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Philippines inflation remains an ’urgent’ concern—finance minister

January 24, 2024 | Reuters | BusinessWorld

PHILIPPINE STAR/ MICHAEL VARCAS

MANILA — Philippine Finance Secretary Ralph G. Recto said on Wednesday inflation remains a “most urgent concern” and must be kept under control.

Mr. Recto, who took on the financial portfolio on Jan. 15, is the government’s representative to the seven-member policymaking monetary board of the Bangko Sentral ng Pilipinas, which will meet for the first time this year on Feb. 15 to review the direction of policy rates.

Headline inflation in December returned to target at 3.9%, but average inflation for 2023 was 6%, well above the central bank’s 2% to 4% target.

“It is imperative that we find ways and means to reduce inflation,” Mr. Recto told a news conference. “I support what the monetary board is doing. Like I said, it’s data driven.”

The central bank kept its benchmark rate steady at 6.5% in the final two meetings of last year, after hiking rates by a total of 450 basis points since May 2022 to rein in inflation.

Mr. Recto said the possibility of oil prices and transport costs going up is there given escalating geopolitical tensions.

“The central bank will look at all these data and make the appropriate decisions going forward. We recognize that there are external threats,” he said.

Bangko Sentral ng Pilipinas Governor Eli M. Remolona Jr. said on Monday monetary policy would have to remain sufficiently tight given the inflation numbers, making a rate cut at its meeting next month unlikely.

Source: https://www.bworldonline.com/top-stories/2024/01/24/570959/philippines-inflation-remains-an-urgent-concern-finance-minister/

NEDA urges Congress to pass crucial bills

January 23, 2024 | Anna Leah Gonzales | Philippine News Agency

MANILA – The National Economic and Development Authority (NEDA) on Tuesday urged Congress to pass crucial bills as the 19th Congress resumed its second regular session on Monday.

In a statement, the NEDA said these measures include the bills on the Department of Water Resources, Open Access in Data Transmission, and the various fiscal reforms that seek to strengthen tax administration and broaden the tax base.

"It has been one year since the launch of the Philippine Development Plan 2023-2028. While we saw some of our headline indicators improve, much remains to be done," said NEDA Secretary Arsenio Balisacan.

"To ensure that we remain on track to meet our goals by 2028, and in anticipation of future challenges and scenarios, we must pass key legislative measures aimed at strengthening the country's economic governance and addressing the structural weaknesses of our production sectors," he added. *[Cont. page 2]*

NEDA urges Congress to pass crucial bills

[Cont. from page 1]

The proposed Department of Water Resources will serve as the primary agency responsible for the comprehensive and integrated water resources development and management in the Philippines.

NEDA said that at present, there are more than 30 agencies with overlapping functions over the country's water resources, which leads to uncoordinated planning efforts and inconsistent implementation of policies that adversely affect the country's water supply.

This affects more than 12 million people who obtain water from unsafe sources, with some areas needing more water service providers.

The proposed Open Access in Data Transmission Act on the other hand, aims to narrow the digital divide in the country by encouraging the development of data transmission infrastructure, removing barriers to competition in data transmission services, and enabling the full potential of e-commerce, digital trade, and applications in the fields of education, health, and agriculture, among others.

The proposed measure seeks to further liberalize the telecommunications sector by removing the requirement of a legislative franchise for players seeking to build their networks, rationalizing access and use of the country's scarce spectrum resources, and making it easier for entrants to provide better services for consumers at more competitive prices.

Aside from these, the NEDA also cited the importance of passing the critical fiscal reforms and ensuring the speedy rollout of improvements to the country's tax administration systems as enabled by the recently passed Ease of Paying Taxes Act.

These measures include the Real Property Valuation and Assessment Reform and the VAT on Digital Services, and the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy which aims to improve tax administration for enterprises, encourage investments, and promote the ease of business in the country.

The NEDA is also supporting the passage of the Economy, Planning, and Development Bill which aims to institutionalize the NEDA into the Department of Economic Planning and Development to strengthen the government's ability to formulate and coordinate medium- and long-term economic and development roadmaps.

The bill also aims to enhance the coherence of national and sub-national policies, plans, and programs towards the optimal use of financial resources through the country's public investment program.

