Unveiling the Salient Features and Development of Taxation in Philippine History

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Abstract: This paper aims to understand the importance and necessity of tax imposition traced from its historical background to present situations. The unveiling of the salient features of taxation is a matter of necessity. The requirement of utmost transparency and accountability must be the primordial consideration in promoting sound administrative system. The unending practice of graft and corruption must be dispensed with. This is present by reason of lack of discipline and love for the country. The campaign for theoretical justice, equality and uniformity principle must be taken cognizance in the imposition of taxes. A qualitative interview through the utilization and application of a semi-structured survey questionnaires was employed for a better result and profound understanding about the vital concepts and important parameters of taxation. Taxes represent the financial skeletal system of the government. It also serves as the backbone and fundamental key to economic stability. This research clearly shows the indispensability character of taxation. That taxes are the life-force of the government. In the absence of taxes, the government cannot really exist nor survive without financial resources to support its legitimate and necessary expenses. The realization and materialization of this study will greatly benefit the general public to have a deeper understanding on the importance and necessity of the historical and developmental concept of taxation in Philippine history.

Keywords: Taxation, History, Imposition, Necessity, Importance and Development.

Introduction

The phenomenological study and development of taxation provide a social, economic and political function in the government. It gives a significant impact on the status quo in the emerging lives of people. Taxes are considered as the life-force of the government administration. The revenue of the state is principally raised through taxation. Taxes are what we contribute for civilized social order. In the absence of collection of taxes, the government would be paralyzed for lack of motive power to activate and operate it (Danug, 2004). It is recognized as an enforced contribution compelled and mandated upon inhabitants of the state. It is considered as their implied obligations and responsibility as citizens. The rationale behind presupposes that without people rendering and sharing contributions of taxes, the government cannot really exist nor survive without any assets to support itself. The primordial purpose of taxation is to accumulate funds and resources to promote the welfare of the general public through projects and programs intended by the designated authorities of the government. The accrued revenues will necessarily empower the government to discharge its appropriate duties and functions (De Leon, 2004). The Government needs to raise revenue to defray its legitimate and necessary expenses. The developmental study of taxes from the archaic ages to present times is a matter of understanding. It is an essential requirement to determine its origin, implications and impositions.

The power of taxation is believed to be one of the most resilient powers of the government since it involves supremacy of influence to dictate and manipulate economic growth, improvement or by way of contrast, its inevitable downfall. In Philippine contemporary laws, we adhere to a system of progressive taxation. Philippine taxation is viewed as progressive and equitable tax system as the only applicable and appropriate tax system in Philippine administration and governance. This is supported by the governing law primarily Article VI Section 28 (1) of the 1987 Philippine Constitution. It mandates the limitation of the power of taxation as “The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation” (Danug, 2004). Neighboring countries alike have proven that effective and efficient tax administration is a key factor in the attainment of economic stabilization and development. The rationale of this study is to raise awareness and knowledge about the historical concept of taxation. The need of tracing its origin and understanding the importance of imposition of taxes carried from previous eons to present times. The materialization of this paper will generously serve the researchers to have a better understanding on the importance and indispensability of the collection of taxes.
Historical Background

In the course of Philippine history, the evolution and process of taxation must be unveiled as to its foundation and purpose. The development and advancement of taxation through time differ in terms of its forms, collections, payment and penalty. In Pre-colonial phases, people bequeathed their share to the barangay headed by its chieftain called “Datu”. It is religiously presented through contributions called “handog” or “alay” (offer). This has been considered as a customary practice in rendering involvement and support to the government. During the Spanish Period, the nature of tax system connotes the requirement of transcription payment called tribute or “tributo”. This tax collection and imposition is paid whether in cash, in kind, or by personal servitude. The presence of this tax association became the enduring burden on the lives of the Filipino people for a considerable length of time. Afterwards, the so called Cedula or what we commonly known now as the Community tax certificate (CTC) was introduced as a form of compulsory tax collection that shows evidence and proof of the sovereignty of an imperial government. They were compelled to support both colonial government and that of church organization. (Dery, 2006). Later, the coming of the Americans gave rise to the imposition of base residence tax system. Post war period marked the commencement of the withholding tax followed by the voluntary tax compliance program during the incumbency of Ferdinand Marcos’ regime. The conversion of the authoritarian form of government to a democratic kind of government cemented way to tax reform program, income taxation organization and value added tax. At present, the Expanded value added tax (E-VAT) and Electronic filing and payment system (EPFS) is available. The advent of innovation and technology, tax administrations, systems and collections were fortified by the presence of modernization and advancement of technology.

