



Revenue Collection and Debt Management

September 2015



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Department of Finance

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Strong revenue performance has led to ample fiscal space

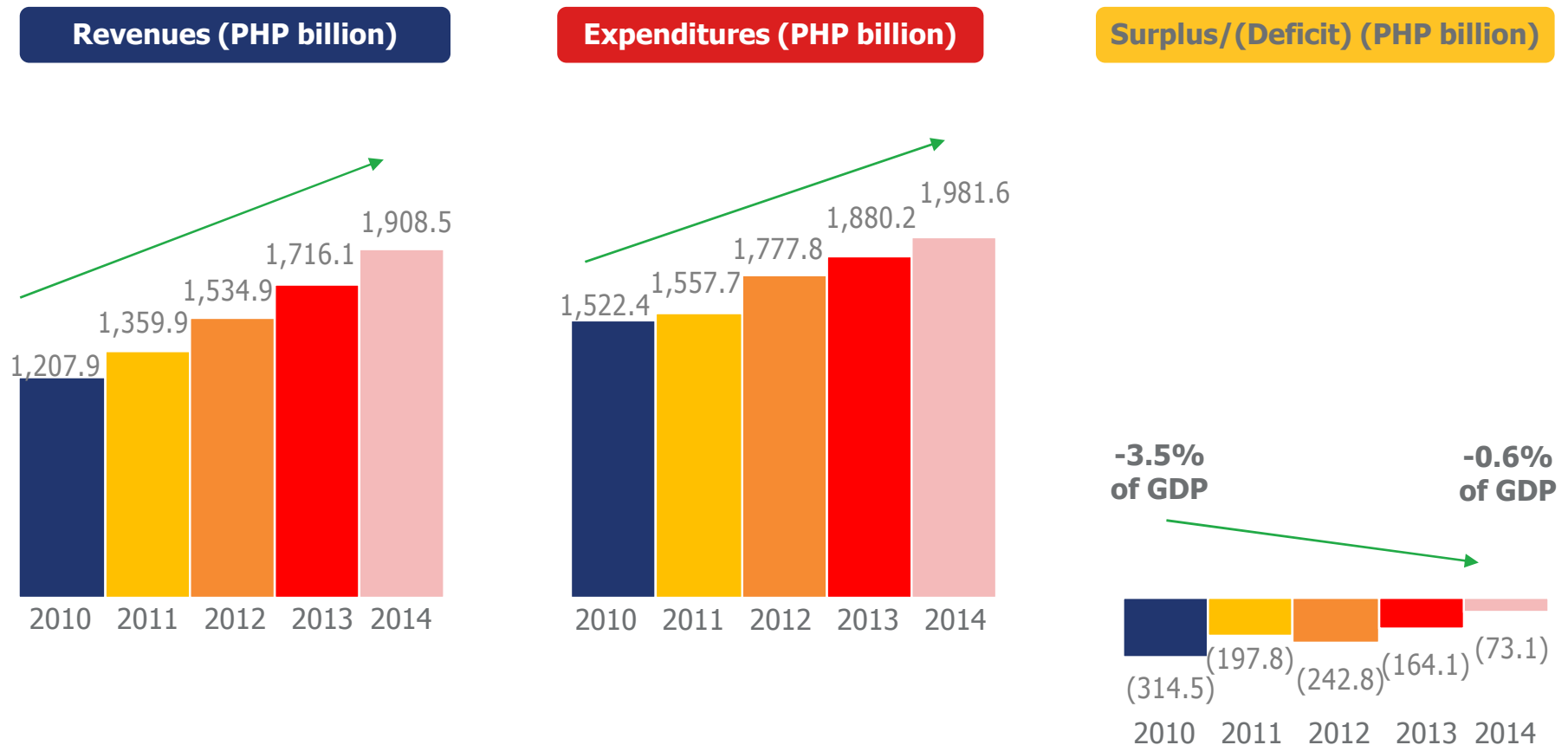
Revenues continue to grow faster than GDP; BOC led 2014 revenue expansion at 21%

