY THOUSAND PESOS (P50,000.00);**

(f) SALE OF RESIDENTIAL PROPERTIES ABOVE ONE HUNDRED THOUSAND PESOS (P100,000.00) PER SQUARE METER: PROVIDED, THAT THE THRESHOLD SHALL BE ADJUSTED ANNUALLY BASED ON THE HOUSING CONSUMER PRICE INDEX;

(g) BEVERAGES, WHETHER ALCOHOLIC OR NON-ALCOHOLIC ABOVE TWENTY THOUSAND PESOS (P20,000.00) PER LITER;

(h) PAINTINGS ABOVE ONE MILLION PESOS (P1,000,000.00) SOLD BY PERSONS OTHER THAN THE ARTIST;

(i) ANTIQUES VALUED AT ONE HUNDRED THOUSAND PESOS (P100,000.00) PER ITEM;

(j) AUTOMOBILES, WHETHER BRAND NEW OR SECOND-HAND, VALUED AT TEN MILLION PESOS (P1,000,000.00); AND

(k) PRIVATE AIRCRAFTS AND PARTS EXCEPT THOSE FOR USE BY THE PHILIPPINE GOVERNMENT OR BY AIRLINES AND LOGISTICS COMPANIES.

SEC. 2. Implementing Rules and Regulations. – The Department of Finance shall issue the rules and regulations necessary for the implementation of this Act within thirty (30) days from the effectivity hereof.

SEC. 3. Repealing Clause. – All other laws, acts, presidential decrees, executive orders, presidential proclamations, issuances, rules and regulations, or parts thereof which are contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 4. Separability Clause. – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 5. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,