“Sa NEDA, sentro ang tao sa plano (At NEDA, our plans are people-centered). The passage of the NEDA Bill will allow us to better leverage our expertise in people-centered development planning across all national and local sectors and ensure that all Filipinos feel the benefits of such exercises," Balisacan said.

Source: https://www.pna.gov.ph/articles/1217435

House panel greenlights changes to CREATE law

January 24, 2024 | Beatriz Marie D. Cruz | BusinessWorld

PHILIPPINE STAR/MICHAEL VARCAS

A HOUSE of Representatives panel on Tuesday restored the local tax on both local and foreign companies under proposed changes to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as requested by Philippine President Ferdinand R. Marcos, Jr., according to the Ways and Means Committee chairman.

Under the report approved by the committee on Tuesday, corporations will now have to pay 2% local tax — from the original 1.5% proposal — on top of a 20% income tax.

Albay Rep. Jose Ma. Clemente S. Salceda, who heads the ways and means committee chairman, told a hearing the President had asked them to restore the local tax “in lieu of all local taxes to be collected by investment promotion agencies for concerned local government units.”

House Bill (HB) No. 9794, also known as CREATE MORE (CREATE to Maximize Opportunities for Reinvigorating the Economy), seeks to amend Republic Act (RA) No. 11534 or the CREATE law. The measure will be sent to the plenary soon for debates. *[Cont. page 3]*

House panel greenlights changes to CREATE law

[Cont. from page 2]

Eleanor L. Roque, tax principal at P&A Grant Thornton, said lawmakers should ensure that the local business tax rate for companies with incentives should be lower than the regular rate for companies without incentives.

"If you look at the local business tax rate based on the Local Government Code, the rate varies from 0.375% to 2%, so lawmakers should compare the rates to arrive at a logical incentive rate," she said in a Viber message.

The Ways and Means Committee also introduced several changes to the committee report, such as value-added tax (VAT) exemptions for enterprises whose total sales are solely for export, and including a list of local tax exemptions following the imposition of a registered business enterprises' local tax.

Another amendment is to turn the Fiscal Incentives Review Board (FIRB) into a review and monitoring body for investment promotion agencies (IPA).

The bill seeks to limit the FIRB's power to approve or deny incentives, and to reinstate the power to grant tax incentives to IPAs.

Lawmakers also agreed to incorporate the Organization for Economic Co-Operation and Development's (OECD) Base Erosion Profit Shifting (BEPS) framework for multinational enterprises in the CREATE MORE bill.

"Under the current OECD, the US, Japan, Korea, China and Singapore are major investors… They're already implementing the 15% global minimum tax so if they are given an income tax holiday and they don't pay anything, when they return to their home country, they will have to pay the 15% [global minimum tax,] so our income tax holiday is useless," Mr. Salceda told the committee.

Finance Assistant Secretary Juvy C. Danofrata said the Philippines would "lose out" if it does not recognize the 15% global minimum tax implemented in OECD countries.

"If we don't make amendments to our tax system, what will happen is if we give an income tax holiday to a multinational that is also paying its taxes in other countries, the tax that we don't collect will eventually be paid in the other country," she said in mixed English and Filipino.

The CREATE MORE bill seeks to impose a 20% corporate income tax on local and foreign corporations under the enhanced deduction income tax regime.

"The incentive really for the enhanced deduction is to encourage them to get more employees to invest more because there's also an incentive on the capital investment," Ms. Danofrata told the committee.

Under the bill, domestic and export companies, including those inside ecozones and freeports, will be entitled to duty exemptions, VAT exemption on imports, and VAT zero-rating for local purchases.

Enterprises would also be entitled to a 200% additional deduction for power costs during the income tax holiday period. They may also enjoy a 100% additional deduction in expenses for trade fairs, missions or exhibitions.

VAT incentives for companies that enjoy incentives before the enactment of CREATE will be extended from 10 to 12 years, if there is no tax refund or credit granted. They may also enjoy duty incentives for the remainder of the 10-year transitory period.

"We gave two more years because the BIR (Bureau of Internal Revenue) has been coming up with all RMCs (revenue memorandum circulars) that of course negate the benefits that accrue to those that we have provided incentives to but went through a transition," Mr. Salceda said.

The bill also allows the information technology and business process outsourcing sector to "conduct business under alternative work arrangements."

