

# Department of Finance

Annual Report **1993**



"The critical question is no longer whether we will grow. It is how we can sustain and speed up this process."

**Pres. Fidel V. Ramos**  
*State of the Nation Address*  
1993





# MISSION

*Our economy must be one of the most dynamic and active in the world, globally competitive and onward looking.*

*The DOF shall take the lead in providing a solid foundation for the achievement of this objective, by building a strong fiscal position, through the following:*

- *formulation, institutionalization and administration of sound fiscal policies;*
- *improvement of tax collection efficiency;*
- *mobilization of adequate resources on most advantageous terms to meet budgetary requirements;*
- *sound management of public sector debt; and*
- *initiation and implementation of structural and policy reforms.*





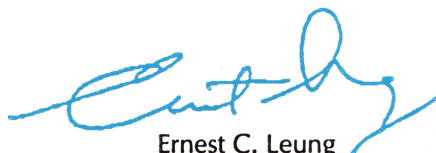


# MESSAGE

The stabilization measures and structural reforms the Ramos administration has pursued is now bearing fruit. Our country achieved a modest economic growth in 1993, signalling the start of an era of growth and progress. But much still needs to be done to sustain this momentum and achieve our goal of a long-term economic growth.

I am pleased to note that the Department of Finance has been a key instrument in the growth and development process of our country and economy. I am confident that with the support of an able and competent management and staff, we shall realize the visions of PHILIPPINES 2000.

To all the DOF officials and employees, congratulations for a job very well done and I hope your commitment and dedication will inspire other public servants in the performance of their duties and responsibilities to Government and the public at large.



Ernest C. Leung  
Acting Secretary of Finance  
03 June - 31 Dec. 1993

The Department of Finance plays a very significant role in nation building. More so at this time, when fiscal responsibility is of utmost importance for the attainment of the overall development agenda of Government.

Indeed, in 1993, we faced tough challenges in putting our fiscal house in order, but we met them squarely and successfully. We have laid the foundation for long-term sustainable economic growth and we are now ready for take off.

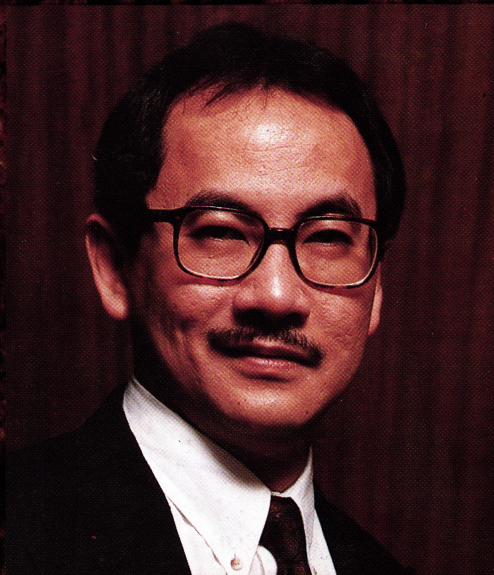
We should not, however, sit on our laurels. Instead, we should make sure that the programs and policies we have initiated will be pursued relentlessly and even more vigorously.

With our determination to achieve our goals, we will definitely succeed.



Ramon R. del Rosario, Jr.  
Secretary of Finance  
01 Jan. - 02 June 1993





Romeo L. Bernardo  
*Undersecretary*



Juanita D. Amatong  
*Undersecretary*



Ma. Cecilia G. Soriano  
*Undersecretary*



# UNWAVERING COMMITMENT

For the Department of Finance, it was a year of contrasts. The Economic Stabilization Program for 1991-1992, which featured stiff budgetary cuts and better expenditure allocation, had produced the desired results. The first few months of 1993 were encouraging. Investments were coming in. The improved political stability had boosted the private sector's confidence in the government.

However, what began auspiciously fell apart in the succeeding months. Six- to ten-hour daily power outages crippled commerce and industry, while a host of natural calamities ruined billions of pesos worth of crops and property. The sluggish economies of the Philippines' major trading partners - Japan, the United States, and Germany, among others - raised the peso's value artificially, thereby widening the trade deficit. Economic growth initially projected at 4.5% dwindled to just 2.3% by the end of the year. Caution overcame enthusiasm, and investment activities slowed down.

## The Odds Notwithstanding

However, within the organization itself, the DOF remained unfazed by the gloomy macroeconomic climate. Administrative and structural reforms were vigorously implemented, thereby lifting tax collections past the 1992 mark. Total national government revenues thus reached P260.4 billion in 1993, up by 7.3% from P242.7 billion in 1992. Tax effort rose to 15.3%. Bureau of Internal Revenue collections hit P145.9 billion, surpassing the 1992 total by 10%. Not to be outdone, the Bureau of Customs tallied P 82.0 billion in the import duties, 12.1% more than in 1992.

Dynamic fiscal and financial management held inflation down to a single-digit 7.5%, slashed interest rates by 50% from their levels two years back, pushed savings and investments to their highest levels in the past 10 years and eased the external debt burden to a mere 19% of exports. This feat removed the Philippines from the World Bank's list of 45 severely indebted countries and built up the banking system's international reserves to \$10 billion, enough to cover imports for almost one year.

After more than a decade of absence, the Philippines returned to the international voluntary markets. The DOF spearheaded

*“...the Philippines is now regarded to be on a more solid financial footing.”*

**Ramon R. del Rosario, Jr.**

*Statement in the Philippine House of Representatives*





**Milwida M. Guevarra**  
*Assistant Secretary*

**Ma. Eleanor F. dela Cruz**  
*Assistant Secretary*

**Antonio P. Belicena**  
*Assistant Secretary*



the reentry with a \$150-million Eurobond issue in February 1993. Several institutions followed suit, floating their own Eurobond issues, with the DOF serving as traffic controller.

The privatization of government-owned and/or - controlled corporations was another feather in the DOF cap. Proceeds from the sale of Petron Corporation alone grossed P 14.0 billion.

The APT's life was extended up to June 1995, and additional directions were issued for the more orderly, efficient and timely pursuit of the privatization program. Further, the privatization program was expanded to include public corporate assets and activities which may be privatized through various schemes.

At the grassroots level, the DOF sought to empower local officials by building up competence in local tax administration and financial management. The passage of the Local Government Code of 1991 provided a new paradigm in Philippine local governance. It signaled the transfer of the primary responsibility for local development initiatives and the delivery of key government services from the central government to local government units.

With the devolution of functions, the Code also decentralized the financing of local government.

This new scenario demands that the LGUs learn new ways of doing things. They must establish an accountable, efficient and dynamic organizational structure and operating systems. They must enhance the quality of local leadership. And lastly, they must embark on extensive revenue mobilization activities to be able to respond to the challenges of local autonomy.

But indeed, 1993 was a year of testing and experimentation in the area of local governance. Many issues for clarification and resolution were raised because of the innovations and trail-blazing provisions of the Code. DOF was not spared from grappling with the multifarious issues brought to its attention.

As the DOF continued to support the government's thrust to deregulate, it sought to further place the insurance industry on a stronger footing. Starting 1993, the DOF required insurance companies to increase their capital to P50 million to secure a renewal of their certificate of authority to transact business in the Philippines.

### Looking Forward

The Department of Finance, having gained a promontory, sees the extent of what still has to be done. And in center

*"The government bureaucracy has to be streamlined because deregulation and decentralization have made certain government offices unnecessary."*

**Ernest C. Leung**

*Statement at the Joint 1993 Annual Meetings of the Board of Governors, Washington, D.C.*

*"...our fiscal position...must be strong if macroeconomic stability is to be achieved."*

**Ernest C. Leung**

*Statement at the Joint 1993 Annual Meetings of the Board of Governors, Washington, D.C.*





*Directors Lourdes Z. Santiago, Crisanta S. Legaspi, Roberto B. Tan, Modesta U. Margallo, Ma. Lourdes V. Dedal, Arturo S. Samia, Jr.  
(Not in Photo: Directors Gil S. Beltran, Gil L. Gonzales)*



stage for the short and medium terms are reforms on tax administration. Focal points include the simplification of the tax system, primarily by making it less prone to compromises which give rise to corrupt practices; broadening of the tax base and minimizing tax exemptions which cause economic inefficiencies.

A leaner fiscal deficit will give ample leeway to a reduced reliance on loans, an increase in foreign investments, the opening of more avenues to international capital flows for the private sector, access to MIGA Facility, the ability to access capital flows, and capital market reforms. The DOF is taking the lead in completing an exit program from the IMF — a strong signal that the country seeks independence in fiscal and economic policy. Programs “made in the Philippines” would naturally follow the pulse of local conditions and priorities.

*“...we are confident that we will enter the 21st century as one of the most active economies in probably the most dynamic region in the world.”*

**Ramon R. del Rosario, Jr.**

*Statement in the Philippine House of Representatives*

The Philippines had begun the trek to NICdom, although the way is steeply uphill. Like most government institutions, the DOF has a vital role in this commitment, a commitment it will carry out to the hilt.

Hence, the key objectives of the DOF to help support the President's vision of the Philippines 2000 involve the unwavering pursuit of measures to:

- Reduce and eventually eliminate the consolidated public sector deficit (CPSD)
- Lower interest rates
- Maintain inflation at single-digit levels
- Improve revenue collection efficiency
- Reduce debt
- Enhance the country's creditworthiness
- Expand the role of the private sector as the engine of growth

It is and will be a central objective of the DOF to continue to reduce the CPSD. The DOF is determined to see to it that the age-old situation of large public sector deficits resulting in large public sector borrowings that crowd out the private sector for loanable funds and give rise to high inflation and high interest rates be gradually but decisively made a thing of the past. It is likewise its strategy to lower interest rates and to dampen inflation. This is the best way to encourage savings and investment which are two of the most important factors for economic growth.

The challenge for the DOF is to build on the unmistakable gains in the fiscal arena, and to pursue the implementation of structural reforms that are necessary to bring the economy decidedly on the road to NIC status before the turn of the century.



## PROFILE

In mammoth organizations - corporations, conglomerates, multi-nationals, governments - the indispensability of a central finance office to manage and mobilize resources is a truism. Without logistics and financial support "when needed, where needed", operations would be paralyzed in no time.

That the birth of the Department of Finance predated that of the Philippine Republic is testimony to its importance. Founded on 24 April 1897 by the Philippine Revolutionary Government, the DOF had Baldomero Aguinaldo for its first Director. Through the years, the DOF has undergone various structural and functional overhauls, but has nonetheless remained a key department.

Today, the critical tasks of revenue generation, resource mobilization and fiscal financial management rest on the shoulders of the Department of Finance. The government must provide the citizenry with infrastructure, education, health and other basic services; and the DOF must be ready with the funds for them. Likewise, the DOF must steer fiscal programs toward an investment-friendly environment, which is the catalyst for growth.

