

Tax Reform for Acceleration and Inclusion Act on the Socioeconomic Status of the Employees of the Polytechnic University of the Philippines

Lilian M. Litonjua, Ryan C. Roque
Set A. Borja, Kyle T. Mercado, Froilan Ferdinand Vincent Percival M. Penaflor

lmlitonjua@pup.edu.ph, rcroque@pup.edu.ph/ryancanonroque@yahoo.com
setborja@yahoo.com, kylemercado410@yahoo.com, froilanpenaflor@gmail.com,

Abstract

The Philippines started the implementation of Tax Reform for Acceleration and Inclusion or TRAIN Act in 2018. With this, the researchers conducted this study to identify the effects of TRAIN Act on the socioeconomic status of the employees of the Polytechnic University of the Philippines (PUP) in terms of income, wealth and deprivation. Descriptive method of research was applied. Questionnaires were distributed to 189 permanent or regular employees of PUP-Mabini Campus. The study revealed that the respondents somewhat agreed with the effects of TRAIN Act in terms of all the aspects. Researchers recommend that Polytechnic University of the Philippines may conduct a seminar regarding TRAIN Act to their employees to educate them and learn about the subsidies available. Also, employees may inquire about the Unconditional Cash Transfer (UCT) which is a subsidy to lessen the impact of the increase in fuel excise tax. Employees may apply for health care card to avail better health services when needed. They should pursue continuing or graduate studies for them to have a higher position or higher salary grade. They could also borrow money from the cooperative in PUP to start their own business as another source of income.

Keywords –Socioeconomic Status, PUP Employees, TRAIN Act

INTRODUCTION

Every Filipino strives to sustain their needs in their lives. Employees' salaries were always reduced with withholding tax and other deductions; thus, less money would be available for them to buy their needs and wants. As 2018 came, the taxation in the Philippines changed when Tax Reform for Acceleration and Inclusion (TRAIN) Act took effect.

Tax Reform for Acceleration and Inclusion (TRAIN) Act

To reduce poverty, the government came up with the TRAIN Act which is the first set of the Comprehensive Tax Reform Program (CTRP) [1]. To attain President Rodrigo R Duterte's promise of “*tunay na pagbabago*”, it was signed into Law Package 1 on December 19, 2017 [2]. The effectivity date was January 1, 2018. Republic Act No. 10963 or TRAIN focused on quite a few weaknesses of existing system in taxation by generally reducing and streamlining the computation taxes such as the personal income tax, the donor's and estate taxes. Included also in the focus are escalating the base for value-added tax (VAT), and increasing excise taxes on oil and automobile, and sugar-sweetened beverages [3].

Personal income tax is classified as ordinary or regular income which includes compensation income (salaries or wages), business income, income from practice of profession, income from sale and/or dealings of property and miscellaneous income and passive income other than those subject to final taxes under Section 24(B) and capital gains tax under Sections 24(C) and (D) of the Tax Code [4]. In TRAIN Act, the personal income tax was changed into simpler computation whereby the taxpayer with taxable income per year of less than PHP 250,000 is now exempted.

There's no more basic personal exemption as well as additional deduction for every qualified dependent but not exceeding four. Regular incomes are now subject to new graduated tax table as provided for under Section 24(A).

Excise taxes are those that apply to certain goods produced in the Philippines and to imported products intended for domestic consumption or even for sale or any other disposition [5]. Excise tax has two types, the specific and the ad valorem taxes. Per BIR, specific tax is enforced based on any physical unit of measurement such as the volume or weight capacity. On the other hand, ad valorem tax is imposed based on the selling price or any other specified amount of the goods and articles [6]. Excise tax on some products increased, especially the petroleum products and sugar-sweetened beverages. The gasoline and diesel excise tax increased by almost PHP 3.00 while sweetened beverages increased by PHP 6.00 per liter.