PHP billion	2012	2013	2014	Growth Rate (%) (2014/2013)
Total Revenues	1,534.9	1,716.1	1,908.5	11.2
% of GDP	14.5	14.9	15.1	
Tax Revenues	1,361.1	1,535.7	1,719.0	11.9
<i>% of GDP</i>	<i>12.9</i>	<i>13.3</i>	<i>13.6</i>	
BIR	1,057.9	1,216.7	1,334.8	9.7
<i>% of GDP</i>	<i>10.0</i>	<i>10.5</i>	<i>10.6</i>	
BOC	289.9	304.9	369.3	21.1
<i>% of GDP</i>	<i>2.7</i>	<i>2.6</i>	<i>2.9</i>	
Other Offices	13.3	14.1	14.9	5.9
Non-Tax Revenues	173.8	180.4	189.5	5.1
<i>% of GDP</i>	<i>1.6</i>	<i>1.5</i>	<i>1.5</i>	
Expenditures	1,777.8	1,880.2	1,981.6	5.4
% of GDP	16.8	16.3	15.7	
Surplus/(Deficit)	(242.8)	(164.1)	(73.1)	-55.4
% of GDP	-2.3	-1.4	-0.6	
Nominal GDP	10,561	11,542	12,643	9.5

Source: Department of Finance, Bureau of the Treasury

National Government's fiscal consolidation efforts are on track

Over five years we have increased revenues by 58%, expenditures by 30% and narrowed the deficit



Source: Department of Finance, Bureau of the Treasury

Revenues continue to post double-digit growth in 2015

Robust revenue growth of 16% for the first six months of 2015

PHP billion	Jan-Jun 2014	Jan-Jun 2015	Growth Rate (%)	FY 2015 Adjusted Program ¹
Total Revenues	933.7	1,085.7	16.3	2,275.2
% of GDP	15.5	17.1		16.3
Tax Revenues	824.4	892.9	8.3	2,127.7
% of GDP	13.7	14.1		15.3
BIR	643.2	705.9	9.7	1,673.9
BOC	173.4	178.6	3.0	436.6
Other Offices	7.8	8.4	7.5	17.1
Non-Tax Revenues	109.2	192.7	76.5	147.6
% of GDP	1.8	3.0		1.1
Expenditures	987.7	1,072.0	8.5	2,558.9
Surplus/(Deficit)	(54.0)	13.7	-125.5	(283.7)
% of GDP	-0.9	0.2		-2.0

¹FY 2015 Fiscal Program as approved by the DBCC on April 7, 2015

Source: Department of Finance , Bureau of the Treasury, Department of Budget and Management

