

PHILIPPINE TAX ACADEMY

Revisiting Reform Initiatives in the Philippine Revenue Sector: Basis for the Reinforcement of the PTA Integrity Education Program

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Abstract

The Philippine Tax Academy (PTA) aspires to transform the revenue employees into professionals with ethical and moral integrity and commitment to effective and efficient delivery of services. In light of reinforcing integrity in the revenue sector, this preliminary study employed document analysis on various literature on integrity issues in the revenue sector and reform initiatives to address them. The analysis revealed the interplay among graft and corrupt practices, governance issues, ethical and moral concerns, and low public trust. Moreover, the literature suggests that reforms in the public sector should be accompanied by changes in behavior, mindsets, and values among the personnel at all levels of the bureaucracy. Leveraging these findings, an Integrity Education Program (IEP) framework is proposed with the end goal of improving public trust and revenue generation. The PTA envisions realizing this goal by offering training and continuing professional education incorporating ethical and moral considerations in public finance management and organizational leadership and management. A preliminary course relating to the concepts and theoretical approaches to public ethics, integrity, and compliance has been developed and is currently being implemented. Groundwork for evaluation is underway to assess whether the ongoing course implementation is on track to achieving the IEP goals towards further improving the courses and the delivery and evaluation thereof.

Keywords: *Integrity Education, Philippine Tax Academy, Public Governance, Revenue Sector, Tax Collection, Tax Education*

This technical paper is part of an ongoing study, and is subject to further revisions. The primary purpose of publishing this report is to invite feedback, comments, and suggestions from the PTA stakeholders, researchers, academic community, and/or research institutions. Comments to this paper are welcome within 60 days from the date of posting. Email: reid@doftaxacademy.gov.ph

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INTRODUCTION

Governance covers all of the systems by which organizations are managed, directed, and regulated. In its current usage, governance has come to be understood as “the manner in which power is exercised in the management of a country’s economic and social resources.” Whenever people talk about governance, discussions about corruption invariably arise as corruption or the perception of it, has come to be the barometer for judging the quality of governance in the public sector (Boncodin, 2001). The revenue sector is no exception from the perception of economic issues. Accordingly, corruption in tax collection and revenue generation commonly emanates from bribery, embezzlement, and tax evasion involving public officials and private entities. This substantially reduces a country’s revenue generation, far surpassing the amounts paid in bribes, and often leads to inadequate funding for public services (Dramane, 2022; Yilanci & Sasmaz, 2023). Moreover, the complex payment process may lead individuals to engage with corrupt agents as taxpayers may perceive that the potential gains from corrupt practices are more significant than the penalty of being caught (Dramane, 2022). Along with these factors, low salaries and standard of living allure public personnel to accept bribes and private entities to use inducements to secure a project contract. The decline in tax revenue due to corruption causes tax base reduction and paves for an unfair distribution of tax burden among taxpayers. Then, individuals and entities may resort to bribing tax collectors to avoid hefty taxes. This vicious cycle of bribery, corruption, tax evasion, and inadequate funding for social services erodes public trust (Yilanci & Sasmaz, 2023). Consequently, the general public may become reluctant to comply with tax laws, rules, and regulations, believing their taxes will be misused or stolen by corrupt officials. Meanwhile, it has been acknowledged that a good tax and revenue collection system requires good governance and that improving and regulating systems and institutions are fundamental to curbing corruption in the revenue sector (Dramane, 2022). Moreover, it is crucial that taxpayers trust the government and that they see that their taxes are properly used and accounted for in social services.

As the Philippines strives to foster ethical governance and public transparency, having an integrity education is one of the pivotal approaches. The Organization for Economic Cooperation and Development (OECD) spotlights the role of education in the fight against corruption. It calls on countries to raise awareness of the benefits of public integrity, reduce tolerance of violations of public integrity standards, and promote civic education on public integrity. This paper examines the crucial role of integrity education in the Philippines' fight against graft and corrupt practices, exploring how it empowers individuals, strengthens institutions, and fosters a society committed to ethical values. Focusing on the multidimensional aspects of integrity education, this study seeks to shed light on its potential to impact the nation's efforts to curb corruption and fraudulent activities. Through an exploration of key elements of integrity education, this paper attempts to establish an

understanding of the foundation of ethical values, which can be used in course and training design, probing the Philippine revenue sector, particularly governance issues in its bureaus and its implications, and educating revenue officials and employees by the PTA to aid in the professionalization of the revenue officials and employees, and mobilize revenue generation.

METHODOLOGY

This study employed document analysis to gather data utilizing academic journal articles, books, newspaper articles, and institutional reports. As a data gathering procedure, document analysis can reduce some ethical concerns associated with other qualitative methods as empirical data are obtained unobtrusive and nonreactive (Morgan, 2022). Financial reports, web documents, and publications by government, non-government agencies, and academic researchers were primarily used. Data analyses and relevant information from these documents were critically perused and synthesized and became the bases for notions and arguments presented herein. Analyses and findings are discussed in three sections. The first section highlights the mandates and roles of the three bureaus in the Philippines' revenue generation efforts for nation-building; the second explicates the mandates and reform initiatives of the BIR, BOC, and BLGF and how these are essential contributions in improving public service. The third section deals with the critical role of integrity education in restoring trust and integrity in the public service as this likewise introduces how the PTA, through its mandates and functions, may potentially promote the goals of integrity education to foster ethical and moral fitness among tax and custom collectors and administrators as well as enhance their capacities to drive revenue mobilization. The groundwork for evaluating the pioneering course offered under the PTA IEP is also outlined.

DISCUSSION

Role of the Revenue Sector in the Economy

The revenue sector in the Philippines, comprising the Bureau of Internal Revenue (BIR), Bureau of Customs (BOC), and the Bureau of Local Government and Finance (BLGF) is responsible for the country's income stream. Collecting taxes and fees and charges is a fundamental way for countries to generate public revenues, making it possible to finance investments in human capital, infrastructure, and provide services for citizens and businesses. Moreover, taxes contribute to a country's gross domestic product (GDP), spurring economic growth, improving the standard of living, and raising job creation (Lobo et al., 2022). Hence, the loss of revenue either due to inefficient tax collection or corruption practices, results in tax base reduction with a corresponding decrease in government expenditure for infrastructure and public service.

Simplifying tax payment processes is vital to enhancing a country's competitiveness. Conversely, intricate tax systems have been shown to be associated with higher levels of tax evasion, the proliferation of informal economic activities, increased corruption, and a decline in overall investment (Dramane, 2022; Hoinaru et al., 2020; Yilanci & Sasmaz, 2023).

Furthermore, it is crucial to ensure that the tax burden is distributed fairly among various groups, including the affluent and less privileged, corporate entities and individual taxpayers, residents of urban and rural areas, and participants in both the formal and informal sectors. By addressing these factors, governments can create a tax system that promotes economic prosperity and social harmony (M. Francisco, 2021). Continuous efforts to instigate improvements in the current tax system are taken into account by the government including the revenue sector.