Socioeconomic Status

The variables included in socioeconomic status are income, financial security as well as educational attainment. This also comprises subjective perceptions of social status and social class [7]. The socioeconomic status of a family provides a perception of their position in a society [8]. Moreover, it is an economically and sociologically combined work experience of a person and of the relative economic and social standing of an individual or family, based on their occupation, education and income [9]. There are different ways to measure socioeconomic status of a person. It encompasses both resource- and prestige-based measures. This can be assessed using the three levels, such as (1) individual, (2) household, and (3) neighbourhood. It can further be evaluated at different stages of life from infancy to childhood, adolescence, and up to adulthood [10]. Educational credentials, income and wealth comprise the resource-based measures. But it is the rank of an individual in the social hierarchy that encompasses prestige-based measures. Socio-economic status is the standing of a person on a social-economic dimension that considers not only the income, education, place of residence and occupation, but also the heritage and religion [11]. Significant parameters do not just include the household income associated with employment status and educational achievement, but also, deprivation [12]. Socioeconomic status of an individual is not only correlated to how much money he earns from his work. There are a lot of other factors in his life that must be considered [13]. Even if two persons might be earning the same salary most probably, they could have dissimilar set of expenses due to differences in their responsibilities and status in life.

Socioeconomic status affects physical, mental health and overall functions of humans. If the socioeconomic status is low, educational achievement and health become poor, resulting to poverty. Ultimately, the entire society is affected [14]. The difference can be clearly seen. Generally, higher mortality rates can be observed to happen to socioeconomically challenged persons relative to those with a high socioeconomic position [15].

Income

All wealth which flows into a person refers to income [4]. It covers own wage or salary [16]. Salaries or wages are one of the sources of labour-related income but there's a lot more [17]. It also includes profits, interests and other forms of net pay of a household in a timeframe [18]. Furthermore, self-employed individuals do not have wages but instead, have profits that they make out of their business activities. The result on overall income and on families having different income is ambiguous because of numerous factors such as how spending differs with their response in terms of their consumption once their income changes over [19]. Vast majority of households' main source of income is their paid work [20]. For that reason, wage take-home pay became the biggest source of income for workers. The main lever to raise the standards of living is the increase in wages [21]. Comparing the standard wages against the needs of workers and their families, the needs tend to be higher. The insufficient wages lead to poverty [22]. The minimum wage is legally the lowest allowable daily wage that employers may pay to workers to compensate the services they rendered. [23]. When workers, despite employment, have small income, they find it difficult to flee from poverty [24].

Wealth

Economists define a person's wealth as the estimated present (discounted) value of their future flow of consumption. It is a stock of assets that can create future income and benefits. Thus, consumption includes the amusement of environmental amenity, rather than getting restricted to produced goods and services [25].

Wealth came from savings or inheritance that the household accumulated from the past together with income. It is also the total net value of what a household owns after deducting its obligations. This is also referred to as the net worth, in which the value that a household would have left after all its possessions have been sold and all its debt have been paid. This can be computed at year-end or any other specific point in time. The excess of your income over

spending adds to your wealth [17]. Net worth or wealth is the total of all assets after deducting the amount of all debts [26]. Between the wealth and income relationship, it is fundamental to inequality. Income if not consumed, can turn into wealth. Wealth if invested in assets that can give a return then it can generate income. Also, due to inheritance there is extreme wealth inequality that can affect the fairness of opportunities and social mobility [27]. During lean times, wealth helps households or families to get through and it motivates them to ascend in the economic ladder. To cope up with daily expenses, income is being used. Wealth includes the money in the bank, a first home, finishing college and retirement assurance. There are innumerable opportunities provided by having savings and/or investments [28]. Wealth is the net worth variable, which equals to households' financial assets plus nonfinancial assets and deduct to any debt [29]. Wealth is usually perceived as material goods, property or things that have economic value or utility. It also shows riches and abundance. It has monetary measures [30].

Wealth can be described as a large well-built wooden bucket and indestructible. However, it is susceptible to springing leakages. These leaks can be compared to the higher taxes which are the results of having inadequate tax planning, too many fees on investment, insufficient estate planning and safeguard of assets, reduced investment diversification and divesting too much [31].

Deprivation

Deprivation is a noticeable and evident challenge in the community to which an individual or a group belongs. Inadequate housing, having no television set or a car, or community with without amusement parks and other deprivation on things that are component of the contemporary lives refer to material deprivation. Social deprivation, on the other hand, refers to challenge in the interactions within the community, workplace or the family [32]. The challenges could happen at different levels when it comes to food, shelter, educational attainment, work or social connections. One is deprived if the person drops lower than the level achieved by majority or lower than what is acceptable in the society [33]. Material deprivation evokes the concept of poverty wherein there is lack of financial resources. It also resulted to serious economic pressure and inadequate material goods. These are the most concrete signs of disadvantage [34].

