



Left: Photo from the official Facebook page of Senate President Migz Zubiri; and  
 Right: Photo from the official Facebook page of Presidential Communications Office.

## Scanning The Horizon: A Survey of President BBM’s First Year Legislative Agenda

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Eight months in as our Chief Executive, President Ferdinand “Bongbong” Marcos, Jr. (PBBM) is set to enact, together with Congress, key legislative measures on public-private partnerships, armed forces modernization, public health development, continuing benefits in agrarian reform, digitalization of transactions, macroeconomic stability, and regional free trade by June 2023. In a meeting with Senate President Juan Miguel Zubiri and House of Representatives Speaker Ferdinand Martin Romualdez on January 27, 2023, PBBM reiterated his Administration’s legislative agenda for his first year.

### **For Economic Renewal and Long-term Growth**

There are at least twenty-four (24) priority measures identified by PBBM in his recent issuances and pronouncements, and during his first State of the Nation Address (SONA) on July 25, 2022, *to wit*:

- \* National Government Rightsizing Program (NGRP);
- \* Budget Modernization Act;
- \* Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act;
- \* E-Governance Act;
- \* National Land Use Act;
- \* Tax Package 3, Real Property Valuation Reform Act;
- \* Tax Package 4, Passive Income and Financial Intermediary Taxation Act (PIFITA);
- \* Internet Transactions Act or e-Commerce Law;
- \* A law on a unified system of Separation, Retirement, and Pension for military and uniformed personnel;
- \* National Defense Act;
- \* Mandatory Reserve Officers’ Training Corps (ROTC) and National Service Training Program

(NSTP);

- \* Establishment of a Medical Reserve Corps;
- \* Establishment of a National Disease Prevention Management Authority;
- \* Creation of a Virology Institute of the Philippines;
- \* Creation of the Department of Water Resources;
- \* Enabling law for the natural gas industry;
- \* Amendments to the Electric Power Industry Reform Act or EPIRA (Republic Act No. 9136);
- \* Amendments to the Build-Operate-Transfer (BOT) Law or Public-Private Partnership Act;
- \* Amendments to the Act Strengthening Professionalism in the AFP (Republic Act No. 11709);
- \* Condonation of Unpaid Amortization and Interests of Loans of Agrarian Reform Beneficiaries;
- \* Establishment of the Maharlika Investment Fund;
- \* Passage of a law strengthening the Maritime Industry Authority's regulatory functions;
- \* Philippine Salt Industry Development Act; and
- \* The Regional Comprehensive Economic Partnership Agreement.

Among the foregoing, two measures - the amendment of *Republic Act No. 11709*, on the professionalization of the Armed Forces of the Philippines and the creation of the Maharlika Investment Fund are currently certified as urgent by PBBM. He has so far signed *Republic Act No. 11934*, or the "*Subscriber Identity Module (SIM) Registration Act*" and *Republic Act No. 11935*, or "*An Act Postponing the December 2022 Barangay and Sangguniang Kabataan Elections, Amending for the Purpose Republic Act No. 9164, as Amended, Appropriating Funds Therefor, and for Other Purposes*"; *Republic Act No. 11936*, or the "*General Appropriations Act*"; and *Republic Act No. 11937*, or "*An Act Granting Philippine Citizenship to Justin Donta Brownlee*".

### **Bubbling Up**

As a bicameral body, the Philippine Congress has been running like a well-oiled machine in producing legislative priorities common to both Houses. The hard work continues as both the Senate and House of Representatives have focused their efforts on agreed priorities that include:

1. Amendments to the Passport Law;
2. Waste-to-Energy Act;
3. Leyte Ecological Industrial Zone;
4. Eastern Visayas Development Authority;
5. Magna Carta of Barangay Health Workers;
6. Magna Carta of Filipino Seafarers;
7. Apprenticeship Law;
8. Free Legal Assistance for Military and Uniformed Personnel;
9. Negros Island Region Act; and
10. Regional Specialty Hospitals.

The diversity of these measures is meant to provide social benefits to a growing number of affected Filipinos. As can be gleaned from the foregoing, the measures promise protection of Filipino workers

and more benefits to citizens, under a realm of inclusivity and sustainable local development that can be replicated in other areas of the country.