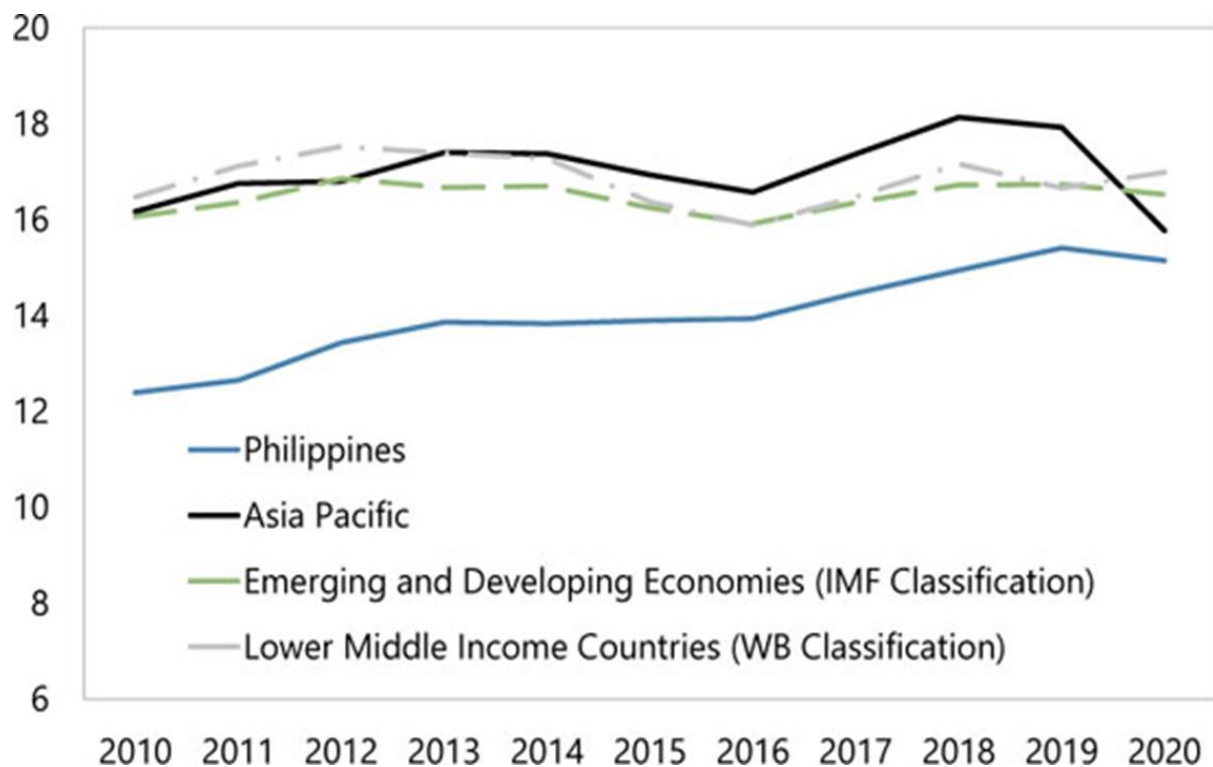


Figure 1. The Tax-to-GDP Ratio of World Economies Over the Years (International Monetary Fund, 2022).

With the Philippine authorities' commitment to recovering fiscal space and decreasing debt levels below the indicative threshold of 60% of GDP, improving tax revenue becomes a paramount component of this medium-term fiscal strategy. Over the past decade, the tax-to-GDP ratio of the national government has improved by about 3 percentage points from 2010 to 2019, surging to 14% and 14.1%, respectively, in 2020 and 2021. However, this substantial increase is still below the average compared to the performances of Asia-Pacific and lower middle-income countries (International Monetary Fund, 2022). In 2021, the tax-to-GDP ratio reached 18.1% which is 1.7 percentage points below the Asia-Pacific average (OECD, 2023). Although diversifying revenue sources can enhance fiscal stability and reduce reliance on volatile tax revenues, it is vital to strike a balance between non-tax revenue and taxation to ensure a sustainable and equitable fiscal policy. In seeking to increase non-tax revenues, the government must be cautious about potential negative impacts and ensure that any new fees or charges are equitable and do not burden vulnerable populations. Additionally, transparency and accountability in managing non-tax revenues are essential to maintain

public trust and confidence in government finances (Akitoby et al., 2020). These values are among those that are targeted to be upheld by public servants as can be gleaned from the provisions of Republic Act No. 6713 also known as the Code of Conduct and Ethical Standards for Public Officials and Employees.

Correspondingly, the revenue sector has instituted ways in which corruption can be curbed. Institutionalizing reform initiatives is seen to be contributory to addressing the certain gaps in the delivery of services, but also ultimately in intervening to plausibly come to grips with and eliminate the root cause of the problem. This paper presents reform initiatives of the BIR, BOC, and BLGF based on available data and does not claim exhaustive and comprehensive stipulation of other existing and recent initiatives these agencies may be undertaking.

The Revenue Sector’s Mandates and Initiatives

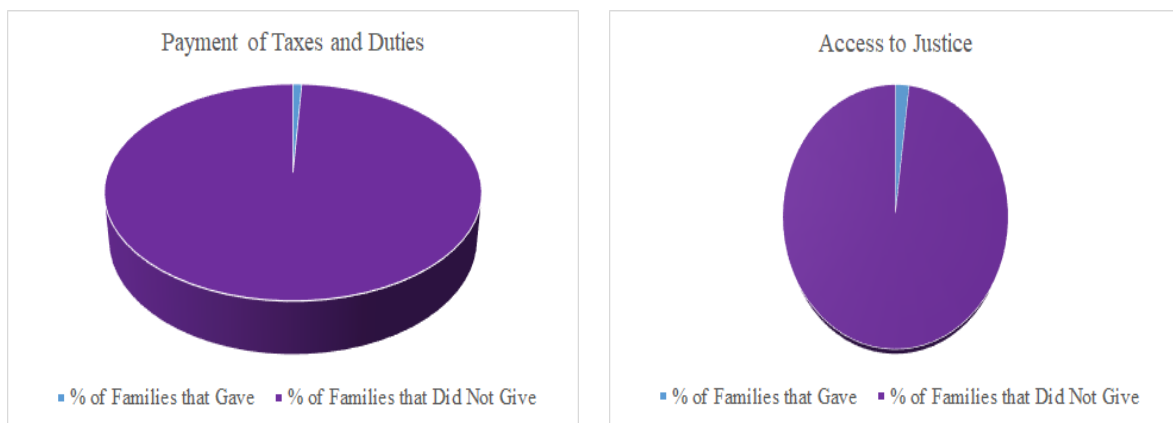


Figure 2. Percentage of Families that Gave Bribes or Grease Money (Office of the Ombudsman, 2018).

The Philippine revenue sector has grappled with low public trust due to graft and corruption issues over the years. Based on the Office of the Ombudsman (2018) report, among the families who had transactions with a government agency, 2.1% were asked for a bribe or grease money, particularly in accessing justice (2.0%) and payment of taxes and duties (0.9%). Compared to 2016 data, there was an increase in the number of families who gave bribes or grease money for these transactions: access to justice from 0.7% to 1.8% and payment of taxes and duties from 0.2% to 0.5% in the succeeding year. Moreover, the percentage of families who gave bribes or grease money increased from 2016 to 2017: access to justice (from 65.0% to 87.8%), and payment of taxes and duties (from 40.1% to 54.2%).

