The increase in automobile excise tax will weaken the automobile industry at the cost of jobs. [MYTH]

The automotive industry will not weaken because several factors other than excise taxes affect its performance. The personal income tax reduction, which is part of the same package as the proposed automobile excise, will completely offset the additional expenses from the increase in automobile excise. This assures that the sales of automobiles, now on higher prices, will not slow down.

www.dof.gov.ph/taxreform  @DOFPH  @DOF_PH  #TaxReformNow
The increase in automobile excise tax will weaken the automobile industry at the cost of jobs. [MYTH]

More importantly, the Philippine automotive industry is riding on a period of solid and stable economic growth. Incomes of people have been rising, and firms have been growing so they have more leeway to take in additional expenses.

Therefore, increase in car prices from the automobile excise will not necessarily translate to loss of jobs.
The burden of the tax will be on the poor instead of the rich.

Our proposed tax reform program will improve the lives of the people, especially the poor. It promotes equity such that those who have higher income will shoulder more burden compared to those with lower income.

Through our proposal, Filipinos will contribute based on their capacity to pay.
Imposing excise tax on diesel is anti-poor.

No, it is not anti-poor. In fact, **the rich consumes significantly more petroleum products than the poor**. In 2016, the registered number of vehicles for public use is 321,729* while the number of private cars registered that are using diesel is 1,802,673**.

There are 262,496 (61%) SUVs running on diesel in 2015 compared to 78,288 (51%) a decade ago. This is giving a lot of tax breaks to the rich.

*Data from Land Transportation Franchising and Regulatory Board (LTFRB). This number includes PUB, mini bus, PUJ, taxi, UV express, and Filcab.

**Data from the Land Transportation Office (LTO)
Imposing excise tax on diesel is anti-poor.

Commuters also consume diesel through the fare they pay for jeepney rides, but at a lesser degree. For every P8 that they pay, only around 30% or P2.40 is the share of oil in the fare.

A 3-peso increase in excise will lead to a 10% increase in diesel prices. This will lead to a 24-cent increase in fare price which will be addressed through several mitigating measures like the jeepney modernization program and a cash assistance for the poor.
There is no need to update the excise taxes on petroleum products. **[MYTH]**

There is a need to update excise tax on petroleum products since this is long overdue. Consumers are still paying the same amount of excise tax as they did two (2) decades ago even if average income has more than doubled.

This caused the government to lose significant revenue that could have gone to social services, better public transportation, and climate change-resilient infrastructure.
There is no need to update the excise taxes on petroleum products. [MYTH]

The increase in excise tax also hopes to reduce the consumption of petroleum products in order to prevent the harm caused by air pollution and traffic congestion.
Lowering personal income taxes means more money in people’s pockets that boost consumption and consequently stimulate the economy. No need to increase taxes.

Our proposed tax reform seeks to correct and simplify the current tax system, as well as make it fairer by lowering the PIT, reducing VAT exemptions, and adjusting excise tax rates on petroleum products and automobiles.
Lowering personal income taxes means more money in people's pockets that boost consumption and consequently stimulate the economy. No need to increase taxes.

With the tax reform, we will be able to increase spending in public investment, such as by constructing school buildings, roads, and bridges and funding basic social services, and social protection. All these will stimulate the economy more and benefit the poor. This is a more inclusive way of spending our shared resources, rather than merely boosting individual consumption spending by lowering all taxes.
Lowering personal income taxes means more money in people’s pockets that boost consumption and consequently stimulate the economy. **[MYTH]**

Every P100 spent by the government on social services, such as health and education, will have a multiplier effect of 1.9% and 1.2%, respectively to the economy; while spending P100 on infrastructure will yield a higher return of more than 2.0%.

We must balance investment spending and consumption spending if we want to create a more equitable society where everyone feels the change.
Now is not the good time to increase the excise on petroleum products.

A number of factors support increasing oil excise today:

First, the economy is very strong, with growth of 7%, the fastest in the region.

Second, inflation is very low and manageable at around 1.8% in 2016.

Third, global crude oil price is still low relative to years back and is projected remain relatively low in the medium-term due to i) slow China growth from 14% to 6%, and ii) large shale oil supply to keep supply going.

Moreover, this is a popular government with strong political will to do important reforms.

www.dof.gov.ph/taxreform  @DOFPH  @DOF_PH  #TaxReformNow
Only the personal income tax needs to be fixed! All the other proposed tax changes should not be pushed.