### **STSRO On The Lookout**

Under the jurisdiction of the Senate Committee on Ways and Means as primary committee, Tax Packages 3 and 4 are legislative measures similar to their versions filed in the 18<sup>th</sup> Congress.

Tax Package 3, which is *House Bill No. 6558*, or "*An Act Instituting Reforms in Real Property Valuation and Assessment in the Philippines, Reorganizing the Bureau of Local Government Finance, and Appropriating Funds Therefor*" was transmitted to the Senate on December 14, 2022. *House Bill No. 6558* seeks to improve real property valuation by adopting a market-based Schedule of Market Values (SMVs) as basis of real property taxation. Pragmatically, the bill will promote the use of uniform real property valuation standards that could help resolve right-of-way acquisition issues that have stalled infrastructure projects for many years.

Tax Package 4, which is *House Bill No. 4339*, or "*An Act Amending Sections 6, 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 109, 112, 121, 122, 123, 127, 149, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 190, 195, 198, 199, 204, 222, 237, 237-A, 255, 256, 257, 258, 261, 263, 264, 266, 275; Inserting New Section 270-A; and Repealing Sections 175, 177, 178, 180, 188, 192, and 193; All Under Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code of 1997, As Amended*" was transmitted to the Senate on November 15, 2022. Its objectives are a) to simplify the taxation of the financial sector; 2) to make tax compliance easier and more equitable to ensure progressivity; and 3) to boost the government's tax efforts. *House Bill No. 4339* reduces the number of tax bases and rates applicable to passive income and shall rationalize the rates applicable to passive income and financial intermediaries, and documentary stamp tax. In the previous Congress, the Department of Finance said that the enactment of Package 4 complements the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law by making passive income and financial intermediary taxes simpler, fairer, more efficient, and regionally competitive. It must be noted that *HBN 4339* repeals a slew of tax exemptions granted by special laws to certain transactions relating to interest income, capital gains, gross receipts tax, or stamp taxes, to name a few. It likewise removes the excise tax exemption of pick-up trucks that was introduced under the TRAIN law.

Both Tax Packages 3 and 4 are currently being studied and processed by the Office of Senator Win Gatchalian and the Senate Tax Study and Research Office.



## THE TAXPAYER'S BILL OF RIGHTS AND OBLIGATIONS ACT

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It is innate in every human being to have basic rights. They are valid and universal. Among these are taxpayer's rights, which are no less than human rights. Presently, taxpayer's rights are pursued by the government as mandated by the Philippine Constitution and through existing laws, including: Republic Act No. 8424 or the National Internal Revenue Code (NIRC) of 1997, as amended; Republic Act No. 10863 or the Customs Modernization and Tariff Act (CMTA); Republic Act No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018; Republic Act No. 1125 or An Act Creating the Court of Tax Appeals, as amended; Book II of the Local Government Code of 1991, as amended; and other tax laws, issuances, rules and regulations.

Despite the existence of sets of provisions upholding taxpayer's rights as provided for in the aforesaid laws, many remain unaware of their legal entitlements as taxpayers. Thus, to know and to enforce their rights, the affected taxpayers are compelled to hire tax professionals and pay for their services. Sadly, not all can afford. Moreover, there were reported instances of abuses committed by revenue authorities, which, at certain times stem from the sheer unfamiliarity of the taxpayers of their basic rights.

The efforts to legislate the bill of rights were initiated early on during the 16<sup>th</sup> Congress (July 2013-2016). Such legislative endeavor was sustained during the 17<sup>th</sup> Congress (July 2016-2019) and 18<sup>th</sup> Congress (July 2019-2022), where ten (10) bills related to the same subject matter were likewise proposed.

On February 7, 2023, during this present 19<sup>th</sup> Congress, Committee on Ways and Means Chair Sen. Win Gatchalian delivered his sponsorship speech on Senate Bill No. 1806, under Committee Report No. 20, entitled, "*An Act Providing for the Bill of Rights and Obligations of Taxpayers, Creating the Office of the National Taxpayer Advocate, Appropriating Funds Therefor, and for Other Purposes*", the bill is otherwise known as The Taxpayer's Bill of Rights and Obligations Act. Said measure seeks to assist the taxpayers as regards their fundamental rights through a legislation that reiterates their rights, in a summarized and codified form, as enumerated and provided in various laws. Consequently, such legislat-

ed rights would prompt taxpayers to dutifully comply with their tax obligations and to observe regulations that are implemented by revenue authorities.