The bill also seeks to include the Bangsamoro Board of Investments and the Bangsamoro Economic Zone Authority under the list of investment promotion agencies. *[Cont. page 4]*

House panel greenlights changes to CREATE law

[Cont. from page 3]

Mr. Salceda said the bill also proposes to grant an income tax holiday to domestic market enterprises in creative industries listed under RA 11904 or the Philippine Creative Industries Development Act "for as long as they have at least a minimum of $500 million."

Filomeno S. Sta. Ana III, coordinator of Action for Economic Reforms, said issues with the CREATE law could be fixed under its implementing rules and regulations.

"Sure it has imperfections, but its flaws can be corrected through implementing rules and regulations and other administrative measures. We should not forget that CREATE lowered the corporate income taxes for all business enterprises," he said in a Viber message.

He earlier said a looming fiscal crisis due to a "generous tax incentive system" could "block the new flow of investments and thus impede growth and employment."

Source: https://www.bworldonline.com/top-stories/2024/01/24/570827/house-panel-greenlights-changes-to-create-law/

Go pushes reforms to address concerns

January 25, 2024 | Catherine Talavera | The Philippine Star

MANILA, Philippines — The newly created Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA) is spearheading programs and reforms to address investor concerns and streamline processes.

OSAPIEA Secretary Federick Go. STAR / File

"While we have made significant strides to create a conducive environment for investments, there's much work to be done for our country to be globally competitive,'' OSAPIEA Secretary Federick Go said during a forum on ease of doing business conducted by the Anti-Red Tape Authority (ARTA).

Go said his office is working with Congress to bring back certainty in the country's laws to assure investors of predictability and firm implementation of policies that protect their investments.

"As we speak, we are taking major steps to resolve issues stemming from the tax reform for acceleration and financial inclusion, the corporate recovery and tax incentives for enterprises, otherwise known as the CREATE Law and TRAIN Law. Both laws have generated serious concerns for foreign direct investors, particularly exporters, and I have put this on top of our to-do list," Go said.

He said they are looking at ways to simplify the application of incentives for all future registrants.

To be specific, Go said they are hoping for the restoration of the powers of the investment promotion agencies (IPAs) such as the Philippine Economic Zone Authority, the Board of Investments and the Subic Bay Metropolitan Authority.

"We want to give the IPAs back their power over the locators in their respective economic zones. This will enable IPAs to protect companies from regulatory inconsistencies and ambiguities, as well as excessive bureaucracy and red tape," Go said.

He emphasized that this would reduce the processing time for incentive applications and revert the country back to the pre-CREATE regime.

Aside from this, Go said his office is hoping for the clarification and simplification of tax-related rules.

He said they are working with Congress to address the ambiguity on the coverage of the VAT-zero rating, to ensure that the law is clearly worded to avoid conflicting interpretations by the implementing agencies.

"This will streamline the VAT-rating process by limiting required documents and reasons for denial to those specified by law, and allowing claimants the opportunity to request for reconsideration before a final decision is made," Go said.

In addition, Go noted that there is a clause to clarify the transitory provisions in trade.

"For this, we are also working with Congress to explicitly state that the non-income tax-based incentives, particularly VAT-zero rating, VAT exemption and duty exemption are not subject to the sunset period, and that registered business enterprises may enjoy them for as long as they are registered in good standing with an IPA," he said.

Moreover, to protect pre-CREATE enterprises from the effects of changing laws and tax incentives, Go said a sunset period of 12 years to enjoy pre-CREATE incentives is being considered.

Go said another reform that they have been working on is prioritizing potential reforms aimed at addressing long-standing issues in customs administration to curb smuggling, reduce misdeclarations and prevent substandard goods.

Source: https://www.philstar.com/business/2024/01/25/2328253/go-pushes-reforms-address-concerns

BSP: PH banking system remains sound

January 25, 2024 | Anna Leah Gonzales | Philippine News Agency

TAGAYTAY – The Bangko Sentral ng Pilipinas (BSP) said banks remain optimistic with growth projections in assets, loans, and deposits.

In a media information session over the weekend, BSP deputy governor Chuchi Fonacier said that based on the latest banking sector outlook survey, respondent banks are optimistic that they will post improved loan quality, accompanied by high loan loss provisioning in 2024.

"Moreover, respondent banks indicated their intention to maintain capital and liquidity buffers at levels higher than domestic and global standards to promote institutional stability," she said.

