



Tax Administration Reforms

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Tax administration reforms in Package 1

Since 2016, the government has been prioritizing improvements in the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).



Mandatory fuel marking to curb oil smuggling

Provision for use of **electronic receipts**

Cash registers/point of sale machines shall be connected to BIR systems for **real-time reporting of sales and purchase data**

Bank secrecy relaxation for criminal cases



Fuel marking

Revenue from oil products

- In 2016, the government collected PHP 52.56 billion worth of fuel excise tax and VAT.

Tax revenues from oil products (billions of pesos)

	Excise	VAT	Total
BIR	13.22	2.11	15.33
BOC	10.92	26.30	37.23
Total	24.14	28.42	52.56

Annual forgone revenue from smuggling

- DOF: PHP 26.87 billion (2016)
- ADB: PHP 37.5 billion
- Oil industry: PHP 43.8 billion
- IDEA: estimated share of smuggled oil based on consumption (2000 to 2006)
 - Gasoline: 23 percent
 - Diesel: 6 percent
 - Diesel and gasoline: 20 percent
- To minimize smuggling and increase revenues from fuel products, both imported and locally refined, the government intends to set up a fuel marking program.

Fuel marking

- An invisible chemical marker will be added to imported and locally refined fuel products. BOC will work with a fuel marking service provider for the necessary expertise.
- The aim is to establish a national monitoring system that will minimize the illegal entry, manufacturing, refining, and distribution of fuel products, and increase revenue collection on all taxable products.

Benefits of fuel marking in other countries

Uganda

- Fuel marking program introduced in 2007.
- Sales of taxed fuel in the first 3 years of fuel marking:-
 - Gasoline: +34.6 percent
 - Diesel: +42.7 percent
 - Kerosene: -18.5 percent
- Revenue increased by USD 85 million per year.

Tanzania

- Fuel marking program introduced in 2010.
- Sales of taxed fuel in the first 3 years of fuel marking:-
 - Gasoline: +49.8 percent
 - Diesel: +55.1 percent
 - Kerosene: -65.8 percent
- Revenue increased by USD 150 million per year.

Serbia

- Fuel marking program introduced in 2014.
- Retail outlets sampled and found with illicit fuel would be subject to fines of USD 14,200 to 28,440 and banned from doing business for 6 months to 3 years.
- Extensive media campaign to inform public of program.
- Sales of diesel increased by 18 percent and gasoline by 14 percent.
- Estimated increase of USD 60 million in tax receipts.
- Fuel marking program provided annual return on investment of 6 to 7 times.

UK & Republic of Ireland

- Introduction of a Registered Dealers in Controlled Oils (e.g., red diesel & kerosene) scheme in 2013.
- Following an independent evaluation, a new molecular marker was introduced from April 2015 which proved significantly more effective than the previous markers.
- In Northern Ireland (UK), the illicit market share of laundered fuel reduced from 26 to 8 percent.
- In the Republic of Ireland, the new marker has led to the collapse of the fraudulent fuels market, generating for the Irish exchequer a revenue windfall estimated at Euro 300 million.