Revenues continue to post double-digit growth in 2015

Robust revenue growth of 15% for the first seven months of 2015

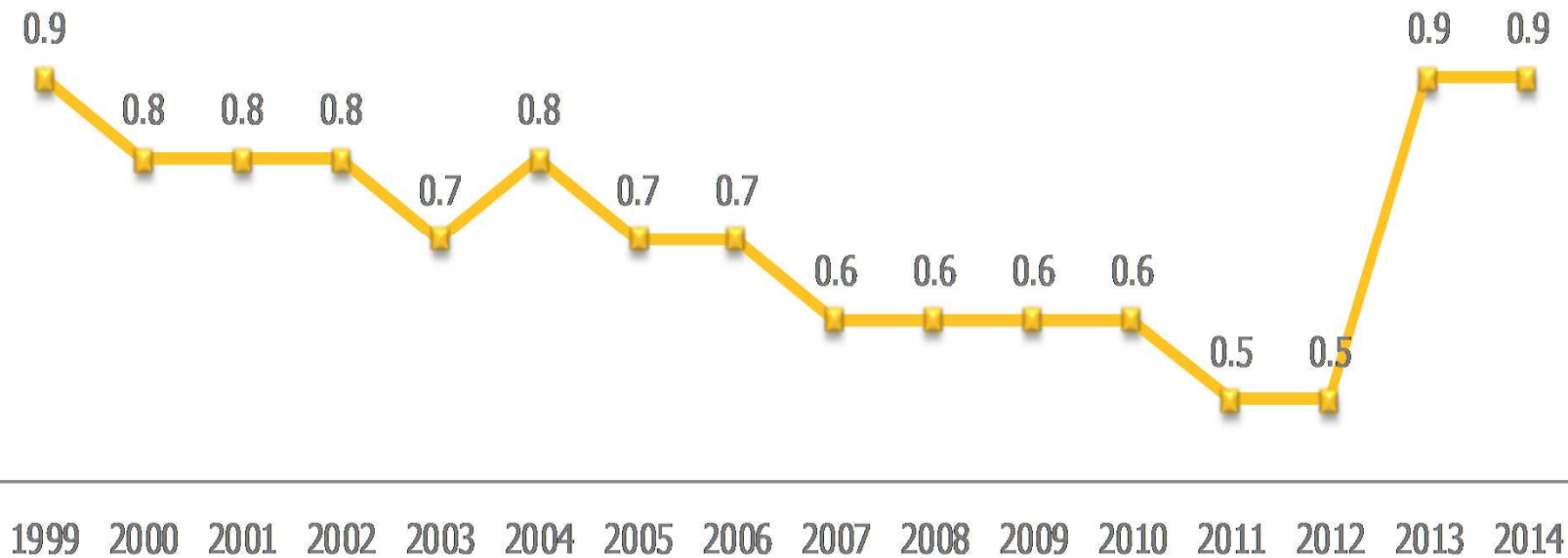
PHP billion	Jan-Jul 2014	Jan-Jul 2015	Growth Rate (%)	FY 2015 Adjusted Program ¹
Total Revenues	1,100.5	1,264.2	14.9	2,275.2
Tax Revenues	976.1	1,041.8	6.7	2,127.7
BIR	763.2	824.1	8.0	1,673.9
BOC	203.9	208.7	2.4	436.6
Other Offices	9.1	9.0	-0.7	17.1
Non-Tax Revenues	122.5	159.7	30.4	147.6
Expenditures	1,156.2	1,282.7	10.9	2,558.9
Surplus/(Deficit)	(55.7)	(18.5)	-66.9	(283.7)

¹FY 2015 Fiscal Program as approved by the DBCC on April 7, 2015

Source: Department of Finance, Bureau of the Treasury, Department of Budget and Management

Sin Tax Reform continues to contribute to fiscal consolidation

Tobacco & Alcohol Excise Collections/GDP (%)



Source: Bureau of Internal Revenue and Bureau of Customs

2016 Fiscal Program is in line with medium-term objectives

PHP billion	2014 Actual	2015 Program ¹	2016 Proposed ²	Growth (%) (2016 vs. 2015 program)
Total Revenues	1,908.5	2,275.2	2,696.8	18.5
<i>% of GDP</i>	15.1	16.3	17.5	
Tax Revenues	1,719.0	2,127.7	2,543.3	19.5
<i>% of GDP</i>	13.6	15.3	16.5	
BIR	1,334.8	1,673.9	2,025.7	21.0
BOC	369.3	436.6	498.7	14.2
Other Offices	14.9	17.1	19.0	11.1
Non-Tax Revenues	189.5	147.6	153.4	4.0
<i>% of GDP</i>	1.5	1.1	1.0	
Expenditure	1,981.6	2,558.9	3,005.5	17.5
<i>% of GDP</i>	15.7	18.4	19.5	
Surplus / (Deficit)	(73.1)	(283.7)	(308.7)	-8.8
<i>% of GDP</i>	-0.6	-2.0	-2.0	