Research Methodology

This study prudently employs the descriptive qualitative design in gathering the pertinent ideas, concepts and information needed in the materialization and formulation of the study. Respondent emanated from the various departments of faculty members who are considered as knowledgeable individuals representing their respective universities in the Philippines. Primarily teaching and experts in the field of Philippine history, economics and taxation for a period of at least three (3) years. Personal sessions and in-depth interview with the respondents were made with the reinforcement of the use of semi-structured questionnaires to guide the researchers and respondents confine and limit the issues and concerns on taxation. Included in the survey questionnaires are the respondent’s voluntary testimonials on basic knowledge and understanding on the concept of taxation, acquaintance on the history and development of Philippine taxation, perception on taxation as an indispensable requirement for economic stabilization, salient features of taxation, and stand on the necessity, importance and indispensability of taxation checked with government programs and implementations.

This study is limited to the unfolding of the prominent features and development of taxation in Philippine history with respect to two (2) categories, first, the transition, changes and development of taxation from the past era to present generations. Second, the relevance and importance of taxation in attaining economic stability.

Results and Discussions

Founded and grounded on the reliable data collected, results revealed the following:

In pursuance to the historical concept of taxation, respondents avers that taxes are present and available even before the coming of colonizers. Filipinos have their own customary system of tax collection, payment and administration. This is validated by our ancestor’s governance through time. Also, it is conferred by the subjects that the countries sustenance and stability greatly depends on the accumulation and collection of taxes. In accordance with the derived results, these are indispensable requirements for a country to develop and meet its expenditures. It is the necessary machinery for the government to exist and support its financial difficulties. Undeniably, the administrative system of taxation is an inevitable and indispensable part of government existence. It is validated and verified by the respondents that without taxes, the government cannot work on its own. “The power to tax is an attribute of sovereignty emanating from the flora of necessity. (Phil. Guaranty Co. Inc. vs. Com., 13 SCRA 775, April, 1965, cited by De Leon, 2004).

Traditional from the results, that respondents alleged that taxation is really an indispensable requirement of attaining economic stability and development. This is well supported by the bedrock of industrialization and economic development of any country. Taxes constitute about (75%) seventy five percent of government revenue and about ¾ of public expenditure originated from tax revenue. (Nwoke, 1992). Moreover, according to the principle of necessity, the existence of the government is a matter of necessity. The primary source of
government’s income is through collection of taxes. The government cannot survive nor continue to perform its duties and functions in the absence of taxes. (Commissioner of Internal Revenue vs. Algue, Inc., et al), 158 SCRA 8 as cited by Villanueva, 2006). Respondents also contend that equality among taxpayers plays an important role and should be based on the taxpayer’s capacity or ability to pay in accordance with the principle of uniformity. (Laurente, 2006)

That with respect to its salient features, it is indicative of two facets: Taxation as the Life-force of the government and taxation recognized as a ground for corruption. The government predominantly relies on taxation to acquire financial measures to carry its operation and thus promoting general welfare. (Villanueva, 2006). That, when taxation intervenes, it will always be the source of revenue of the government. On the other hand, another feature corresponds to the unending problem of corruption. Negatively suggested, the trust and self-reliance of people with respect to the taxation system is in gray scale since it is tainted by malpractices committed by some designated authorities of the government. Related study shows that the presence of corrupt practices by the government not only lowers the tax-Gross Domestic Product (Nawaz, 2010) but will sufficiently result to economic reverses of a country. The lack of discipline and love for the country give room for its numerous graft and corrupt practices.

Scholars suggest that present tax collection is not commensurate to government projects and activities provided to its citizens. The contribution of each person towards the expense of the government should be properly apportioned (Mill, 2004) with the application of the Principle of equality and Theoretical justice. (De Leon, 2004). The increasing debt of the government cannot be solved by the collection of taxes alone. Economically speaking, the Philippines must establish reasonable programs that will operate and lead to countries self-sustenance, growth and development. Independent from other countries, giving numerous rooms for local investment and support to Filipino products.

Conclusions and Recommendations

In accordance with the findings of the study, it is thereby concluded that administrative tax system is the financial skeletal system of the government. It also serves as the backbone and fundamental key to economic stability. It must be observed and maintained in all levels. It cannot be dispensed with no matter what. However, the requirement of honesty, transparency and accountability must be sustained in order to preserve the trust and confidence of the people. The promotion of public interest over personal concentration must be the primeval consideration in order to attain sustainability and development. Moreover, it is acclaimed and recommended that there is a need to include an additional subject or topic the historical development of Philippine taxation to propagate knowledge about the origin and importance of tax administration. In this manner, the general public will understand and recognize the importance and significance of the imposition and implementation of taxes.

References