On February 7, 2023, Senator Win Gatchalian, Chairperson of the Committee on Ways and Means, delivered his sponsorship of Senate Bill No. 1806 or The Taxpayer's Bill of Rights and Obligations Act. Photo from senate.gov.ph (Senate PRIB)

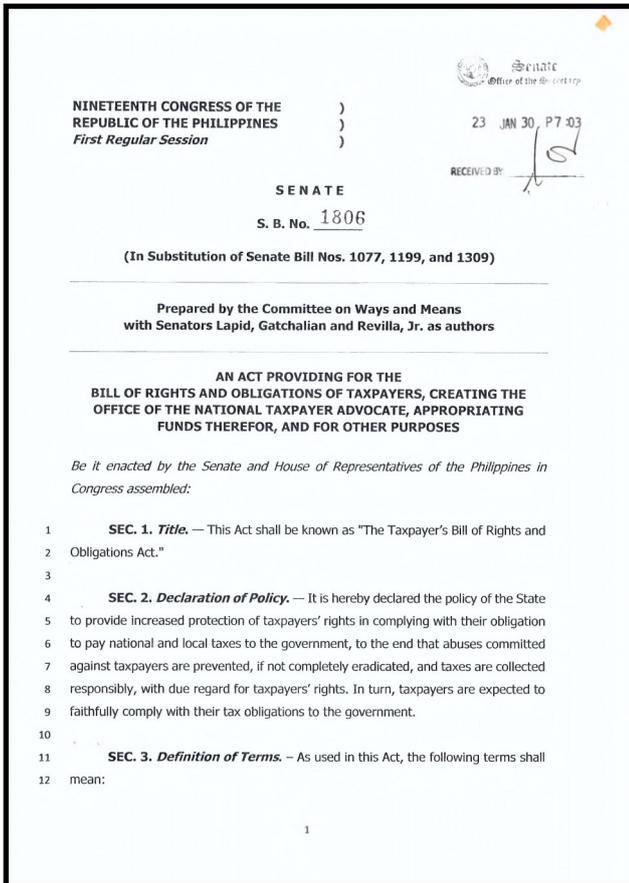
### Features of the Bill

The Taxpayers' Bill of Rights and Obligations (TABORO) covers taxpayers, whether natural or juridical, subject to taxes imposed by the national and local government, including all taxes imposed under the National Internal Revenue Code (NIRC) of 1997, as amended, the Customs Modernization and Tariff Act of 2016, the Local Government Code of 1991, as amended, and all other tax laws, rules, and regulations, including those collected by other tax collecting agencies.

The bill seeks to install the following taxpayer's rights:<sup>1</sup>

1. Right to Information;
2. Right to fair and faithful application of laws;
3. Right to challenge the position of and be heard by revenue authorities;
4. Right to present evidence and witnesses;
5. Right to be assisted or represented by a qualified professional;
6. Right to timely and expeditious completion of tax audits;
7. Right against baseless assessment;

8. Right to be given an opportunity for amicable settlement;
9. Right to avail of installment payment;
10. Right to relief from paying interests and penalties;
11. Right to recover actual costs and damages arising from judicial actions;
12. Right to quality service and assistance; and
13. Right to privacy.



Complementary to the taxpayers’ rights, the bill also outlines the following taxpayer’s responsibilities or obligations:<sup>2</sup>

1. Compliance with tax laws, rules, and regulations;
2. Truthful and timely disclosure of taxpayer returns and information;
3. Submission in a timely manner all required tax information;
4. Exercise of reasonable care in compliance with tax obligations;
5. Maintenance of accurate recording of books and records;
6. Cooperation with revenue authorities in the conduct of tax audits; and
7. Timely payment of taxes.

Along with the ordination of taxpayer’s rights and obligations is the creation of the Office of the National Taxpayer Advocate (ONTA)<sup>3</sup>. With the primary task to assist taxpayers in the compliance of their tax obligations, the ONTA shall be headed by a Chief Taxpayer Advocate and assisted by four (4) Deputy

Taxpayer Advocates, one each for National Capital Region, Luzon, Visayas, and Mindanao.<sup>4</sup> The agency shall be an independent office attached to the Department of Justice (DOJ) for purposes of policy and program coordination.

