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Abolishing the BIR?

Should the Bureau of Internal Revenue (BIR) be abolished? The declaration of President-elect Rodrigo R. Duterte to abolish the BIR was laughed at and not taken seriously by many. Can the government exist without the BIR? Will this put an end to corruption on tax collection?

But seriously, should the BIR be abolished? I say Yes. It is about time to abolish the BIR, but replace it with a new tax agency with a structure that will address the cause of inefficiency and corruption.

The BIR is trapped in a situation where the root cause of all inefficiency and corruption lies in the very core of its structure as being part of the bureaucracy and the whole government machinery. Let me explain this.

The BIR, being part of the bureaucracy, is governed by civil-service rules, and is subject to the budgetary constraints of the Department of Budget and Management. The compensation of its personnel is tied to the salary-standardization law, which makes it unable to offer competitive compensation packages to attract and retain highly trained and professionally competent personnel.

The BIR performs a very critical role in collecting and safeguarding the erosion of government revenues. Thus, its work force, in terms of pay, skills and training should be on a par with, if not even better than, their counterparts in the private sector, who they interact with every day.

Likewise, it is bound by inflexible rules on hiring and firing, because government workers are protected by a security of tenure that makes it difficult to fire erring and underperforming personnel. Low pay and security of tenure, in an environment where there is frequent exposure to temptation, will breed corruption.

Then there is a problem of funding. Over the years, the revenue performance of the BIR had increased significantly, but funding, as a percentage of revenue collection, had remained almost constant. There are reports that the BIR's budget (cost to collect as a percent of revenue) is not even near its counterparts in the region.

We put all the blame on the BIR as a graft-ridden, inefficient and inutile tax agency. But, on the other hand, has somebody made an effort to help the BIR solve these problems, which are beyond its own doing?

With the growing complexities of business transactions and increasing workload and public demand, the BIR must be equipped with modern facilities to be able to move in parallel with business.

There is an increasingly significant growth in taxpayer population; industries are becoming more diverse; business transactions more complex; underground economy growing; way of doing business changing. All of these pose a big challenge to the BIR.

One must realize the crucial role of the BIR, not only as the fundraiser of the government; but in nation- building. Its inefficiency and inability to collect the needed revenues will paralyze the whole government machinery.

Again, should the BIR be abolished? Yes, it is high time that a drastic, radical administrative tax reform be undertaken—one that is structural, one that requires abolishing the current tax agency and creating a new one—a new tax agency with full legal, financial and administrative autonomy. One whose funding is tied to performance; one who exercises independence in the allocation and management of its financial and human resources; one that is flexible to make its own decisions with as limited restriction as possible.

In short, I envision a tax agency similar to the Inland Revenue Authority of Singapore, which is structured like a corporate body with a board of directors exercising policy-making powers, and a CEO commissioner responsible in managing the day-to-day affairs of the tax agency. The board can be chaired by the secretary of finance to align tax policies and administration. The CEO should be with a tenure to insulate him from political pressures.

The conversion of the old Central Bank to the Bangko Sentral ng Pilipinas (BSP) is a good example of this conversion. The BSP has proven itself to be a center of excellence in performing a vital governmental function.

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