

SOME FACTS CONCERNING THE ARTICLE ENTITLED "PROVINCES' RELATIVE INCOME TAX STANDINGS" PUBLISHED IN THE AMERICAN CHAMBER OF COM- MERCE JOURNAL FOR JULY

By **JUAN POSADAS, Collector of Internal Revenue**

It is alleged in the above-entitled article that more than 75% of the income taxes in the country is assessed in Manila. It is further said that only 5 provinces, besides Manila, are assessed more than 1% of the tax. While the object of the article in publishing figures pertinent to the income tax is not stated, yet there exists the reasonable presumption that the impression it desires to create is to demonstrate that it is only in the City of Manila where the said tax is adequately collected. This is not the first time that figures of this nature are given, inasmuch as a few years ago a group of prominent business men tried to prove that the income tax is not yet adapted to the economic development of the Islands, giving as their proof the fact that the greater part of it is paid in the City of Manila.

In trying to pass judgment upon the adequacy or inadequacy of the enforcement of the Income Tax Law, the economic conditions prevailing in the country should be borne in mind. The first condition which must be taken into account is that the Philippines is primarily agricultural, and agriculture, therefore, constitutes the main source of income for the people of the country. If agriculture is the main source of income, then let us see the extent of the holdings of individual landowners. According to the Census of 1918, out of the total area of 2,415,778 hectares of land under cultivation, 246,061 hectares corresponded to farms over 100 hectares, or in other words, the total area of 100-hectare farms under cultivation was but 10% of the total area of all the farms under cultivation. The same Census reveals that, of the total number of farms in the Philippines reaching 1,955,276, only 3,433 are farms of 100 hectares or over or 16/100 of 1%.

The same source of information shows that the following represent the average area of each farm in the different provinces:

	Hectares
Abrus.....	2.83
Acehan.....	3.76
Albay.....	2.87
Ambos Camarinas.....	3.21
Antique.....	1.69
Bataan.....	2.92
Batanes.....	2.77
Batanga.....	2.56

Bohol.....	1.49
Sub-province of Benguet (Baguio).....	5.81
Bukidnon.....	3.59
Bulacan.....	2.11
Cagayan.....	2.25
Cebu.....	1.40
Cotabato.....	7.07
Davao.....	16.65
Iloos Norte.....	0.46
Iloos Sur.....	0.55
Iloilo.....	3.40
Isabela.....	1.80
Sub-province of Kalinga.....	7.33
Laguna.....	1.69
Lanao.....	3.06
La Union.....	0.75
Sub-province of Lepanto-Amburayan.....	0.50
Leyte.....	2.55
Marinduque.....	1.33
Masbate.....	5.45
Mindoro.....	13.11
Misamis.....	1.99
Nueva Ecija.....	6.08
Nueva Vizcaya.....	1.56
Occidental Negros.....	18.54
Oriental Negros.....	2.02
Palawan.....	4.41
Pampanga.....	5.32
Pangasinan.....	1.26
Rizal.....	1.44
Romblon.....	3.29
Samar.....	3.08
Sub-province of Siquijor.....	1.02
Sorsogon.....	3.93
Sulu.....	4.61
Surigao.....	2.90
Tarlac.....	3.05
Tayabas.....	4.29
Zambales.....	1.22
Zamboanga.....	3.58

These figures show that land is evenly distributed in this country, and considering the high personal exemptions— $\text{P}4,000.00$ for single persons and $\text{P}6,000.00$ for married persons, it is not surprising if the vast majority of people is exempt from income taxation. On the basis of an average return of 8% on capital invested, a person who makes an annual income of $\text{P}1,800$ should have a farm worth $\text{P}22,500.00$. It can be readily seen that the income of $\text{P}1,800$ is way below the exemptions both for single and married persons. How many persons in this country have farms worth $\text{P}22,500.00$ or more?

To give concrete illustrations of figures connected with the five major agricultural products of the Philippines, the following table is given:

Crop	Sharing of crop between landlord and tenant and sugar planter and central	Value of production per hectare	Area of land necessary to produce income of	
			$\text{P}4,000$	$\text{P}6,000$
Rice.....	1/2 to landlord, 1/2 to tenant	$\text{P}72.00$	111 hectares	106 hectares
Sugar.....	1/2 of land to be kept fallow to prepare next crop; 1/2 to sugar central, 1/2 to planter	416.00	38 hectares	57 hectares
Coconuts.....	4/5 to landlord, 1/5 to tenant	124.00	40 hectares	60 hectares
Tobacco.....	1/3 to landlord, 2/3 to tenant	99.00	121 hectares	181 hectares
Hemp.....	1/2 to landlord, 1/2 to tenant	43.00	186 hectares	279 hectares

It will be observed that the figures shown are those corresponding to 1931, inasmuch as the article under consideration deals with the income taxes for 1932, or in other words, the taxes on the incomes earned in 1931. It will also be observed that the areas of land needed to produce the incomes that constitute the limits of personal exemption are many times above the average size of farms in the different provinces. Analyzing the foregoing figures, it should be borne in mind that with the exception of sugar planters who pay the income tax, tenants of rice, coconut, tobacco, and hemp lands do not pay the tax, and therefore the estimate of the acreage has been made using as basis the share of the landlord in the produce.

If the average area of each farm in the different provinces is analyzed, it will be seen that the ones having the highest averages are: Occidental Negros, Davao, Mindoro, Sub-province of Kalinga, Cotabato, Nueva Ecija, Benguet (Baguio), Masbate, Pampanga, Sulu, Tayabas, and Palawan. With these figures, it is easy to comprehend the relatively high income tax standing of Occidental Negros, Pampanga, Laguna, Davao, Zamboanga, and Tarlac. With the exception of Davao and Zamboanga, the other provinces house the profitable sugar industry. Davao derives its great income from the hemp industry, in addition to the fact that it is a port of entry. These two factors primarily account for the rather high income tax standing of that province in spite of its being sparsely populated. Zamboanga, besides being an old town, is also a port of entry and one of the commercial centers in the South. Besides producing sugar, Tarlac is one of the largest rice-growing provinces in Central Luzon. Cotabato, although remote from Manila, is one of the most fertile regions in Mindanao, and one of the places that have received the benefit of the enterprising hand of the pioneer. In fact, it is one of the provinces having the highest average size of each farm.

The reason for the collection of more than 75% of the income taxes in the City of Manila is that the central offices of the large firms are established in the City and file their returns therein. At the same time, the prominent citizens from nearby provinces and even those as distant as Abra also file their returns in Manila. Then Manila, being the intellectual center of the Philippines, attracts the best in every profession, encourages the arts, and gives life to amusement places, thus producing the result of what appears to be an abnormal proportion of income taxes assessed in the City. Furthermore, it is well known that all the officials and employees of the Insular Government working in Manila and those of the City of Manila, whose salaries are above the personal exemptions, file their returns in the City. Outside of such commercial centers as Manila, Cebu, Iloilo, Zamboanga, and Davao, incomes of over $\text{P}4,000.00$ are not common.

Readers will no doubt be as glad as the JOURNAL has been to examine this analysis of the internal revenue bureau of the reasons why little income tax is paid in the provinces. The table on which the JOURNAL's original paper was based was the bureau's own table, rearranged in the order of the percentage of income tax assessed in each province and in Manila instead of in alphabetical order; and the comment was based upon interviews with Collector Juan Posadas who further comment in this paper is gladly printed.—E.