Deprivation is one of the ways to measure poverty directly in means of standards of livings [35]. There are several other factors, including economic, that made a person circling in the loop of poverty. These include the big household size, low educational attainment which hinders a person to get a decent job, lack of available and secured employment, the increasing costs of goods and/or services along with the absence of increase in salaries and wages, and the unsecured land and housing occupancy on resources available such as income [36]. Various families with low income live in less expensive, run down, and insufficient housing in community deprived with essential facilities. They live in hazardous environment, filthy areas, with heavy traffic, and worries on drugs and cruelty all in their communities [37].

OBJECTIVE OF THE STUDY

The purpose of the study was to identify the effects of TRAIN Act on the socioeconomic status of the Polytechnic University of the Philippines Mabini campus Employees.

MATERIALS AND METHODS

The researchers applied descriptive method of research.

Description of the Respondents

The respondents comprised of 189 out of 356 full-time employees of PUP – Mabini Campus. These include the employees in permanent administrator and full-time faculty Members. The sample size of 189 was computed using the Slovin's formula and the respondents were selected using convenience sampling.

Profile of the Respondents	Frequency	Percent
Age		
25 years old and below	12	6.3
26 – 35 years old	49	25.9
36 – 45 years old	40	21.2

46 years old and above	88	46.6
Total	189	100.0
Sex		
Male	72	38.1
Female	117	61.9
Total	189	100.0
Civil Status		
Single	63	33.3
Married	121	64.0
Legally Separated	1	.5
Widow/Widower	4	2.1
Total	189	100.0
Type of Employee		
Administrative	110	58.2
Academic	79	41.8
Total	189	100.0
Highest Educational Attainment		
High School	6	3.2
Diploma in Vocational Training	5	2.6
Bachelor's Degree	100	52.9
Master's Degree	68	36.0
Doctoral Degree	10	5.3
Total	189	100.0
No. of Years of Employment		
5 years or below	61	32.3
6 up to 10 years	44	23.3
11 up to 15 years	17	9.0
16 up to 20 years	13	6.9
21 years or above	54	28.6
Total	189	100.0
Salary Grade		
10 and below	83	43.9
11 – 15	46	24.3
16 – 20	40	21.2
21 and above	19	10.6
Total	189	100.0

Research Instrument

Survey questionnaire and interview were used by the researcher as the research instrument. The professors and administrative aide were interviewed to obtain relevant data about the changes in socioeconomic status of an employee in PUP. The survey questionnaire included two parts. Part 1 consists of the profile of employees while part 2 indicates the effects of TRAIN Act on the socioeconomic status of PUP employees. It was structured in the modified Likert fashion, on a 5 – point scale, ranging from (5) “strongly agree”, through (4) “agree”, (3) “somewhat agree”, (2) “disagree”, to (1) “strongly disagree”.

Data Gathering Procedure

After getting the approval to conduct the study, the researchers interviewed the administrator in the Office of Student Services and the professors in PUP College of Accountancy and Finance. Questionnaires were distributed to 189 employees. Some are retrieved on the same day, but the others are collected 2 to 3 days due to their busy schedule. All retrieved questionnaires were valid.

Statistical Treatment of Data

Data collected through questionnaires were analyzed using Frequency and Percentage Distribution, Weighted Mean and Likert Scale.