## MANDATE

Under EO Nos. 127, 127-A and 292, the DOF is responsible for the following:

- Formulation, institutionalization and administration of fiscal policies in coordination with other concerned subdivisions, agencies and instrumentalities of Government;
- Generation and management of the financial resources of Government;
- Supervision of the revenue operations of all local government units;
- Review, approval and management of all public sector debt, domestic or foreign; and
- Rationalization, privatization and public accountability of corporations and assets owned, controlled or acquired by the government.



# POWERS AND FUNCTIONS

To accomplish its goals, the Department shall:

- Formulate long-range, medium-term and annual plans covering the government's resource mobilization effort, in coordination with other concerned government agencies, and managing all public sector resources whether generated by revenues and operations, foreign and domestic borrowings, sale or privatization of corporations or assets, or from other sources, and supervise the implementation of such plans;
- Formulate, institutionalize and administer fiscal and tax policies;
- Supervise, direct and control collection of government revenues;
- Act as custodian of and manage all financial resources of the government;
- Undertake and supervise activities related to the negotiation, servicing and restructuring of domestic and foreign debt incurred or guaranteed by the government and its instrumentalities, including taking part in activities which affect the country's capacity to service foreign debt;
- Review and coordinate the policies, plans and programs of government financial institutions and recommend to them courses of action consistent with national government fiscal policies, plans and programs;
- Ensure the implementation of necessary policies and measures on local revenue administration;
- Coordinate with other agencies on matters concerning fiscal and monetary policies, credit, economic development, international finance, trade and investment.



# ORGANIZATIONAL STRUCTURE

## **OFFICE OF THE SECRETARY**

The OSEC has five support groups, which provide directional and policy support to the bureaus, offices and government corporations under the oversight of the DOF:

### **Policy Development and Management Services Group**

The PDMSG provides administrative and financial management support to the other Groups in DOF OSEC; oversees revenue operations of LGUs, designs and manages the human resource development program of the Department; coordinates activities of the bureaus, agencies and corporations under the DOF and with other institutions on matters of national importance and in ensuring that directives and collaborative undertakings for executive offices on common concerns are promptly considered; and attends to public relations and related concerns.

### **Revenue Operations Group**

The ROG processes requests for tax exemptions, reviews orders and rulings on taxation and extends legal support to the Department.

### **Domestic Finance Group**

The DFG is primarily responsible for forecasting and programming revenues of the national government (NG); coordinating and consulting with Congress on tax and other measures affecting the DOF; cash programming and monitoring of NG finances; undertaking studies on capital market development, debt manage-

ment, resource mobilization, fiscal reforms, etc.

### **International Finance Group**

The IFG secures foreign grants and loans; initiates and negotiates foreign borrowing and debt restructuring; participates in policy formulation regarding external resource mobilization; coordinates with other government agencies regarding international agreements on trade, investment, tax treaties and other international arrangements.

### **Corporate Affairs Group**

The CAG monitors the cash flows of the government corporate sector; provides technical support in the privatization of transferred accounts and government corporations; formulates and implements policies affecting government-owned and controlled corporations (GOCCs). CAG initiates studies whose objectives are: 1) to increase the net contributions of GOCCs to the National Treasury, 2) to make the government corporate sector responsive to financial and fiscal reforms, and 3) to instill public accountability and financial discipline in GOCCs.

## **BUREAUS**

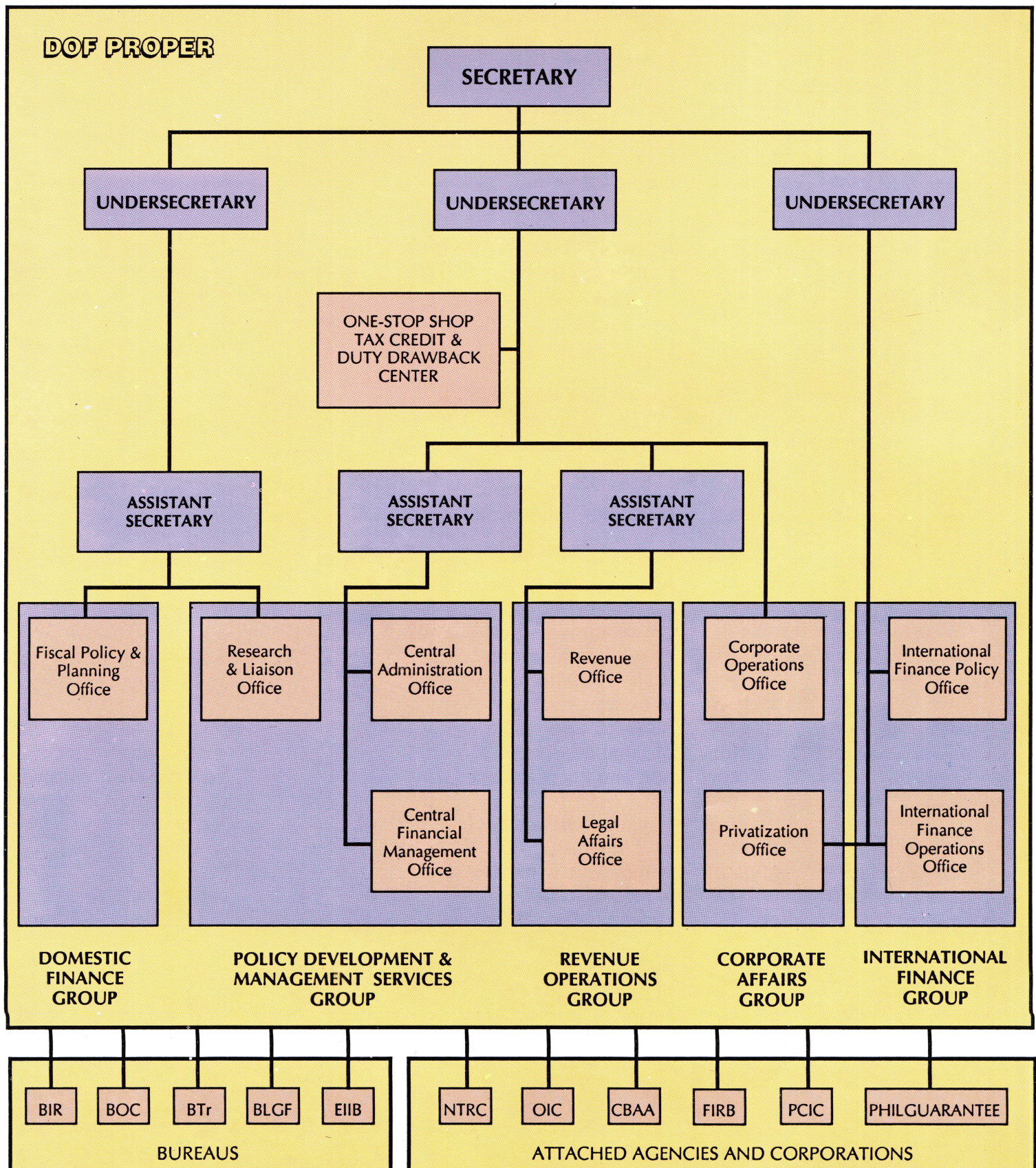
There are five bureaus under the Department:

### **Bureau of Internal Revenue**

The BIR assesses and collects all internal revenue taxes, fees and charges, which make up 50-70% of the NG's tax revenue. Armed with duly delegated police powers, it is duty-bound to



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prevent and prosecute tax evasion and other illegal economic activities.

### **Bureau of Customs**

The BOC collects customs duties, taxes and other fees and charges on trade transactions. It is tasked with preventing smuggling, pilferage and other economic frauds within all ports of entry for water and air vessels. The BOC administers the bonded warehousing law.

### **Bureau of the Treasury**

The BTr is the principal custodian of all the funds of the NG. It manages the cash resources of the government. It ensures the availability of cash resources for mobilization - supplying the amount required by the NG when needed and at the least possible cost. Thus, the BTr plays a pivotal role in containing the fiscal deficit and in identifying creative solutions to funding the fiscal gap.

### **Bureau of Local Government Finance**

The BLGF formulates and implements policies on local government revenue administration and fund management. A key player in the devolution of authority and responsibilities to local governments, the BLGF also extends consultative and technical assistance on local taxation, real property tax assessment, etc. The BLGF also administers the Municipal Development Fund, a credit facility for the LGUs. Local Treasurers are under the oversight of the BLGF.

### **Economic Intelligence and Investigation Bureau**

The EIIB provides all bureaus of the DOF with intelligence, investigation and prosecution support. It gathers and evaluates information on the nature, mode and extent of smuggling, illegal logging, and other forms of economic subversion.

### **ATTACHED AGENCIES AND CORPORATIONS**

There are five agencies and two corporations attached to the Department:

#### **Insurance Commission**

The IC regulates and supervises the insurance industry. It monitors the solvency of insurance companies and their intermediaries, and protects policyholders.

#### **National Tax Research Center**

The NTRC conducts studies on taxation and other revenue-generating measures. It prepares draft legislation or amendments to existing tax laws. NTRC is the research arm of the Department of Finance, specializing in revenue and tax researches.

#### **Fiscal Incentives Review Board**

Under PD 776, the FIRB is empowered to modify, withdraw, revoke or suspend tax exemptions and subsidies. It is chaired by the Secretary of Finance, and its members consists of the Secretary of Industry, The Director-General of the National Economic and Development Authority, The Commissioner of Internal Revenue and the Commissioner of Customs.

The FIRB reviews and approves requests for subsidy availing of government entities from the NG's Tax Expenditure Fund.

The NTRC serves as FIRB's Technical Secretariat.

### **Central Board of Assessment Appeals**

The CBAA is a collegial appellate quasi-judicial body which decides appeals on real property tax assessment cases, protests on realty tax payments, and claims on realty tax refund or credit. A complementary function of the CBAA is the conduct of seminars, workshops and provision of fora to heighten awareness on real property tax assessment and jurisprudence.

### **Philippine Crop Insurance Corporation**

The PCIC provides crop and livestock insurance coverage for farmers against losses due to natural calamities, pests and plant diseases. It administers the Comprehensive Agricultural Loan Fund Guarantee Program.

