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SPECIAL POINTS OF INTEREST

Foreign ownership reform 'missing piece' of PHL economic puzzle, investment firm says

February 25, 2024 | Justine Irish D. Tabile | BusinessWorld


PHILIPPINE STAR/KRIZ JOHN ROSALES

SINGAPORE investment company JJ Richman said an overhaul of foreign ownership rules is the "missing piece" in transforming the Philippine economy.

"There is one missing piece that the Philippines has had for a long time and they've been behind on, which is the foreign investment limit — 40% at the moment," James Richman, chief investment officer at JJ Richman, told *BusinessWorld*.

"That's something I've witnessed, where, for example, in Vietnam, they don't have such big restrictions as in the Philippines. So for many years, there have been big investments flowing into that country," he added.

He said the potential for opening up foreign ownership is what gives the Philippines upside.

"That is why I like the Philippines. There is still this missing piece, and once that gets unlocked, there is going to be more foreign investment flowing into the country, more projects, and more economic growth happening," he said.

"Whereas other countries like Singapore and Vietnam seem to be already more or less mature if we compare them to the Philippines, there's kind of more upside and more growth opportunities in the Philippines," he added.

He said that the Philippines has the most stringent foreign equity ownership restrictions in ASEAN region. Under Article 12 of the Constitution, foreign ownership of land and businesses is limited to 40%, with the remaining 60% set aside exclusively for Filipino citizens or corporations.

Congress has been deliberating its own resolutions proposing constitutional amendments to ease restrictions on foreign investment. Both proposals seek to open up industries like public utilities, education, and advertising.

Earlier this year, President Ferdinand R. Marcos, Jr. backed amendments to economic provisions but added that he was not in favor of allowing foreigners to own land and businesses in power generation and media.

Mr. Richman said that he also agrees that the government should limit the proposed 100% opening to just the three sectors.

"I also like the parts that they excluded, which is that they don't want to give 100% ownership to foreign investors in the industries that could control or change the direction of the country, the media being one of them," he said.

"I like that part and also the industries that they were focusing on where the limit will be lifted, such as public utilities, advertising, and education. These are industries that will obviously benefit Filipinos," he added.

"I really like the idea that he's not willing to change the percentages on real estate. Because again, the outside purchases will just drive up the price that Filipinos wouldn't be able to afford, and that would be unfair," he said… When an investor comes in and launches an enterprise, he can own 100% of it, but land is something that the people of the Philippines already own, so why give 100% of it away?"

He called the timing of the proposed changes "really good, specifically because of technologies such as artificial intelligence, automation, big data, machine learning, and biotechnology," he said. "Many years ago, there were no such breakthroughs and innovations in these industries as there are now, so if you opened it up many years ago, there wouldn't be this drive and energy from engineers, entrepreneurs, and investors because there was no vehicle to accelerate their investment." *[Cont. page 2]*

Foreign ownership reform 'missing piece' of PHL economic puzzle, investment firm says

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"Some said we have to first solve problems of poverty, and I disagree with this statement because it's known that innovation and startups are what actually solve problems such as poverty," he added. "If we wait for that, that's going to happen again. So that's why I also think it's the right time for that (charter change) as I think this would be an instrument and a vehicle for how to solve poverty," he added.

Source: https://www.bworldonline.com/economy/2024/02/25/577714/foreign-ownership-reform-missing-piece-of-phl-economic-puzzle-investment-firm-says/

Shipping rates costlier in PHL compared to SEA countries

February 26, 2024 | Andrea E. San Juan | BusinessMirror

SHIPPING rates are costlier in the Philippines than in neighboring countries in Southeast Asia, with more weight placed on port charges compared to regional economies, according to a study conducted by BlueFocus Infrastructure Advisors (BIA) SL, a transport and logistics service provider based in Spain.

"Maritime transportation is costlier in the Philippines than in neighboring countries in Southeast Asia, with more weight placed on destination charges than in other regional economies," Pablo Corralo, a partner at BIA, said during a presentation at the 10th Edition of Philippines-Spain Forum organized by the Philippine Chamber of Commerce and Industry (PCCI) in Makati City last Thursday.

The study, which blueFocus said was commissioned by a large overseas manufacturing company, assessed the logistics costs for imported containers in the Philippines.

Corralo said the study gathered trade data and logistics costs from public sources, spot quotations with Filipino and global logistics providers and interviews with local stakeholders.

The study assessed the total logistics costs of imported containers from the Port of Loading up to logistics premises in Metro Manila (ready for consumption).