Based on the most recent 2019 Ombudsman Annual Report as published in the agency’s website, the Office received a total of 9,251 complaints for calendar year 2019. Ombudsman cases are complaints filed in or taken cognizance of by the Office of the Ombudsman charging any public officer or employee, including those in government-owned or controlled corporations, with any act or omission that is alleged to be illegal, unjust, improper or inefficient (Office of the Ombudsman, 2019).

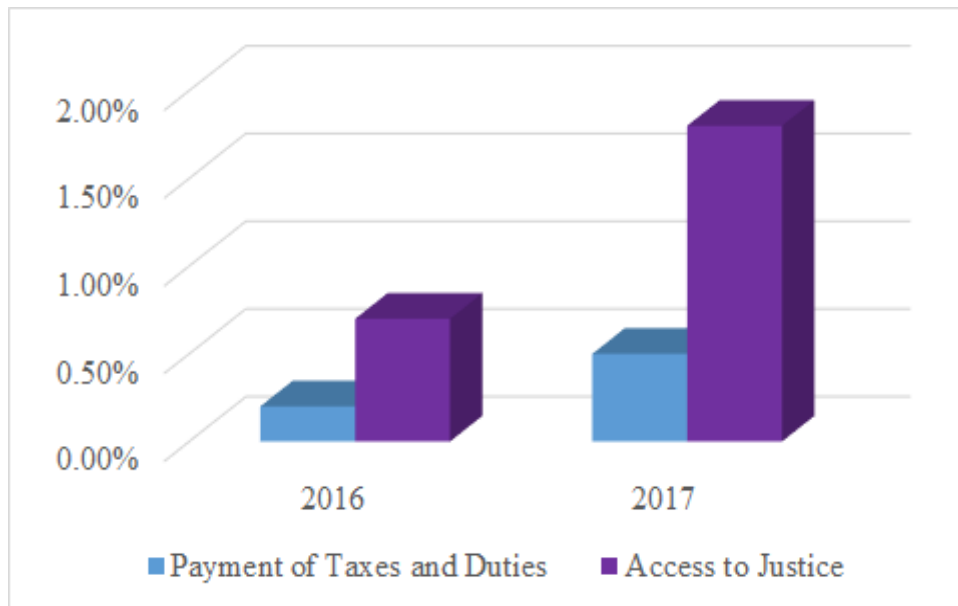


Figure 3. Percentage of Families that Gave Bribes or Grease Money in 2016 and 2017 (Office of the Ombudsman, 2019).

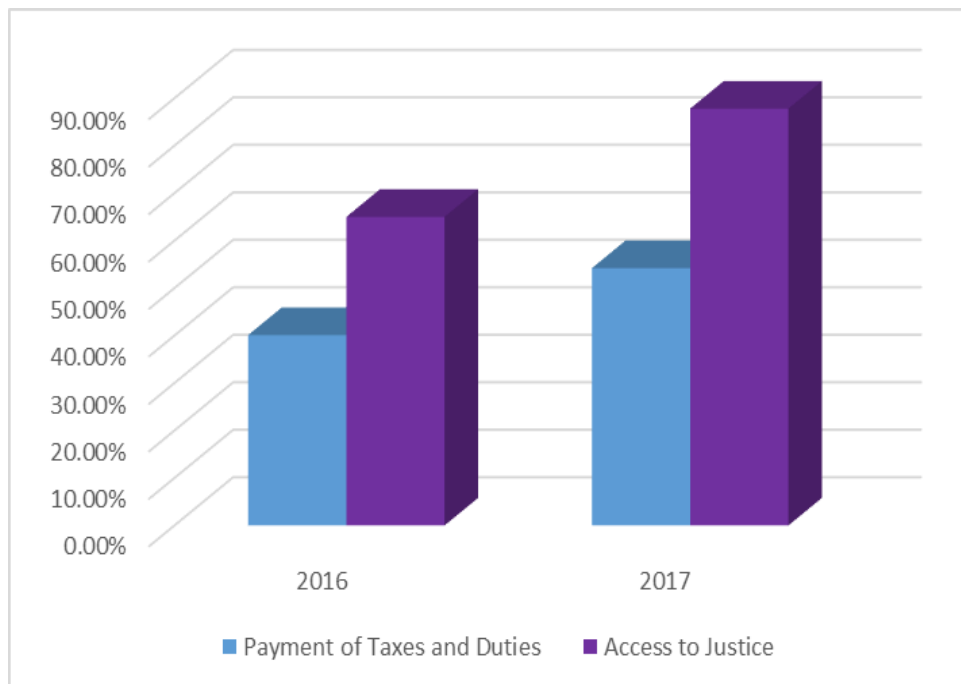


Figure 4. Percentage of families that gave in to solicitation of bribes or grease money in 2016 and 2017 (Office of the Ombudsman, 2019).

According to Habito (2010), weak governance and corruption are widely perceived as the principal constraints in achieving high and inclusive economic growth. The lack of integrity, as manifested in the misuse of public resources or improper behavior by government representatives, can shape the public perception of the overall government's trustworthiness (Habito, 2010). For instance, poor tax administration and collection efficiency resulted in tax evasion and smuggling, indicating weak customs enforcement. Related to these constraints on economic growth is the low level of public trust. Trust in the government has a crucial role in developing tax morale or the willingness of citizens to pay their tax obligations as they recognize its social benefits and their moral duties to do so (Malicdem et al., 2023). Thus, public trust generates tax compliance as the citizens trust the government to put their taxes to good use. Likewise, King (2017) noted that the tax system in the Philippines is characterized by complex laws and regulations. Such a system contributes to corruption practices as complicated tax rules and regulations predispose taxpayers to accept service offers from corrupt agents to avoid the complex filing process (Dramane, 2022). These create an opportunity for corrupt agents to allure taxpayers with tax cuts in exchange for under-the-table schemes, as the former has discretion in tax computations. Angeles (2021) found that tax filing experience affects business owners' willingness to pay tax obligations. While a positive filing experience generates higher tax compliance rates, a non-favorable experience in filing and paying taxes induces non-compliance among small business owners. Hence, low public trust, complex tax system, and negative tax filing experience pose a threat in revenue collection as these may lead to scenarios such as tax evasion, illegal tax payment reduction, and dishonesty in reporting taxable income. For instance, in the 2016 SWS survey which revealed a negative perception of the business sector for the revenue sector, the business enterprise admitted that only 43% of them gave full employee benefits, 34% paid correct wages, 33% issued receipts, and 19% paid taxes honestly. A reduction in tax revenue would mean a reduction in the state's financial power to allocate adequate funds for public services and to sustain the normal functioning of public agencies (Hoinaru et al., 2020). In effect, the reduction also impacts the overall operations of the public agencies thereby affecting the services they may offer to the public. Ensuring transparency, accountability, and trust is therefore exigent.

Malicdem et al. (2023) and Tans (2020) stressed the importance of trust in government for tax compliance. Trust in government is crucial in developing tax morale. That is, citizens are likely to comply with tax rules under a tax system that is fair while recognizing the benefits it provides (Malicdem et al., 2023). In a case study involving two (2) prominent Philippine cities, Tans (2020) argued that locally owned businesses with national political connections and are gaining benefits from government spending on public services are likely to support taxation and discourage tax evasion among its association members. On the other hand, Dramane (2022) suggested that the fight against corruption must involve improving and regulating systems and institutions, promoting accountability, and improving governance and transparency in public affairs management. Public officials must improve their performance in providing their constituents with adequate public goods and services as incentives for meeting their tax obligations.