The ONTA shall have the following functions:<sup>5</sup>

1. Assist the public in their tax queries and concerns relative to tax and customs laws;
2. Set out criteria for taxpayers who shall be prioritized in its representation services;
3. Represent taxpayers, and assist, initiate, and intervene, as may be applicable, in tax cases, complaints, and proceedings;
4. Engage in regular information dissemination programs;
5. Recommend remedial administrative and legislative measures;
6. Monitor tax issuances of revenue authorities;
7. Conduct trainings for its Taxpayer Advocates; and
8. Other necessary powers.

The bill has a penal provision against any person or revenue officer who is found to have violated taxpayer rights as mandated therein. Any violator shall be subject to imprisonment of not less than six (6) months but not more than six (6) years, or a fine of not less than One Hundred Thousand Pesos (Php100,000.00) but not more than One Million Five Hundred Thousand Pesos (Php1,500,000.00), or both.<sup>6</sup>

### Taxpayer’s Protection and Convenience

Although we already have provisions that already affirm and convey the rights of taxpayers, those are scattered over separate sheets of numerous statutes. Hence, there is a pressing need to carry out reforms, a much simpler single framework, a charter that sets forth the basic rights, for convenience and protection of those considered as the lifeblood of the nation—our taxpayers.

As said by Sen. Win Gatchalian, the enactment of TABORO *can make it simpler for the taxpayers to know their rights as they interact with tax authorities, thereby increasing their trust and confidence in the government.* He adds that, *“Once we gain their trust and confidence to pay their fair share of taxes, we can definitely boost revenue collection.”*

#### References:

- 1 Sections 2, 3(e), 3(f), and 4 of SNo.1806
- 2 Section 6 of SNo.1806
- 3 Section 7 of SNo.1806
- 4 Section 9 of SNo.1806
- 5 Section 8 of SNo.1806
- 6 Section 13 of SNo.1806



## Do We Still Need POGOs?

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On September 15, 2022, the Committee on Public Order and Dangerous Drugs conducted a public hearing on POGO-related crimes. As a result, three (3) Senate Resolutions (P.S. Res. Nos. 225, 227 and 229) were filed that directed the Committee on Ways and Means, joint with the Committee on Public Order and Dangerous Drugs, to conduct an investigation in aid of legislation, on the implementation of Republic Act (R.A.) No. 11590 or most commonly known as the POGO Tax Regime law, as part of its oversight function. In this regard, the aforesaid Committees conducted four (4) public hearings. The hearings focused on the economic benefits and social costs of the POGO industry in relation to the proper implementation of R.A. No. 11590.

Based on submitted data of concerned agencies involving POGOs, in-depth research, and testimonies during public hearings, relevant information came out which are significant in the preparation of the Committee Report on said resolutions. This paper discusses in brief how the POGO industry operates under existing laws and regulations; tax regime governing POGOs; revenues generated by the government from POGOs; income arising from allied industries that sprung around POGOs and their contribution to the Philippine economy. Several important observations are also raised.



On January 23, 2023, the Committee on Ways and Means conducted the 4th Public Hearing for general inquiry, in aid of legislation, to measure economic costs and benefits of POGO operations under Republic Act No. 11590 vis-a-vis its social costs.

### Understanding POGOs

The Philippine Offshore Gaming Operator (POGO) refers to *an entity which provides and participates in offshore gaming services, i.e., provides the game to players, takes bets and pays players' winnings.*<sup>1</sup> These POGOs fall under the ambit of the Philippine Amusement and Gaming Corporation (PAGCOR), given that under its Charter (R.A. No. 9487), it is mandated to regulate, operate, authorize and license games of chance, games of cards and games of numbers, particularly casino gaming in the Philippines. With this function, all POGOs should be registered and licensed by PAGCOR. In turn, as a regulator, PAGCOR collects regulatory and license fees on its regulated entities, including entities involved in POGO operations.

With the issuance of the Rules and Regulations for POGOs on August 26, 2016, PAGCOR clearly defined the concepts, components, operations, and regulations of offshore gaming which primarily intend to prevent the proliferation of illegal online gaming and for PAGCOR to regulate POGOs legally. Meanwhile, then President Rodrigo Duterte issued Executive Order (E.O.) No. 13, series of 2017 to avoid confusion with regard to the jurisdiction and scope of other gambling regulators in the country.<sup>2</sup> The said EO also strengthened the regulatory power of PAGCOR over online gaming operations.