### **Philippine Export and Foreign Loan Guarantee Corporation**

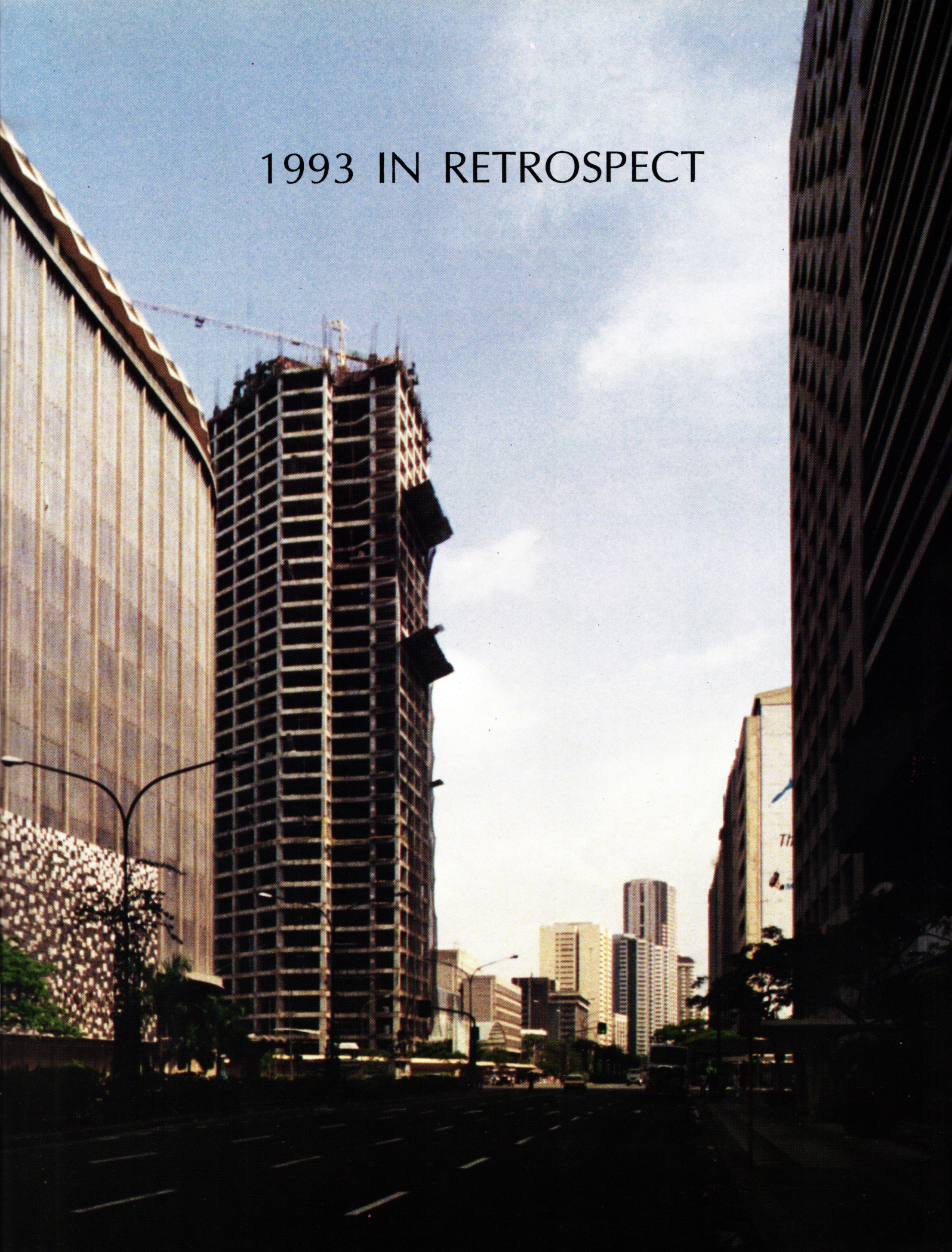
Provides guarantee and financial support to Philippine exporters. The bulk of its assistance goes to garments and furniture exporters.

### **Inter Agency Tax Credit and Duty Drawback Center**

The Center processes tax credits and duty drawbacks applications of exporters. It is guided by policies enunciated by an Executive Committee which is committed to make Filipino exporters globally competitive.



# 1993 IN RETROSPECT





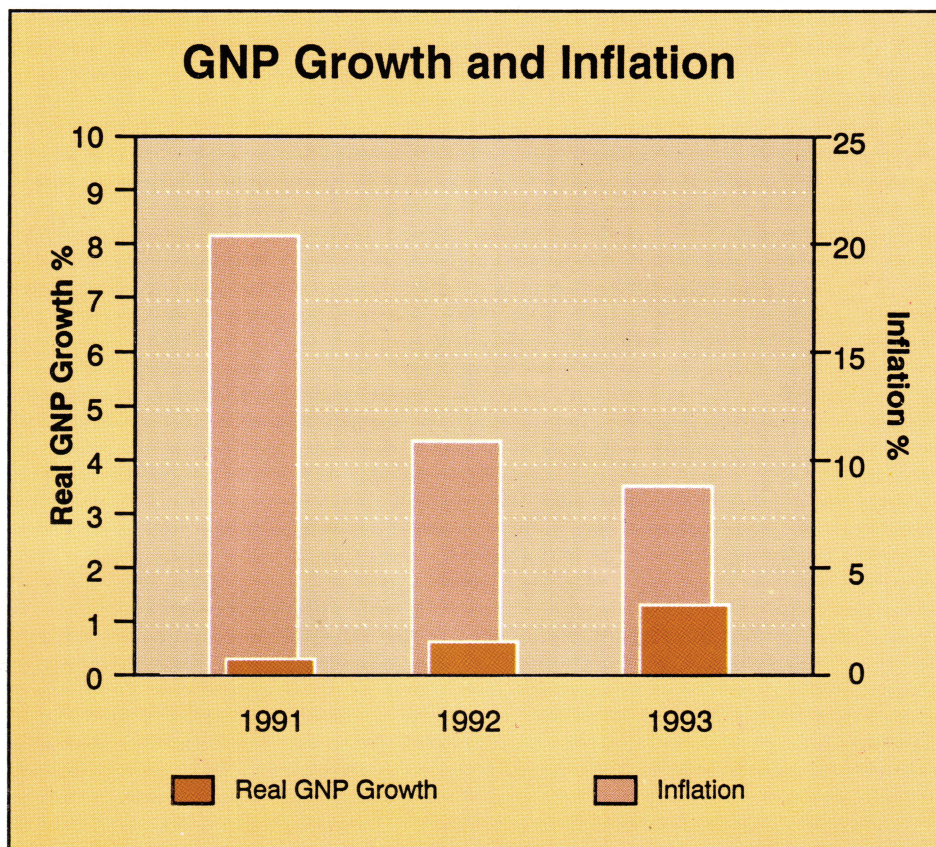
## Strong through the Gauntlet in 1993

As the Asian tiger economies accelerated their economic pace, the Ramos administration fixed its sights on industrialization. With "Philippines 2000" as its beacon, the government focused on global competitiveness and people empowerment, and defined the policies and programs needed to attain it.

Structural reforms geared to speeding economic development were vigorously pursued. For instance, a Joint Executive-Legislative Committee on Resource Mobilization held weekly meetings to increase cooperation between the two branches of government, and to facilitate the passage of urgent tax and revenue measures. Economic caucuses brought together the government's executive and legislative branches, the business sector, and the academe - a consultative process which drafted specific short-term economic targets and policy directions.

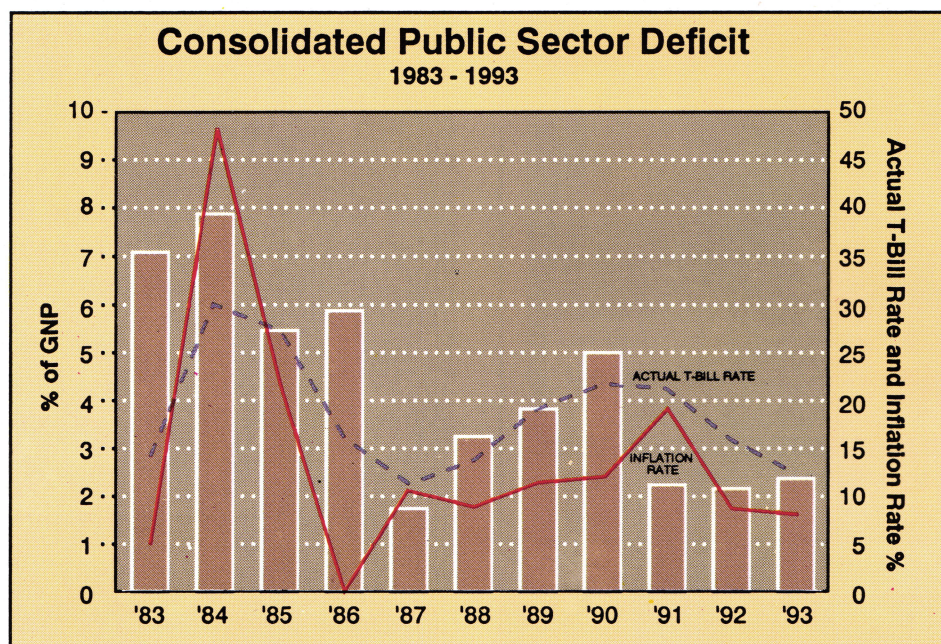
The year was rife with back-breaking problems and natural disasters, though. The energy supply deficiency; typhoons, floods, lahar, and other calamities and a widening trade deficit weighted the economy down. But this did not dishearten the Department of Finance, which pushed for and relentlessly implemented administrative and structural reforms.

In fact, the DOF's efforts landed it on the No. 3 slot as a no-nonsense performing agency in the Makati Business Club's Executive Outlook Survey of government agencies. The survey collates the members' perceptions of the performance of government entities, hinged on such economic variables as inflation, interest rates, foreign exchange, and the fiscal deficit.





## Fiscal Management



Note that the interest rate and inflation lines move together, and that they reach their peak when the CPSD is at its highest in 1984.

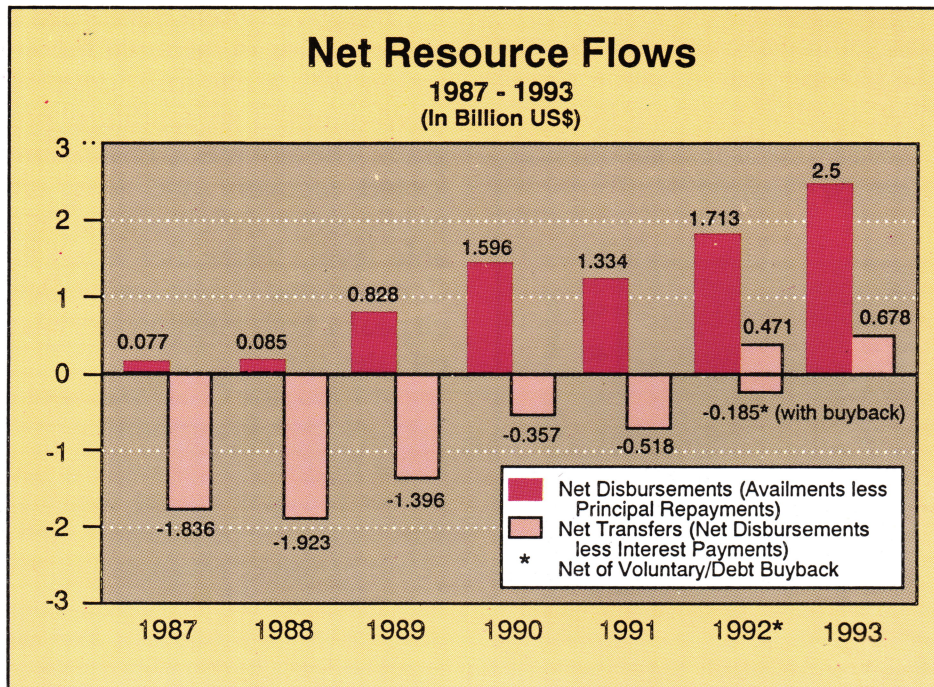
The government reinforced its modest gains in resource mobilization with a cautious, development-oriented expenditure program. The aim was to ensure firm-footed recovery and keep the public sector deficit at a manageable level. Note that when the Consolidated Public Sector Deficit peaks, both inflation and interest rates rise.

