Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

JOINT RESOLUTION No. 27

Introduced by Representative EDCEL C. LAGMAN, RAUL A. DAZA, TOMASITO S. VILLARIN, TEDDY BRAWNER BAGUILAT, JR., GARY C. ALEJANO, EDGAR R. ERICE, EMMANUEL A. BILLONES, ROMERO S. QUIMBO, GABRIEL H. BORDADO, JR., JORGE BANAL, JOSE CHRISTOPHER Y. BELMONTE, CARLOS ISAGANI T. ZARATE, ARLENE D. BROSAS, FRANCE L. CASTRO, ARIEL B. CASILAO, SARAH JANE I. ELAGO

JOINT RESOLUTION FOR THE IMMEDIATE SUSPENSION OF THE INCREASES AND SCHEDULED INCREASES IN THE EXCISE TAXES ON FUEL AS IMPOSED IN SECTION 43 OF R.A. NO. 10963, OTHERWISE KNOWN AS THE "TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)" TO STEM INFLATION

WHEREAS, the Philippines recorded an inflation rate of 6.4% in August, the highest in the country for more than nine years and the highest among ASEAN countries that include Vietnam with a lower inflation rate of 4.5% and Indonesia, Thailand, Malaysia, and Singapore with even lower inflation rates of 3.2%, 1.5%, 0.9%, and 0.6% respectively;

WHEREAS, R.A. No. 10963, otherwise known as the "TAX REFORM FOR ACCELERATION AND INCLUSION" (TRAIN), which imposes excise taxes particularly on fuel or oil products, the burden of which ultimately cascade or passed on to consumers in the form of higher prices of goods and services, is a principal culprit in the Philippines' current inflationary situation;

WHEREAS, suspension of Section 43 of R.A. No. 10963 on the increases and scheduled increases of excise taxes on fuel or oil products will greatly reduce the inordinately high inflation rate;

WHEREAS, some regions in the country require special attention as they fared worse than other regions, with the Bicol region hardest hit with a 9.0% inflation rate, followed by ARMM and SOCCSKSARGEN with inflation rates of 8.1% and 7.5% respectively;

WHEREAS, the 6.4% inflation rate in fact understates the severity of inflation to the average Filipino family as it measures the rise in the prices of a basket of consumer goods and services for both essential or non-essential items, while for the more essential food and non-alcoholic beverages, the price increases in August were stiffer at 8.5%, with Bicolanos suffering from a 12.5% rice inflation rate, followed by SOCCSKSARGEN and the Ilocos Region with rice inflation rates of 12.4% and 11.7% respectively;

WHEREAS, a Pulse Asia survey conducted in March 2018 revealed that 98% of the respondents experienced price increases, of whom 86% nationwide were strongly affected: 85% in the NCR, 85% in Luzon, 83% in the Visayas, and 92% in Mindanao even as the lowest income groups were hardest hit with 88% in Class E, 87% in Class D, and 80% in Classes ABC;

WHEREAS, we have been witness to the adverse and cruel effects of the high inflation rate battering Filipino families like the spiraling of prices of commodities both in markets and *talipapas* as well as in supermarkets, groceries and *sari-sari* stores; families subsisting on instant noodles; and mothers enduring long hours queuing up for a chance to purchase three kilos of NFA rice;

WHEREAS, from an average of less than 1.0% in 2015 until the first half of 2016, the monthly inflation rate rose in 2016 from 1.3% in July to 2.2% in December; reached in 2017 a peak of 3.2% in May before slightly falling to 2.9% in December; steadily creeped from 3.4% in January to 5.2% in June 2018, and now 6.4% in August 2018, exceeding as early as March the government's self-imposed 4% upper limit target in 2018;

WHEREAS, the government's economic managers themselves acknowledge that "inflation in August was beyond the median market forecast";

WHEREAS, inflation may bring about unemployment or underemployment because as prices rise markedly, more of the family budget is spent on essentials like food, leaving little on non-essentials which are typically produced by the industrial and services sectors that in response to the reduced demand for their products, will be forced to produce less and employ less – no more overtime work, full-timers are asked to work part-time, casuals are dismissed;

WHEREAS, the inflation problem must be solved with dispatch lest the accelerating inflation may suddenly soar to the 34% level in 1974 and, worse, to the 50% level in 1984 during the dark years of the Marcos regime;

WHEREAS, government economic managers must exert utmost effort to prevent the Philippine economy from descending to a state of hyperinflation akin to that of Venezuela where money is almost valueless and some people are forced to revert to primitive barter;

WHEREAS, it is imperative for the government to exhaust all complementary measures to confront the inflation problem by addressing the other causes of inflation like

a. Disjointed agricultural policy concerning timing and amount of rice imports to address short-term rice shortage problems.
b. Lack of adequate government support to Philippine agriculture which could overcome ill effects of climate change on agricultural supply.

c. Weak peso that makes imports costlier, particularly oil and raw materials and capital goods for the Build, Build, Build program.
d. Unclear export promotion policy which can be aggressively improved to bring dollars to help strengthen the peso.
e. Delays in Central Bank adjustment of interest rate to help rein in inflation.
f. Weak implementation of the Responsible Parenthood and Reproductive Health Act that should decelerate demand for goods and services, hence moderate price increases;

WHEREAS, oil is a critical input in agricultural, manufacturing, power and transportation industries and a rise in its price will make firms raise the price of the goods they produce and the services they render due to higher production costs;

WHEREAS, while government may have to accept realities like world oil prices over which it has little or no control, it compounds the escalating worldwide price of oil by imposing an additional layer of domestic excise tax increases under the TRAIN;

WHEREAS, while glossing over the fiscal deficit and public debt implications of the "Build, Build, Build" program that TRAIN aims to help fund and acknowledging the long-run employment generation and productive capacity enhancement benefits of the program, in the short run the inflation problem must be squarely and promptly confronted and resolved as the envisioned benefits of the program will be of little or no use if the poorest of the poor, who are hardest hit by inflation, do not survive to enjoy them;

WHEREAS, SEC. 43. of R.A. No. 10963 further amending SEC. 148 of the National Internal Revenue Code of 1997, as amended, provides that "For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this Section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three (3) months prior to the scheduled increase of the month reaches or exceeds Eighty dollars (USD 80) per barrel";

WHEREAS, Filipinos reeling from inflation do not have the luxury of time to wait for the said average MOPS-based Dubai crude oil price to reach or exceed USD 80 per barrel before they can be relieved of the ill effects of inflation;

NOW THEREFORE, BE IT RESOLVED, as it is hereby resolved by the House of Representatives, and the Senate concurring, to immediately suspend the excise tax increases and scheduled increases on fuel or oil products as imposed by SEC. 43 of R.A. No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN)" to stem inflation.

Adopted,

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