

SEVENTEENTH CONGRESS OF THE) REPUBLIC OF THE PHILIPPINES)

First Regular Session

17 FEB -7 P1:19

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SENATE

s. No. <u>13</u>16

Introduced by Senator Ralph G. Recto

AN ACT

EXEMPTING THE BUREAU OF INTERNAL REVENUE FROM THE COVERAGE OF REPUBLIC ACT NO. 6758, OTHERWISE KNOWN AS THE COMPENSATION AND POSITION CLASSIFICATION ACT OF 1989, AS AMENDED, AND FOR OTHER PURPOSES

Explanatory Note

Under Section 2, Title I of Republic Act No. 8424 otherwise known as the National Internal Revenue Code of 1997, as amended, the Bureau of Internal Revenue (BIR) is mandated, among others, to collect all national internal revenue taxes, fees and charges, and to enforce all forfeitures, penalties and fines connected therewith. Pursuant to this mandate, and over the course of the past decade, the BIR has been collecting close to 80% of the National Government's tax revenues. The BIR, however, has been considered to be suffering from underperformance compared to other emerging Asian countries and this can be attributed to the fact that the agency is currently understaffed. At present, the BIR has an authorized *plantilla* of 21,491 but only 9,835 positions have been filled.

Although in recent years there has been improvement with respect to tax compliance by taxpayers, plugging tax leakages remain to be a constant challenge for government revenue officers brought about by the complex schemes employed by certain large taxpayers just to avoid taxes. Tax administration is a highly technical and specialized field and for it to be considered efficient, effective and at par with the legal and accounting personnel in the private sector, the BIR must be equipped with high-caliber professionals and first-rate technical and support staff who are regularly trained in the intricacies of taxation. With a competitive salary and incentive package, the BIR may be able to employ and retain high-caliber core personnel and counter the prospect of organizational "brain drain" to the private sector and even incidents of corruption.

As the very foundation of tax administration, it is quite ironic that little attention is given with respect to the welfare of BIR employees. The current compensation schedule of BIR employees is considered grossly disproportionate to the importance and risk that their work entails. Just to illustrate, a BIR employee occupying the position of Revenue Officer I has a monthly salary of PhP19,620.00, a paltry sum compared to an employee holding a similar position at the Securities and Exchange Commission (SEC) who receives a monthly salary of at least PhP50,238.00. Furthermore, with respect to lawyers, the entry-level salary at the BIR is PhP 35,693.00, a meager amount compared to lawyers employed at the SEC and Insurance Commission (IC) who receive a monthly salary of PhP53,754.00 and PhP66,524.00, respectively. With such a low salary, several employees and officials at the BIR resign from office to join other government agencies and the private sector where they are expected to receive double or even triple the amount of their current compensation package. And a number

of those who remain, however, either perform below their potential or worse, resort to corrupt activities.

As a measure of commensurate reward, this bill seeks to exempt the BIR from the coverage of Republic Act No. 6758, otherwise known as the "Compensation and Position Classification Act of 1989" or more popularly known as the Salary Standardization Law. With its passage, it is expected that the salaries of BIR employees and officials will be at par with industry standards and it is hoped that the BIR will be able to fill the glaring gap in its workforce and attract the best and the brightest in the field of taxation. More importantly, with a competitive compensation package, incidences of corruption at the BIR will be minimized if not eradicated and that the public can expect a BIR that can further improve its collection performance, and overall, a more efficient tax administration.

In view of the foregoing, immediate passage of this bill is earnestly sought.



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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. Declaration of Policy. - It is the policy of the State to reform tax 1 2 administration and ensure efficient and effective collection of taxes by employing and maintaining competent and professional revenue officials and personnel to collect taxes and 3 enforce internal revenue tax laws. Towards this end, the State shall exempt the Bureau of 4 Internal Revenue (BIR) and its employees from the coverage of Republic Act No. 6758, 5 otherwise known as the Compensation and Position Classification Act of 1989, as amended. 6 Section 2. Exemption from the Compensation and Position Classification Act of 1989 or 7 Salary Standardization. The BIR and its employees shall be exempt from the coverage of the 8 Compensation and Position Classification Act of 1989, as amended, or Salary Standardization 9 10 Law. The BIR is hereby authorized to formulate its own Compensation and Position 11 Classification System based on the following principles: 12 BIR personnel shall be paid just and equitable wages in accordance wth the 13 (a)

principle of equal pay for work of equal value;

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1 (b) Basic compensation for BIR personnel shall generally be comparable with those
2 in the private sector doing comparable work and must be in accordance with
3 prevailing laws on minimum wage;
4 (c) The BIR Compensation and Position Classification System shall be determined
5 through a comprehensive analysis and audit of actual duties and responsibilities of
6 the Bureau's officials and employees;

- (d) The total compensation provided for government personnel must be maintained at a reasonable level in proportion to the national budget; and
- (e) A review of government compensation rates, taking into account the performance of the BIR, its overall contribution to the national economy, and the possible erosion in purchasing power due to inflation and other factors, shall be conducted periodically;
 - Section 3. *Incentives to BIR Officials and Personnel.* The BIR, subject to the approval of the President, may provide for other incentives not provided under existing laws and Civil Service laws.
 - Section 4. Approval of the President. The BIR Compensation and Position Classification System implemented pursuant to this Act shall be approved by the President, and shall be subject to periodic review by the BIR, in consultation with the Department of Budget and Management (DBM), Department of Finance (DOF) and the Civil Service Commission (CSC), not more than once every three (3) years, without prejudice to yearly merit reviews or increases based on performance.
 - Section 5. Non-diminution of Salaries. The BIR Compensation and Position Classification System to be developed and recommended by the BIR, as approved by the President, shall apply to all positions, on full or part-time basis, now existing or hereafter created: *Provided*, That, upon the implementation of the approved BIR Compensation and Position Classification System there shall be no diminution in the authorized salaries of incumbent employees of the BIR as of December 31, 2016.
- Section 6. *Appropriation Clause.* The amount necessary to implement this Act shall be included in the General Appropriations Act of the year following its effectivity.

- Section 7. Separability Clause. If any of the sections or provisions of this Act is held invalid or unconstitutional, all other provisions not affected thereby shall remain valid and effective.
- Section 8. Repealing Clause. All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.
- Section 9. Effectivity Clause. This Act shall take effect fifteen (15) days after its complete publication either in the Official Gazette, or in at least two (2) newspapers of general circulation.

Approved,