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SPECIAL POINTS OF INTEREST

UPCOMING EVENT

'No new taxes likely until 2028'

March 25, 2024 | Louise Maureen Simeon | The Philippine Star

Finance Secretary Ralph Recto

STAR / File

MANILA, Philippines — The stance of Finance Secretary Ralph Recto against new taxes could extend until the end of the administration as the government will try to focus on improving tax collection efficiency first.

Recto is hoping that there will be no triggers that would force the Department of Finance to propose new tax measures.

"There is a possibility (of no new taxes under this administration). I think we should try first to collect what's there. There are still so many (tax) leakages," Recto told reporters.

"I think it is incumbent upon this administration that any increase in taxes is the last resort," he said.

Upon his appointment in January, Recto already said that he is not inclined to impose additional taxes, especially consumption-based ones, so as not to add to Filipinos' burden.

At the time, Recto said such a stance could last until next year. This time, he has expressed willingness to extend this until the end of the Marcos administration in 2028.

Recto has expressed his desire to run in the 2028 general elections, either for a Senate seat again or as governor of Batangas.

Asked whether his position against new taxes is connected to his political plans for 2028, Recto said "it has nothing to do with that."

As a legislator during the Arroyo administration, Recto had pushed for the Expanded Value-Added Tax Law, which raised the VAT to 12 percent from 10 percent and covered additional goods.

While the measure was seen to have prevented the Philippines from slipping into a financial crisis, it also cost Recto his Senate seat in 2007.

The finance chief argued that tax efforts are always a gauge for new measures, but raising taxes does not always guarantee improved tax collections.

"To me, the best way to grow your revenue is to grow the economy. If you grow the economy, you will be able to collect more taxes," Recto said.

Further, Recto noted that current tax rates are already high, saying that he can no longer tax oil, power, vehicles and tobacco as doing so could just increase smuggling and illicit trade.

He also dismissed the idea of a luxury tax and wealth tax, as well as the removal of some exemptions under the value-added tax system, specifically for senior citizens and for some medical products.

The Philippines has a long list of VAT exemptions, which prompted the previous administration to present a fiscal consolidation plan that included the repeal of some of it.

‘No new taxes likely until 2028’

[Cont. from page 1]

Former finance chief Carlos Dominguez previously called on the Marcos administration to retain the coverage of VAT exemptions to a few purchases only, including agricultural, food and medical products.

Instead, Recto said the government should not give away more taxes and ensure that there is no erosion of the revenue base.

On the expenditure side, Recto said there are still some leeway on spending especially in terms of reducing expenses for non-essential infrastructure projects.

For now, the DOF is focusing on the five tweaked priority measures such as the VAT on digital service providers, rationalization of the mining fiscal regime, reform on the motor vehicle users’ charge, excise tax on certain single-use plastics and the Passive Income and Financial Intermediary Taxation Act.

Source: https://www.philstar.com/business/2024/03/25/2342995/no-new-taxes-likely-until-2028

‘PPP implementation flexible’

March 21, 2024 | Irma Isip | Malaya Business Insight

Malaya Business Insight

The implementing rules and regulations (IRR) of the Public-Private Partnership (PPP) Code will be flexible to adopt to the changing times, according to Secretary Frederick Go of the Office of thea Special Assistant to the President for Investment and Economic Affairs (OSAPIEA).

In his speech at the induction of officers of the Chamber of Real Estate Builders Associations on Friday, Go encouraged developers to take a look at the 185 infrastructure flagship projects worth over P9 trillion of the government “because these infrastructure projects are highly related to real estate and you might find some of them interesting..”

Go said the IRR, which takes effect April 6, will encourage private sector investments.

The PPP Code which was signed into law last December updates the 29-year old build, operate transfer law.

The Code consolidates all legal frameworks and creates a unified system for investors to refer to when engaging in PPP projects.

Go added that OSAPIEA “assisted in ensuring the final version of this code would revitalize PPPs (and)… encourage unsolicited joint ventures as a PPP.”