In 1993, the CPSD was kept at 2.2% of GNP, lower than the 3.0% target despite the fast-tracking of power projects during the year. This was made possible through a combination of revenue generating and expenditure-saving measures. Total expenditures in 1993 reached P282.3 billion, well within the programmed limit of P287.6 billion. As a result, the national government deficit was down to P20.6 billion, P4.8 billion less than the revised targets.

However, not all sectors suffered slashes in fund allocations. Key economic areas were actually primed, in line with the government's policy to attract investments and stimulate private sector business activity. The budget was reprioritized to maximize infrastructure support, particularly in transportation, communication and agriculture.

The Priority Projects Fund was introduced to cover the minimum operating requirements of national government agencies. Financial requests exceeding the minimum requirements were juxtaposed with the PPF and evaluated according to their economic and social impact.



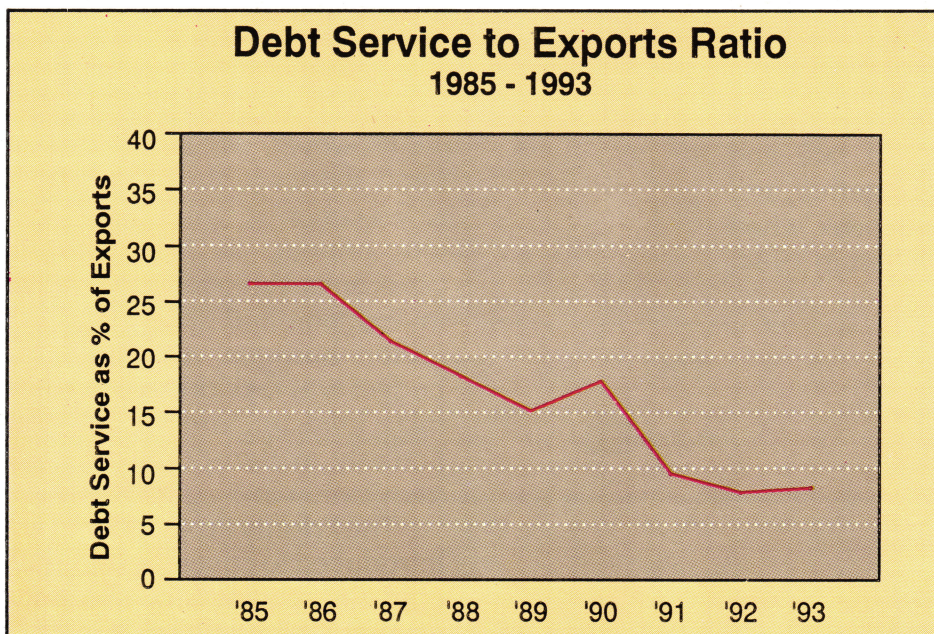


The DOF maintained a positive net resource transfer through more foreign grants and concessional assistance, a diversified base and enhanced absorptive capacity, manageable levels of debt and debt service, and environment-friendly export production and investments.

To stem resource outflows, the DOF worked at rescheduling bilateral obligations. The remaining rescheduling agreement - particularly with Italy, amounting to \$33.3 million - was concluded under the Fourth Paris Club Agreed Minute (PC IV). Addendum agreements with other bilateral creditors were signed, extending the consolidation period under PC IV.

By the end of the year, the government registered a positive net resource transfer of \$678 million. The debt service burden to total exports stood at 18.7% and the debt service-to-GNP ratio, at 6.4%. This convinced the World Bank to remove the Philippines from the list of 45 severely indebted countries.

Other debt management strategies adopted include optimum use of cash balances, and shift to longer activities.





## Resource Mobilization

As the economic growth target were adjusted from 4.5% to 3.5% in April, then to 2.5% in October, fiscal targets were correspondingly cut. Nonetheless, the DOF redoubled its efforts to raise revenue collections.

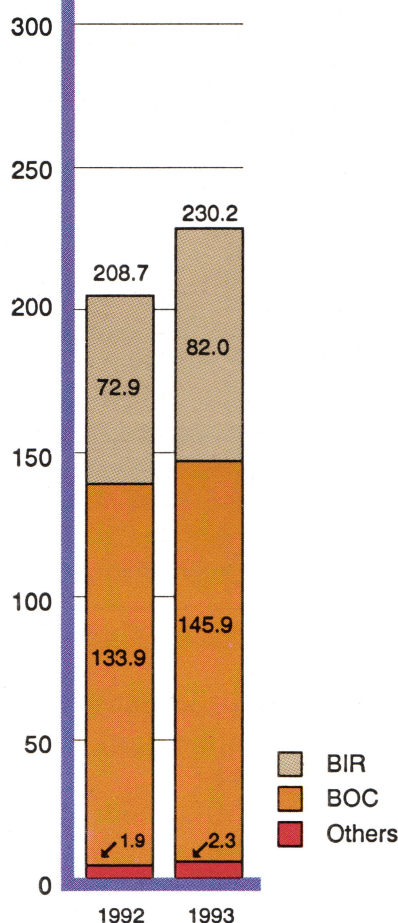
A combination of administrative and structural tax reforms produced the desired results. The BIR collected P 145.9 billion for the year - 8.5% higher than in 1992 - despite the economic slack; more modestly, also from interest earned by Treasury Bills, bank deposits and commercial papers.

Meanwhile, the BOC collected over P82.0 billion, a 12.1% upswing from 1992. Like the BIR, the BOC bucked heavy odds: the absence of the import levy, lifted in 1992 (which deprived the government of about P4.6 billion), a shift to imports with lower tariffs, a higher ratio of nondutiable imports to total imports and a reduced cash collection on the specific levy on oil products.

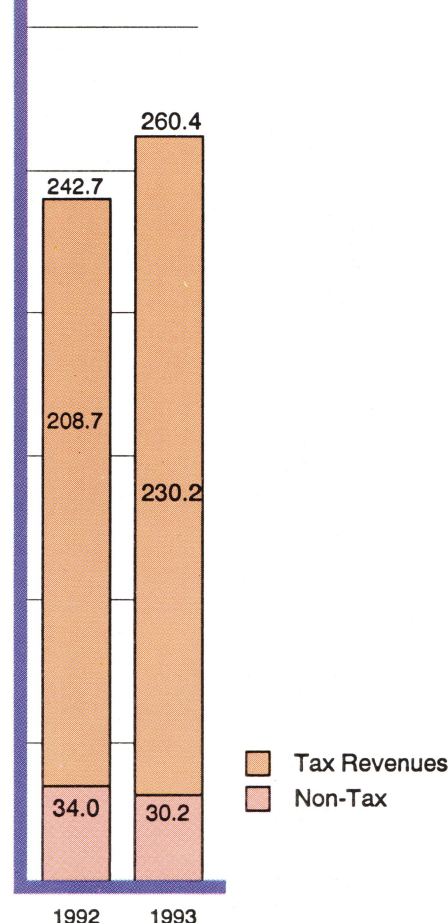
Although total collections still fell short of the 1993 revised revenue targets, the tax effort ratio nevertheless moved up from 15.1% in 1992 to 15.3% in 1993.

The DOF also strove to improve tax collection efficiency, broaden the tax base, and maximize the yield of existing taxes. This was facilitated with the passage of eight laws: RAs 7646, 7649, 7650, 7651, 7654, 7656, 7660, and 7661; five Executive Orders: EOs 48, 53, 54, 90, and 115; one Memorandum Order, MO 134; and one Memorandum Circular, MC 121. (See back page for a detailed description of the legislative and executive issuances.)

**BIR and BOC Revenue Collections**  
In Billion Pesos



**NG Revenue Performance**  
In Billion Pesos



### TAX COLLECTION PERFORMANCE IN SUM

#### BIR

Collections up from P 133.9 billion in 1992 to P 145.9 billion in 1993.  
Collections affected by:

- Lower economic growth
- Higher deductions given to individual income taxpayers
- Tax exemptions under new laws and court rulings, NPC, pensions funds, coops.
- Lower interest incomes

#### BOC

Collections up from P 72.9 billion in 1992 to P 82.0 billion in 1993.  
Collections affected by:

- Higher imports
- Collection from additional oil levy
- Lower tax credit
- Higher share of non-dutiable imports
- Shift toward lower tariff items
- Timing of new measures.

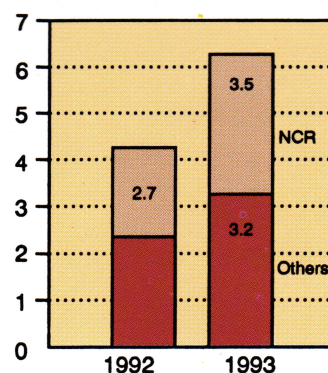


COMPARATIVE REAL PROPERTY TAX COLLECTIONS CY 1992 & 1993			
Region	ACTUAL COLLECTIONS		% Increase/ Decrease
	1992	1993	
NCR	P 2,725.20 M	P 3,499.80	28.42%
CAR	64.00	71.20	11.25%
I	126.10	123.00	-2.46%
II	54.80	72.20	31.75%
III	305.30	322.10	5.50%
IV	650.80	776.30	19.28%
V	104.10	238.30	128.91
VI	350.60	433.00	23.50
VII	295.00	297.30	0.78%
VIII	122.00	121.20	-0.66%
IX	40.00	49.60	24.00%
X	168.80	260.70	54.44%
XI	214.30	275.40	28.51%
XII	114.20	131.60	15.24%
<b>TOTAL</b>	<b>P 5,335.20 M</b>	<b>P 6,671.70 M</b>	<b>25.05%</b>

At the local level, real property tax collections exceeded the 1992 level by 25.0% with the National Capital Region's impressive collection performance of P 3.5 billion.

### Real Property Tax Collections

1992 - 1993  
In Billion Pesos





Finally, to address the need for complete, up-to-date and accurate tax information, the DOF embarked on a comprehensive computerization program. The bidding for computer hardware and technical support was completed in 1993

## NONTAX REVENUES

Total nontax revenues amounted to P30.2 billion, one-fourth of which - P7.5 billion - was generated by the BTr through interest earned on national government deposits. In addition, the BTr collected P 10.2 billion in dividends, guarantee fees, interest on advances, and a share of income from operations (e.g., PAGCOR, NAIA, LTO, etc.).