Consequently, PAGCOR issued the Offshore Gaming Regulatory Manual (OGRM) on July 3, 2018 which specifically provided more details on its regulation over POGOs. Under the OGRM, POGO entities are classified as either a *licensee* or *other entity*. A *licensee* can be Philippine-based operator or offshore-based POGO. In this regard, PAGCOR can issue an Offshore Gaming License (OGL) to 1) e-casino; 2) sport betting; and 3) sport betting on regulated wagering events. On the other hand, the *other entity* can be a local gaming agent<sup>3</sup> or a service provider (SP) of the licensee. SPs can be a customer relations service provider, strategic support service provider, IT support service provider, gaming software platform provider, live studio and streaming provider, or special class BPOs.

On September 22, 2021, R.A. No. 11590 was enacted which formally taxed POGOs and related activities. The law took effect on October 8, 2021. Gaming revenues of all offshore gaming licensees, regardless whether Philippine-based or foreign-based, are subject to pay a 5% gaming tax on the gross gaming revenues (GGR) or receipts derived from their gaming operations. Said gaming tax is in lieu of all other direct and indirect internal revenue taxes and local taxes.<sup>4</sup>

Non-gaming revenues of Philippine-based offshore gaming licensees shall be subject to an income tax of 25% of the taxable income derived during each taxable year from all sources within and outside the Philippines.<sup>5</sup> On the other hand, only non-gaming revenues of foreign-based offshore gaming licensees derived within the Philippines are subject to income tax equivalent to 25% of the taxable income derived during each taxable year.<sup>6</sup> Non-gaming revenues of OGLs are subject to VAT or Percentage Tax.<sup>7</sup>

Accredited service providers to offshore gaming licensees shall be subject to regular income tax rates, and all other applicable local and national taxes, including VAT or Percentage Tax.<sup>8</sup>

Alien individuals, regardless of residency and who are employed and assigned in the Philippines, regardless of term and class of working or employment permit or visa, by an offshore gaming licensee or its service provider, shall pay a final withholding tax of 25% on their gross income. The minimum final withholding tax due for any taxable month from said persons shall not be lower than Twelve Thousand Five Hundred Pesos (PHP12,500.00).<sup>9</sup> Income tax shall include – whether in cash or in kind – basic salary/wages, annuities, compensation, remuneration and other emoluments, such as honoraria and allowances, received from such service provider or offshore gaming licensee.<sup>10</sup>

In addition, under the law, the PAGCOR or any special economic zone authority or freeport authority

shall engage the services of a third-party audit platform that would determine the GGR or receipts of offshore gaming licensees. The third-party auditor shall be independent, reputable, internationally-known, and duly accredited as such by an accrediting or similar agency recognized by industry experts.<sup>11</sup>

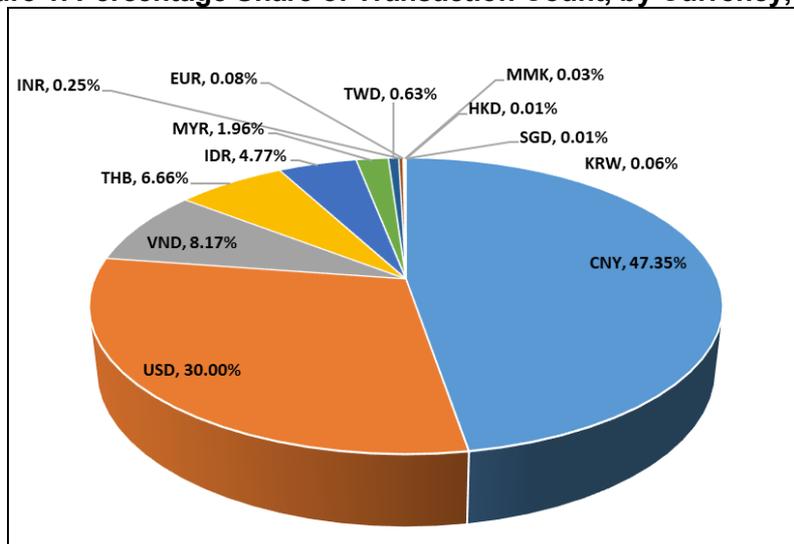


On February 22, 2023, Senator Win Gatchalian, Chairperson of the Committee on Ways and Means, called for the investigation of the contract of Philippine Amusement and Gaming Corporation (PAGCOR) with Global COMRCI, a third-party auditor, on the alleged underreporting of Philippine Offshore Gaming Operators (POGOs) revenues. Photo from senate.gov.ph (Senate PRIB)

