IMF chief says SMS tax could help Philippines

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Christine Lagarde, International Monetary Fund (IMF) managing director speaks at a press conference in Manila. Lagarde urged the Philippines on Friday to tax mobile phone messages to shore up state funds in a country sometimes called the world's text message capital.

International Monetary Fund chief Christine Lagarde urged the Philippines on Friday to tax mobile phone messages to shore up state funds in a country sometimes called the world's text message capital.

Such a tax could boost proceeds from revised "sin taxes" set to be passed by the country's parliament, she told a news conference during an overnight visit to Manila.

Lagarde said Vice-President Jejomar Binay told her telephone coverage in the country of nearly 100 million people has reached to 112 percent, thanks to the popularity of mobile phones for sending short messages cheaply.

"(This) clearly satisfies one of the two criteria for what we call a good taxation... a very broad base," she told reporters.

However she said the government must be the one to decide what kind of taxes it imposes.

Surveys have credited the Philippines as being the most prolific country in sending SMS messages with the average mobile phone user sending 600 messages a month. Each message now costs just a peso (2.40 US cents).

A hugely unpopular bill to levy a five-centavo tax on SMS messages has already been defeated in parliament in 2009.

The government, which hopes to balance the national budget in 2016, instead turned to proposing higher taxes on alcohol and tobacco, which would have the added benefit of combating the health hazards of smoking.

The government says this "sin tax" could be passed next week despite opposition stalling ahead of the May 2013 elections.

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