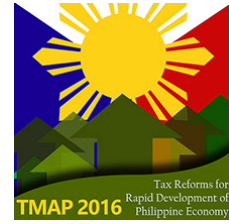




**TAX MANAGEMENT ASSOCIATION
OF THE PHILIPPINES, INC.**



July 19, 2016

HONORABLE CARLOS G. DOMINGUEZ III

Secretary - Department of Finance
6th Floor, DOF Bldg.
BSP Complex, Roxas Blvd.
Manila, 1004, Philippines

Re : Wish List of Issuances for Revocation and/or Amendment

Dear Secretary Dominguez:

On behalf of the officers, board of directors and members of the Tax Management Association of the Philippines (TMAP), we would like at the onset to express our appreciation for the clear showing of your support and concern to taxpayers through the immediate withdrawal of the last-minute issuances of the previous commissioner and the suspension of tax audits.

Consistent with our theme this year: **Tax Reforms for Rapid Development of the Philippine Economy** and as TMAP's way of showing our support to the new administration and to your department in particular, we are submitting the attached wish list of previous issuances of the past administrations that we would like to recommend for revocation and/or amendment in order to help the Bureau of Internal Revenue (BIR) attain the following objectives:

1. Increase tax collection;
2. Simplify taxation rules to enhance the ease of doing business;
3. Encourage voluntary tax compliance;
4. Prevent corruption; and
5. Correct some issuances to make them consistent with the provisions of the National Internal Revenue Code (Tax Code) and/or the Constitution of the Republic of the Philippines.

Among the various issuances in our wish list, we would like to invite special attention to the issuances pertaining to the following matters:

1. Hasten the Approval of Tax Compromise Offers and Requests for Abatement

The revival and streamlining of the processing and approval of tax compromise offers and/or requests for abatement under Section 204 (A) and (B) of the Tax Code will give taxpayers a good alternative to legitimately settle tax issues with the BIR, specially those based on table assessments or resulting from the application of issuances or rulings which are no longer consistent with the provisions of the Tax Code. Encouraging taxpayers to avail of these alternative remedies will increase the tax collection of the BIR and will allow taxpayers to avoid expensive litigation cost and give them fast alternative ways to settle tax assessments.

2. Remove the Appraisal Report Requirement on Transfers of Unlisted Shares

By requiring the adjustment of the book value of the shares to take into account the present appraisal value of the real properties owned by the corporation, Revenue Regulations 6-2013 effectively subjects to income tax (i.e., capital gains tax) the unrealized valuation gain, which cannot be considered yet as income. The adjustment of the book value will also unnecessarily expose the transferor to donor's tax under Section 100 of the Tax Code. The high tax cost resulting from this issuance discourages investors from investing capital with unlisted Philippine corporations.

3. Reinstate the PAN Stage and Remove the 20%+20% Interest Rule

The removal of the informal conference stage and the preliminary assessment notice (PAN) stage in the assessment of deficiency taxes only led to the issuances of assessments based on misappreciation of facts. Revenue Regulations 18-2013 rendered the express mandate of the Tax Code for the issuance of PAN virtually useless.

The same RR 18-2013 also prescribed for the imposition of 20% deficiency plus 20% delinquency interest or a total of 40% interest from the date of demand to actual payment. 40% is simply too onerous considering that the imposition of interest on unpaid taxes in the Tax Code is not intended to be punitive but simply compensatory in nature.

4. Allow the Deductibility of Expenses After Payment of Deficiency Withholding Tax

Not allowing taxpayers from claiming as a valid deduction the expenses initially not subjected to withholding tax even after payment of the deficiency withholding tax is too much punishment for withholding agents. On the contrary, withholding agents should be rewarded with leniency as they also incur administrative expenses when they collect taxes for the government without compensation.

5. Continue the Administrative Processing of VAT Input Refunds

Taxpayers should be given the option to pursue a purely administrative claim for VAT input refund. Revenue Memorandum Circular 54-2014 effectively transferred that function to the Court of Tax Appeals when it considered claims that are not timely elevated to the CTA as deemed denied claims. The power to refund taxes is vested with the Commissioner of Internal Revenue and this power will stay with the office regardless of whether the taxpayer will appeal to the CTA or not.

Should you have any questions regarding any of the items contained in our list, feel free to call or email us. We will make ourselves available to meet you or the other officials or employees of your department with respect the matters contained in this letter or those regarding various tax reform proposals and other tax matters.

We trust that you will find our recommendation in order and meritorious of your kind consideration.

Very truly yours,



Benedict R. Tugonon
President

Copy furnished:

Honorable Antonette C. Tionko
Undersecretary - Revenue Operations Group
Department of Finance

Honorable Caesar R. Dulay
Commissioner
Bureau of Internal Revenue

Honorable Jesus Clint O. Aranas
Deputy Commissioner
Legal and Inspection Group
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