**Relevant POGO Data and Observations**

*On the instability of POGO industry.* Gambling per se is illegal in China. Those involved in gambling shall be sentenced to a fixed-term imprisonment of not more than three years, detention and fines.<sup>12</sup> However, in the case of offshore gaming, Chinese nationals are number one bettors. In 2019, a year before the pandemic hit and during the POGO operation in the country was at its peak, almost half (47.35%) of the bets were in Chinese Yuan (see Pie Chart below).<sup>13</sup> During the same period, majority (57.64%) of the POGO employees were Chinese nationals.<sup>14</sup> These figures indicate that the POGO industry mostly catered to Chinese bettors. Since online betting is illegal in China, the POGO business model, in essence, is unstable.

**Figure 1. Percentage Share of Transaction Count, by Currency, 2019**



Source: Global ComRCI submission to PAGCOR dated October 14, 2022.

*On employment.* POGO and its related businesses provided very limited employment opportunities for Filipinos. For 2019, it only provided 20,956 jobs (0.05% of total employment) for locals. It slightly

improved to 24,699 jobs (0.05% of total employment) in 2022. Meanwhile, POGOs provided 97,283 jobs to foreigners in 2019, which accounts for 82% of the total POGO employment (see Table 1 below).

**Table 1. Number of POGO Employees**

|                                      | 2019    | 2022   |
|--------------------------------------|---------|--------|
| Foreign nationals                    | 97,283  | 22,789 |
| Filipinos                            | 20,956  | 24,699 |
| Total POGO Employees                 | 120,258 | 49,510 |
| % Fil. Employees to Total Employment | 0.05%   | 0.05%  |

Source: PAGCOR and PSA

*On tax collection.* For 2021, direct taxes collected from POGOs were minimal at only PHP 3.9 billion. Meanwhile, indirect taxes collected from spillover economic activities such as office and residential rentals as well as personal consumption of POGO employees

only contributed PHP 13.9 billion on the same year. In total, tax collection only amounted to PHP 17.8 billion or just 0.09% of the country's GDP (see Table 2 below).

**Table 2. Direct and Indirect Taxes Collected from POGOs, 2021 (in Billion PHP)**

|   | Value       |
|---|-------------|
| <b>Direct Taxes</b>   | <b>3.9</b>  |
| Corporate Income Taxes (CIT) from operators**               | 0.3         |
| Personal Income Taxes (PIT) from POGO employees**           | 2.7         |
| Other Taxes (LBT, franchise, DST)**                         | 0.8         |
| <b>Indirect Taxes</b>                                       | <b>13.9</b> |
| Estimated VAT from office rentals*                          | 2.3         |
| Estimated VAT from housing space rentals*                   | 3.4         |
| Estimated VAT from personal consumption of POGO employees** | 8.2         |
| <b>TOTAL</b>  | <b>17.8</b> |

Sources: Lee Chiu Property Consultants\*, BIR\*\*, DOF estimates

*On contribution to the economy.* In terms of Gross Value-Added (GVA), the National Economic Development Authority (NEDA) estimates that the POGO industry only contributed PHP 113.3 billion in 2019. It further declined to PHP 58.3 billion given fewer operational POGOs in 2022. GVA is represented by real estate rentals, facilities management cost, fit-

out cost, transportation, insurance, social contributions, salaries and expenditures. As a percentage of GDP, it is equivalent only from 0.59%-0.73% in 2019, and from 0.28% to 0.34% in 2022 (see Table 3 below). In this regard, the exit of POGO in the Philippines will not cause the collapse of the Philippine economy.