The study broke down the logistics costs for imported containerized cargo into four steps: maritime transportation, which includes shipping line and insurer; port charges, which include terminal operator and port authority; customs clearance, which includes the bureau of customs and broker; and, inland logistics, which include trucking company, logistics operator and depot.

Corralo said that as of October last year, logistics costs for an average imported container in the Philippines amount to $5,300 or P296,000. The study noted that the biggest chunk of the logistics cost came from maritime transport, with 37 percent. This was followed by customs clearance, 35 percent; inland logistics, 20 percent; and port charges, 8 percent.

The BIA also calculated logistics costs for multiple imported commodities, coming from different overseas locations selected among top commercial partners.

Among the imported commodities of the Philippines included in the study, imported frozen chicken from the United States has the largest logistics cost per container amounting to $29,472. This was followed by imported rice from Vietnam with $6,316, imported appliances from China at $6,091, imported resins from the US at $6,530, imported Brandy from Spain at $5,860 and imported refined sugar from Thailand at $3,024.

The Philippine Ports Authority (PPA) Memorandum Circular (MC) 021-2023 issued last December 6 stated the approval of the increase in storage charges for foreign box cargoes. The storage fee hike took effect on January 6.

According to a statement issued by the Philippine Exporters Confederation Inc. (Philexport) over the weekend, storage charge as defined under PPA's MC 03-95 is the amount assessed on articles, baggage and containers for storage in the port premises, cargo shed and warehouse of the government.

"Storage charges for foreign containerized cargoes are assessed when the cargoes remain stored within or outside transit sheds or laid out in the open yard or stored in the warehouses of the PPA beyond the free storage period," the Philexport explained.

Foreign containers include import cargoes, export cargoes and transshipments. The Philexport said storage charges for foreign cargoes are assessed when these containers remain at PPA ports beyond the free storage period.

"For imported cargoes, assessment comes five calendar days after the day that the last item of cargo is discharged from the carrying vessel. For export cargoes, it is four calendar days from the day that the cargo is received at the port. For foreign transshipments, it is 15 calendar days from the day of arrival to the day of departure," the Philexport explained.

Source: https://businessmirror.com.ph/2024/02/26/shipping-rates-costlier-in-phl-compared-to-sea-countries/

House studies P350 wage hike

February 26, 2024 | Rio N. Araja | Manila Standard

The House of Representatives is studying proposals for a P150 to P350 increase in minimum wage, surpassing the P100 daily hike recently passed by the Senate, Zamboanga City Rep. Manuel Jose Dalipe.

"Our workers are enduring tough times, and as their representatives, it is imperative that we find substantial solutions to alleviate their financial burdens," Dalipe said, noting that Filipinos are grappling with inflation and decreased purchasing power.

Speaker Martin Romualdez earlier tasked the House leadership to explore options for boosting workers' take-home pay, including a legislated wage increase or revisions to the regional wage board system.

The House committee on labor and employment will prioritize reviewing existing wage hike proposals, including one from Trade Union Congress of the Philippines party-list Rep. Raymund Mendoza for a P150 across-the-board increase.

"The urgency of these discussions highlights the House's dedication to timely and impactful legislative action," Dalipe said.

Dalipe said while they appreciate the Senate's efforts, the House believes a P100 increase is insufficient to address declining real wages and purchasing power.

He, however, underscored the importance of considering the impact on businesses, particularly micro, small, and medium enterprises (MSMEs).

"While any increase is a step in the right direction, we must ensure that our legislative actions truly make a meaningful difference in the lives of our workers, particularly when considering the substantial challenges faced by the business sector, especially micro, small, and medium-sized enterprises," the lawmaker said.

Labor Secretary Bienvenido Laguesma earlier said DOLE is not against a legislated wage hike even as he cautioned against its possible impact on MSMEs and the economy in general.

Laguesma said when there are salary increases, the prices of basic goods and transport services also increase, describing it like a chain reaction.

"That's why the DOLE is always looking for a balance. The DOLE is looking for possible interventions to help micro and small businesses in case the minimum wage increases by P100," he added.

The Employers Confederation of the Philippines earlier warned a legislated wage hike could cause a "catastrophic effect on inflation."

The Philippine Chamber of Commerce and Industry (PCCI) also appealed to Congress to let wage boards decide on wage increases rather than push for a legislated increase which it said would only benefit a few and disenfranchise other members of the labor force.

PCCI president Enunina Mangio said the proposed P100 legislated wage in the Senate will only benefit five million workers, while 47 million who are in the informal sector will be left behind.

