

MALACAÑAN PALACE

MANILA

ADMINISTRATIVE ORDER NO. 112

CREATING A TASK FORCE ON TAX AND TARIFF REFORMS

WHEREAS, global competitiveness should be boosted to attain rapid, sustainable growth envisioned in the medium-term development plan, reach newly-industrialized country status by 2000 as envisioned under the Philippines 2000 and reduce dramatically the incidence of poverty in the country;

WHEREAS, as agreed upon in the Economic Summit held last September 8 and Economic Caucus held on July 22 and October 29, a level playing field is necessary to enable industries to compete more effectively in both the domestic and international market place;

WHEREAS, a stable macroeconomy is necessary to allow for optimization of savings and investment;

WHEREAS, multiplicity and high rates of taxes and tariffs with proliferation of exemptions distort revenue allocation, hamper competitiveness of domestic industries, compound difficulties in collection and cost of tax administration;

WHEREAS, a complicated tax system induces avoidance and evasion resulting in inequitable distribution of tax burden and an uneven playing field for economic and social sectors; and

WHEREAS, the absence of integrating and harmonizing mechanism among entities conducting studies and making recommendations on tax and tariff policies in the medium-term could delay the formulation of a firm and consistent plan for viable reforms that should be implemented immediately;

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, do hereby approve the following:

1. A Task Force on Tax and Tariff Reforms shall be created

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with the following functions:

- a. The Task Force will be guided by the following basic objectives:
 - i. Setting up a tax system which has equitable and reasonable rates, minimal level of exemptions, and features which facilitate administration thus reducing leakages, minimizing compliance costs and tax administration expenses, distributing tax burden equitably across economic sectors and income groups, enhances productivity and efficient resource allocation and contributes to revenue yields adequate for the government's development programs;
 - ii. Rationalizing quantitative restrictions, reducing the overall level of tariffs, and reducing the dispersion of tariff rates within and across economic sectors;
 - iii. Establishing a collection system that is simple to administer and easy to comply with; and
 - iv. Leveling the playing field, allowing competitive forces to optimize resource mobilization and investment allocation, and saving on unnecessary expenditures arising from implementation of high, disparate and complicated taxes and tariffs while enabling the Government to keep the fiscal deficit within reasonable levels.
- b. To the above ends, the Task Force will study the mechanics and impact of, and draft legislation and executive orders to give effect to:
 - i. Introduction of a minimum business income tax based on gross assets and simplified net income tax system for corporations;
 - ii. Introduction of presumptive income tax for individuals;
 - iii. Broadening of VAT to include utilities,

- transportation, trade and other services;
- iv. Abolition of tax exemptions under special laws;
 - v. The restructuring of tariffs to include the the lowering of higher tariff rates towards a simplified structure based on transaction values; and
 - vi. Further globalization of income tax system; and
 - vii. Administrative and other structural reforms.

2. The Task Force shall be composed of the Secretary of Finance, or one of his Undersecretaries, as Chairman; Director-General of Congressional Planning and Budget Office (CPBO), Director-General of Senate Tax and Research Office, (STRO), Deputy Director General of National Economic and Development Authority (NEDA), Undersecretaries from the Department of Trade and Industry (DTI) and the Department of Agriculture (DA), Executive Director of National Tax Research Center (NTRC), Commissioners from the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC), senior experts from the Philippine Institute for Development Studies (PIDS), University of the Philippines School of Economics (UPSE), and Center for Research and Communications (CRC); as Members.

3. To hasten the conduct of the study, the Task Force may create sub-groups under its organization and obtain technical assistance from local and foreign experts and research groups.

4. The Task Force shall invite other government departments, offices and instrumentalities and the private sector to assist and participate actively in the conduct of the study.

5. The Task Force shall submit its recommendations to the Executive and Legislative Revenue Mobilization Group the following: on the gross income taxation, on minimum income taxation and VAT - within ninety days; on administrative and structural reforms which are immediately implementable - within six months; and on other reforms - within one year

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from the effectivity of this order.

DONE, in the City of Manila, Philippines, this 10th day of February, in the Year of Our Lord, Nineteen Hundred and Ninety Four.



By the President:



TEOFISTO T. GUINGONA, JR.
Executive Secretary