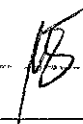


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SENATE  
P. S. R. No. 1266

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Introduced by Senator Miriam Defensor Santiago

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RESOLUTION

DIRECTING THE SENATE COMMITTEE ON ECONOMIC AFFAIRS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON ALLEGED ANOMALIES IN THE COLLECTION OF TAXES BY THE LARGE TAXPAYERS SERVICE UNIT OF THE BUREAU OF INTERNAL REVENUE IN ORDER TO AVOID A SHORTFALL IN REVENUE COLLECTION WHICH COULD IMPACT THE COUNTRY'S ECONOMIC DEVELOPMENT

WHEREAS, the Constitution, Article 2, Section 27 mandates: "The State shall maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption";

WHEREAS, the National Internal Revenue Code of 1997, Section 2 mandates the Bureau of Internal Revenue (BIR) to assess and collect all national internal revenue taxes, fees and charges, and to enforce all forfeitures, penalties and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts;

WHEREAS, Executive Order No. 83 mandates the creation of the Large Taxpayers Service (LTS) Division in the BIR; the LTS facilitates the monitoring and examination of the payments of large taxpayers; it closely supervises the collection of overdue accounts from large taxpayers, and statistically analyzes tax payment patterns of these taxpayers for purposes of further developing criteria for selective audit;

WHEREAS, for the first half of 2009, total government revenues amounted to P545.7 billion, which is P35.7 billion lower than the target collection; of the total revenues, the BIR collected P375.6 billion, lower than its target by P12.8 billion;

WHEREAS, the LTS caters to large corporate clients, including the top 1,000 corporations in the country; these clients have a net worth of at least P300 million, and pay an annual income tax and withholding tax of at least P1 million; they also pay value-added tax of at least P100,000 for any quarter, and P1 million in excise tax per taxable year;

WHEREAS, tax payment compliance issues confronting large taxpayers are attributed to technical issues arising from vagueness in the law, lack of clear rules for guidance, and the inability of the BIR to promptly address tax issues relating to emerging business transactions;

WHEREAS, alleged anomalies pervade the collection system which impacts the performance of LTS like overemphasizing the administration of the large taxpayers and ignoring the medium-size and small taxpayers; failing to provide specific types of controls for the large taxpayers (e.g., those to ensure compliance with return filing and payment obligations); assigning too many taxpayers to the LTS, thereby rendering

compliance management ineffective; and allowing irregular or corrupt practices by LTS officials who are not properly supervised;

WHEREAS, the challenge for the tax administration in managing the LTS is to attract and retain staff of sufficient caliber to audit complex operations, provide large taxpayers with accurate and up-to-date information, and create a professional work environment that discourages tax officials from engaging in corrupt practices;

WHEREAS, consistent with government's campaign to enhance revenue collections, institute measures to plug tax leakages, and execute crackdowns on tax cheaters it is imperative to re-evaluate the collection goal assigned to LTS in order to trace the source of revenue shortfalls;

WHEREAS, it is imperative for the government to initiate reforms in the system of revenue collection since tax policy in a developing country constitutes an essential part of development policy; it is widely recognized that economic development need to be complemented by progress in the area of tax administration;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the Senate Committee on Economic Affairs to conduct an inquiry, in aid of legislation, on alleged anomalies in the collection of taxes by the Large Taxpayers Service Unit of the Bureau of Internal Revenue in order to avoid a shortfall in revenue collection which could impact the country's economic development.

Adopted,

  
MIRIAM DEFENSOR SANTIAGO