[MYTH]

It’s true that there is something wrong with our Personal Income Tax (PIT). **Restructuring the PIT alone will not correct the tax system’s inequity.** There are structural weaknesses that need to be corrected, namely:

Several taxes that have not been adjusted in 20 years;
Excessive exemptions and special treatments granted without good basis; and
Highly restrictive bank secrecy laws.

Our goal is to correct our tax system’s inequity and make it progressive.
No, prices of basic goods and public transportation will not skyrocket. In fact, inflation will be additional 1.5% at the most.

Our estimate shows that food prices may increase by additional 1% in the first year of implementation while transport price may increase by additional 2%.
Fares and commodity prices will skyrocket because of the proposed increase in oil excise.

History supports this as seen in the RVAT and oil price shock effect on inflation:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective VAT rate</td>
<td>0</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Dubai crude (in USD)</td>
<td>34</td>
<td>49</td>
<td>61</td>
<td>78</td>
<td>106</td>
<td>109</td>
</tr>
<tr>
<td>GDP growth</td>
<td>6.7</td>
<td>4.8</td>
<td>5.2</td>
<td>7.6</td>
<td>3.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Overall Inflation</td>
<td>4.8</td>
<td>6.5</td>
<td>5.5</td>
<td>3.8</td>
<td>4.6</td>
<td>3.2</td>
</tr>
<tr>
<td>Food inflation</td>
<td>6.0</td>
<td>6.4</td>
<td>5.2</td>
<td>4.0</td>
<td>5.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Transport inflation</td>
<td>11.5</td>
<td>16.8</td>
<td>10.7</td>
<td>3.7</td>
<td>6.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Electricity inflation</td>
<td>3.8</td>
<td>7.5</td>
<td>5.9</td>
<td>5.1</td>
<td>5.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Gasoline (in PHP)</td>
<td>20.1</td>
<td>26.5</td>
<td>30.1</td>
<td>35.5</td>
<td>48.1</td>
<td>48.6</td>
</tr>
<tr>
<td>Diesel (in PHP)</td>
<td>18.0</td>
<td>25.9</td>
<td>30.2</td>
<td>31.4</td>
<td>41.3</td>
<td>41.7</td>
</tr>
</tbody>
</table>
Fares and commodity prices will skyrocket because of the proposed increase in oil excise tax.

But we are not taking chances. If the Dubai crude oil price exceeds 100 USD per barrel, we will stop increasing excise tax to provide relief to everyone.
The tax reform proposal does not resolve tax evasion of self-employed and professionals. This should be fixed instead of making additional taxes!

**MYTH**

The proposed tax reform program will simplify compliance through a single rate of 8% (in lieu of the income tax and percentage tax) for small businesses, self-employed, and professionals.

To ensure compliance, tax administration measures are included in the proposal:
- Relax bank secrecy laws for fraud cases
- Use of electronic receipts
- Connect cash registers/point of sale machines to BIR servers for simultaneous reporting of sales and purchase data

[www.dof.gov.ph/taxreform](http://www.dof.gov.ph/taxreform)  @DOFPH  @DOF_PH  #TaxReformNow
The tax reform bill is regressive and anti-poor. [MYTH]

Our proposed tax reform program is pro-poor and progressive.

It simplifies the system and makes it fairer and more equitable by restructuring the Personal Income Tax, removing unnecessary Value Added Tax (VAT) exemptions, and adjusting the excise tax rates on petroleum products and automobiles.
The tax reform bill is regressive and anti-poor. [MYTH]

In our proposal, 83% of individual taxpayers including minimum wage earners (P250K and below) will be exempted from paying income tax.

Implemented together with proposed social protection mechanisms, the overall impact benefits the poor and the vulnerable sectors.

The revenues generated from this reform will fund infrastructure, health, education, and social services.

www.dof.gov.ph/taxreform  @DOFPH  @DOF_PH  #TaxReformNow
The government is already underspending. There is no need to raise additional revenues.

Underspending is a short-term problem being resolved through budget reform in concerned agencies. The present administration is addressing this.

For 2017, reforms are in place to ensure proper spending and utilization of budget.
The government is already underspending. There is no need to raise additional revenues. [MYTH]

However, addressing underspending alone will not be enough to support the vision of this administration for a prosperous country with zero extreme poverty and better quality of life for all Filipinos.

Although the overall goal of the tax reform is to address the inequity of the current tax system, it will also help achieve this administration’s vision through additional investments in social services, health, education and infrastructure.

www.dof.gov.ph/taxreform  @DOFPH  @DOF_PH  #TaxReformNow