Meanwhile, the Department of Finance (DOF), through the Revenue Integrity Protection Service (RIPS), strengthened its anti-graft campaign. The RIPS continuously conducts lifestyle checks, graft and corruption investigations, and files complaints against officials and

employees in the revenue bureaus and other DOF-attached agencies. It launched 58 investigations from July 2022 to September 30, 2023, on allegedly erring personnel in the revenue sector (Department of Finance, 2023a). In particular, the RIPS has filed 5 and 6 cases with the Civil Service Commission and the Office of the Ombudsman, respectively, that resulted in eight (8) favorable resolutions. Moreover, the RIPS has reinforced its complaint and monitoring system by creating a Green Lane Committee with the BIR and the BOC and improving the RIPS Alert System and RIPS Sumbong Website. Efforts have also been made by the BOC to curb illicit trade and strengthen trade facilitation and border control to protect the country from illegal drugs and other smuggled goods. From July to December 2022, the BOC seized illegal goods amounting to Php 15.65 billion (Department of Finance, 2023c). This includes illegal drugs (Php 10.2 billion), counterfeit goods (Php 2.450 billion), agricultural products (Php 1.884 billion), cigarettes and tobacco (Php 457.763 million), and used clothing (Php 287.480 million).

In trade facilitation, the BOC's National Single Window (NSW) system enables data storage by those engaged in trade and logistics in a single internet-based interface to comply with import, export, and transit-related regulatory requirements. In addition, the BOC organized the NSW Summit 2022 in partnership with the United Nations Economic and Social Commission for Asia and the Pacific. This event aimed to speed up the advancement of the country's NSW for the effective and efficient streamlining of automated trade procedures processes through information and communications technology (ICT) solutions. In pursuit of transparency and border security, the BOC created the BATAS Bureau's Action Team Against Smuggler (BATAS) under the legal service of its Revenue Collection Monitoring Group (RCMG). The creation of BATAS placed the RCMG legal service in the forefront of the BOC's anti-smuggling campaign (Customs Memorandum Order No. 09-2017, 2017). These initiatives not only expedited the import and export processing and improved trade compliance, transparency, and convenience, but also facilitated the internal cleansing and preserving the BOC integrity through immediate action on erring employees. In the year ending December 2022, the BOC conducted investigations on 175 personnel of whom five were charged with administrative cases (Department of Finance, 2023c). As a testament to providing quality services to its stakeholders, the BOC obtained and retained ISO 9001:2015 certification in its 17 offices and ports for quality management systems. Other BOC innovative programs intended to streamline systems and processes, and promote integrity and professionalism include ATA Carnet, ASEAN Customs Declaration, Authorized Economic Operator Program, Automated Inventory Management System, and TradeNet (Bureau of Customs, 2023b).

Comparably, the BIR strengthened its commitment against graft and corruption by implementing the Integrity Management Program (IMP), focusing on integrity, honesty, and transparency. This involves investigations of complaints and reports, and the disposition of administrative cases. The IMP received an upgrade when the Monitoring and Managing Administrative Cases project was launched nationwide on June 30, 2022. This software solution allows real-time monitoring of case status, workload management for Investigators and Hearing Officers, resolution of investigative issues, and the creation of a centralized database for cases accessible to both national and regional offices handling and monitoring complaints. The BIR's major accomplishments in this endeavor in CY 2022 include 202 cases of show-cause orders, 4 cases of formal charges with preventive suspension, 20 cases of

approved decision for dismissal from service, and 15 cases of decisions forwarded to Deputy Commissioner-Legal Group for approval (BIR Annual Report, 2022). Related to this, the bureau launched its in-house developed e-Complaint Monitoring System nationwide for handling and monitoring complaints received from various sources, including the 8888 Citizen's Complaint Center and the Presidential Complaint Center. Powered by Microsoft SharePoint, a focal person can easily access and address complaints within the prescribed time period. It also enables real-time creation of reportorial requirements and complaints statistics and allows access by BIR top management. Using this platform, the bureau hopes to attain and sustain a 100% resolution rate of cases, achieving the requisites of Executive Order No. 6, s. 2016.

Other technology solutions deployed by BIR to streamline services and promote integrity include an electronic registration portal for business registration, TIN Verifier Mobile Application, and Online Tax Clearance. Furthermore, the BIR continues to invest in the upskilling and professional development of its workforce. Aside from the bureau's regular capacity-building programs, it maintains an eLearning management system to deliver specialized training and courses. Integrated into this system is the Real-Time Reporting and Administration of the 360-Degree Feedback Form. In both the BIR e-Learning Platform and the PTA – iLEARN, a real-time report on ratings, feedback, and assessment results are easily generated and submitted to the concerned office unit, manager, or personnel. The PTA's course on ethics and integrity is continuously given to BIR and BOC personnel through the iLearn online platform and is also accessible to BLGF learners. Another important commitment to global management standards, the BIR expanded its ISO 9001:2015 Quality Management System (QMS) Certification to RDOs for registration and frontline services. In CY 2022, a total of 11 revenue regions were conferred with and maintained their ISO 9001:2015 QMS Certification (BIR Annual Report, 2022).

The various programs and initiatives presented herein are strategically anchored on the BIR's digital transformation roadmap, which harnesses digital technology and infrastructure to foster innovation within the bureau's services and eventually enhance the overall taxpayer experience. By integrating cutting-edge technologies into the BIR systems, tax filing and applications will be facilitated while reducing the direct interactions between the BIR and the taxpayers. An automated payment computation, for example, would prevent valuation inaccuracies and avert graft and corruption by removing tax computation discretion from the BIR personnel. Thus, the BIR digital transformation streamlines operations and safeguards against any irregularities in tax filing, application, assessment, and collection processes.

Bureau of Internal Revenue

The BIR, operating under the supervision of the Department of Finance, is mandated to assess and collect all national internal revenue taxes, fees, and charges, and to enforce all forfeitures, penalties, and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts. The Bureau is likewise mandated to give effect to and administer the supervisory and police powers conferred to it by the National Internal Revenue Code or other laws (Sec. 2 of the National Internal Revenue Code of 1997, as amended). Specifically, the BIR is mandated the following:

1. **Tax Collection:** At the heart of its mandate lies the task of collecting various internal revenue taxes, such as income taxes, value-added taxes, excise taxes, and others mandated by the government. These tax collections constitute a substantial portion of the government's revenue, serving as the lifeblood for sustaining essential public services and fostering economic progress (Sec. 2 of the National Internal Revenue Code of 1997, as amended).
2. **Tax Policy and Regulation:** The BIR plays a crucial role in shaping tax policies by offering expert insights and recommendations to the Department of Finance and the Philippine Congress. Its technical expertise and analysis contribute to crafting effective legislation related to taxation. In addition, the bureau clarifies tax laws and regulations by issuing rulings and interpretations. The bureau is also equipped with the authority to enforce tax laws, taking decisive legal actions against tax evaders and delinquent taxpayers. These actions encompass issuing tax assessments, imposing penalties, and pursuing criminal charges for severe tax fraud cases, thereby upholding the principle of fair taxation. (Sec. 6 of the National Internal Revenue Code of 1997, as amended).
3. **Tax Auditing and Investigation:** To maintain the tax system's integrity, the BIR conducts comprehensive tax audits and investigations. By scrutinizing tax returns and financial records, the bureau identifies potential discrepancies and uncovers tax fraud or evasion instances (Sec. 91 of the National Internal Revenue Code of 1997, as amended).