"The P100 proposed wage will not even be enough when inflation goes up. Why don't we instead legislate measures to address the rising cost in food prices and other issues that hamper our economic growth?" she said.

However, labor groups Partido Manggagawa (PM) and Kilusang Mayo Uno (KMU) said discussions on a legislated wage hike should be evidence-based.

"The latest Labor Force Survey shows that 49.2 percent, about half, of the total 50.5 million labor force, are 24.8 million workers employed in private firms. Of which, one fifth or 4.1 million are minimum wage earners. Another 13.8 million workers, about a quarter or 27.4 percent of the labor force, are self-employed with no employees," PM chairman Rene Magtubo said.

He said the majority are informal workers like street vendors and tricycle drivers while a minority are middle-class professionals like doctors and lawyers.

Magtubo said three quarters of the labor force or more than 30 million workers stand to benefit from a wage hike.

Source: https://manilastandard.net/news/314420109/house-studies-p350-wage-hike.html

BIR issues seven draft regulations for ease of paying taxes

February 23, 2024 | Chino S. Leyco | Manila Bulletin

The Bureau of Internal Revenue (BIR) has released seven draft regulations related to the Ease of Paying Taxes law ahead of the two-day public consultation set for next week.

In a recent BIR advisory, the bureau is inviting taxpayers to participate in a public consultation on the proposed regulations for implementing the Ease of Paying Taxes (EOPT) Act, also known as Republic Act No. 11976, scheduled for Feb. 26 and 27, 2024.

Among the draft regulations up for discussion is the implementation of Section 21 (b) of the National Internal Revenue Code (NIRC) of 1997, as amended by RA No. 11976, concerning the classification of taxpayers.

Additionally, there will be deliberation on amendments introduced by the EOPT law regarding the filing of tax returns, payment of taxes, and matters related to the declaration of taxable income.

The consultation will also cover new registration procedures, invoicing requirements, and the implementation of value-added tax (VAT) and percentage tax provisions under the EOPT law.

Furthermore, policies and guidelines for the publication of Revenue Issuances and other Information Materials of the tax bureau will be discussed.

Another key topic will be the reduced interest and penalty rates for micro and small taxpayers.

Finally, the BIR will also seek public input on the implementation of various reforms related to tax refunds under the EOPT Act.

Last January, President Marcos signed the EOPT law, aiming to amend certain provisions of the NIRC to simplify and modernize the tax collection procedures.

According to the Department of Finance, the law simplifies processes and reducing the tax compliance burden, ultimately enhancing the country's revenue collection.

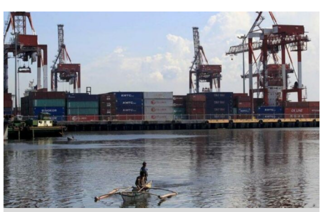
The EOPT law also intends to categorize taxpayers according to their gross sales as micro, small, medium, and large businesses.

It also aims to classify value-added tax refund claims into low, medium, and high-risk categories.

Source: https://mb.com.ph/2024/2/23/bir-issues-seven-draft-regulations-for-ease-of-paying-taxes-law

Shipping lines to shoulder penalties on containerized export

February 26, 2024 | Irma Isip | Malaya Business Insight



Container port terminal in Manila. (Reuters Photo)

The Philippine Ports Authority (PPA) has issued Memorandum Circular (MC) No. 002-2023 on February 13 clarifying that penalties on containerized cargoes beyond the free storage period (FSP) will be shouldered by shipping lines.

The new MC amends 2024 PPA MC No. 021-2023 titled Increase in Storage Charges for Foreign Containerized Cargoes.

It clarifies that for purposes of export boxes, the penalties to be imposed after the FSP shall be chargeable to the shipping lines.

Signed Jan. 30, 2024, Board Resolution 3267 took note that "several stakeholders raised their concerns as to the charging of the penalties for storage beyond the storage periods."

The resolution adds that during the Dec. 19, 2023 meeting of the PPA Board of Directors, the Board "instructed to revise PPA MC. No. 021-2023, to clarify that the said charges shall be made against the shipping lines."

To recall, PPA MC 021-2023 was issued last December 6 stating the approval of the increase in storage charges for foreign box cargoes pursuant to PPA Board Resolution No. 3261.

The storage fee hike took effect last January 6.

