

# Philippines: For debt audit and repeal of automatic debt servicing

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## PRESS RELEASE

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FDC calls on PDU30 to prioritize debt audit, repeal of 40 year-old auto-debt payments

MANILA, Philippines - Doves seemed to flock in Malacañang today as activist group Freedom from Debt Coalition (FDC) carried their demands for debt audit and repeal of automatic debt servicing imprinted on images of the bird symbolizing peace and freedom.

“Freedom from illegitimate debts! We march today to bring our petition to President Duterte. We call on him to include in his priority legislative agenda the repeal of the automatic appropriations law embodied in Presidential Decree 1177 and the immediate comprehensive audit of all public debts,” said FDC Secretary-General Sammy Gamboa.

Presidential Decree 1177, commonly called the Automatic Appropriations Law (AAL), was a legacy of the late dictator Ferdinand Marcos. It mandated the automatic appropriations of funds for interest and principal payments of the debts of the national government.

By virtue of AAL, debt payments do not need approval from the Congress and are thus, not scrutinized during budget deliberations.

“For 40 years, we have suffered the impact of this oppressive law. Debt payments are prioritized and are given the first cut of the national budget before appropriations are made for social and economic services. Generations have been denied of their right to live a life of dignity and generations more will endure the same fate if we don’t get rid of this law now,” Gamboa said.

“And we don’t even know what it is that public funds are being used to pay for. How did we end up with these huge debts? How were these loans utilized? Did we even benefit from them or did they just fatten the crooks in government and their private contractors?” Gamboa added.

Recently, FDC revealed in a news release that P6.13 billion of the government’s foreign debt service for 2017 will go to 13 fraudulent, wasteful or useless loans for construction of farm-to-market roads, flood control, irrigation, power sector reforms, and elementary education, among others. Many of the loans came from the Asian Development Bank, Japan International Cooperation Agency and the World Bank.

The group wants President Duterte to immediately convene a technical working group (TWG) for the repeal of AAL and for the official debt audit. The TWG will be composed of representatives from the government and the civil society.

“Our proposal to convene a TWG has been identified during the Social Development Initiatives

Summit organized by the Duterte administration in Davao. It is one of the strategies toward achieving progress and development. We are pushing for immediate action on this,” said Gamboa.

For FDC, there will be no real change without freeing the people from the slavery of paying for illegitimate debts and without scrapping or overhauling the policies and institutions that facilitate the imposition of this burden on the public, especially the Filipino taxpayers.

### **Freedom from Debt Coalition (FDC)**

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## **Congress asked to scrutinize ₱566.4-B Palace tax package**

LAWMAKERS were asked to scrutinize more closely the Duterte administration’s tax-reform package, which aims to raise over P500 billion in new taxes to offset individual and corporate tax breaks of P198 billion, in the wake of findings that “regressive features”negate the benefits promised to some sectors like labor.

The Freedom from Debt Coalition (FDC), in a news statement released on Monday, acknowledged Malacañang’s efforts to reform the two-decade tax system, even as it voiced fears over the regressive effects of the five tax policy packages submitted by the Palace for Congress approval.

It warned that unless amended by Congress, the Palace proposal could end up penalizing ordinary wage-earning citizens. FDC also prodded Finance Secretary Carlos G. Dominguez III to disclose details of the administration’s tax-reform packages presented to Congress so people would know how these will impact the lives of millions of Filipinos to whom every centavo counts in their daily struggle to make ends meet.

At the same time, FDC Secretary-General Sammy Gamboa aired concerns that the tax reforms would be “based on trade-offs and compromises with corporate interests rather than principles of equity, fairness and justice.”

He warned that any increase in workers’ take-home pay due to lower individual income tax “would hardly [be] felt with higher prices of goods and services as a result of increases in excise tax on oil, which would hike fares in public transportation, and reduction of value-added tax exemptions [VAT].”

This developed after the Department of Finance (DOF) earlier bared plans to slash existing tax rates on individual and corporate income, fiscal incentives to investments, property and capital income alongside increases in excise tax on oil, property valuation and stocks traded in the stock market.

It added that exemptions from VAT will also be limited to raw food, health, medicines and education, even as the DOF, likewise, identified additional measures on sugary and fatty foods, mining, alcohol and tobacco, gambling, luxury items and carbon.

FDC noted that with the proposed five tax policy packages, the government stands to lose P198.3 billion but collect P566.4 billion in new taxes, “resulting in a net gain of P368.1 billion by 2019.”

“These figures are worrisome,” Gamboa said. “Net gain from the trade-off between lower personal income tax and higher excise tax on oil, lesser VAT exemptions and new levies on sugary and fatty

foods will be P220.7 billion.”

Meanwhile, he added, “there will be a P1-billion net loss from the swap between lower corporate income tax and rationalization of fiscal incentives. This means that Duterte’s new revenue-generating measures will be borne mostly by salaried workers!”

Moreover, Gamboa noted that public-transportation subsidies and the Conditional Cash Transfer Program would not be enough to cushion the effects of price hikes, stressing livelihood assistance and employment for affected sectors should be assured and could be funded by earmarking proceeds of the increased tax on oil for this purpose.

“We need to know,” he said. “The public deserves to be consulted. Will the proposed revenue measures facilitate economic gains to ‘seep through’ or will it force hard-earned money to pour out of ordinary people’s pockets?” Gamboa said, in allusion to the Duterte administration’s promise of equitable prosperity for all.

### **Butch Fernandez**

\* *Business Mirror*. September 12, 2016 0 149:

<http://www.businessmirror.com.ph/congress-asked-to-scrutinize-566-4-b-palace-tax-package/>

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