

More subsidies coming; GMA to explain VAT to CBCP

More subsidies from the P4-billion excess collection from value-added tax (VAT) on oil would be handed out to the poor to help them cope with rising fuel and food prices, Malacañang said yesterday.

President Arroyo and her economic managers will meet with the Catholic Bishops' Conference of the Philippines (CBCP) to hear their views on how to bring relief to the masses reeling from rising prices of basic goods.

Speaking to reporters yesterday, Budget Secretary Rolando Andaya Jr. said he was just awaiting a certification from the Department of Finance on the actual VAT revenue on oil.

The government had projected over P70 billion in VAT revenues from oil prior to the surges in the price of crude in the last few months, he added.

Andaya said among the possible new social welfare projects and assistance are those for the victims of typhoon "Frank."

"We're concentrating on spending what we collected so we can now expect a second round of subsidies," he said.

"P4 billion came in the first quarter and about P4 billion in the second quarter, and that's where we are focusing our attention on how

these funds will be spent.

"The health sector can use another boost and the favorite of the President is hospital upgrading so we might accelerate this also."

On the other hand, Executive Secretary Eduardo Ermita said the government will go on deficit spending this year by about P75 billion for more social services and safety nets in light of surging prices.

"It's important to point out to the agencies that it's not that we don't have enough money but for them to spend properly. Some agencies ask for (fund) releases and then we find out that their absorptive capacities are under question," he said.

"That's why the President gets mad when she sees projects that have fallbacks in implementation, yet the funding has been released."

Meanwhile, Finance Undersecretary Gil Beltran told reporters the projection for social services could go higher as oil prices continue to rise.

Since January, the government has collected about P9 billion in VAT revenues from the oil price increases alone, he added.

Ermita said Mrs. Arroyo intends to inform the Catholic bishops about the programs being implemented

by the government to help ease the burden on the masses.

Mrs. Arroyo and her economic team are expected to explain to them why lifting the VAT on oil would be difficult to implement, he added.

Mrs. Arroyo would cite to the CBCP the subsidies to the poor from the excess revenues of the VAT on oil, Ermita said.

Customs thanks Palace

The Bureau of Customs (BOC) thanked yesterday Malacañang for not removing the EVAT on imported oil.

Customs Commissioner Napoleon Morales said the agency would lose 40 percent of its revenue if the government removes the 12-percent EVAT on oil.

"Well, since they have started zero tariff on oil, if they completely remove EVAT, we will end up with zero collections," he said.

Morales said the collection from the EVAT is expected to contribute to their target revenue for 2008.

The agency is expected to earn P254 billion for 2008, he added.

Morales said removing the EVAT could also hamper the government's perfor-

mance since the delivery of basic services depends on the availability of funds.

"How can you run the machinery of government without these funds?" he said.

VAT reduction pushed

The chairman of the Federation of Philippine Industries pushed yesterday for the reduction of VAT on oil from 12 percent to 10 percent.

Speaking at the 30th annual scientific meeting of the National Academy of Science and Technology (NAST) at the Manila Hotel, Meneleo Carlos said the 12-percent VAT on oil comprised a "very big chunk" of government revenues.

"It should be brought down from 12 to 10 percent... you can't really re-

move taxes on fuels," he said.

NAST is an agency under the Department of Science and Technology.

The government is targeting some P87 billion revenues this year from the VAT on oil.

Finance Secretary Margarito Teves said lifting the 12-percent VAT on oil would result in substantial losses in tax collection.

The proposal would mean P73.1 billion in foregone revenues which the government could use to fund pro-poor programs amid rising oil and food prices, he added.

Teves said the suspension of the 12-percent VAT on oil will favor only those with high incomes.

On Monday, the CBCP proposed a review of the laws on VAT and oil deregulation.

For his part, Benjamin Austria, chairman of the Energy Committee of the Philippine Chamber of Commerce and Industry, said the PCCI is also not in favor of lifting the VAT on oil.

"Government revenues can still be maintained by reducing the EVAT," Austria, who was also a participant at the scientific meeting, said.

Earlier, Economic Planning Secretary Augusto Santos said the Cabinet was considering lowering the VAT rate on oil to make it revenue-neutral.

However, the move needs congressional action, he added.

This year's annual scientific meeting focused on "Energy Security and Sustainability: Assessing the present and foreseeing the future." - With Evelyn Macairan, Helen Flores