“We believe (it) is critical to promote the best ideas (to) come forward for the delivery of high quality and cost effective infrastructure projects,” he said.

Alfredo Pascual, secretary of the Department of Trade and Industry noted the critical importance of the newly enacted PPP Code and IRR in accelerating infrastructure development, saying these “serve as a cornerstone in our strategy to mobilize private sector investment, innovation, and expertise in building world-class infrastructure.”

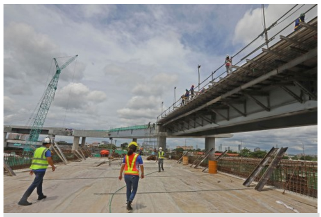
Pascual in a statement said a well-defined regulatory framework is crucial in building investor confidence as businesses are assured of a fair, competitive, and accountable partnership environment.

At the signing ceremonies on March 21, National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan said the law will enable much-needed development across various sectors of the economy and accelerate the delivery of affordable, accessible, and efficient public services.

Finance Secretary Ralph Recto in a separate statement said the signing of the PPP Code will open the floodgates for a non-stop influx of strategic and high-quality investments that will benefit all Filipinos.

Source: https://malaya.com.ph/news_business/ppp-implementation-flexible/

Infra, governance seen as more critical to FDI than charter reform
March 24, 2024 | Kenneth Christiane L. Basilio | BusinessWorld


PHILIPPINE STAR/EDD GUMBAN

ENHANCEMENTS to infrastructure and governance are key to attracting foreign investors, not just opening up the economic provisions of the 1987 Constitution, analysts said.

“Attracting FDI (foreign direct investment) is not just about economic provisions (of the Constitution), it’s also about maintaining a good socio-economic-political environment conducive to the conduct of business,” John Paolo R. Rivera, president and chief economist at Oikonomia Advisory & Research, Inc., told *BusinessWorld* in a Viber message.

Legislators have pitched the Charter reform campaign as a means to open up industries to foreign capital and encourage more FDIs.

The Philippines has one of the most restrictive economies in Southeast Asia as the Constitution limits foreign participation to a 40% equity stake in most domestic companies. The Philippines ranked third most restrictive out of 83 economies — scoring 0.374 on a scale of 0 (open) to 1 (closed) — according to a 2020 FDI analysis by the Organization for Economic Co-operation and Development.

“The RBH (Resolution of Both Houses) No. 7 is necessary but not sufficient,” Foundation for Economic Freedom President Calixto V. Chikiamco told *BusinessWorld* via Viber, referring to how the proposal could open the economy to foreign investment.

He added: “RBH No. 7 just inserts the phrase ‘unless otherwise provided by law’ (into the Constitution), meaning Congress has to pass a specific law first in order to open up education, advertising, and public utilities to 100% foreign investment.”

While ease of doing business policies and a well-managed economy are important factors for foreign investors, Mr. Rivera said that “good housekeeping and good governance” are also key considerations for foreign investors.

He added that the Philippines should also have “excellent infrastructure” to further attract foreign investment.

“Key infrastructures are those involving our connections to the world: airports, ports, shipping, warehouses, and broadband connectivity,” Mr. Chikiamco said.

Terry L. Ridon, a public investment analyst and convenor of think-tank InfraWatch PH, said the “administration’s flagship infrastructure program is off to a good start” with the expected rehabilitation of Ninoy Aquino International Airport by the San Miguel Corp.-led consortium.

“(The) government is also well on its way to process other PPPs (public-private partnerships),” Mr. Ridon told *BusinessWorld* via Viber. He said the proposal by Aboitiz InfraCapital, Inc. to develop regional airports and other pending projects for the“EDSA busway project and the MRT-3 redevelopment would help improve infrastructure overall.

He added that increasing FDI inflows also depends on “sector-specific equity restrictions, the governance climate, and sustainability commitments, among others.”