**Table 3. Contribution of POGOs to the Philippine Economy, 2019 and 2022 (in Billion PHP)**

| Item   | 2019 | 2022 |
|--|------|------|
| <b>Operating Expense</b>                                     |      |      |
| Real Estate Rental   | 11.0 | 8.1  |
| Housing Rental   | 36.0 | 28.6 |
| Facilities Management Cost                                   | 0.3  | 0.3  |
| Fitout Costs   | 8.8  | 5.3  |
| <b>Employee Support</b>                                      |      |      |
| Transportation   | 5.1  | 0.9  |
| Insurance  | 2.7  | 0.8  |
| Social Contributions (Employee, Employer, for all Employees) | 4.1  | 2.0  |
| Salaries and Resulting Expenditure (Filipino)                | 6.1  | 5.0  |
| Salaries and Resulting Expenditure (Foreigner)               | 39.3 | 7.3  |

| Item                            | 2019                | 2022                |
|---------------------------------|---------------------|---------------------|
| <b>TOTAL (in billion pesos)</b> | <b>113.3</b>        | <b>58.3</b>         |
| Gross Value Added (GVA)         | 114.19 to 142.50    | 60.92 to 74.85      |
| Gross Domestic Product (GDP)    | 19,517.86           | 21,824.38           |
| <b>GVA in % of GDP</b>          | <b>0.59 to 0.73</b> | <b>0.28 to 0.34</b> |

Source: NEDA estimates per submissions dated Nov. 7, 2022 and Jan. 3, 2023.

On social costs. Based on the Cost-Benefit Analysis (CBA) on POGOs conducted by the Department of Finance (DOF), the estimated social and economic costs and ills such as crimes, tax evasion, corruption, forgone FDI and tourism (PHP 143.30 billion) outweighs economic benefits (PHP 134.86 billion).

This is equivalent to a net loss of welfare amounting to negative PHP 8.44 billion in 2021 (see Table 4 below) which implies that for every PHP 1 cost incurred by POGO, only PHP 0.94 worth of benefit were generated.

**Table 4. Cost-Benefit Analysis of POGOs, 2021 (in Billion PHP)**

|   | Value         | Source  |
|---|---------------|---|
| <b>Total costs</b> <sup>15</sup>  | <b>143.30</b> |   |
| Total direct economic costs   | 65.77         |   |
| Additional cost for law enforcement and immigration   | 0.40          | DBM, DOF estimates                                      |
| Estimated decrease in FDI due to crime  | 26.23         | Okafor & Ede study and DOF estimates                    |
| Estimated decrease in inbound tourism revenues due to crime   | 28.62         | PSA, DOF estimates                                      |
| Estimated decrease in FDI due to corruption perception  | 10.13         | Karim, DOF estimates                                    |
| Estimated decrease in inbound tourism revenues due to corruption perception   | 0.39          | Assaf & Josiassen study, World Bank, PSA, DOF estimates |
| Total indirect economic costs   | 77.53         |   |
| Overall economy multiplier (foregone investments due to crime, foregone revenues from tourism, law enforcement/immigration) | 37.50         | PSA, DOF estimates                                      |
| Tourism industry multiplier   | 40.03         | PSA, DOF estimates                                      |
| Social costs  |               |   |
| Direct loss of life   |               |   |
| Direct physical and psychological harm to victims   |               |   |
| Legal   |               |   |
| Indirect social fear and anxiety  |               |   |
| Transfer of economic power from the market, government, and citizens to criminals   |               |   |
| Negative effects of erosion of institutional integrity  |               |   |
| <b>Total benefits</b>   | <b>134.86</b> |   |
| Total direct benefits   | 64.61         |   |
| Corporate income taxes (CIT) from POGOs   | 034           | BIR   |
| Personal consumption of POGO employees  | 6.56          | DOF estimates   |
| Personal income taxes (PIT) from POGO Employees   | 2.74          | BIR   |
| Income from office space rentals  | 16.63         | Leechiu, DOF estimates                                  |
| Value-added tax (VAT) from office space rentals   | 2.27          | DOF estimates   |
| Income from housing space rentals   | 25.17         | Leechiu, DOF estimates                                  |
| VAT from housing space rentals  | 3.43          | DOF estimates   |

|  | Value          | Source             |
|--|----------------|--------------------|
| Other taxes (LBT, franchise, DST)  | 0.83           | BIR                |
| Revenues from PAGCOR   | 3.50           | PAGCOR             |
| Transportation   | 3.09           | DOF estimates      |
| Insurance  | 0.05           | DOF estimates      |
| Total indirect benefits  | 70.25          |                    |
| Fiscal multiplier (CIT, PIT, VAT, other taxes)                           | 27.67          | PSA, DOF estimates |
| Public Administration and Defense; Compulsory social security multiplier | 2.50           | PSA, DOF estimates |
| Rental and leasing activities multiplier                                 | 40.08          | PSA, DOF estimates |
| Net benefit (cost)   | (8.44)         |                    |
| <b>Benefit-cost ratio</b>  | <b>0.94</b>    |                    |
| <b>Net benefit (cost) as percent of 2021 GDP</b>                         | <b>(0.04%)</b> |                    |

