



Fiscal Sector Performance and Outlook

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Outline of Presentation

- Progress Update
- Immediate Challenges
- Continuing Priorities

Taking stock of our progress

Implemented Fiscal Measures

| Measures | Status |
|---------------------------------------------|---------|
| Increasing power generation tariffs | ✓ |
| Higher sin taxes | ✓ |
| Broadening the VAT base | ✓ |
| Reducing excises on petroleum products | ✓ |
| Changing VAT refund procedures | ✓ |
| Raising the VAT rate from 10 to 12 percent | ✓ |
| Lateral attrition bill | ✓ |
| Consolidating fiscal incentives | Pending |
| Simplified net income tax for self-employed | Pending |
| Fiscal responsibility bill | Pending |

Delivering desired results

- Significant reduction in NG deficit

| (In Billion Pesos) | Jan-Dec 2005 | |
|--------------------|--------------|--------|
| | Prog | Actual |
| NG Deficit | 180.0 | 146.5 |
| % of GDP | 3.4% | 2.7% |

- Q3 CPSD better than programmed

| (In Billion Pesos) | Jan-Sept 2005 | |
|--------------------|---------------|--------|
| | Prog | Prelim |
| CPSD | 164.9 | 74.6 |
| % of GDP | 4.2% | 1.9% |

- Debt growth slowed down

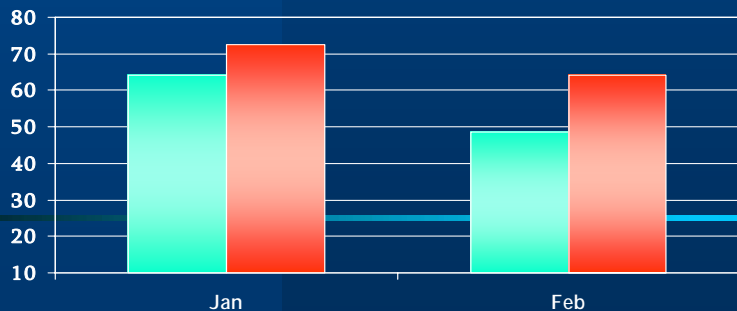
| (In Billion Pesos) | Actual | |
|----------------------------|---------|---------|
| | 2004 | 2005 |
| NG Outstanding Debt | 3,811.9 | 3,888.2 |
| % of GDP | 79.0% | 72.3% |