The BIR successfully collected Php 2.34 trillion in CY 2022, reflecting an increase of Php 257.53 billion (12.39%) compared to the CY 2021 Php 2.08 trillion collection (Bureau of Internal Revenue, 2023). This improved revenue collection can partially be attributed to the bureau's expansive efforts to boost tax collection, particularly its programs relating to tax law enforcement, such as Run After Tax Evaders (RATE), Run After Fake Transactions (RAFT), and Oplan Kandado. Under the RATE program, the BIR investigates and prosecutes tax evaders and other violators of the tax code. The bureau filed 115 cases at the Department of Justice with an estimated deficiency liability amounting to Php 5.1 billion. Additionally, 38 cases have been filed with different courts. Similarly, through the RAFT program, the BIR has filed criminal cases against sellers and users of commercial invoices/receipts for fake transactions. This involves four ghost corporations with an estimated tax liabilities amounting to Php 25.5 billion and three corporate buyers, accounting firms, and certified public accountants with an estimated tax liabilities totaling to Php 17.9 billion (Department of Finance, 2023b). Meanwhile, the Oplan Kandado program intends to improve voluntary tax compliance and collection by intensified tax law enforcement which involves administrative penalties and/ or business closure. With this, the bureau shut down 278 business establishments and generated Php 691.77 million additional collections in 2022.

As stated in its 2022 annual report, to increase tax compliance, the bureau streamlined key processes, simplified documentary requirements, and adopted online systems, resulting in 12.63% growth in the taxpayer base. It also utilized the Tax Compliance Verification Drive and third-party information through which unregistered entities were uncovered, and 192,023 business offices were inspected, producing Php 276.39 million collections. Further, the BIR deployed Computer Assisted Audit Tools and Techniques, resulting in Php 50 billion in collections, of which Php 47 billion (94%) were covered by letter of authority. The bureau

also deployed two additional systems, the Electronic One-Time Transaction (eONETT) and ONETT tracking, to augment its Electronic Certificate Authorizing Registration (eCAR) system. The eONETT system facilitates ONETT filings, while the ONETT tracking system enables online monitoring of ONETT applications. This contributed to 1,196,349 eCARs issuance and generated Php 917 billion collections in CY 2022 (Bureau of Internal Revenue, 2023).

Initiated in 2020, the Taxpayer Awareness Program (TAP) now leverages the power of social media like Facebook and YouTube to disseminate tax-related information and activities. The Revenue Memorandum Order No. 7-2022 dated January 18, 2022, laid down the policies and guidelines for the creation and management of social media accounts by the Revenue District Offices (RDOs) as a TAP component. The RDOs also conducted different activities like seminars, briefings, dialogues, TV/radio guestings, and distribution of education, information, and communication materials through various media, including traditional publications and digital platforms (Bureau of Internal Revenue, 2023). The RDOs' TAP activities are evaluated through a point system per semester. Similarly, a new digital project involving the re-architecture and development of the Electronic Filing and Payment System aims to establish a more convenient method of filing and paying taxes. This integrated eFiling solution aspires to be a robust, scalable, secure, user-friendly, and highly available system, adaptable to various e-payment options and the BIR Core System. This project would enable effective monitoring of tax filing and payment by both taxpayers and BIR users, generation of reports and analytics, and address the issues and concerns of the present eFiling systems. All these programs and initiatives are anchored on the BIR's digital transformation roadmap geared toward developing a digitally empowered and resilient workforce who can use reliable, scalable, and robust digital technologies and infrastructure, and can innovate BIR services for a better taxpayer experience. These technologies minimize the direct interaction between BIR personnel and taxpayers and automate payment computation that would reduce valuators' miscalculations, preventing graft and corrupt practices.

Bureau of Customs

The BOC is the country's revenue-generating agency operating under the auspices of the Department of Finance that is mandated to assess and collect the correct amount of duties and taxes on imports in accordance with the Customs Modernization and Tariff Act (CMTA) otherwise known as Republic Act No. 10863 (BOC, 2023). Aside from revenue collection, the BOC's mandates involve fighting against illicit trade and customs fraud, as well as enhancing trade efficiency through a well-functioning customs management system. The BOC also enforces all laws, rules, and regulations relevant to tariff and customs administration. Its role is crucial in supporting the country's economic growth and protecting its interests in international trade (Department of Budget and Management, 2015). The following are the specific mandates of BOC:

1. Collecting customs revenue: The BOC is tasked with evaluating and gathering customs revenues from various imports and exports entering and leaving the country. This includes duties, taxes, and other fees imposed on goods, ensuring the government receives the appropriate revenue.

2. **Curbing Illicit Trade and Customs Fraud:** The BOC plays a crucial role in combating illegal trade activities, such as smuggling and customs fraud. By closely monitoring and implementing stringent measures, the bureau aims to prevent illicit practices that could harm the economy and legitimate businesses.
3. **Facilitating Secured Trade:** The BOC strives to streamline trade processes through an effective customs management system. By removing unnecessary bureaucratic barriers and implementing modern technologies, the bureau aims to facilitate smoother and more efficient trade transactions for importers and exporters.
4. **Eradication of Graft and Corruption:** Upholding the integrity of customs processes is of utmost importance for the BOC. To achieve this, the agency conducts audits, investigations, and surveillance activities to monitor and enforce compliance among importers, exporters, and customs brokers. Additionally, the BOC implements stringent anti-corruption measures to promote transparency and accountability within its ranks, enhancing public trust in the agency (Bureau of Customs, 2022). In implementing relevant technology for effective and efficient customs management that aligns with international customs best practices, the BOC incorporates up-to-date technologies that align with international customs best practices. This includes adopting advanced tools for customs processing, cargo tracking, and risk assessment, ultimately enhancing the bureau's ability to manage the flow of goods in a modern global trading environment (Customs Memorandum Order No. 21-2020, 2020).

Included in the priority programs instituted by the current BOC Administration are digitalizing customs processes, simplifying trade facilitation, suppressing smuggling, and uplifting the morale of BOC personnel (Bureau of Customs, 2023b). The BOC stressed the continuous improvement and implementation of its “No Contact Policy” through Customs Memorandum Order 08-2020 and by leveraging technology. In line with this, the following projects were implemented (Bureau of Customs, 2023a):

1. issuance of body-worn cameras to personnel conducting customs examinations;
2. installation of Closed-Circuit Televisions for securing seized smuggled goods;
3. regular inspection of all accredited condemnation facilities through Security Survey and Inspection;
4. regular conduct of trainings for all BOC frontliners and law enforcement staff for reskilling and upskilling;
5. acquisition of additional X-ray equipment to boost non-intrusive detection capabilities;
6. establishment of the 8484-hotline program for complaints and other stakeholders’ concerns;
7. creation of Customs Operation Center for a nationwide monitoring of shipment examinations; and
8. adoption of Electronic Tracking of Containerized Cargo (e-TRACC) System to prevent illegal shipment diversion.

