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STUDY ON BUSINESS TAXATION IN THE PHILIPPINES

THESIS

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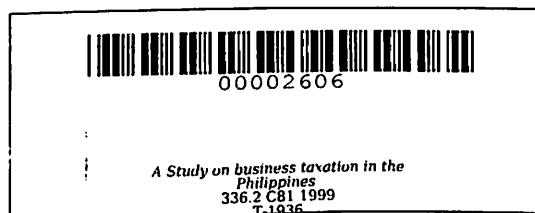
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ABSTRACT

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A study was conducted to determine the following: (1) different types of taxes imposed on various businesses, (2) net contribution of business taxes to the country's revenues; and (3) problems associated with the formulation of policies and implementation of business taxation.

Business tax can be classified as direct and indirect . Direct tax is imposed on corporation whether it be domestic or foreign . Domestic corporations are those organized in the Philippines. While foreign corporations are those controlled by foreign investors. It maybe resident or non-resident foreign. Resident foreign are those having an office in the country while the non-resident foreign corporations are those not engaged in business within the Philippines.

The indirect taxes include specific taxes, privilege taxes, documentary stamp taxes, and mining taxes which are essentially excise taxes. However, taxable base and tax rate are considered in analyzing the different kinds of business taxation.

The over-all collection in the year 1997 posted P 316.661 B including the payments through Tax Debit Memo. The highest collection from net income and profit amounted to 164.170 B while the lowest amount collected was P19.808 billion. On the other hand, the major sources are short on its target by 5.32 percent while the highest percentage was from corporate taxes constituting 50 percent of the total collection on CY 1996 and 1997.

In addition, the highest percentage was from corporate taxes with 50 percent of the total collection of income taxes both on CY 1996 and 1997.

However, there are problems encountered in the formulation and implementation of policies. One of the basic problems was that the personnel who are not-oriented in the latest laws, rules and regulations on excise articles or goods. Another problem was the delaying in the submission of updated of exciseable articles.

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A STUDY ON BUSINESS TAXATION IN THE PHILIPPINES¹⁷

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INTRODUCTION

Taxes and taxation are generally regarded as unpleasant subjects. Justice John Marshall quoted that "the power to tax is the owner to destroy" is representative of the overtones of this area, as in the historic linkage of death and taxes are inevitable. But against this aura of unpleasantness, the statement of Justice Oliver Wendell Holmes, Jr., that "taxes are the price we pay for civilization" must be set (Encyclopedia Americana, 1977).

Taxes are the most important source of government revenue. Governments may secure a command over resources by borrowing and spending the proceeds, or by creating money. Occasionally, government may secure funds from separations or from gifts. But the major source of government revenue consists of taxes-compulsory payments by persons or organizations. Thus, taxes involve a transfer of control over