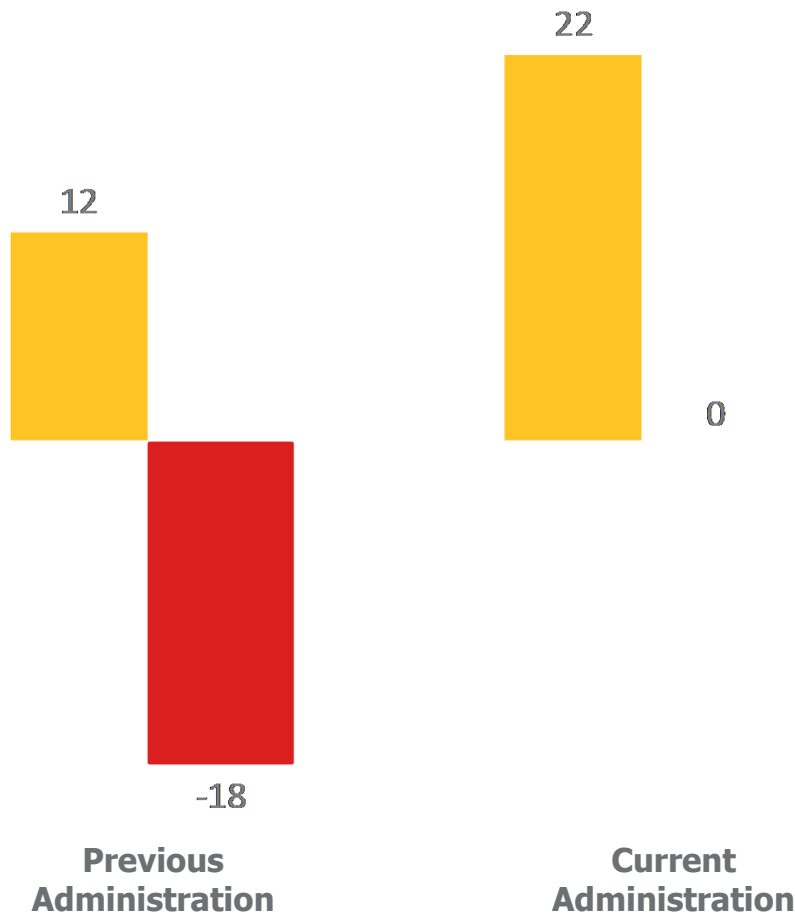
¹FY 2015 Fiscal Program as approved by the DBCC on April 7, 2015

²Projections as approved by the DBCC on June 30, 2015

Source: Department of Finance, Department of Budget and Management (DBM)

Investment grade ratings bode well in raising the country's international profile as a competitive investment destination

