

## **MAKATI BUSINESS CLUB STATEMENT ON JOINT RESOLUTION NO. 50**

The Makati Business Club strongly objects to Joint Resolution No. 50 introduced by Rep. Danilo Suarez (3<sup>rd</sup> District, Quezon), which authorizes the Bureau of Internal Revenue to collect 10% of gross sales/receipts of all large taxpayers as advance payment for taxes for the next two years.

The resolution is grossly unfair as companies have not yet earned the revenues to pay for the advance payment of future tax liabilities. Ten percent of gross sales/receipts is a very large amount that could cover more than three years of a company's future tax liabilities. And what happens if a company is no longer in business after one year? It is highly unlikely the company will receive a cash refund from a cash-strapped BIR. More likely, it will receive a tax credit that is useless to a non-operating company.

The advance payment of taxes creates an administrative nightmare for the BIR, which cannot even manage its tax credit system properly. There have been several tax credit scams in the past and this will only exacerbate that situation.

By targeting the largest taxpayers, Congress is sending a wrong signal to the sector that has helped sustain economic growth, even in these parlous times. It will only drive away investors who are needed to create new jobs and help reduce poverty.

The resolution is unenforceable. Without a law, Congress cannot authorize the BIR to collect tax obligations. Even if the resolution is translated into law, it is discriminatory as it does not offer equal protection under the law.

If no taxes are collected from this revenues source in the next three years, how will the next government fund the promised salary adjustments and pension increases of its own employees? It will have to borrow to meet that commitment made by this Administration.

Instead of resorting to this desperate scheme, this Administration should improve its own tax efficiency by prosecuting all tax evaders, starting with the large ones in order to set good examples. It should stop smuggling that is not only depriving government of revenues but is also killing domestic industries. It should eliminate leakages from the budget and end corruption.

If there were good governance, there would be no need for the government to borrow to fund rehabilitation projects resulting from the recent typhoons. There would be no need for irresponsible resolutions like Joint Resolution No. 50.

15 December 2009

###