Storage charge as defined under PPA Memorandum Circular No. 03-95 is the amount assessed on articles, baggage, and containers for storage in the port premises, cargo shed, and warehouse of the government. *[Cont. page 5]*

Shipping lines to shoulder penalties on containerized export
[Cont. from page 4]

Storage charges for foreign containerized cargoes are assessed when the cargoes remain stored within or outside transit sheds or laid out in the open yard or stored in the warehouses of the PPA beyond the free storage period.

Foreign containers include import cargoes, export cargoes and transshipments.

Storage charges for foreign cargoes are assessed when these containers remain at PPA ports beyond the FSP.

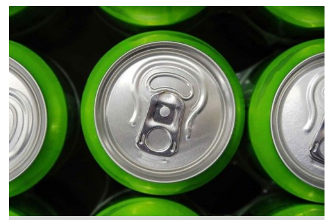
For imported cargoes, assessment comes five calendar days after the day that the last item of cargo is discharged from the carrying vessel.

For export cargoes, it is four calendar days from the day that the cargo is received at the port.

For foreign transshipments, it is 15 calendar days from the day of arrival to the day of departure.

Source: https://malaya.com.ph/news_business/shipping-lines-to-shoulder-penalties-on-containerized-export/

Favorable beverage tax outcomes depend on 'efficient design' —WB
February 25, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld


PHILSTAR FILE PHOTO

POSITIVE OUTCOMES from a sugar-sweetened beverage taxes like reduced consumption and improved health will depend on how well the tax is designed, the World Bank (WB) said.

"Sugar-sweetened beverage (SSB) taxes are an important fiscal and health policy tool since they raise tax revenue and improve health by reducing demand, as well as reduce health expenditures by alleviating the burden on the health system," the bank said in a note.

"SSB taxes can be designed efficiently to reduce costs of over-consumption related to both negative externalities and internalities and do not generally distort other aspects of economic activity," it added.

Last year, former Finance Secretary Benjamin E. Diokno proposed to increase the excise tax on sweetened beverages. The initial proposal sought to raise the tax to P12 per liter for beverages using any kind of sweetener.

Under the Tax Reform for Acceleration and Inclusion law, the government introduced an excise tax of P6 per liter for drinks containing caloric or non-caloric sweetener, and P12 per liter for drinks containing high-fructose corn syrup or any such sweeteners in combination.

The tax increase on sweetened beverages along with another proposal for a "junk food" tax could yield up to P76 billion in revenue in the first year of implementation, according to Mr. Diokno.

Current Finance Secretary Ralph G. Recto said he is not pursuing his predecessor's proposals for these taxes.

The World Bank said that SSB taxes must take into account each government's capacity to implement taxes.

"Overall, SSB taxes can be considered a win-win policy that can help to improve health outcomes and at the same time generate tax revenue, while generating benefits for equity, health system efficiency, and further societal gains," it added.

The bank noted that one concern often raised about SSB taxes is that they "lead to job losses."

"However, it is important to keep in mind that when consumers reduce their purchases of SSBs they will reallocate their spending to other goods and services, including untaxed products from the same beverage industries, and governments will spend the revenue generated by the tax," it said.

"Studies of employment and unemployment outcomes following the introduction of SSB taxes in Mexico, Peru and two local jurisdictions in the US have found no impact on jobs or unemployment claims, including in industries that produce and sell SSBs," it added.

It also noted concerns on the tax's impact on lower-income groups.

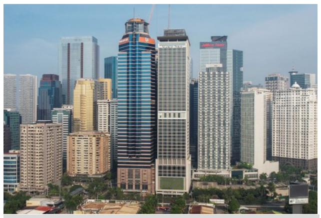
"Indeed, while consumption taxes can be regressive because lower-income individuals spend a higher share of their income on consumption, from a health tax perspective they can be considered progressive for several reasons."

"Low-income individuals tend to be more price sensitive and so are likely to be more responsive to the tax and reduce their consumption to a greater extent. They therefore garner a relatively higher health improvement and, therefore, a commensurate benefit," it added.

Source: https://www.bworldonline.com/economy/2024/02/25/577717/favorable-beverage-tax-outcomes-depend-on-efficient-design-wb/

Debates on economic 'Cha-cha' begin

February 27, 2024 | Beatriz Marie D. Cruz | BusinessWorld



An aerial view shows the Ortigas business district in Pasig City, Philippines, June 10, 2022. — REUTERS

THE DEPARTMENT of Finance (DoF) on Monday asked Philippine lawmakers to ease foreign ownership limits in the 1987 Constitution for key sectors such as public utilities, mining, education, mass media and advertising to attract more investments.