The BTr's income in 1993 was less than that of 1992, because of the decline in interest income from national government deposits at the Central Bank/Bangko Sentral ng Pilipinas. Interest income of the BTr from its Central Bank deposits fell from P 7.5 billion in 1992 to P 4.8 billion in 1993. RA 7653, which restructured the CB/BSP, decreed that P159.6 billion of the NG's deposits be retained under the CB Board of Liquidators. Thus, while the interest earned on deposits with the government's other authorized depository banks increased by 132%, interest on deposits with CB/BSP dipped by 36%.

## PRIVATIZATION

1993 was a banner year for the Philippine privatization program, as the DOF pushed hard to complete the sale of big-ticket

accounts. Sold were 60% of the National Development Company's share holdings in the International Corporate Bank (a leading commercial bank with 51 branches) which generated P1.9 billion; and 40% of the holdings of the PNOC in Petron, for P14.0 billion.

Total gross revenues generated from the disposition of five GOCCs in 1993 amounted to P18.4 billion; TA dispositions, P2.2 billion.

By the end of the year, cumulative gross revenues from privatization totaled P77.8 billion, covering the disposition of 327 transferred assets entrusted to the Asset Privatization Trust for disposition, and about 62% of the 130 GOCCs scheduled for privatization.

Big-ticket GOCCs sold include:

	Sales Proceeds (In P billion)	Extent (in %)
Petron	14.0	40
PAL	10.7	67
PNB	4.6	43
Interbank	2.2	100
Marina Properties	1.8	100
Philippine Plaza Holdings	1.5	100
Union Bank	1.3	87

Meanwhile, Congress passed RA 7661 which extended the life of the Committee on Privatization and APT until June 1995, with immunity from preliminary injunctions. This law provides that no court or administrative agency should issue any restraining order of writ of preliminary injunction against the APT, COP and any of the COP-designated disposition entities. Moreover, the APT, the

COP and any of the COP-designated disposition entities may secure the immediate lifting of such orders or writs by filing the appropriate bond. Past dispositions were hamstrung by litigations and injunctions.

The law also expanded the scope of the Philippine privatization program to include the sale of assets under the oversight of the Presidential Commission on Good Government and idle foreign and local properties of the government. Further, the law provided for the application of 50% of the gross proceeds of privatization to general purposes instead of the full amount being earmarked for agrarian reform.

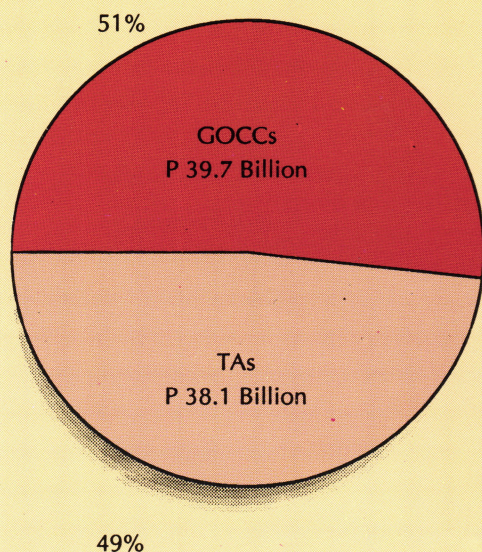


# Privatization

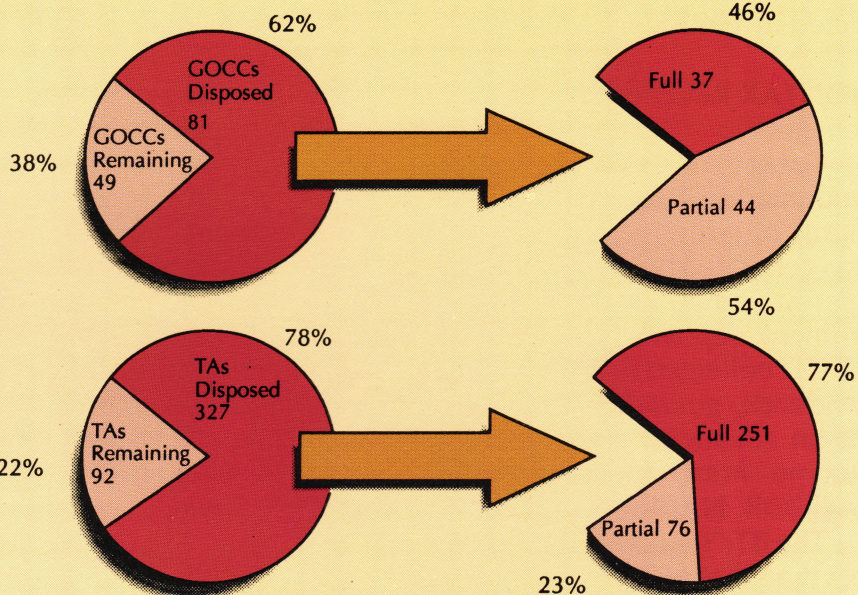
1987 - 1993

## GOCCs / TAs Disposed

Gross Revenues Generated  
P 77.8 Billion)



130 GOCCs Approved for Privatization



### DISPOSITION OF GOCCs IN 1993 (In Billion Pesos)

Particulars	By	Buyer	Amount
<i>Full Dispositions</i>			
International Corporate Bank	NDC	Consortium led by Union Bank of the Philippines	1.89
Nadeco Realty Corporation	NDC	Macondray Holdings Corporation	.16
Associated Bank	APT	Leonardo K. Ty group	.05
Subtotal			2.10
<i>Partial Dispositions</i>			
Petron Corporation	PNOC	Aramco Overseas Company	14.00
NDC-Guthrie Plantations, Inc.	NDC	Asian Plantations Philippines, Inc.	.06
Subtotal			14.06
<b>Total</b>			<b>16.16</b>



## Government Corporate Sector Reforms

<b>Transfers Between NG &amp; GOCCs, 1993 In Billion Pesos</b>	
Subsidy	6.14
Equity	6.62
Net Lending	2.71
<b>NG Flows to GOCCs</b>	<b>15.47</b>
Dividends	1.61
Share in PAGCOR	3.22
NAIA Terminal Fee	.24
Gov't share from NAIA	.17
Interest on Advances to GOCCs	1.10
Sale of Assets (APT)	10.09
Duty Free Shops entrance fee	.04
PAGCOR Qualifying	.26
<b>NG Flows from GOCCs</b>	<b>16.73</b>

The government corporate reform program focused on two areas: instilling fiscal and financial discipline, thus generating positive contributions of government-owned and/or -controlled corporations to the NG coffers, and accelerating privatization. The DOF closely monitors the cash flows of the GOCCs to provide the country's fiscal managers with fingertip reference and guidance in fiscal policy formulation and fiscal management.

In 1993, the combined deficit of the GOCCs was driven up by the capital expenditures of the NPC, the PNOC, and the National Electrification Administration. These three accounted for about 84% of the total capital expenditures of GOCCs. The deficit was somewhat offset, however, thanks to the larger surpluses reported by the DBP, the PNB, the Land Bank of the Philippines, Philguarantee, the Social Security System, and the Government Service and Insurance System.

A major concern of the DOF is the continued improvement in the net transfers from the GOCCs to the national government through the promotion of cost recovery measures, the enforcement of dividend payments and the review of national government budgetary support. Net transfers from the GOCCs to the National Treasury hit P16.7 billion in 1993, surpassing their total budgetary support of P15.5 billion.

Dividend remittances of GOCCs are expected to grow in the coming years with the passage of RA 7656, which increases the dividend due from the GOCCs to 50% of annual earnings after taxes have been deducted.



## BORROWINGS

Treasury Bills floated in 1993 totalled P632.1 billion. These consisted of P343.2 billion of regular issues, P42.6 billion issued on tap and P69.4 billion special GOCC series. Treasury bill maturities amounted to P584.1 billion, leaving net sales of P48.1 billion. Treasury bills worth about P177.0 billion and Treasury bonds worth P50 billion were issued in December 1993 to the CB Board of Liquidators.

Debt service payments for the year, 60% of which were for domestic obligations, amounted to P118.5 billion. Interest payments amounted to P76.6 billion; principal payments, P37.0 billion.

By the end of 1993, the outstanding foreign and domestic debts of the national government stood at P599.0 billion and P682.1 billion, respectively.

## ACCESS TO INTERNATIONAL CAPITAL MARKETS

For the first time in more than 12 years, the international financial community reopened its doors to the Philippines. This enabled the country to tap cheaper and longer-term foreign funding and generate more investment flows. In February 1993, the DOF took the initiative with a Eurobond issue valued at \$150 million. A number of Philippine GOCCs then followed suit with their Eurobond issues: the Development Bank of the Philippines (\$175 million), Philippine Airlines (\$100 million), the Philippine National Oil Company-Energy Development Corporation (\$200 million), the Philippine National Bank (\$150

million), and Subic Power Corporation (\$105 million).

The confidence generated by these fresh inflows will further encourage new investment inflows.

The country regained admission to voluntary external financing through its perseverance in restoring democracy, pursuit of

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*“Encouraged by the success of . . . the Eurobond issue, we shall eventually also penetrate the Yankee and Samurai markets.”*

**Ramon R. del Rosario, Jr.**

*Statement in the Philippine House of Representatives*

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economic and financial reforms and growth-oriented debt management. This combination of reforms set an environment conducive to investment and entrepreneurship. With its access to global capital markets, the Philippines will be able to expand its lender base and, at the same time, diminish its reliance on expensive local credit. Private companies will likewise be able to tap foreign sources of credit and thus take some stress off the domestic capital market.



## Support to Priority Sectors

The frontline services of the DOF are not confined to tax and duty collections. Through the ROG, the DOF grants tax and duty exemptions. In 1993, the ROG approved 8,074 applications for tax and duty exemptions of nonstock and nonprofit educational institutions, returning Filipino residents, importations under bond and covered by international agreements, offsetting arrangements for the importations of radio and TV stations, and retirees. These applications represent a total foregone revenue of P 297.7 million.

The One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (CENTER) was created pursuant to Administrative Order (A.O.) 266 dated February 7, 1992, for the orderly and expeditious processing of tax credit and duty drawback claims of exporters, business enterprises and other entities. In particular, the CENTER is entrusted to process tax credit and duty drawback applications within 30 working days from date of acceptance of applications.