RESULTS AND DISCUSSION

Table 1. Effects of TRAIN Act on the Socioeconomic Status of the PUP Employees in terms of Income

Income	Mean	Verbal Interpretation
1. I need to have other sources of income to sustain myself or my family.	3.86	Agree
2. My employee benefits did not increase.	3.52	Agree
3. My take-home pay did not increase after the implementation of TRAIN Act. (2018)	3.44	Agree
4. All my salary goes to my expenses	3.43	Agree
5. I can't buy enough necessities with my income.	3.13	Somewhat Agree
6. I can't pay my bills with my take-home pay.	3.04	Somewhat Agree
7. I am considering leaving and applying for a higher salary job.	2.89	Somewhat Agree
Grand Mean	3.33	Somewhat Agree

Most of the respondents have salary grade of 10 or below. Their salaries are not enough to pay for all their expenses. One reason why the employees have low salary grade is their educational attainment. For the employees to have a better salary grade, one should pursue graduate studies. Most of the academic employee respondents have their master's or doctorate degrees. That make them earn a higher salary grade compare with the administrative employees. Even if the employees somewhat agreed considering leaving their job at present, they chose to stay in PUP because of one factor which is the insufficiency and insecurity of employment [36].

Table 2. Effects of TRAIN Act on the Socioeconomic Status of the PUP Employees in terms of Wealth

Wealth	Mean	Verbal Interpretation
1. My budget has been lessened excise tax increase on oil and petroleum.	3.39	Somewhat Agree
2. I barely save money from my income.	3.37	Somewhat Agree
3. I have not gotten any new furniture or appliances.	3.17	Somewhat Agree
4. It's not a good time to start a business.	3.11	Somewhat Agree
5. I spend more than my income since the implementation of TRAIN Act.	3.01	Somewhat Agree
6. I am not considering making investment in the near future.	2.91	Somewhat Agree
7. I gained debts since the implementation of TRAIN Act.	2.85	Somewhat Agree
Grand Mean	3.11	Somewhat Agree

Direct effect of TRAIN act applies to those employees having their own vehicles. They spend more on travel expenses including gas or other petroleum products. Budget of some are affected as the price of the liquefied petroleum gas was increased. Indirect effect applies to those who commute. The increase in fare somewhat tightened the budget of the employees. If income is not enough to cover the needed resources, wealth has to be known if an individual can still survive and manage the basic daily needs and unexpected events [40].

Table 3. Effects of TRAIN Act on the Socioeconomic Status of PUP Employees in terms of Deprivation

Deprivation	Mean	Verbal Interpretation
1. If I'm sick, I can't afford to go to a private hospital.	3.15	Somewhat Agree
2. I can't afford to study further. (E.g. Masteral, Doctorate etc.)	2.89	Somewhat Agree
3. I can't stock up a week worth of food supply.	2.87	Somewhat Agree

4. I'm not satisfied in my current living area.	2.86	Somewhat Agree
5. I can't buy new clothes.	2.84	Somewhat Agree
6. I'm eating less after the implementation of TRAIN Act.	2.74	Somewhat Agree
7. When a household member is sick, I choose to do other alternatives rather than buying medicines.	2.74	Somewhat Agree
Grand Mean	2.87	Somewhat Agree

Aside from the low salary grade of 10 and below, PUP employees do not have health card as part of their benefits. They need to pay in cash whenever they have their check-up or when they got hospitalized. Even if they are members of Philippine Health Insurance Corporation or PHILHEALTH, it does not cover all the expenses but only portion of it depending on the case and hospitals or Health Care Institution (HCI). Deprivation includes social exclusion such poor access to health facilities and services [41]. The respondents who can attain higher education are less likely deprived than those who are not. Education indicates skills requisite for acquiring economic resources that's why low educational achievement is closely matched up with lack of resources [42].

From the preceding findings, the researchers concluded that the respondents somewhat agreed on the effects of TRAIN Act on the socioeconomic status of the PUP Employees in terms of income, wealth and deprivation.

PUP may encourage the organizations to hold a seminar about the TRAIN Act and the changes it brought, what the updates on the taxes are, and what subsidies are available to the employees. It should be done by batch of smaller group (per department, office, college or cluster) to support better understanding or grasp of the act. The employees may also inquire about the Unconditional Cash Transfer (UCT) which is a financial assistance given under TRAIN to lessen the impact of increase of excise tax on fuels. Since health care card is not part of the benefits of PUP employees, they should seek a Health Maintenance Organization (HMO) either individually or by group of at least 20 members for a fee. They should also pursue graduate or continuing studies to obtain a higher position or higher salary in the Polytechnic University of the Philippines. They could also be a member of the PUP Provident Fund and utilize the loans opportunity to start their own business while still employed with PUP.

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