■ Positive Rating Actions ■ Negative Rating Actions



12 positive rating actions

18 negative rating actions

Before the Aquino Administration

23 positive rating actions

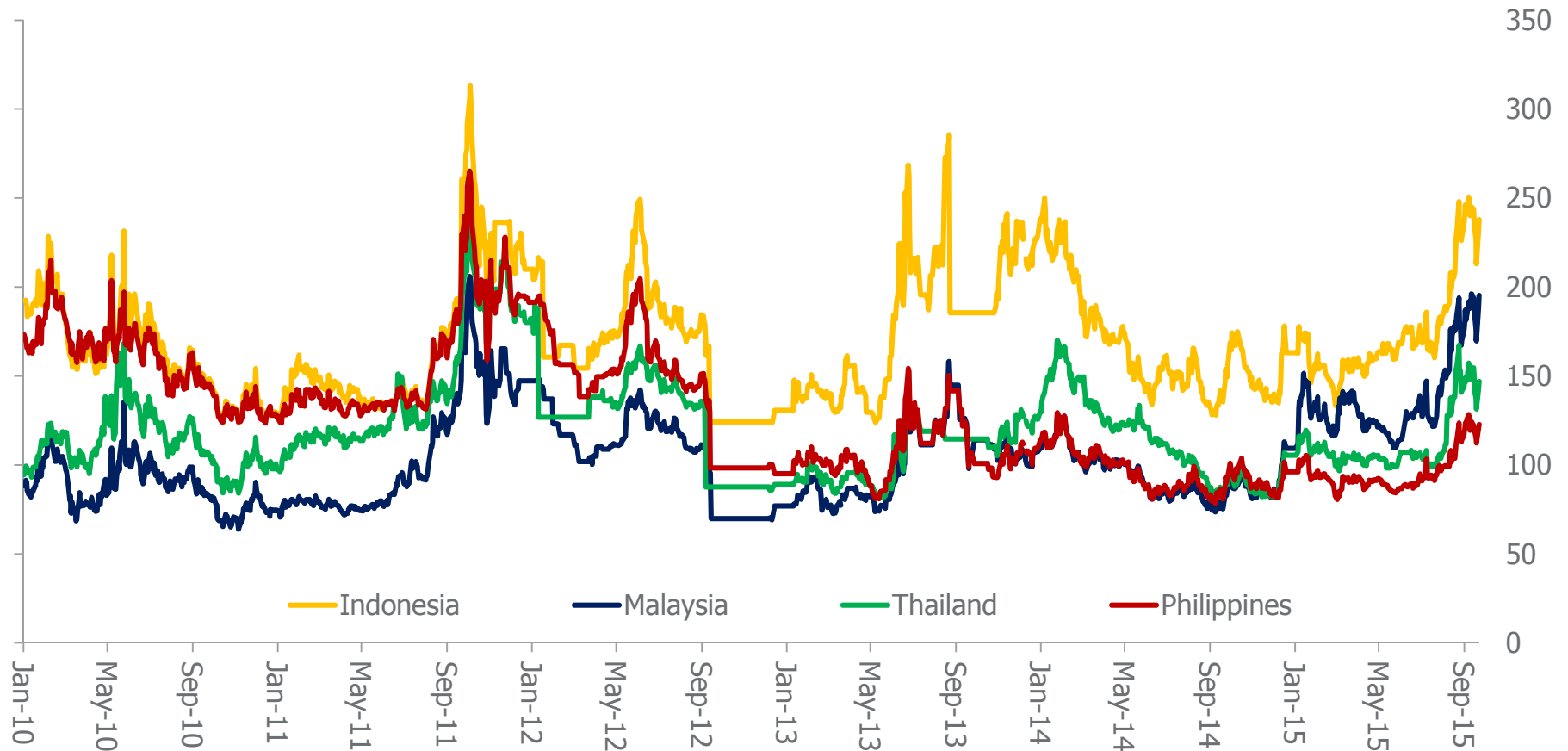
0 negative rating actions

During the Aquino Administration

Tightening of Credit Default Swap (CDS) levels

Investor confidence in Philippine debt securities has surpassed higher rated neighbors (Thailand and Malaysia)

*Confidence in the sustainability of public finances is higher than ever
(CDS levels in basis points)*