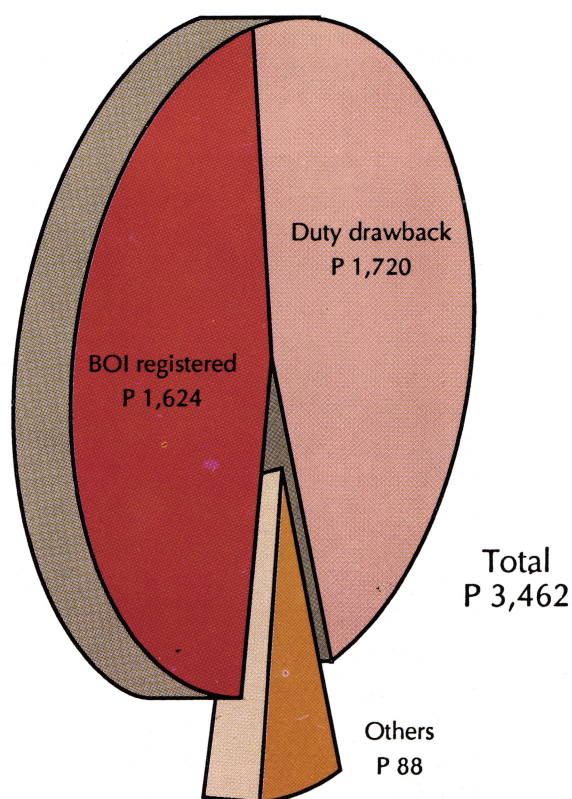
Before the CENTER was created, the existing systems of processing tax credit and duty drawback availments were being administered by different government agencies. This resulted in varying documentation requirements, longer processing time of one to two years, and a considerable number of deferred applications/and claims.

To correct these problems, the CENTER was established with the following specific objectives:

- (1) provide only one venue for exporters to transact business regarding their tax credit claims,
- (2) simplify and standardize the documentary requirements, and
- (3) expedite the release of Tax Credit Certificates (TCC) to these exporters in the shortest possible time.

The rationale for the streamline of the tax credit and duty drawback systems is to provide exporters access to inputs at world prices. These systems should increase the overall competitiveness of Philippine exporters by reducing, if not eliminating, the capital holding costs associated with the unduly long duration of the processing of tax credit/duty drawback applications for tariffs and taxes paid on their raw materials and other inputs.

TCCs Issued by the Center 1993  
(in million pesos)





## Policy and Administrative Reforms

Revenue enhancement measures designed to improve the tax system and facilitate tax administration were submitted to and subsequently passed by Congress. These were complemented by a number of executive issuances intended to address certain fundamental tax reform objectives:

### Objectives of Tax Reforms

- Simplify the tax system for ease in administration and compliance.
- Broaden the tax base.
- Set up a progressive tax structure.
- Set up a tax system that enhances economic efficiency.

*“Despite the not-too-optimistic outlook for the world economy, the Philippines continues to implement (the) structural reforms needed to make our economy globally competitive.”*

**Ernest C. Leung**

*Statement in the Philippine House of Representatives*

### Tax Reforms under Study

- Refinements in the income tax.
- Phase out of tax incentives.
- Simplification of excise taxes.
- Tax administration improvements.
- A rational tariff structure.

### BIR ADMINISTRATIVE REFORMS

#### Tax Administration Strategic Planning (TASP)

- Enhance Voluntary Compliance
- Reduce Compliance Burden on Taxpayers
- Make the BIR management- and productivity-oriented

#### Tax Computerization Program

### BOC ADMINISTRATIVE REFORMS

#### Plug Revenue Leakages

- Centralized Accounts Receivable System
- Valuation Library
- Reforms in Warehousing Operations
- BOC-Private Sector Partnership vs. Smuggling

#### Faster Disposition of Seized and Abandoned Goods

- Model Security Warehouses

#### Other Reforms

- Release of shipments within 48 hours.
- Faster clearance of passengers and processing of cargoes at airports
- Personnel training and development
- Utilized new technology (i.e., X-ray machines, laboratory)
- Created Board of Inquiries to investigate and hear cases
- Rationalized the availment of the legal remedies of redemption and settlements



# Institution Building

## HUMAN RESOURCE DEVELOPMENT

One of the DOF's top priorities has always been to develop a cadre of highly trained and dedicated staff. All job applicants are thoroughly screened; all employees are given the best possible training and motivation. Underpinning this commitment is the management's firm belief in a lean but efficient organization.

The DOF and its five bureaus had a manpower complement of 20,688, with 86.7% working at the BIR and BOC. The Office of the Secretary carries 360 regular positions, and the Center 73 contractual positions. In line with the government's move to streamline the bureaucracy, the Office of the Secretary proposed the abolition of 38 regular positions in 1993. But continuous scanning of the organization for redundancy and

inefficiency remains a priority concern of the management.

Strategic planning assumes pivotal importance in organizations with a wide outreach. Thus, through strategic planning workshops, Secretary of Finance Ramon del Rosario, Jr. sought to forge a consensus on management goals and strategies, and a common vision among DOF officials. In February, the program culminated in a strategic planning workshop attended by top officials of DOF proper, the presidents and chief executive officers of the bureaus, agencies, and corporations under the oversight of the DOF. The workshop produced performance agreements from the senior officials, which were then used in measuring institutional and individual outputs.

To boost productivity, the management conducted courses, seminars, and workshops that upgraded the skills of the employees. In-house training included

courses on computer applications and hardware, project appraisal and analysis, international loan negotiations, financial programming, policy formulation and foreign policy processes. The management support groups also had access to training in accounting and budgeting, records management, recruitment and selection, civil service laws, property and supply management, inventory custodianship, and internal audit.

Middle to top managers (Division Chief and above) were encouraged to complete their master's degrees by availing of local and foreign scholarships. For 1993, the grants offered were master's degree programs in business administration, economic policy planning and development economics.

Cross-postings were also started to allow senior officials to gain broad-based experience in the various facets of the work of the DOF.





## MORAL RECOVERY PROGRAM

The DOF pursued with even greater resolve its commitment to rid its ranks of misfits. The Office of the Secretary set the example by terminating the services of 11 employees. Long-pending administrative complaints were likewise investigated. The DOF also strongly supported proposed disciplinary actions of local treasurers. Thirty-one disciplinary sanctions were approved, 24 of which prompted the dismissal of three Assistant Provincial Treasurers and 20 Municipal Treasurers.

The DOF pushed for the improvement of systems and procedures, strict enforcement of rules

and disciplinary action and changes in the organizational setup. Frontline services were further streamlined to eliminate opportunities for extortion. Employees were sent to seminars on value formation.

The BIR inked a Memorandum of Agreement with the Department of Justice, the Ombudsman, the Philippine National Police and other government entities involved in the campaign against graft and corruption. The MOA stipulates that these agencies give each other access to vital evidence in the investigation of erring personnel. The BOC, on the other hand, put a premium on the implementation of a compre-

hensive tax computerization program to decrease human intervention, so as to reduce the opportunity for graft and corruption.

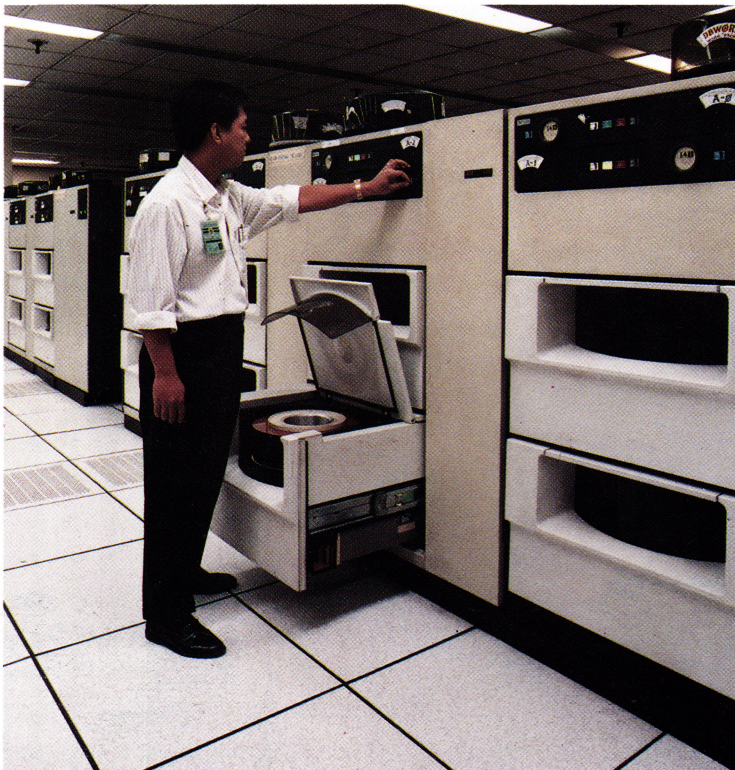
The BIR filed tax cases against tax evaders, conducted tax audits to ferret out deficient returns, undertook measures to prevent anomalies in the remittance of tax collections, started a bureau-wide reorganization and implemented reforms to enhance voluntary compliance.

## OFFICE SYSTEMS AND TECHNOLOGY

Measures to further increase productivity included the streamlining of office procedures, which eliminated and simplified superfluous and redundant forms and procedures. The result was an orderly flow of documents and better control of the movement of supplies, equipment and property.

The time consumed for financial transactions such as disbursement vouchers was cut by decreasing the number of signatories and reorienting the remaining signatories on content and method. The acquisition of more computers also helped improved paper flow and processing, and information build-up.

Finally, to address the need for complete, up-to-date and accurate tax information, the BIR and the BOC embarked on a comprehensive computerization program.





## NG CASH BALANCES

As of end 1992 - 1993  
(In Million Pesos)

Cash Location	1992	1993
Treasury Vault	314	333
Central Bank of the Philippines	150,737	0
Bangko Sentral ng Pilipinas	0	125,818
Philippine National Bank	16,978	7,519
Philippine Veterans Bank*	1,486	0
Land Bank of the Philippines	3,954	15,759
Development Bank of the Philippines	4,602	4,532
Others	3,969	3,999
<b>Total</b>	<b>182,119</b>	<b>158,039</b>

\* Deposit Converted to PVB's promissory note ads required by law  
Source: National Cash Accounts Service, BTr.