Jan-Feb 2006: Collections higher by 21.1%

Deficit P7.7 B lower than program

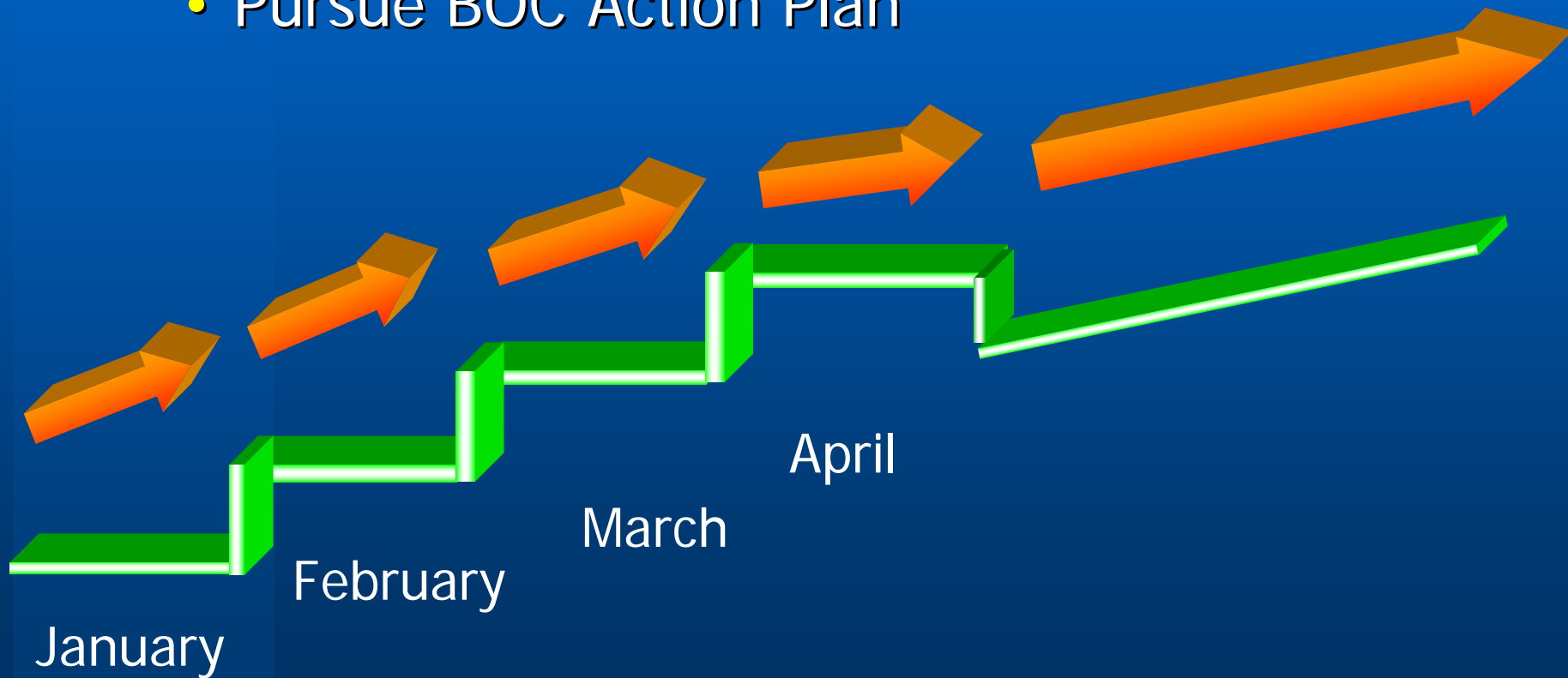
| (In Billion Pesos) | 2005 | 2006 | | Growth Rate 2006/2005 |
|--------------------------|----------------------|----------------------|----------------------|--------------------------|
| | Jan-Feb | Jan - Feb | | |
| | Actual | Prog | Actual | |
| Revenues | <u>113.1</u> | <u>127.8</u> | <u>136.9</u> | <u>21.1</u> |
| BIR | 73.7 | 88.7 | 91.2 | 23.8 |
| BOC | 19.8 | 24.4 | 25.6 | 29.2 |
| BTr Income | 12.7 | 7.6 | 12.6 | (1.5) |
| Other Offices | 6.8 | 7.1 | 7.6 | 11.0 |
| Surplus/(Deficit) | <u>(40.1)</u> | <u>(48.1)</u> | <u>(40.4)</u> | <u>0.9</u> |

■ 2005 ■ 2006



Immediate Challenges

- Sustain improvements in tax collection
 - Pursue BIR Action Plan
 - Pursue BOC Action Plan



● Intensify collection efficiency and governance

• Collection Efficiency Measures

- BIR: Third party information, e-Filing & e-Payment system, tax compliance and verification drive
- BOC: Post-entry audit, proper description of imports, purging of importers list

• Governance Measures

- Revenue Integrity Protection Service (RIPS)
- Run After Tax Evaders (RATE)
- Run After The Smugglers (RATS)