But the government of President Ferdinand R. Marcos, Jr. should keep land ownership exclusive to Filipinos and Filipino-owned companies, Finance Undersecretary Zeno Ronald R. Abenoja told the House of Representatives Committee of the Whole at a hearing on Monday.

"This effort to fully liberalize and lift such restrictions (will) contribute to a policy environment that will make the economic regime more adaptable and responsive to current social and economic realities," he said.

The Philippines is hard-pressed to attract foreign direct investments to boost capital flows and finance development projects amid weak infrastructure, high energy costs, complex regulations and political instability that make it the least attractive destination in Southeast Asia.

"The whole intention of opening up the economy is to introduce more dynamism in the economy, better access to technologies and know-how and improve our productivity," National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan separately told *BusinessWorld* on the sidelines of the hearing.

Congressmen on Monday began deliberations on the House Resolution of Both Houses No. 7, which proposes to lift economic restrictions in the ownership of public utilities, educational institutions and advertising.

It proposes to insert the phrase "unless otherwise provided by law" in Articles 12, 14, and 16 of the Constitution, which restricts foreign ownership in these sectors.

"The DoF is proposing the insertion of the phrase 'unless otherwise provided by law' to the provision on the public utilities as well as the nationality requirement for co-production, joint venture or production sharing for the exploration, development, and utilization of natural resources, as in the case of mineral resources," Mr. Abenoja said.

The Constitution currently mandates the state protect Filipino enterprises against unfair foreign competition and trade practices, and limits land ownership to Filipino citizens and corporations that are at least 60% Filipino-owned.

Mr. Abenoja said the DoF also recommended to include the phrase in the Charter for the "outright deletion" of restrictions on foreign investment in the sectors of mass media, educational institutions, and advertising.

NEDA's Mr. Balisacan said amending the Constitution's economic provisions would help the Philippines achieve its goal of reducing the poverty rate to a single-digit level by 2028.

"The NEDA believes that no less than massive amounts of investments in both physical and social infrastructure, as well as human capital, are needed to attain such a feat… We must lift restrictions on critical sectors such as public utilities, education, mass media, and advertising so that we can realize their untapped potential and enable them to contribute to the country's economic progress," he told lawmakers.

Mr. Balisacan said opening up the public utilities sector to foreign investors would improve water and energy distribution, as well as address financing gaps in infrastructure.

"In the education sector, this initiative will ensure that Filipinos can access global knowledge, skills, and technology that can nurture a culture of innovation, positioning the Philippines as a competitive hub for knowledge exchange in the region," he said.

Mr. Balisacan said foreign investments in mass media would increase the global profile of local media, as well as allow the industry to modernize and expand.

Amending the Charter would allow Philippine laws to keep up with developments in the global economy, Monetary Board member Romeo L. Bernardo said.

"Reducing, if not removing restrictive provisions, will facilitate increase in foreign capital investment and hasten the growth of the economy which in turn can expedite the ability of the nation to realize inclusive economic growth," Mr. Bernardo told congressmen.
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Debates on economic 'Cha-cha' begin

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For his part, Foundation for Economic Freedom President Calixto V. Chikiamco said the Philippines is the only country that details economic restrictions in its Constitution.

"Eliminating the restrictive economic provisions in the Constitution is also necessary to allow for greater flexibility and agility in policy making so we can adapt to evolving economic needs and realities in both domestic and global settings," Mr. Chikiamco told the committee.

However, NEDA's Mr. Balisacan said Charter change (Cha-cha) is only a "complementary strategy" in unlocking the country's economic potential.

"To be sure, this initiative will not solve all our economic ills… Let me emphasize that we only reap the benefits I mentioned if we also address the other problems involving energy costs, inadequate connectivity infrastructure, slow bureaucratic processes, inconsistent local and national regulations, and highly concerning learning poverty and malnutrition," he said.

"Conversely, a policy environment promoting openness to foreign investment can exert more significant pressure on the government to urgently address the complex challenges.

IBON Foundation executive director Jose Enrique A. Africa opposes economic Charter change, telling lawmakers that it is unnecessary.

"If we change the Constitution, we will be losing a legal leverage precisely for the same kind of protective industrial policies that other countries are doing today, including advanced countries like the United States, EU (European Union), Japan, China, and many other countries," Mr. Africa said.

Meanwhile, Senate President Juan Miguel F. Zubiri said President Ferdinand R. Marcos, Jr. wants to a Charter change plebiscite to be held at the same time as the 2025 midterm elections.

Source: https://www.bworldonline.com/top-stories/2024/02/27/577952/debates-on-economic-cha-cha-begin/

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