All these efforts bolstered the BOC's anti-smuggling program by which over Php 1.3 billion worth of illegally imported goods, including Php 1.1 billion worth of agricultural products, were intercepted (Bureau of Customs, 2023b). This also includes over Php 141 million worth of illegal drugs and over Php 45 million of cigarettes and tobacco products. Moreover, the BOC has intensified its campaign concerning violations of customs laws, rules, and regulations through the Bureau's Action Team Against Smugglers (BATAS) wherein 10 criminal complaints were filed before the Department of Justice against importers and customs brokers in the same time period. In 2021, the BOC through the BATAS of its legal service filed 103 criminal cases against 309 importers and customs brokers in violation of the Republic Act No. 10863, also known as the Customs Modernization and Tariff Act and other pertinent laws (Bureau of Customs, 2022).

The BOC rolled out guidelines for implementation of a Zero-Contact Policy at assessment offices. The policy aims to promote a corruption-free regime by minimizing face-to-face transactions and encouraging online submission of the goods declaration. This issuance from the BOC through a Customs Memorandum Order (CMO) No. 08-2020 is consistent with the principles of the implementing rules of Republic Act No. 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act, particularly Rule V, Section 1, which orders all government units to adopt a zero-contact policy.

Bureau of Local Government Finance

The BLGF assumes a crucial role in facilitating the efficient and sustainable management of fiscal and financial resources for Local Government Units (LGUs). Its primary objective is to empower LGUs, to become self-reliant and self-sustaining communities (Executive Order No. 127, 1987). The BLGF provides support, guidance, and expertise to LGUs in handling their fiscal affairs effectively. This includes assisting them in optimizing revenue generation, managing finances prudently, and implementing sound financial practices. One of the core functions of the BLGF is to ensure the professional development of its employees, particularly those engaged in local treasury and assessment services. By prioritizing the growth and proficiency of its workforce, the bureau enhances its capacity to deliver high-quality services to LGUs. Furthermore, the BLGF operates with vigilance and dedication in pursuing the development and progress of LGUs. Through continuous monitoring and evaluation, the bureau identifies areas that require improvement and devises strategies to foster growth and development within local communities.

Even before the COVID-19 pandemic, the BLGF has been working on digitalization and empowering local governments in achieving sustainable revenue generation and efficient service delivery. These initiatives, coupled with those of stakeholder's, the BLGF has leveraged the digital platforms while continuously providing services for the traditional face-to-face transactions and communication. Taking a proactive role in enhancing data governance, disclosure, access to local fiscal data, financial performance, and service delivery, the BLGF is working toward standard data exchange protocols for inter-agency applications' access, resource sharing, and collaboration (Bureau of Local Government Finance, 2023). In this post-pandemic era, the BLGF continues to empower local government units in the areas of revenue administration, treasury and assessment operations, digital innovations, and fiscal

sustainability. By implementing its initiatives, the BLGF aspires to establish a foundation for sustainable development, capacitating the local governments for economic growth and effective delivery of services.

Local Government Unit Integrated Financial Tool (LIFT) System

The LIFT system is the official reporting system of the DOF for local government fiscal and financial affairs managed by the BLGF. It was established to ensure a reliable, accurate, and timely reporting and monitoring system. The BLGF reported 99% compliance on a timely submission for the 4th quarter of 2022 (Bureau of Local Government Finance, 2023). To keep abreast with the recent developments and policy reforms, the system was upgraded, requiring training of trainers in both central and regional offices in preparation for a nationwide deployment in FY 2023.

Monitoring LGUs' Fiscal Performance

Pursuant to the DOF DO No. 075.2018, the BLGF issued the fiscal sustainability scorecard to all provinces, cities, and municipalities covering FYs 2017-2019. The BLGF is mandated to periodically assess the fiscal and financial performance of every LGU; furnish metrics and data analytics on local finance; assist credit financing assessments and contribute to local and national policy formulation; and promote the creation of an appropriate rewards system (Bureau of Local Government Finance, 2023). The scorecards should help LGUs to determine areas for improvement and align themselves with the overall thrust of fiscal sustainability. Thus, the BLF continuously formulates and issues policy initiatives to strengthen LGUs' administration and fiscal management, particularly in local revenue generation, local taxation, Certificate of Net Debt Service Ceiling and Borrowing Capacity, and Monitoring of loan application status.

Real Property Assessment and Operations Manual

The BLGF also ensures the accuracy and uniformity of the LGUs' real property appraisal and assessment operations through continuous updating and standardization of guide manuals for treasurers and assessors. In FY 2022, the bureau, alongside a technical working group, conducted exposure workshops in different clusters where the draft versions of the manual were presented, and then feedback, insights, and suggestions were collected from the participants. In this manner, the evolving needs of the local assessors were taken into account and integrated into the manuals. Funded by the Asian Development Bank, additional 1,500 sets of the 2nd edition of the local treasury operations manual were printed and distributed to the LGUs through the BLGF regional offices (Bureau of Local Government Finance, 2023). This manual guides local treasurers in clarifying technical concerns and operational procedures.

Professionalization of Assessment Services

The BLGF, through its Local Assessment Operations Division, conducted "Training of Trainers" in three (3) batches for the development of the scheduled market values and the general

revision of real properties. The training was geared toward developing an equitable and sustainable valuation system, particularly for urban and agricultural lands. It also enhanced the knowledge and understanding of the participants on procedures and methodologies for the revision of real property assessments in line with the existing DOF issuances, laws, rules, and regulations. The training was participated by 39 LGU assessors and 37 assessors from BLGF central and regional offices who shall now be part of the professional pool of trainers and subject matter experts under the ADB-funded Local Governance Reform Project (BLGF, 2023). They are expected to conduct training, coaching, and mentoring among their staff members and assessors within their respective jurisdictions. Accordingly, the overall expected impact of the project is an enhanced public service delivery that is more convenient, effective, and equitable. At the national level, the intended outcome is a better, more facilitating policy and administrative environment for LGUs to institute reforms in real property valuation and assessment, and to increase own-sourced revenues from real property taxes (BLGF, 2022). The BLGF provides quarterly report on the project's progress and posits an increase in accomplish rate, i.e., 10.08% accomplishment rate marking a 1.96% improvement compared to its previous report.

The BLGF's efforts in developing and updating assessment and operations manual for local treasurers and assessors, evaluating LGUs' fiscal performance, conducting capacity-building activities, and monitoring timely reporting of LGUs' fiscal and financial affairs collectively contribute to the continuous improvement of the foundations of efficient and transparent local financial governance. The standard manuals for treasury operations and property assessment and appraisal ensure personnel proficiency on and uniformity for LGU financial-related operations and assessment practices.

The Role of Integrity Education

Per existing literature, there is a seeming persistence of graft and corrupt practices in the bureaucracy, which generates negative perceptions about public service. As the government continues to exert efforts to eliminate these problems through a stricter implementation of anti-graft and corrupt practices laws, rules, and regulations, the role of integrity education is also paramount. And while reforms by way of legislation are perceived to be necessary in responding to economic issues such as graft and corruption, non-legal strategies like the conduct of Values Orientation Workshops in Government Offices and Professional Training of Investigators and Prosecutors in Data Gathering, Build-up of cases and Prosecution of Cases is encouraged (Benitez, n.d.).