● Strengthen GOCC performance oversight

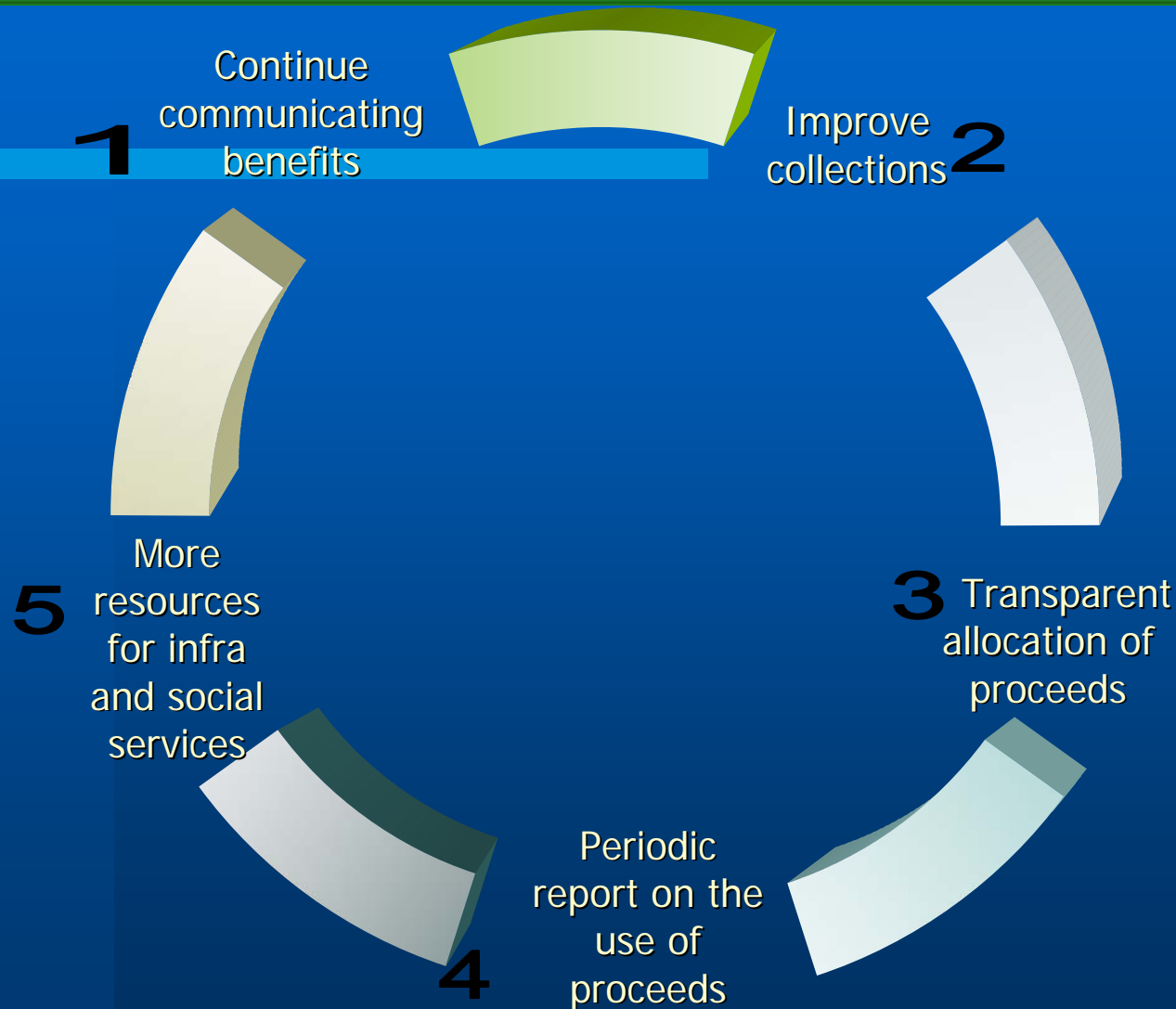
- Performance contracts

● Accelerate reforms and privatization in power sector

● Deepen the local capital market

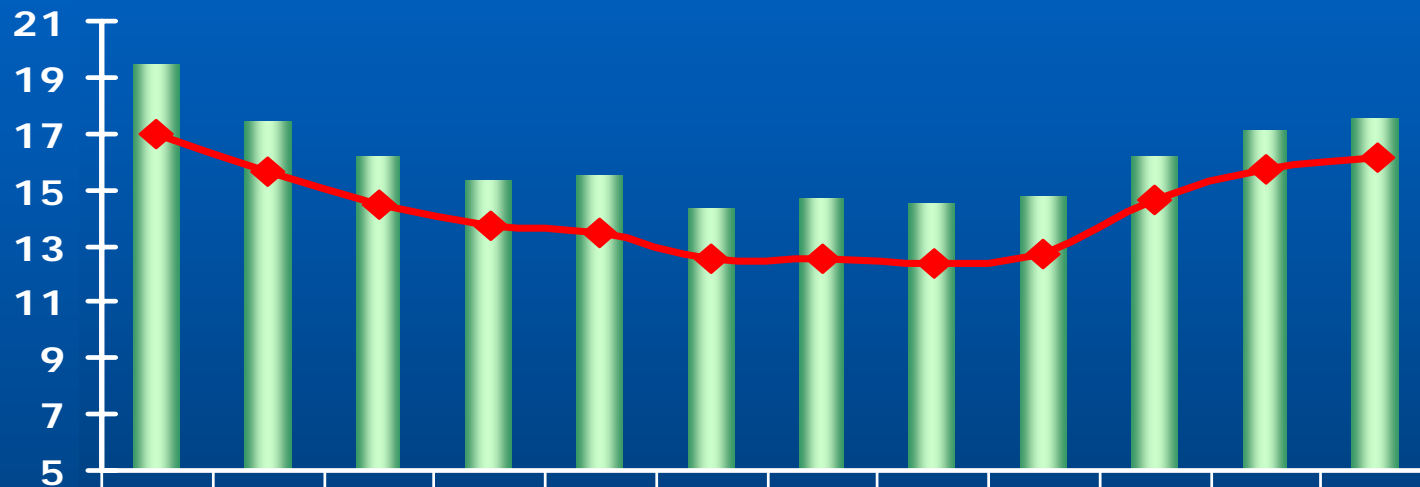
- Enactment of the Personal Equity and Retirement Account (PERA) Bill
- Amendments to the Insurance Code
- Institute the Pre-Need Code