## Notes:

1. Social costs are difficult to quantify. There is no financial amount that can be easily assigned to the life and dignity of direct victims of human trafficking, prostitution, and kidnapping. In addition, there are indirect social costs such as heightened social fear and anxiety which are also difficult to quantify.
2. The multipliers used were based on the 2018 Input-Output table from the Philippine Statistics Authority (PSA).  
Fiscal multiplier: 3.88; Economy-wide: 2.02; Tourism industry: 2.38  
Public Administration and Defense; Compulsory social security multiplier: 1.71  
Rental and leasing activities multiplier: 1.96

Source: DOF position paper dated October 27, 2022.

*On the third-party auditor.* The Global ComRCI is the third-party auditor engaged by PAGCOR to determine the correct gaming revenues of POGOs. The PHP 6 billion contract was awarded prior to the POGO law. After an in-depth analysis of the documents submitted, the following were established:

- 1) The third party auditor lacks technical and financial capability;
- 2) The operations of the third party auditor cannot be found/located;
- 3) The third party auditor is not registered with the BIR and SEC; and
- 4) Based on COA audit report, the GGR determined by the third party auditor is inaccurate.

*On PAGCOR as POGO regulator.* It should be noted that PAGCOR is both a regulator and operator of POGOs. In this regard, there exists a conflict of interest on the part of PAGCOR as evidenced by the lack of effort and urgency to close down POGOs and accredited service providers that are involved in crimes as identified by the Philippine National Police (PNP), and those that are already flagged by Anti-Money Laundering Council (AMLC).

*On tax evasion.* There is a discrepancy between the GGR data declared by POGOs (PHP 28.4 billion) and PAGCOR (PHP66.7 billion) which resulted to lower taxes paid of PHP 1.9 billion to the BIR from January to August 2022. In this light, the erroneous determination of GGR by the third-party auditor may lead to under payment of taxes to the BIR and regulatory fees to PAGCOR. Worse, tax payments made by the third-party auditor cannot be traced.

Quo vadis, POGOs?

## References

- 1 PAGCOR Rules and Regulation for Philippine Offshore Gaming Operations (2016), Section 4(c)
- 2 Aside from PAGCOR, the Cagayan Economic Zone Authority (CEZA) and Authority of the Freeport Area of Bataan (AFAB) are also authorized to issue POGO licenses within their territorial jurisdictions.
- 3 Refers to the representative of an offshore-based operator in the Philippines.
- 4 R.A. No. 11590, Sec. 125-A
- 5 R.A. No. 11590, Sec. 27(F)
- 6 R.A. No. 11590, Sec. 28(A)(7)
- 7 Revenue Regulations No. 20-2021 implementing R.A. No. 11590, Section 3(A)
- 8 R.A. No. 11590, Sec. 27(G)
- 9 R.A. No. 11590, Sec. 25(G)
- 10 R.A. No. 11590, Sec. 25(G)
- 11 R.A. No. 11590, Sec. 125-A
- 12 Article 303 of Criminal Law of the People's Republic of China.
- 13 Per submission of Global ComRCI to PAGCOR on October 14, 2022.
- 14 Per PAGCOR submission dated January 12, 2023.
- 15 Costs in the analysis include key items but are not yet exhaustive (e.g., not including indirect costs of the negative effect to Filipinos of being crowded out of rental housing due to increase in housing and office rental prices due to POGOs, etc.)

# STSR ACTIVITIES JAN TO FEB 2023 TWG MEETINGS EASE OF PAYING TAXES JANUARY 18, 2023



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JANUARY 18, 2023**



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Tax Bits is an official publication of the Senate Tax Study and Research Office (STSTRO)

Located at Room 524, Senate of the Philippines, Financial Center, Pasay City

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# STSR ACTIVITIES JAN TO FEB 2023 TWG MEETINGS EASE OF PAYING TAXES FEBRUARY 2 AND 9, 2023





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