Integrity values are necessary for building public trust as they advocate for the ethical use of power and public resources, more open dialogue between government and stakeholders, and reliability and consistency in actions (Nolan-Flecha, 2017). In introducing any reforms in the public sector, public service ethos such as integrity and trust are crucial. That is, to effect organizational changes involving structures, procedures, and processes, such reforms should be accompanied by changes in behavior, mindsets, and values (Brillantes & Fernandez, 2011). Dramane (2022) and Yilanci & Sasmaz (2023) also emphasized the importance of education and good governance in fighting corruption. For instance, in the BIR's IMP, unethical behavior and inefficiency were included in the agency's risk register (King,

2017). To counter these risks, the BIR implemented several programs that involved simplifying documentary requirements and streamlining tax clearance processing, creating a special disciplinary committee to expedite investigations on erring personnel, and conducting training on public service values and ethics. Furthermore, the BIR capitalized on using information technology to strengthen good governance. It provides online access to its services like tax identification number application, tax filing and payment, documentary stamp, and complaint submission. For tax education, all information relating to tax rules, rate, and regulations were made available on the BIR website. These initiatives help the BIR in establishing transparency and trust among its stakeholders. King (2017) argued that the success of these programs primarily depends on the BIR's human resources, i.e., fostering good governance in the agency necessitates integrity nurturing among its personnel. Similarly, Maquiling et al. (2023) emphasized the significance of tax education in influencing tax compliance. According to the study, taxpayers' compliance in carrying out their tax obligations is influenced by their level of education and knowledge of the tax system. Tax education can provide taxpayers with information to properly comply with the tax law. It further recommended that the government should inculcate tax knowledge and a sense of nationality in future taxpayers at a young age. By providing them with knowledge about the tax system and its regulations, tax education can help improve compliance rates, thereby, increasing government revenue.

With education perceived as key to aiding in addressing corruption issues, the mandate of the PTA is vital in promoting integrity in the revenue sector. As can be gleaned in Republic Act No. 10143 or the Philippine Tax Academy Act, the PTA shall serve as a learning institution for tax collectors and administrators of the government and selected applicants from the private sector, particularly the officials and personnel of the BIR, BOC, and BLGF. The PTA shall conduct lectures, seminars, workshops, and other training programs designed to mold, develop, and enhance tax collectors' and administrators' skills, knowledge, moral fitness, efficiency, and capability. Thus, guided by its quality policy, the PTA is committed to:

1. providing appropriate training and continuing education to support the government's revenue generation efforts towards nation-building;
2. professionalizing learners, stakeholders, and employees to facilitate faithful and ethical compliance with tax laws, rules, and regulations;
3. optimizing curriculum development that leads to efficient resource mobilization, excellent organizational development, and globally competitive tax education;
4. adopting technology-driven innovations, research, and methodologies for lifelong learning; and
5. pursuing continual improvement of the PTA Quality Management System.

Corollary to this, PTA envisions itself as a world-class tax academy transforming institutions on customs, tax, and public finance administration towards nation-building through the professionalization of revenue employees. It shall elevate the competency and integrity of tax and customs collectors and administrators toward efficient tax collection and take a proactive role in addressing the persistence of graft and corrupt practices in the revenue sector by promoting integrity education through training and continuing professional education programs and projects. As discussed in the literature, any reforms in the public

sector become ineffective if not accompanied by changes in behavior, mindsets, and values. Thus, the PTA aspires to drive revenue mobilization by transforming officials and employees into revenue professionals with ethical and moral integrity and commitment to the effective and efficient delivery of services. Table 1 highlights the importance of integrity education as extracted from the literature. The goals and key components identified are impetuses in the formulation of a framework for an integrity education program.

Table 1. Goals relating to integrity education derived from the selected studies and reports.

Study/Report	Goals	Components
Habito (2010)	Address constraints to economic growth through measures reinforced by governance and institutional reforms designed to restore public trust.	Public trust, public reforms
	Capacitate personnel on ethical conduct and standards and promote professionalism.	Capacity building, professionalism
Brillantes & Fernandez (2011)	Implement reforms designed to restore public trust.	Public trust, public reforms, behavioral change
	Formulate reform measures anchored on integrity and trust.	Integrity, trust, virtues, ethics, public reforms
King (2017)	Regain public trust through transparency and taxpayer education.	Public trust, transparency, tax education
	Develop the sense of integrity among personnel.	Integrity
	Instill public service values and ethics among personnel through training programs.	Values, ethics, training
Tans (2020)	Promote tax compliance by allocating more funds for public services.	Tax compliance, public service
Angeles (2021)	Promote ethical standards and good practices to raise tax compliance.	Ethics, good practices, trust and confidence
Dramane (2022)	Simplify payment processes and minimize direct contact between taxpayers and collection agents using technology.	Work processes, Technology literacy
	Strengthen governance of the collection system.	Governance, taxation system
Dramane (2022)	Strengthen government effectiveness, political stability, voice and accountability and regulatory quality.	Governance, Accountability
Malicdem et al. (2023)	Promote tax morale by restoring public trust.	Public trust, tax morale

Maquiling et al. (2023)	Promote tax education to ensure taxpayers' better knowledge and understanding about their tax obligations and help them adhere with tax laws and regulations.	Tax education, tax compliance
Yilanci & Sasmaz (2023)	Develop consciousness among citizens on the detrimental impact of corruption on society.	Tax education, behavioral change

Factors that emerged from the literature relating to revenue generation are public trust, corruption, and governance issues, while key components of the programs implemented and/or suggested by the published studies and reports addressing these issues are tax education, integrity, values, ethics, professionalism, and behavioral change. Incorporating these elements from the literature into a framework for an integrity education program aligned with the PTA mandate results in the one shown in Figure 5. The elements manifested in the literature are congruent with the PTA's mandate as provided for in the Implementing Rules and Regulations (IRR) of R.A. 10143. Asserting Brillantes and Fernandez's (2011) description of integrity in public service as "doing the right thing even if no one is looking, or even if others are not doing the right thing," the PTA aims for changes in behavior, mindset, and values among the revenue officials and employees in order to regain public trust and improve revenue generation.

The Proposed IEP Framework

The Philippine revenue sector comprises the BIR, BOC, and BLGF. Of these bureaus, the BIR and BOC have grappled with negative perceptions over the years stemming from integrity-related issues, including graft and corruption, and ethical and moral issues. These issues are intricately linked with governance, particularly leadership and management practices, which in turn have either direct or indirect effects on the delivery of revenue services, thereby affecting revenue generation. Meanwhile, the literature suggests that reforms within the public sector should concern not only structural changes that primarily focus on streamlining work processes and services but should also require positive shifts in behavior, mindsets, and values. King (2017) argued that the success of reform programs also relies on the human resources involved, while Dramane (2022) noted that good governance is a prerequisite for a good tax and revenue collection system. Instilling good governance within the agencies requires integrity nurturing among personnel.

In this endeavor, the PTA's role becomes crucial as it is mandated to conduct lectures, seminars, workshops, and other training programs designed to mold, develop, and enhance the skills and knowledge, moral fitness, efficiency, and capability of tax collectors and administrators. In fostering integrity in the revenue sector, aligned with its quality policy, the PTA is committed to providing training and continuing professional education incorporating ethical and moral considerations in public finance management and organizational leadership and management. Through its integrity education courses, the PTA envisions enhancing the delivery of revenue services that would result in excellent transaction client experiences, subsequently improving public trust and revenue generation. The PTA operationalizes its integrity education program through its core units and divisions to ensure the integration of the principles of integrity in every facet of the revenue personnel's training and professional development, promoting a culture of transparency, accountability, and ethical and moral conduct within the Philippine revenue sector.