## MACROECONOMIC ASSUMPTIONS

	1986	1987	1988	1989	1990	1991	1992	1993
GNP, Nominal	596,278	670,826	792,012	912,027	1,082,557	1,266,070	1,383,518	1,507,956
GNP Growth, Nominal	7.23%	12.50%	18.07%	15.15%	16.70%	16.95%	9.28%	8.99%
GNP, Real	579,134	805,864	852,570	689,208	724,386	728,819	735,053	753,843
GNP Growth, Real	4.2%	4.6%	7.7%	5.6%	5.1%	0.3%	1.3%	2.4%
Inflation Rates	-0.40%	3.00%	6.90%	12.20%	14.20%	18.70%	8.90%	7.60%
Exchange Rate (P/US\$1)	20.30	20.57	21.09	21.74	24.31	27.48	25.51	27.12
Depreciation Rate	9.55%	0.88%	2.53%	3.08%	11.62%	13.04%	-7.17%	5.31%
T-Bill Rate (91-day)	14.43%	11.39%	14.41%	19.33%	23.40%	21.35%	16.12%	12.25%
T-Bill Rate (Weighted Average)	18.04%	12.89%	15.51%	19.68%	24.74%	22.49%	17.00%	13.10%
Price of Oil (US \$ / Barrel)	14.74	16.99	13.31	15.64	20.24	18.22	17.97	15.90
Imports, FOB, US\$ N 1/	5,044	6,737	8,158	10,419	12,206	12,051	14,519	17,597
Import Growth Rate, US\$ Terms	-1.31%	33.56%	21.11%	27.70%	17.15%	-1.27%	20.48%	21.19%
Excise Tax Rate Index, 1991=100	100	100	100	100	100	100	100	100



# NATIONAL GOVERNMENT FISCAL POSITION

CY 1992 - 1993  
(In Million Pesos)

	1992	1993
Total Revenues	242,714	260,405
Tax Revenues	208,705	230,171
Bureau of Internal Revenue	133,904	145,927
Net Income and Profits	70,123	74,795
Excise Taxes	27,629	30,259
Sales Taxes, VAT and Licenses	27,794	33,458
Other Domestic Taxes	8,358	7,415
of which Travel Tax	697	720
Bureau of Customs	72,870	81,971
Import Duties / Taxes	40,443	47,227
VAT on Imports	13,375	20,240
Other Collections	19,051	14,504
Import Levy	4,631	0
Special Levy on Oil	14,420	14,504
Other Offices	1,931	2,273
Motor Vehicle - LTO	1,610	1,874
Miscellaneous Accounts	321	399
Non-Tax Revenues	34,009	30,234
Free and Charges	5,890	6,917
PCGG Sequestered Assets	202	118
Sale of Assets (APT)	1,674	1,559
BTr Interests on CB Deposits	7,522	4,827
BTr Interests for Advances to Gov't Corp.	1,548	576
Others	13,324	14,206
ESF Proceeds	1,704	481
Foreign Grants	1,745	1,514
Domestic Grants	400	36



	1992	1993
TOTAL EXPENDITURES	258,680	282,296
Current Operating Expenditures	214,939	226,618
Personnel Services	74,337	78,696
Maintenance and Other Operating Expenses	33,673	34,565
Subsidy (Transfer to Corp.)	3,531	5,147
Allotment to LGUs	16,114	27,773
Interest Payments	79,571	76,491
Tax Expenditures	7,713	3,946
Capital Outlays	41,036	51,526
Infrastructure	29,949	22,870
Other Capital Outlays	16,176	14,960
Capitalization Equity	(9,150)	6,753
Capital Transfer to LGUs	4,061	6,943
CARP Land Acquisition and Credit	504	1,502
Net Landing	2,201	2,649
OVERALL SURPLUS / (DEFICIT)	(15,966)	(21,891)
FINANCING	15,966	21,891
Net Foreign Borrowings	14,390	12,910
Gross Foreign Borrowings	34,143	38,223
Less: Amortization	19,753	25,313
Net Domestic Financing	1,576	8,981
Net Domestic Borrowings	138,248	(28,566)
Gross Domestic Borrowings	148,146	(16,992)
Less: Amortization	9,898	11,574
Non-Budgetary Accounts	46,013	13,307
Less: Change in Cash	90,659	24,240



## 1993 LAWS AND REGULATIONS

### NEW LAWS

- **Republic Act No. 7646** An act authorizing the Commissioner of Internal Revenue to prescribe the place for payment of internal revenue taxes by large taxpayers, amending for this purpose certain provisions of the National Internal Revenue Code.

It grants the BIR Commissioner the authority to require large taxpayers to file their returns and pay their taxes in designated venues. A large taxpayer is defined as a business establishment whose tax liability is equal to or greater than: (1) VAT: P100,000; (2) exercise tax: P1 million; (3) corporate income tax: P1 million; or (4) withholding tax: P1 million.

- **Republic Act No. 7649** An act requiring the Government or any of its Political Subdivisions, Instrumentalities, or Agencies, Including deduct and withhold the Value Added Tax Due at the Rate of Three Percent (3%) on gross payment for the purchase of goods, and Six Percent (6%) on gross receipts for services rendered by contractors.

Allows the amount withheld to be claimed as input tax by the seller or contractor. The VAT withheld will be remitted to the National Treasury within 10 days following the end of the month in which the VAT was withheld.

- **Republic Act No. 7650** An act repealing Section 1404 and amending Sections 1401 and 1403 of the Tariff and Customs Code of the Philippines, as

amended, relative to the physical examination of imported articles

Eliminates the required 10% physical examination of imports.

- **Republic Act No. 7651** An act to revitalize and strengthen the Bureau of Customs, amending for the purpose certain sections of the Tariff and Customs Code of the Philippines, as amended.

Extends the grace period for a consignee/importer to file an entry for his shipment to a nonextendible period of 30 days from the discharge of the last package from the carrying vessel and a nonextendible period of 15 days from the date of notification to claim the importation. Provides for the automatic forfeiture and disposition of misdeclared and/or undeclared articles.

- **Republic Act No. 7653.** An act creating the Central Monetary Authority.

- **Republic Act No. 7654** An act revising the Excise Tax Base, allocating a portion of the incremental revenue collected for the emergency employment program for certain workers.

Imposes floor tax rates on cigarettes.

Prescribes a contractive tax base, which is the price, including the excise tax and VAT, plus a 20% markup.

Earmarks 50% of the incremental revenue in the first year of an emergency employment program for workers displaced by the power crisis.

- **Republic Act No. 7656** An act requiring GOCCs to declare dividends under certain conditions to the National Government, and for other purposes.

It requires GOCCs to remit to the NG at least 50% of their annual net earnings as dividends, cash, stock or property.

- **Republic Act No. 7660** An act rationalizing further the structure and administration of the Documentary Stamp Tax, amending for the purpose certain provisions of the National Internal Revenue Code, as amended, allocating funds for specific programs, and for other purposes.

Increases the documentary stamp tax on (1) original bond issues; (2) original stock issues; (3) bank checks; (4) foreign bills of exchange and letters of credit; (5) property insurance policies and other policies; (6) charter documents; (7) deeds of sale and conveyance of property; (8) other documents, such as certificates, warehouse receipts, and power and attorney.

- **Republic Act No. 7661** An act amending Republic Act No. 7181. Entitled "An Act Extending the Life of the Committees on the Privatization and Asset Privatization Trust."

Extends the life of the Committee on Privatization and the Asset Privatization Trust from 31 December 1993 to 30 June 1995. Provides that 60% of the proceeds of disposition will go to the special account of the Agrarian Reform Fund and 40% to the general fund.



## NEW REGULATIONS

- **Executive Order No. 48**  
Requiring the collection of the qualifying fees for players entering the Casino, at P100 per player.

- **Executive Order No. 53**  
Directing all government agencies concerned to provide the Bureau of Internal Revenue with the necessary information to help increase tax collection.

- **Executive Order No. 54**  
Directing the yearly publication of lists of persons who filed income tax returns and paid income taxes.

Requires government agencies to furnish the BIR information and directing the yearly publication of the top 4,000 corporations and of certain government officials who have filed income tax returns.

- **Executive Order No. 52**  
Requiring the use of Taxpayer Identification Number (TIN) on documents.

- **Executive Order No. 53.**  
Directing all government agencies to provide the BIR with necessary information to help increase tax collections.

- **Executive Order No. 90**  
Requiring the owners of taxable imported motor vehicles with year models 1988 to 1992 to obtain clearances from the Bureau of Customs and Bureau of Internal Revenue as a precondition to the renewal of their Registration with the Land Transportation Office.

Requires the owners of taxable imported cars to obtain clearances from the BIR and the BOC certifying that all the required taxes, duties, and fees due from the importation of said vehicles have been paid. The clearances are prerequisites for the renewal of the vehicles' registration.

- **Executive Order No. 115**  
Increasing the special duties on crude oil and oil products under Section 104 of the Tariff and Customs Code of the Philippines, as amended.

- **Memorandum Order No. 134**  
Further modifying the guidelines to the Car Development Program (CDP) as approved under Memorandum Order Nos. 68 and 136.

Liberalizes the importation of passenger vehicles

- **Memorandum Circular No. 121**  
Directing all Departments, Bureaus, Commissions, Agencies, Offices, and Instrumentalities of the National Government, including Government-owned-or-Controlled Corporations, to revise their fees and charges at just and reasonable rates sufficient to cover administrative costs.

- **Memorandum Circular No. 97**  
Further rationalizing the application of the Modified Disbursement System established under M.O. 276 on the automatic release procedures mandated under Section 286 of the Local Government Code of 1991 for the shares of the LGUs in taxes.

- **Memorandum Circular No. 64**  
Guidelines to implement EO No. 55 reconstituting and further strengthening the Government Corporate Monitoring and Coordinating Committee, dated Feb. 8, 1993.

- **DOF Memorandum No. 1**  
Requiring heads, managers accountants and auditors of government entities to provide the Bureau of the Treasury with a carbon copy of the Modified Disbursement System checks issued by government agencies and to revise the procedure in the handling of Advice of Checks Issued and Cancelled.

- **Administrative Order No. 100**  
Approving the identification and transfer to the Bangko Sentral ng Pilipinas of certain assets and liabilities of the former Central Bank of the Philippines.