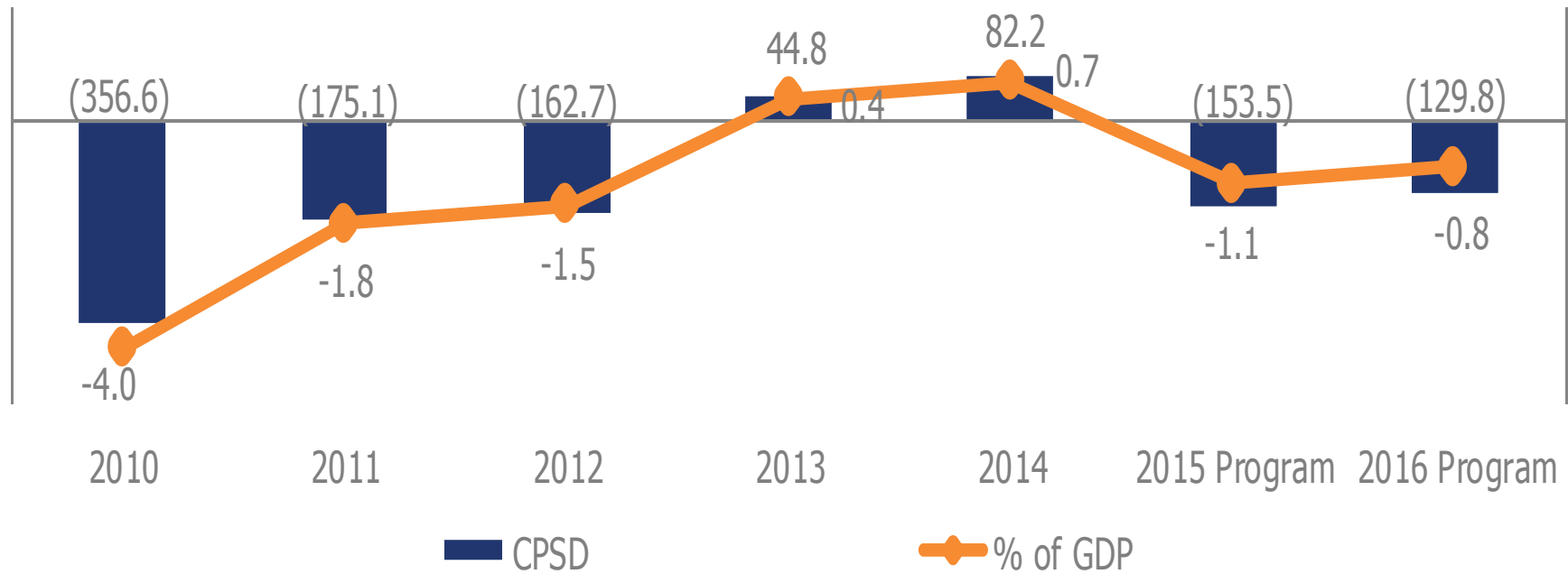


Source: Bloomberg

Consolidated Public Sector Financial Position

Achieved surplus for two consecutive years

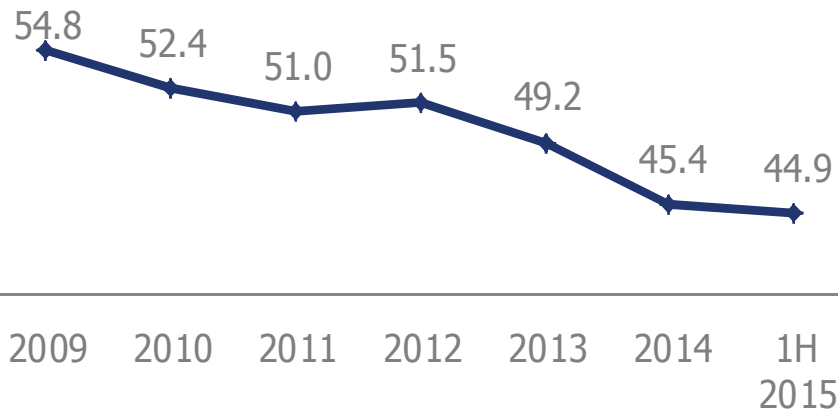
Consolidated Public Sector Financial Position (PHP billion, %)



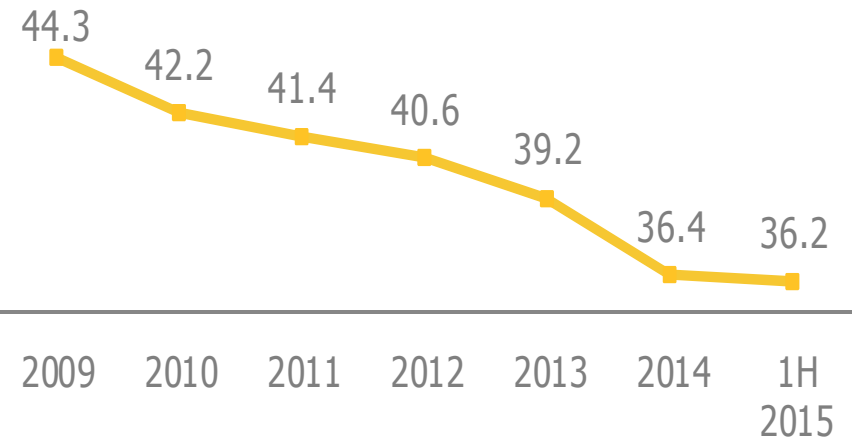
Improving debt metrics; lower reliance on foreign debt