Fonacier said the Philippine banking system remains fundamentally sound and stable evidenced by the robust growth in assets, loans, deposits, and earnings, as well as strong key financial indicators.

Moving forward, Fonacier said the BSP will launch several initiatives to further advance the institutional stability and financial sector resilience agenda.

According to Fonacier, the BSP is currently preparing the National Risk Assessment on Money Laundering/Terrorist Financing.

The final report is expected to be released in 2025.

Aside from this, the official said that for this year, part of the BSP's supervisory agenda is the operationalization of an enhanced resolution framework, which will be accompanied by strengthened macro-prudential oversight, and enhanced stress testing, as well as a thematic review of key risk areas.

"When I mention about thematic review, we focus on a particular area of operation of a bank, and that will be reviewed. That's the main focus for the on-site visit when I say thematic review," she said.

Fonacier said that for 2024 to 2029, the BSP will also collaborate with concerned stakeholders on the development of the financial services' cyber resilience plan.

Source: https://www.pna.gov.ph/articles/1217508

PPP law 'upgrade' simplifies private sector participation in development projects — Villafuerte

January 23, 2024 | Jovee Marie N. de la Cruz | BusinessMirror

A senior lawmaker on Tuesday said it is now simpler for local government units (LGU) to carry out massive projects in their respective localities as a result of President Ferdinand R. Marcos Jr.'s recent signing of a law upgrading the public-private partnership (PPP) program to encourage the private sector to invest more in the government's infrastructure modernization and other flagship development ventures.

Camarines Sur Rep. LRay Villafuerte, in a statement, highlighted the positive impact of the new law on encouraging private sector investment in government infrastructure modernization.

According to Villafuerte, Republic Act (RA) 11966 allows LGU executives to go ahead right away on their PPP projects with private-sector partners, for so long as these proposed undertakings do not require national government (NG) funding, have been endorsed by their local development councils (LDC), and have secured prior approval by their respective sanggunian or legislative councils.

Republic Act (RA) 11966, or the "PPP Code of the Philippines," which was one of the six laws signed by the President in December before the Congress adjourned for its five-week yearend break, "puts in place an enabling environment for private enterprises to invest big in financing, designing, building, operating, and maintaining flagship infrastructure and other development projects of both the national and local governments," Villafuerte said.

Villafuerte, a lead author of RA 11966, emphasized its focus on integrating climate resilience, environmental sustainability, and gender and development (GAD) policies into PPP projects.

Under the new law, national PPPs exceeding P15 billion require approval from the National Economic and Development Authority (Neda) Board chaired by the President. *[Cont. page 6]*

PPP law 'upgrade' simplifies private sector participation in development projects — Villafuerte

[Cont. from page 5]

National PPPs below P15 billion only need the approval from the respective heads of implementing agencies. Local PPPs without NG funding require approval from the respective sanggunians of implementing LGUs, while those with NG financing must be submitted to the Neda Board-ICC.

However, the PPP Code states that local PPPs with NG financing shall be submitted to the Neda Board-ICC for approval, upon review and recommendation by the concerned regional development councils (RDC).

Villafuerte also highlighted the collaboration between the PPP Center and the Union of Local Authorities of the Philippines (ULAP) to promote well-structured and financially viable infrastructure projects via PPPs.

To expedite PPP implementation, RA 11966 includes provisions prohibiting courts, except the Supreme Court, from issuing restraining orders against project implementation. Errant judges may face suspension, and any relief issued in violation of the law is deemed void.

Villafuerte said PPPs open opportunities for private firms in search of new business locations and thereby foster a better environment for investments outside Metro Manila and other major urban centers.

During Villafuerte's term as governor, CamSur became the first LGU to enact a PPP ordinance, which provided the guidelines and procedures for the provincial government to enter into a joint venture (JV) agreement with the private sector.

Source: https://businessmirror.com.ph/2024/01/23/ppp-law-upgrade-simplifies-private-sector-participation-in-development-projects-villafuerte/

Contact Us

Korean Chamber of Commerce Philippines, Inc. (KCCP)
Unit 1104 Antel Corporate Center, 121 Valero St., Salcedo Village, Makati City
(02) 8885 7342 | (02) 8404 3099
info@kccp.ph | www.kccp.ph

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