# REVENUE REGULATIONS

1. **Revenue Regulations No. 1-93** dated January 4, 1993  
*Subject :* Further Amending Revenue Regulations Nos. 2-92, 4-92, and 8-92, Prescribing Revised Guidelines for Availing the Accelerated Depreciation for Diesel-Powered Electric Power Generating Equipments.  
*Scope :* Pursuant to Sections 245 and 29 (f) of the National Internal Revenue Code (NIRC), these Regulations are hereby promulgated to supplement the guidelines and procedures for availing the Accelerated Depreciation for Diesel-Powered Electric Power Generating Equipment.
2. **Revenue Regulations No. 2-93** dated January 20, 1993  
*Subject :* RA 7496 Adopting the Simplified Net Income Taxation Scheme (SNITS) for the self-employed and Professionals Engaged in the Practice of their professions  
*Scope :* Pursuant to Sec. 245 of the NIRC as amended, in relation to Sec. 6 of RA 7496.
3. **Revenue Regulations No. 3-93** dated January 8, 1993  
*Subject :* Amending Revenue Regulations No. 5-85.  
*Scope :* Pursuant to the provisions of Sec. 245 in relation to Secs. 50, 51 and 74 of NIRC, as amended, as well as Sec. 11 of RA 7497, otherwise known as the "Finality of the Withholding Tax on Purely Compensation Income".
4. **Revenue Regulations No. 4-93** dated October 30, 1992.  
*Subject :* Implementing RA No. 7497 "An act amending pertinent provisions of the NIRC, as amended, relative to the Final Withholding Tax on Purely Compensation Income".  
*Scope :* Pursuant to Sec. 245 & 72 of the NIRC, as amended, in relation to Sec. 15 of RA 7497, hereby promulgated to implement provisions of said Act.
5. **Revenue Regulations No. 5-93** dated January 22, 1993  
*Subject :* RA No. 7643 requiring the monthly payment of VAT and amending for the purpose Sec. 110 of the NIRC.  
*Scope :* Pursuant to the provisions of Sec. 245 in relation to Sec. 4, both of NIRC, as amended, these regulations are hereby promulgated to implement the provisions of RA No. 7643, requiring the monthly payment of VAT, and further amending for this purpose Sec. 23 of Revenue Regulations No. 5-87, as amended.
6. **Revenue Regulations No. 6-93** dated February 3-93  
*Subject :* Prescribing the guidelines to implement the collection of qualifying fees from players entering casinos  
*Scope :* Pursuant to Sec. 245 of NIRC and Executive Order No. 48.
7. **Revenue Regulations No. 7-93** dated January 4, 1993  
*Subject :* Filing of Quarterly Income Tax Returns and payment of quarterly income tax by individuals receiving self-employment.  
*Scope :* Pursuant to Sec. 245 and 67 of NIRC, as amended, hereby promulgated prescribing the procedures for the filing of quarterly returns and payment of the quarterly income tax by individuals receiving self-employed income.
8. **Revenue Regulations No. 8-93** dated January 29, 1993  
*Subject :* RA No. 7277 otherwise known as the Magna Carta for Disabled Persons, providing tax incentives for employers and donors to government agencies engaged in the rehabilitation of disabled persons and organization of disabled persons.  
*Scope :* Pursuant to Sec. 245 in relation to Sec. 29 (a) and (h), 94, 103 (u) all of NIRC, these regulations are promulgated to implement the provisions of Sec. 8, Chapter I, Title II & Sec. 42, Title IV of RA No. 7277.
9. **Revenue Regulations No. 9-93** dated March 4, 1993  
*Subject :* RA No. 7279 otherwise known as Urban Development and Housing Act of 1992, providing tax incentives to government owned and controlled corporations and Local Government Units (LGU's) as well as private participation in socialized housing and community mortgage program.
10. **Revenue Regulations No. 10-93** dated June 16, 1993  
*Subject :* RA No. 7649, further amending Sec. 110 of NIRC as amended, requiring the withholding tax of creditable Value-added-tax.  
*Scope :* Pursuant to the provisions of Sec. 245 of NIRC, as amended, in relation to Sec. 2 of RA 7649, these regulations are promulgated to govern the manner of withholding and remittance of taxes on account of payments made by the government for purchases of goods and services subject to value-added-tax.



11. **Revenue Regulations No. 11-93** dated June 23, 1993  
*Subject :* Prescribing the guidelines for RA 7498 granting tax amnesty to persons repatriating their foreign currencies and/or securities to the Philippines.  
*Scope :* Pursuant to Sec. 245 of NIRC, and RA 7498, these regulations are promulgated prescribing the guidelines for the said regulation.
12. **Revenue Regulations No. 12-93** dated July 2, 1993  
*Subject :* RA 7646 An Act authorizing the Commissioner of Internal Revenue to prescribe the place for payment of BIR Taxes by large taxpayers, amending for this purpose certain provisions of the NIRC.  
*Scope :* Pursuant to the provisions of Sec. 245 of NIRC, as amended, in relation to Sec. 4 of RA 7646, these regulations are promulgated to implement the provisions of par. (j) of Sec. 4 of the NIRC, as amended, by said act which authorizes the Commissioner of BIR to require the filing of returns, papers and statements and payments of taxes by large taxpayers at a designated place in order to centralize the monitoring thereof.
13. **Revenue Regulations No. 13-93** dated August 31, 1993  
*Subject :* Prescribing the issuance and use of the New Taxpayer Identification Number (TIN) and further defining violators thereon and providing penalties thereof.  
*Scope :* Pursuant to the provisions of Sec. 236 in relation to Sections 4 and 245 of NIRC, these regulations are promulgated to prescribe the requirements for issuance and use of the new TIN and to define violators and provide penalties regarding the non-compliance with such requirements on the implementation of the new TIN system.
14. **Revenue Regulations No. 14-93** dated August 31, 1993  
*Subject :* Payment of Taxes by Checks or Bank Debit Memos.  
*Scope :* Pursuant to the provisions of Sec. 245 in relation to Sections 49, 51, 74, 84, 97, 100, 125, 127 and 200 of the NIRC, as amended, these regulations are promulgated to govern payment of internal revenue taxes by check or bank debit memos.
15. **Revenue Regulations No. 15-93** dated September 1, 1993  
*Subject :* Prescribing the guidelines for availing of the tax incentives granted by Republic Act No. 7471, otherwise known as the Philippine Overseas Shipping Development Act.  
*Scope :* Pursuant to Section 245 of the NIRC, and RA 7471 these regulations are promulgated prescribing the guidelines for availing of the internal revenue tax incentives granted by this Act.
16. **Revenue Regulations No. 16-93** dated August 22, 1993  
*Subject :* RA 7353, otherwise known as the Rural Banks Act of 1992, providing for the creation, organization and operation of Rural Banks and for other purposes.  
*Scope :* Pursuant to Section 245 in relation to Section 4 of the NIRC, as amended, these regulations are hereby promulgated to implement the provisions of Sections 15, 20 and 21 of RA 7353 granting tax exemptions to Rural Banks and Section 25 of the said act.
17. **Revenue Regulations No. 17-93** dated August 30, 1993  
*Subject :* Estate and Donor's Taxes as Restructured by RA No. 7499  
*Scope :* Pursuant to Section 245 in relation to Section 4 (h) of the NIRC, as amended, these regulations are promulgated to implement the provisions of RA 7499 which restructured estate and donor's taxes amending for the purpose Sections 77, 79 (a), 83 (b) Chapter I and 92 (a) and (b) Chapter II, Title III of the NIRC.
18. **Revenue Regulations No. 18-93** dated October 25, 1993  
*Subject :* Amending further Revenue Regulations No. 5-85, as amended, by Revenue Regulations No. 3-93.  
*Scope :* Pursuant to the provisions of Section 245, in relation to Sections 50, 51 and 74 of NIRC, as amended, in relation to Section 4 of RA 7646, these regulations are hereby promulgated to provide the time and manner of filing withholding tax returns and remittances of creditable and final income taxes withheld by large taxpayers.
19. **Revenue Regulations No. 19-93** dated July 7, 1993.  
*Subject :* RA 7459, otherwise known as the "Investors and Invention Incentives Act of the Philippines, providing Tax Incentives and Tax Exemption privileges to Filipino inventors."  
*Scope :* Pursuant to Section 245 of the NIRC, as amended, in relation to Section 12 of RA No. 7459, these regulations are promulgated prescribing the guidelines and procedures for the availing by Filipino inventors of tax incentives and tax exemption provided for under Section 5 and 6, Art. III of the said act.



## DOF 96th Foundation Day







*Finance Secretary Ramon R. del Rosario, Jr., signed with Mr. Hideo Tanaka, Chief Representative of the Overseas Economic Cooperation Fund (OECF), a loan agreement which provides for an additional financing of 3.653 billion yen (approximately P 752 million) for the Palinpinon II Geothermal Project*



**SIGNING OF THE SECOND GUARANTEE AGREEMENT.** The Philippine Export and Foreign Loan Guarantee Corporation (PHILGUARANTEE), together with ten (10) participating financial institutions, signed the renewed Master Guarantee Agreements under the Preshipment Export Finance Guarantee (PEFG) Program. Shown during the signing, with Secretary Ramon R. del Rosario, Jr. and Roberto F. de Ocampo of the PHILGUARANTEE Board are from left, Victor Y. Lim (RCBC), Federico C. Pascual (ABC), Tirso D. Antiporda (Pilipinas Bank), Roberto D. Anonas, Sr. (Bank of Commerce), Jose R. Facundo (Citytrust), Victor C. Macalincag (President, PHILGUARANTEE), Octavio V. Espiritu (FEBTC), Edward S. Go (Philbank), Armand F. Braun, Jr. (Union Bank) and Deogracias N. Vistan (Solidbank). Not in photo is Rene H. Peronilla representing PCIB.



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## ACRONYMS USED

AO	Administration Order	MO	Memorandum Order
APT	Asset Privatization Trust	MOA	Memorandum of Agreement
ASEAN	Association of Southeast Asian Nations	NAIA	Ninoy Aquino International Airport
BIR	Bureau of Internal Revenue	NDC	National Development Company
BLGF	Bureau of Local Government Finance	NG	National Government
BOC	Bureau of Customs	NIC	Newly Industrialized Country
BSP	Bangko Sentral ng Pilipinas	NIRC	National Internal Revenue Code
BTr	Bureau of the Treasury	NTRC	National Tax Research Center
CAG	Corporate Affairs Group	OIC	Officer In Charge
CARP	Comprehensive Agrarian Reform Program	OSEC	Office of the Secretary
CB	Central Bank	PAGCOR	Philippine Amusement & Gaming Corporation
CBAA	Central Board of Assessment Appeals	PAL	Philippine Airlines
CDP	Car Development Program	PC IV	Fourth Paris Club
CENTER	Inter Agency Tax Credit and Duty Drawback Center	PCGG	Presidential Commission on Good Government
COP	Committee on Privatization	PCIC	Philippine Crop Insurance Corporation
CPSD	Consolidated Public Sector Deficit	PD	Presidential Decree
DFG	Domestic Finance Group	PDMG	Policy Development and Management Services Group
DOF	Department of Finance	PHILGUARANTEE	Philippine Export and Foreign Loan Guarantee Corporation
EIIB	Economic Intelligence and Investigation Bureau	PNB	Philippine National Bank
EO	Executive Order	PNOC	Philippine National Oil Company
ESP	Economic Stabilization Program	PNOC	Philippine National Oil Company
FIRB	Fiscal Incentives Review Board	RA	Republic Act
GNP	Gross National Product	ROG	Revenue Operation Group
GOCCs	Government Owned and/or Controlled Corporations	SNITS	Simplified Net Income Taxation Scheme
IC	Insular Commission	TA	Transferred Assets
IFG	International Finance Group	TASP	Tax Administration Strategic Planning
IMF	International Monetary Fund	TCC	Tax Credit Certificates
LGU	Local Government Units	TIN	Taxpayer Individual Number
LTO	Land Transportation Office	VAT	Value Added Tax
MC	Memorandum Circular		
MIGA	Multilateral Investment Guarantee Agency		



## DOF CREDO

I am a public servant  
in the Department of Finance

I seize the initiative  
to improve a little each day:

- in the way that I am;
- in the way that I care;
- in the way I work.

I strive for excellence  
in everything I do:

- by the pursuit of competence;
- by the constant search of professionalism;
- by the observance of teamwork.

I take the lead and serve;

- by putting country above self;
- by showing concern for others;
- by thinking of myself last.

I think and act to ensure:

- integrity in the life I live;
- the efficiency of the work I do;
- the effectiveness of the service I render.

I believe that God is my Father  
who cares for and helps me always.





“ Our children should not pay for  
what we now enjoy, rather, they  
should enjoy what we now pay  
for.”

*Pres. Fidel V. Ramos*  
*State of the Nation Address*  
*1994*