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**HIKED VAT & PETROL TARIFF
VS.
JUETENG TAX
The Case for Jueteng Legalization**

A Position Paper
of the
**CHAMBER OF REAL ESTATE & BUILDERS' ASSOCIATIONS
(CREBA)**

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Our economy has been down on its knees since the 1997 economic crisis. Opinions and surveys to the contrary notwithstanding, a large proportion of our people have been wallowing in poverty for years, with some 40% of the population subsisting below the poverty line.

With a monthly per capita income of only P6,800 for a family of six ~ and prices having risen by more than 130% from its 1990 level ~ the gap between wages and cost of living has widened to near intolerable proportion.

Attempts at narrowing this gap through wage adjustments had failed for lack of resources on the part of both Government and the business sector. Majority of businesses have not fully recovered from the massive losses occasioned by the 1997 economic meltdown ~ which drove interest rates, the foreign exchange rate and all costs of doing business sky-high. The business sector continues to suffer from depressed markets at one end, and exorbitant power and transport costs, excessive regulatory fees and other government impositions, peace and order problems, widespread smuggling, graft and corruption in government, bureaucratic red tape, and a generally bleak business climate at the other.

Economic growth in the last 3 years is perceived as more illusory than real. If there was such growth, majority of the population have not felt it ~ unemployment has hovered at some 13%, underemployment at some 23%. Government's ability to provide ~ never mind improve ~ has become almost nil as its fiscal deficit has continued to balloon.

Against this backdrop, Government's intention to resolve its fiscal difficulties by raising the VAT and petroleum tariff, hiking regulatory fees, and imposing additional burdens upon the suffering nation, may be perceived as **callousness**.

In these particularly difficult times, these impositions ~ which will eventually be absorbed by the consumer, rich and poor alike ~ will only bring catastrophe by triggering another round of debilitating price increases across the entire economic spectrum.

If Government is at this time incapable of alleviating suffering, the least it should do is not aggravate it.

True, Government needs to address its P200 Billion fiscal deficit. To our mind, however, raising the VAT and petroleum tariff is not the answer.

Firstly, there is grave doubt that the optimistic P54 Billion projected increase in revenues may not be at all realized. More likely, the increased VAT's adverse impact on prices would compel collusion between buyer and seller to evade the tax by not issuing official receipts. Consequently, government may expect an actual **decrease not only in VAT collections but also in income tax collection**. Increased petroleum tariff, on the other hand, would be an additional incentive to smuggling, technical or otherwise, and as such would similarly result in reduced collections.

Secondly, Government is not without less painful, more effective alternatives. Various lucrative revenue sources exist that are neither inflationary, counterproductive nor aggravating to the poor ~ measures that would benefit rather than prejudice the economy, society and Government itself.

A superior measure ~ most lucrative and totally painless ~ would be to legalize and tax JUETENG.

Compared to a VAT and petroleum tariff, a jueteng tax will contribute billions to national and local coffers without any impact whatsoever on prices of goods and services. It will **hurt no one**.

There are 2 jueteng draws per day in some 45,000 barangays throughout the country. Assuming jueteng lords collect at least P20,000 per draw, a 25% tax on jueteng collections per draw would contribute to Government some **P450 Million** daily, or **P164 Billion** annually. This is **more than triple** what the Administration projects to collect out the hiked VAT and petroleum tariff combined.

Out of this annual revenue, P64 Billion may be allocated to the local government units in proportion to their respective population, with the remaining P100 Billion going to the national coffers. A registration/franchise tax on existing jueteng operators ~ at the rate of P10 per head of population in the franchise area ~ would contribute an additional P800 million annually, which may be set aside to cover administration and regulatory costs.

It bears emphasizing that this alternative measure could be implemented in no time, and with little difficulty. All that would be necessary is to immediately require

existing jueteng operators nationwide to register and apply for franchise and operating permits, impose a franchise tax based on local population data, and subject each operator to a fixed tax of, say, P5,000 per draw.

Under this collection scheme there would be little or no room for tax evasion. There would be little opportunity for graft as well, since it will not require the exercise of discretion on the part of the tax collecting agency (BIR).

History tells us that jueteng was the favorite gambling outlet of our very own national hero, Jose Rizal. It was his winnings in jueteng on two occasions that enabled him to buy his property in Dapitan which was later seized by the friars. This game was as popular then as it is now, indulged in by the country's other heroes Apolinario Mabini and Gregorio del Pilar.

Jueteng has endured to this day and, from all indications, will continue to linger as part of the Filipino way of life, especially for the poor. For, in the face of the poor man's tribulation it is a need ~ a source not only of cheap entertainment, but also of hope to win that "jackpot", which could mean a little more food on his table and a little less tattered clothing on his children's backs.

This is, sadly, why unscrupulous jueteng lords have found the poor an easy prey ~ and Government appears content to let them continue to hold sway.

Government has long legalized, and openly encourages, the rich man's form of gambling ~ casino, sweepstakes, lotto, jai-alai and cockfighting. Legalization has benefited the bettors in these games, via regulatory measures that afford them protection from fraud and exploitation by game operators.

Yet jueteng ~ the poor man's game ~ is allowed to operate outside the law, beyond the ambit of government scrutiny and regulation, thus denying the bettors the kind of government protection being extended to casino, sweepstakes, lotto, jai-alai and cockfighting bettors.

To our mind, this cannot be anything but **discriminatory**.

Government's sole argument against jueteng legalization is that it is gambling, and thus immoral. From this it would appear that Government is applying a double standard of morality, as it does not find other forms of gambling ~ casino, sweepstakes, lotto, jai-alai and cockfighting ~ similarly immoral.

And considering that Government has been profiting immensely from these other forms of gambling, raising the issue of "immorality" in the case of jueteng appears quite **hypocritical**.

Thus, perhaps, the people cannot be faulted in their perception that the real reason Government has so far desisted from subjecting jueteng to regulation and taxation, is because the large majority of legislators and officials in the Executive Branch ~ from the highest to the lowest level ~ owe the jueteng lords their political and economic fortunes.

If Government is to regain the faith of the governed, legalizing jueteng would be a major step. It would not only contribute billions, but at the same time spare the nation from the nightmarish impact of hiked VAT and petroleum tariff. Just as importantly, it could considerably improve the quality of governance by eliminating what is perceived to be a major source of graft and corruption in government.

But if Government truly finds gambling immoral, then it should ban not just jueteng but casino, jai-lai, lotto, cockfighting and all other forms of gambling as well.

To our mind, consistency and decency dictate no less.