Institute EVAT reporting mechanism



Continuing Priorities

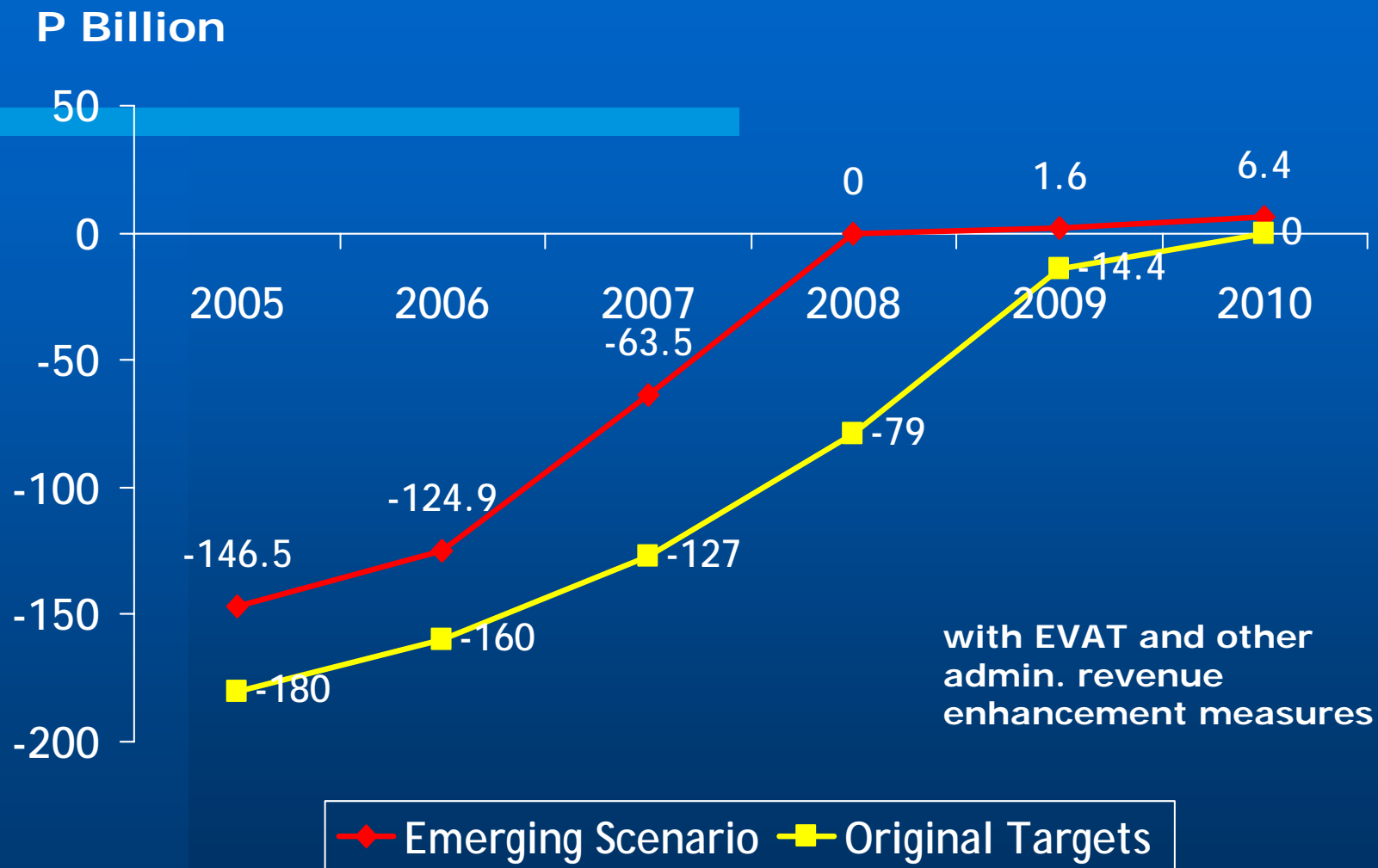
● Improve tax and revenue efforts



| | | | | | | | | | | | | |
|---------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
|  Revenue Effort | 19.4 | 17.4 | 16.1 | 15.3 | 15.5 | 14.3 | 14.6 | 14.5 | 14.7 | 16.1 | 17.1 | 17.5 |
|  Tax Effort | 17.0 | 15.6 | 14.5 | 13.7 | 13.5 | 12.5 | 12.5 | 12.4 | 12.7 | 14.6 | 15.7 | 16.1 |