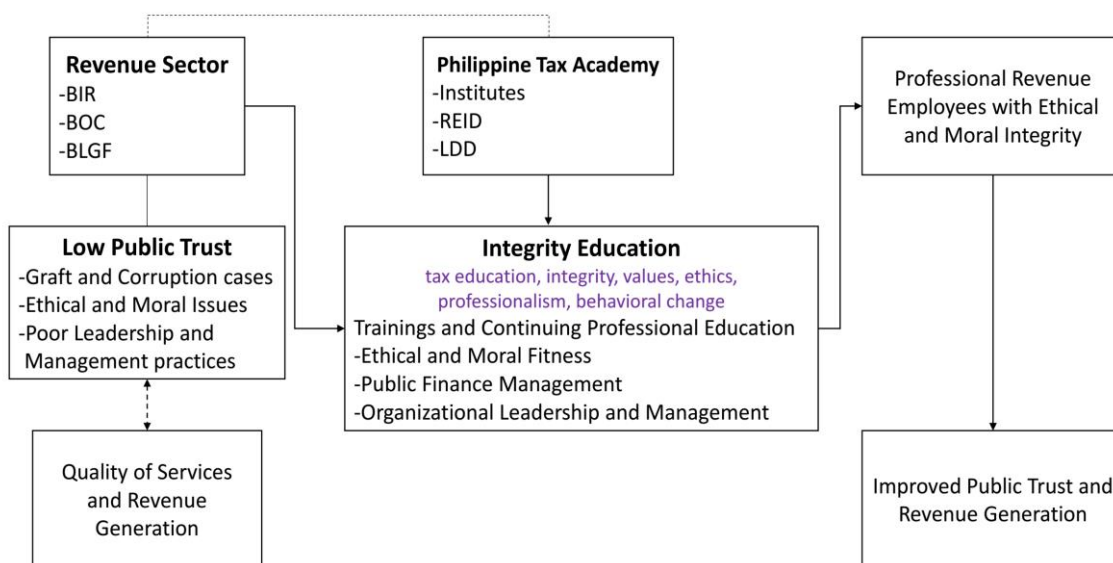


Figure 5. The PTA Proposed Framework for Integrity Education.

The PTA Integrity Education Program

The PTA's first IEP course was conceptualized, designed, and implemented in 2019 as a mandatory program with courses for ethical renewal and integrity and compliance reminders for Bureau officials and employees. It comprises three (3) modules tackling ethics and integrity, compliance to ethics and integrity legal agenda, and conflict of interest and ethical dilemmas. The course intended to improve the understanding and commitment to ethics and integrity in the public service, particularly in public finance management, and to equip civil servants with the necessary skills to apply and spread ethical behavior and integrity in the workplace, personal life, and society. The course aims to promote public ethics, create an integrity and compliance culture, and build public trust.

Table 2. The IEP Course 1 - Ethics, Integrity, and Compliance

Module	Description
1. Ethics and Integrity	This module discusses the concepts of values, ethics, and integrity and how values serve as the foundation of ethics and integrity.
2. Compliance to Ethics and Integrity Legal Agenda	This module discusses the legal landscape for ethics and integrity compliance. It covers Section 1 of Article XI of the 1987 Constitution, RA 6713, RA 3019, and RA 9845, DOF Code of Conduct, among others.
3. Conflict of Interest and Ethical Dilemmas	This module presents cases on the conflict of interest and ethical dilemmas that the participant can reflect on and can be applied in a real-life situation.

In each module, the foundations of integrity are incorporated, providing learners exercises to manifest this trait throughout the course. It involves suggested reading materials, short quizzes, and case analyses that challenge learners to apply their newfound knowledge. The IEP online course is mandatory for all in-service employees and newly hired employees who completed the bureau's orientation course, induction program, and the bureau's onboarding program.

The pilot run of the IEP course was conducted via face-to-face modality in 2019, and the regular course delivery was implemented in 2021 via the PTA online learning platform dubbed as i-LEARN which stands for Innovative Learning Education and Resource Network. The IEP course ran in a self-paced learning approach since then. As of December 2023, 3,443 learners have completed the three (3) modules and were evaluated using pre-and post-test assessments. A preliminary study will be conducted to examine the course vis-a-vis the program objectives. This approach allows for an ongoing evaluation of the program during course implementation, enabling the identification of any issues, if any, and the formulation and execution of necessary interventions towards the further improvement of the IEP.

In the conduct of the review of the course, a survey will be administered to the course completers, results of which will serve as initial data for the study. The survey will likewise seek feedback and insights from the learners regarding the three (3) modules. This preliminary study aims to gauge the potential effectiveness of the ongoing course delivery and is not intended to measure the overall impact of the IEP, which will be addressed by an eventual conduct of a more comprehensive study. The learners' discernment on valuing integrity in the workplace, understanding of the value of ethics and integrity in the workplace, improving of task delivery, and realizing of the role of values, ethics, and integrity in fulfilling the agency's mandates will be evaluated. Moreover, the survey will capture learners' suggestions for improving the course delivery. This preliminary study will help PTA refine the program as needed, ensuring that the IEP aligns with its intended objectives and provides a meaningful learning experience to the learners.

CONCLUSION

While the Philippine revenue sector may continue to grapple with graft and corruption issues, influencing the general public's perception of transparency and integrity surveys, efforts to address the same exist and may be further reinforced. The literature suggests an educational approach to address integrity, public trust, and governance issues and effect behavioral changes in the bureaucracy. Based on the integrity program implemented and/or suggested in selected published studies and reports, the PTA IEP framework incorporated essential elements derived therein. The proposed framework is consistent with the PTA mandate explicitly articulated in R.A. 10143 and in its IRR. By providing education and training on ethical principles and values relating to delivery of services, leadership and management practices, and tax compliance, integrity education can help promote a culture of transparency, accountability, and professionalism among revenue officials and taxpayers.

Meanwhile, the present PTA IEP course is centered on the concepts and theoretical approaches to public ethics, integrity, and compliance, laid out the legal bases of public ethics, norms, and standards, and raised consciousness among the learners on the Department of Finance Code of Conduct. With a program such as this, the PTA aspires to transform the revenue workforce into professionals with ethical and moral integrity committed to the efficient and effective delivery of services. The IEP with its basic course is currently being implemented and is apt to undergo evaluation vis-a-vis its objectives. Evaluation results are expected to reveal the IEP's alignment, advantages, and constraints that will serve as the bases for program enhancement and delivery improvement. While the preparations for course evaluation are underway, the PTA is now formulating another Integrity course that will focus on professional integrity in the workplace.

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Philippine Tax Academy

The Philippine Tax Academy (PTA) is a specialized institution that provides the appropriate education, training, skills and values to tax and customs collectors and administrators who disseminate tax laws, regulations, guidelines and relevant information to the public in line with the policies of the State.

The Academy was established and created under Republic Act No. 10143 and mandated to train, mold, enhance and to develop capabilities of tax collectors and administrators to help improve their tax collection efficiency to become competent and effective public servants.

CAVEAT

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