“There is no single leading factor that ensures FDI inflows, but the government should work towards improving outcomes in these various areas,” Mr. Ridon added.

The Philippines is on the right track to improve FDI, Mr. Chikiamco said, referring to the efforts of the government to reform its policies and upgrade infrastructures.

“(The) government is active in improving the investment climate but it will take time before the benefits are reaped,” Mr. Rivera said.

Source: https://www.bworldonline.com/economy/2024/03/24/583810/infra-governance-seen-as-more-critical-to-fdi-than-charter-reform/

Samsung keen to supply PH digitization initiatives

March 24, 2024 | Kris Crismundo | Philippine News Agency

MANILA – The local unit of Korean electronics firm Samsung sees great opportunity in the Philippines, especially in business-to-business (B2B) solutions, with the country's ongoing digitalization efforts.

PH DIGITIZATION. Samsung Electronics Philippines Corp. president Chu Minsu speaks in a media interview at the Marriott Grand Ballroom in Pasay City on Thursday (March 21, 2024). Samsung said it is keen to supply the country's digitalization needs. *(PNA photo by Kris Crismundo)*

In an interview with Samsung Electronics Philippines Corp. president Chu Minsu in Pasay City on Thursday, he said Samsung has a strong line up of B2B solutions that could meet the requirements of both public and private sectors in adopting digitalization.

"We are working with the Philippines where there are a lot of projects. Number one, digitalization.

We can contribute to nation-building about digitalization with our product and services," Chu said.

"How we can contribute to the Philippines is the way we are going on and that's the vision that Samsung wants to contribute (to) the Philippine economy, public, and private sectors," he added.

The Samsung Philippines chief mentioned that the company is currently working with the Department of Education (DepEd) and several local government units (LGUs) across the country.

Chu said that for the first half of the year alone, Samsung representatives will be meeting with more than 20 LGUs to offer their B2B solutions.

"They are very much interested in digitalization," he emphasized.

Chu noted that the increase in demand within the Philippine market for Samsung's B2B solutions is nearly equivalent to that of its business-to-consumer (B2C) unit, indicating significant interest in its B2B offerings.

Samsung has six business units in the Philippines: Samsung Electronics;

Electro-Mechanics, which manufactures electronic components; its logistics arm Samsung SDS; Cheil, the marketing arm of Samsung Electronics; its construction and engineering arm Samsung C&T Corp.; and the Samsung Electronics Software R&D Center for research and development.

Chu said the Korean electronics company remains optimistic in the Philippine market for manufacturing as the country could be one of the sites of its future expansion.

"If we want to expand our manufacturing site further and more, then definitely Philippines might be one of the consideration," Chu said.
Samsung held its first business expo at the Marriott Grand Ballroom in Pasay City on March 21, showcasing the company's wide range of technology**.**

Source: https://www.pna.gov.ph/articles/1221382

DOF wants P100-tax on every kilo of single-use plastics

March 25, 2024 | Chino S. Leyco | Manila Bulletin

In a bid to combat climate change and promote sustainable practices, the Department of Finance (DOF) wants to impose a P100 tax on every kilogram of single-use plastic bags (SUPs).

Finance Undersecretary Karlo Fermin S. Adriano unveiled the details of the DOF proposal in a statement released on Monday, March 25, which he described as a win-win solution to reduce plastic waste.

The DOF plan includes the implementation of a weight-based excise tax rate, which is envisioned to simplify tax administration procedures and ensure equitable taxation.

Adriano said the proposed tax would encompass all non-recyclable SUPs, including commonly used bags like "ice," "labo," or "sando" bags, regardless with or without handles. *[Cont. page 5]*

DOF wants P100-tax on every kilo of single-use plastics

[Cont. from page 4]

Furthermore, the DOF wants a four percent annual indexation to be implemented starting from the third year of the SUP tax's enforcement. This measure is intended to account for inflation and maintain the effectiveness of the tax over time.

