

COMMENTS ON SENATOR VICENTE SOTTO'S SENATE BILL 10 (AN ACT PROVIDING TAX RELIEF TO PUBLIC SCHOOL TEACHERS)

Rosario G. Manasan

Senior Research Fellow

Philippine Institute for Development Studies

1. The bill aims to promote the welfare and economic well-being of public school teachers by exempting them (specifically those with Teacher I, Teacher II and Teacher III plantilla items) from the payment of the individual income tax, as a way of showing society's appreciation for the dedication and hard work that public school teachers in imparting knowledge and shaping the character of the Filipino youth.
2. One cannot argue against the fact that public school teachers are everyday heroes and deserving of more recognition and appreciation than what they currently receive from society as whole at present. Thus, one cannot argue against the objective of Senate Bill (SB) 10. However, the manner by which SB 10 proposes to reward public school teachers is non-transparent and, to some extent, discriminatory. In this regard, a pay hike is a more transparent way of promoting the welfare of public school teachers. Alternatively, a pay hike linked to better performance (e.g., better teaching performance somehow measured) might even be better from the perspective an efficiency perspective.
3. First, if the intent to promote welfare of public school teachers, why limit the tax exemption to those occupying Teacher I, Teacher II and Teacher III positions only? While the public school teachers occupying Master Teacher positions do get higher pay, this is the case because they are more experienced and, typically, hold post-graduate degrees. In a sense, while SB 10 promotes the welfare of Teacher I-III teachers in the public school, it destroys the relative pay structure between teachers occupying Teacher I-III items and those occupying Master Teachers items and diminishes the "rewards" given to experience and higher education.
4. Second, the pecuniary benefit (i.e., the monetary value) to the public school teachers of the personal income tax exemption varies as the civil status of as well as the number of dependent children that the public school teacher has. For instance, a teacher with a Teacher I item earns PhP 19,077 in basic pay plus PhP 2,000 in PERA per month at present. The monetary value of the personal income tax exemption to an unmarried Teacher I is PhP 26,231 per year. In contrast, the monetary value of the personal income tax exemption to a married Teacher II with two dependent children is PhP 11,669 per year. It is not clear why an unmarried teacher should be more favored than a married teacher with 2 dependent teachers but such is the unintended consequence of SB 10.

5. Third, setting aside arguments why exempting public school teachers from the personal income tax may not be the best way to give due recognition to teachers for the moment, one of the questions that begs to be asked is: Why should the exemption from the personal income tax be given only to public school teachers? Why not extend the favorable tax treatment to teachers in private schools as well? Teachers in non-elite private elementary and secondary schools are known to be paid lower than their public school counterparts. There is some evidence that the pay of private school teachers in small- to medium-sized private schools is 25%-40% lower than that of public school teachers.
6. It is difficult to arrive at firm estimates of the revenue loss that will arise if SB 10 were to be enacted into law because of lack of information as to the demographic profile (i.e., civil status and number of dependent children) of public school teachers. If it is assumed that 25% of the 646,673 teachers with Teacher I-III items (DepEd, E-BEIS SY 2015-2016) are single while the rest are married with 2 children, we estimate the revenue loss to be equal to PhP 11.3 billion (or.09% of GDP) per year .
7. Fact check: Based on Executive Order 201-2016, Teacher I with Salary Grade 11 earns PhP 19,077 (plus PhP2,000 in PERA) per month or 95% higher than minimum daily wage in NCR of PhP 491 in the non-agriculture sector (Wage Order NCR-20, 2016). Teacher II with SG 12 earns PhP 20,651 (plus PhP 2,000 in PERA) per month or 110% higher than the minimum wage in NCR. On the other hand, Teacher III with SG 13 earns PhP 22,328 (plus PhP 2,000 in PERA) per month or 125% higher than the minimum wage in NCR.