

Campaign on Women and the Tax Justice in Philippines

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**Breakout Session - Tax Justice and Women: Examining Gender Inequalities in the Tax System
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Sharing this morning the campaign launched by Freedom from Debt Coalition in pushing for a progressive, more people-oriented and women-friendly tax system in the Philippines. FDC is a member of a member organization of Jubilee South APMD who's work revolved around the issues of debt, public finance, water and power, climate change and climate finance by conducting advocacy work in the national, local and international arenas, to realize a common framework and agenda for economic development.

FDC has pioneered the campaign on Tax Justice in the Philippines as early as 1994 when the group organized a citizen's tax review to understand key issues and draw ways to amend the existing taxation policies of the country. Through the review FDC was able to forge consensus on key tax issues, including the primary characteristics of the tax system in the Philippines. One important point made in the review is the recognition that the Philippine tax system is regressive. It heavily relies on indirect taxes in the form of Value Added Tax attached to basic commodities. Instead of strengthening taxation through direct sources by rightfully demanding those who can afford to pay more, taxation through indirect sources simply places undue burden on the poor.

2. Allocation of tax revenues is also an unacceptable characteristic of the country's tax system. Instead of using revenues to support and improve basic services, taxes are used to service the government's debt. Government budget for debt servicing has always been higher than the budget allocated for any government agency. This may be a primary concern for all, but how it affects women, who are expected to always ensure that the basic needs of the family members are met, is a major concern.

3. Systemic corruption and ineptitude of the government with regards to taxation is also another mark of the country's tax system, which is the reason why generation of correct amount of revenues is not performed. Conservative estimates place the rate of tax evasion and avoidance at 50% of the potential collection. Each time the government is pressured by the IMF to raise its tax earnings, it resorts to the easy scheme of concocting a new tax (an indirect tax, at that). But if only the government would exert enough political will to weed out corruption and plug the many loopholes of the tax system, creation of new taxes would no longer be necessary.

4. Tax evasion among those who earn more and are more capable of paying taxes is another prominent issue affecting the tax system in the Philippines. Those who are able to evade tax are

also the same individuals who have the means to lobby in the Congress for tax laws that can be easily circumvented. Often, they also have the power to enact the laws and decide on how taxes are spent.

5. Tax policies implemented have been biased with men, placing women at a disadvantaged position. Comprising majority of the poor, it is most difficult for women to comply with regressive tax policies while performing their roles as household managers, tax payers or both. As household managers, women of course spend more on household expenditures that are essentially consumed by each member of the family. In the Philippines, the needs of the immediate members of the family are not the only things mothers consider. Often, they also have to think about the needs of other relatives and members of the extended family. Using the meagre income they receive from paid work or from how much income handed over by the breadwinner husband, placing VAT on basic goods and services makes it impossible for them to buy the basic needs of the family, both nuclear and extended families. When women get the chance to enter formal work and be tax payers on the other, either they are relegated to low-paying jobs or they merely receive less compared to their male counterparts even if in reality they do the same amount of work (or in other cases, they do more). Such scenario still makes it difficult for them to comply to tax policies given the meagre income they receive versus the amount of expenditure expected of them.

Given these observations and characteristics of the Philippine tax system backed up by the group's interest of fiscal clarity, social equity and people-oriented development, FDC launched its campaign to forward a progressive tax system. Various lobbying efforts to government offices were made to call for the following proposals that essentially relieves low-income groups, including women from taxation:

1. Tax exemption for minimum wage workers

FDC believes that individual tax exemption levels must reflect the income level at which people are able to meet their basic needs for a decent life. Exemption levels must be based on the minimum wage, also known as living wage. Only income levels above the minimum wage should be charged a tax and exemption levels must be indexed on inflation.

In 1997 – FDC demanded to raise the annual tax exemption for minimum wage earners from P25,000 to P80,000, regardless whether one is single or married. In addition to this, the group proposed for P10,000 additional tax exemption for each dependent children of the minimum wage earner.

2008 – (after more than 11 years) the Tax Exemption for Minimum Wage Earners Act was enacted allowing for a P50,000 worth of annual income tax exemption for single or married

minimum wage earners (still short compared to the group's proposal) + P25,000 tax exemption for each dependent child (way more than what was proposed).

This may be a success story for the group, but prominent gender issues remain in the legislation.

1. For single headed households, who are mostly women, although they are able to avail the exemption rate same as married couples, they carry the heaviest burden as they end up either physically juggling both productive and reproductive work or they are left with no choice but to pay for outside services that will help them accomplish reproduction. Buying these services ultimately uses up the tax credit they receive. Recognizing this, FDC demands the government to provide additional P2,000 tax credit for a maximum of four dependent children in addition to the tax exemption for each dependent child. This, proposal is still not considered by the law.

2. In terms of claiming the exemption for dependent children, bias is given to favor the husbands, who serve as the default claimant. Unless otherwise requested, the P25,000 exemption rate is automatically added to men's tax exemption, regardless of course to the capacity to pay and to the amount of income received by women compared to men.

2. Tax Exemption for Non-income Earner but Working Spouse

Recognizing majority of women's situation, FDC demands for an additional tax exemption of P80,000 for non-income earning but working spouse. The proposal essentially values women's unpaid work at home, who as mentioned, provide the most valuable contribution in making productive labor possible. It also counters the labor policies that limit women's access from privatized and expensive social services.

3. Tax Exemption for Labor Migrants and Overseas Contract Workers

Recognizing that more and more women fly out of the country to work abroad, FDC has pushed for the tax exemption of OFWs.

In 2010, the Migrant Workers and Overseas Filipino Workers Act was amended to include tax exemption for OFWs not only in travel and airport taxes, but also in payment of the documentary stamp tax (formerly charged for every remittance sent). This could help OFW beneficiaries recover some of the buying power they lost due to the peso's surge against the dollar.

The following year, (2011) as per the Bureau of Internal Revenue regulation, OCW's income derived from overseas employment is exempt from tax.

4. Tax Exemption for Small and Medium Scale Business

This is also part of the FDC campaign launched in 1997, where the group demanded the government to grant tax exemption among small and medium scale businesses. The purpose of this move is to encourage entrepreneurship among the middle and lower income groups, which is being dominated by women.

Five years later, the demand was heard and the Barangay Micro Business Enterprises (BMBE's) Act of 2002 was enacted to essentially promote the country's economic development by encouraging the formation and growth of barangay micro business enterprises. As the law stipulates, creation of BMBEs or any business entity engaged in production, processing or manufacturing whose total assets shall not be more than 3Million, serves as seedbeds of Filipino entrepreneurial talents. This is also seen as opportunity to integrate those in the informal sector with the mainstream economy, through the rationalization of bureaucratic restrictions, the active granting of incentives and benefits to generate much-needed employment and alleviate poverty.