If the SUP tax proposal is enacted into law, consumers can expect the price of labo bags per piece to rise from P0.47 to P0.82, while sando bags will see an increase from P0.51 to P0.91 each.

Despite the new tax, the finance official said that it would still be one of the cheapest tax rates per bag when compared to other countries.

For example, the United Kingdom imposes a tax of P326 per bag, Ireland's tax is P12 per bag, Virginia in the USA charges PHP 3 per bag, and Denmark's tax is only P1 per bag.

“When a good has some negative externalities, meaning the consumption or use of a product causes some social cost, we try to regulate that through taxation, Adriano said.

“In the case of single-use plastic, the social cost is mismanaged waste, which is related to climate change,” he added.

The estimated revenues of P31.52 billion expected to be generated from 2025 to 2028 will be allocated to the Department of Environment and Natural Resources (DENR) for solid waste management program in municipalities.

According to the World Bank, the Philippines ranks as the third-largest contributor of mismanaged plastic entering the ocean annually, with a staggering 750,000 metric tonnes.

Plastics have been identified to emit greenhouse gases (GHG) throughout their lifecycle, from production to disposal.

Hence, the country's susceptibility to climate change poses a significant risk, potentially resulting in a loss of 13.6 percent of its economic output by 2040 if left unaddressed.

“It is the government’s duty to raise awareness on the impact of non-recyclable plastics and the irreversible effects of climate change. I believe this is where strong policy intervention is needed,” Finance Secretary Ralph G. Recto said.

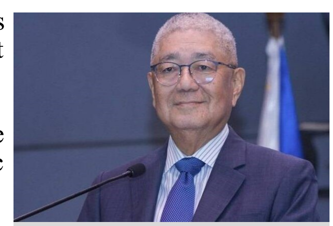
“This is a low-hanging fruit that has been on the table for more than a decade. I am confident that our legislators will support this measure,” he added.

Source: https://mb.com.ph/2024/3/25/dof-wants-p100-tax-on-every-kilo-of-single-use-plastics

Inflation seen unlikely to repeat February spike

March 26, 2024 | Ian Nicolas P. Cigaral - @inquirerdotnet | hilippine Daily Inquirer

MANILA — The Philippines will unlikely see an inflation flare-up similar to that in February as global prices of rice, a Filipino food staple, have started to ease, analysts at First Metro Investment Corp. (FMIC) and University of Asia and the Pacific (UA&P) said.



Eli Remolona Jr. —PHOTO FROM DFIA

In their latest “The Market Call” report released on Monday, FMIC and UA&P said inflation would be reined in by both lower costs of rice and a potentially mild increase in crude oil prices amid anemic economic activity in China and excess supply.

“We also don’t see a repeat of the February inflation spike as rice prices abroad had begun to ease while crude oil prices have little upside given the weak China economic recovery and surplus capacity in both OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC countries,” the report said.

Last week, Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona Jr. said price gains in March could potentially come close to the upper-limit of the central bank’s 2 to 4 percent target range at 3.9 percent as favorable base effects fade. *[Cont. page 6]*

Inflation seen unlikely to repeat February spike

[Cont. from page 5]

If Remolona's prediction comes true, inflation this month likely exceeded the 3.4 percent recorded in February, when rice price gains sizzled to a 15-year high of 23.7 percent.

The BSP had said inflation would ease in the first quarter of 2024 before overshooting the target anew in the second quarter. Average price hike is projected to return to the target band in the third quarter to average 3.6 percent this year.

In their report, analysts at FMIC and UA&P said inflation could possibly reach 3.7 percent in the first half before returning to under 3.5 percent in the third quarter.

Growth trajectory

"The surprise vault of February inflation … may have soured investor appetite a little, but the economy looks sufficiently robust to continue its trajectory," they said.

The Philippine Statistics Authority will release the March inflation data on April 5, ahead of the BSP's next monetary policy meeting on April 8.