Further consolidation of debt creating a sustainable fiscal environment

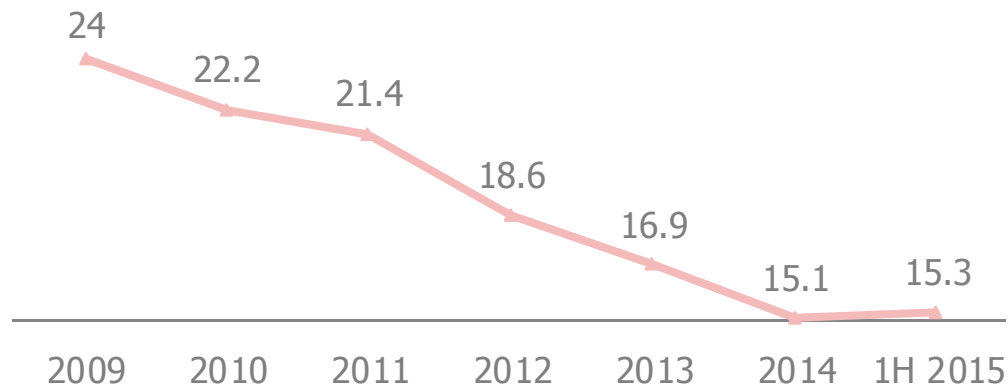
National Government Debt/ GDP (%)



General Government Debt*/ GDP (%)



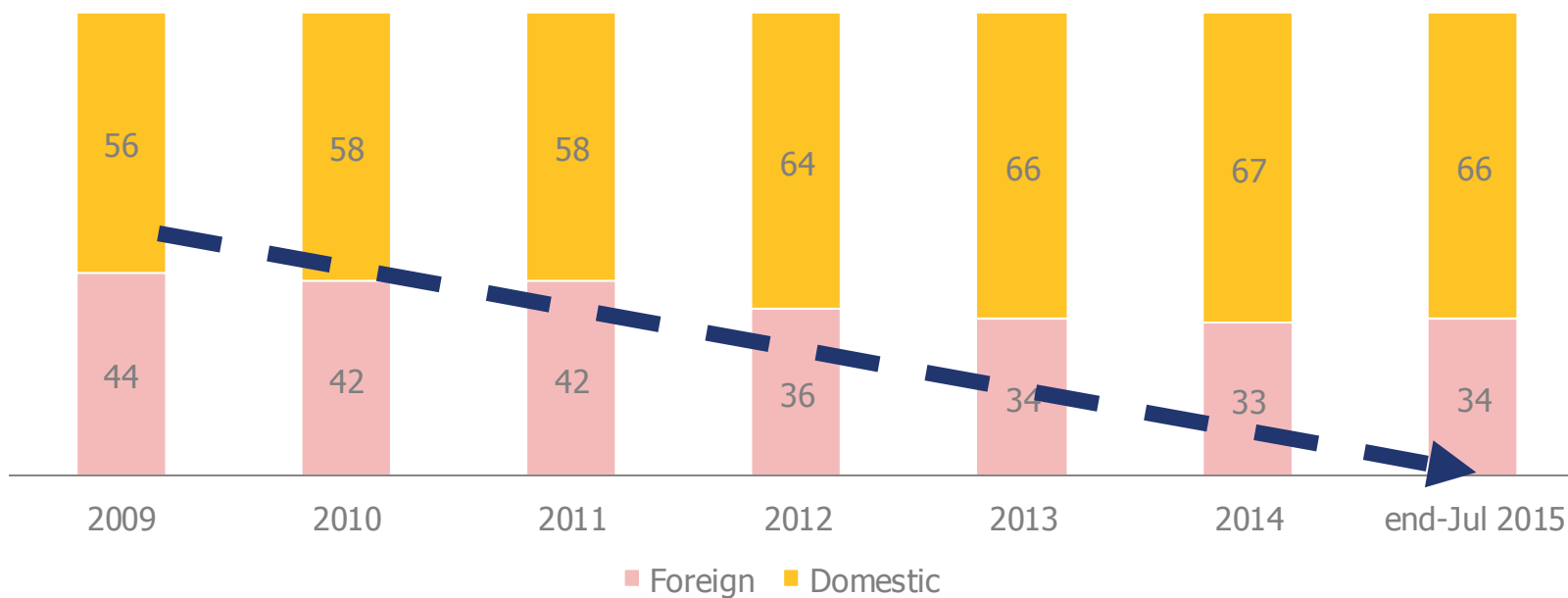
National Government Foreign Debt/ GDP (%)



*General Government Debt is composed of the National Government debt (less the debt held by the Bond Sinking Fund), the debt of Social Security Institutions (GSIS, SSS and PhilHealth) and the Local Government Units (LGU)