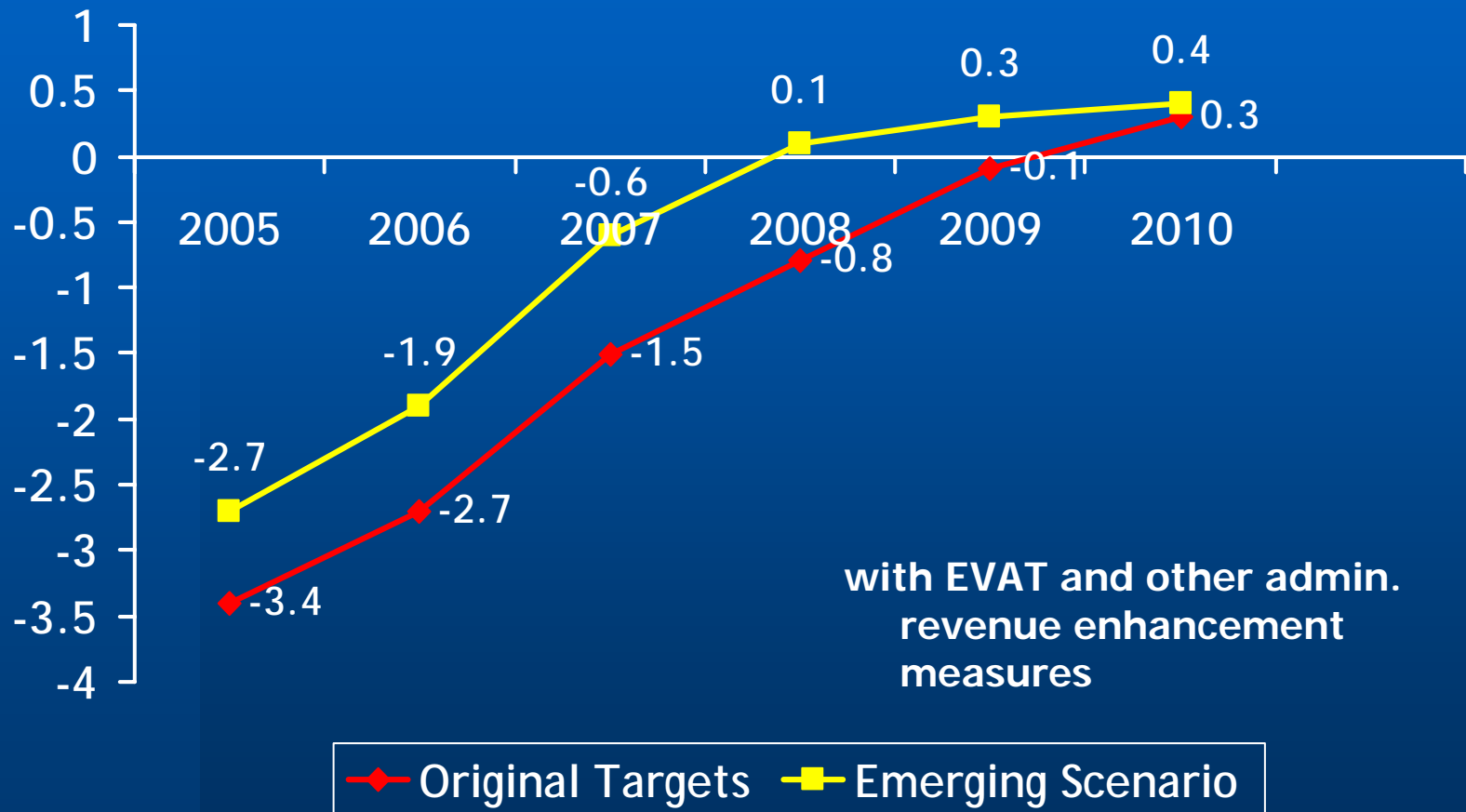
 Revenue Effort  Tax Effort

Balanced budget by end-2008



CPSD surplus by end-2008

% of GDP



“The greatest thing in this world is not so much where we stand as in what direction we are moving.”

Johann Wolfgang von Goethe

(1749-1832)



Thank you