Now, only a third of our NG outstanding debt is foreign

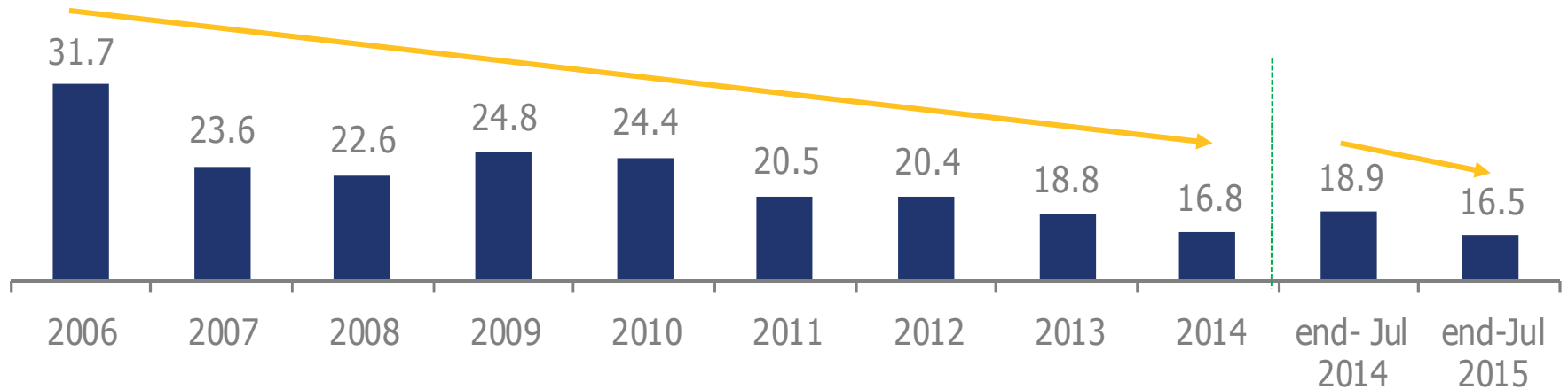
National Government Debt Breakdown (% share)



Source: Bureau of the Treasury

Proactive debt management reduced the debt burden on expenditures, creating more fiscal space to fund social commitments

Interest payment-to-revenue ratio has declined by almost half (%)



Interest payment-to-expenditure ratio continues to decline channelling more funds for productive spending



Various Legislative Proposals

Pursuing our legislative agenda to boost tax administration

Reforms in the pipeline 2015 – 2016

Fiscal Incentives Rationalization (FIR)

- Seeks to institute structural reforms and policy to enhance transparency and accountability in the grant and administration of tax incentives
- Status: Pending in the Committee on Ways and Means of both houses of Congress

Tax Incentive Management and Transparency Act (TIMTA)

- Seeks to foster transparency and accountability in the grant of tax incentives and to institutionalize a system of monitoring and reporting tax expenditures
- Status: Approved on 3rd reading in both houses of Congress; pending Bicameral conference

Customs Modernization and Tariff Act (CMTA)

- Aims to promote and secure international trade, protect government revenue and modernize customs and tariff administration by adopting customs policies, rules and procedures which are clear, transparent and consistent with international agreements and customs best practices
- Status: Pending 2nd reading in Congress; pending with Senate Committee on Ways and Means

Various Legislative Proposals

Pursuing our legislative agenda to boost tax administration

Reforms in the pipeline 2015 – 2016

Valuation Reform Act

- Seeks to institutionalize reforms in land and real property valuation which will translate into improved real property and related taxes
- Estimated revenue impact of PHP5.8bn to PHP17.6bn annually
- Status: Has passed/approved 3rd reading in Congress; pending with Senate Committee on Ways and Means

Fiscal Regime for Mining Industry

- Proposes the adoption of a single fiscal regime for the mining sector and a simple formula in determining the revenue sharing arrangement between the government and mining companies
- Status: Pending in the Committee on Ways and Means in both houses of Congress

LGU Income Reclassification

- Seeks to establish updated, rationalized and transparent processes for the income-reclassification of provinces, cities and municipalities.
- Status: Pending with the Committee on Local Government in both houses of Congress



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