Speaking to reporters on the sidelines of the induction ceremony for new officers of the Economic Journalists Association of the Philippines, Finance Secretary Ralph Recto said the BSP would likely hold rates steady at its upcoming meeting, as he expects the country's monetary policy to stay tight for a much longer period amid persistent risks to inflation.

Recto represents the Marcos administration in the seven-member Monetary Board, the highest policy-making body of the BSP.

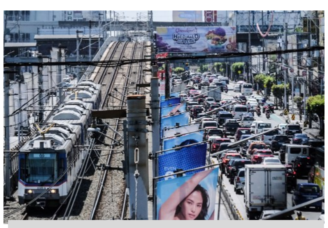
"I don't expect interest rates to go up or go down next week," Recto said. "I might be wrong, but I don't expect [any adjustments]."

In February, the Monetary Board left its key rate unchanged at 6.5 percent, the highest in more than 16 years, in what the BSP called a "prudent" move amid persistent risks to the inflation outlook.

Source: https://business.inquirer.net/451856/inflation-seen-unlikely-to-repeat-feb-spike

GDP likely grew by 6.1 % in Q1

March 26, 2024 | Luisa Maria Jacinta C. Jocson | BusinessWorld



Traffic is seen along EDSA in Quezon City. — PHILIPPINE STAR/RYAN BALDEMOR

PHILIPPINE gross domestic product (GDP) likely grew by 6.1% in the first quarter amid an improvement in government spending, economists said.

"The economy looks set to accelerate in 2024 with first-quarter GDP estimated at 6.1% as infrastructure spending goes into high gear with the National Government (NG), buoyed by official development assistance funding and public-private partnership (PPP) projects (gaining) traction," First Metro Investment Corp. (FMIC) and the University of Asia and the Pacific (UA&P) said in its latest The Market Call report.

If realized, the 6.1% GDP growth would be slower than the 6.4% logged in the first quarter of 2023, but faster than 5.6% in the fourth quarter.

In 2023, the economy grew by 5.6%, much slower than the 7.6% expansion in 2022 and fell short of the government's 6-7% target.

"With actual NG spending in 2023 exceeding the program by 2%, we think the administration will start 2024 with a bigger bang compared to 2023," FMIC and UA&P said.

Last year, the NG's budget deficit narrowed by 6.32% to P1.51 trillion. Government expenditures went up by 3.42% to P5.34 trillion and exceeded its full-year program by 2.06%.

FMIC and UA&P said the government will have "greater confidence" to spend earlier in the year to support economic growth. *[Cont. page 7]*

GDP likely grew by 6.1 % in Q1

[Cont. from page 6]

"Infrastructure spending, both government funded and PPP projects, should accelerate in 2024 as NG bids out and awards large undertakings starting with the recent Ninoy Aquino International Airport (NAIA) expansion," it added.

The government is targeting to sustain infrastructure spending of up to 5-6% of GDP annually.

The Marcos administration is ramping up the implementation of its flagship infrastructure program which comprises of 185 projects worth P9.14 trillion.

Finance Secretary Ralph G. Recto earlier said that there is a need to come up with more "realistic" macroeconomic targets not only for this year but for the medium term.

The Development Budget Coordination Committee (DBCC) has set a 6.5-7.5% GDP growth target for this year.

Mr. Recto said that an "aspirational" target would be 6.5% GDP growth while a more "realistic" goal is 6%.

He also noted that the upper end of this year's 6.5-7.5% target is "too high."

Meanwhile, FMIC and UA&P said that inflation may settle within the Bangko Sentral ng Pilipinas' (BSP) target range this year.

"Inflation should fall within the BSP target of 2-4% for the year as rice and crude oil prices ease, albeit without discounting occasional spikes," it said.

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FMIC and UA&P kept its 3.8% average inflation forecast for 2024.

"Although in the first quarter, it may average lower at 3.2%," it added.

March inflation data will be released on April 5.

Source: https://www.bworldonline.com/top-stories/2024/03/26/584152/gdp-likely-grew-by-6-1-in-q1/

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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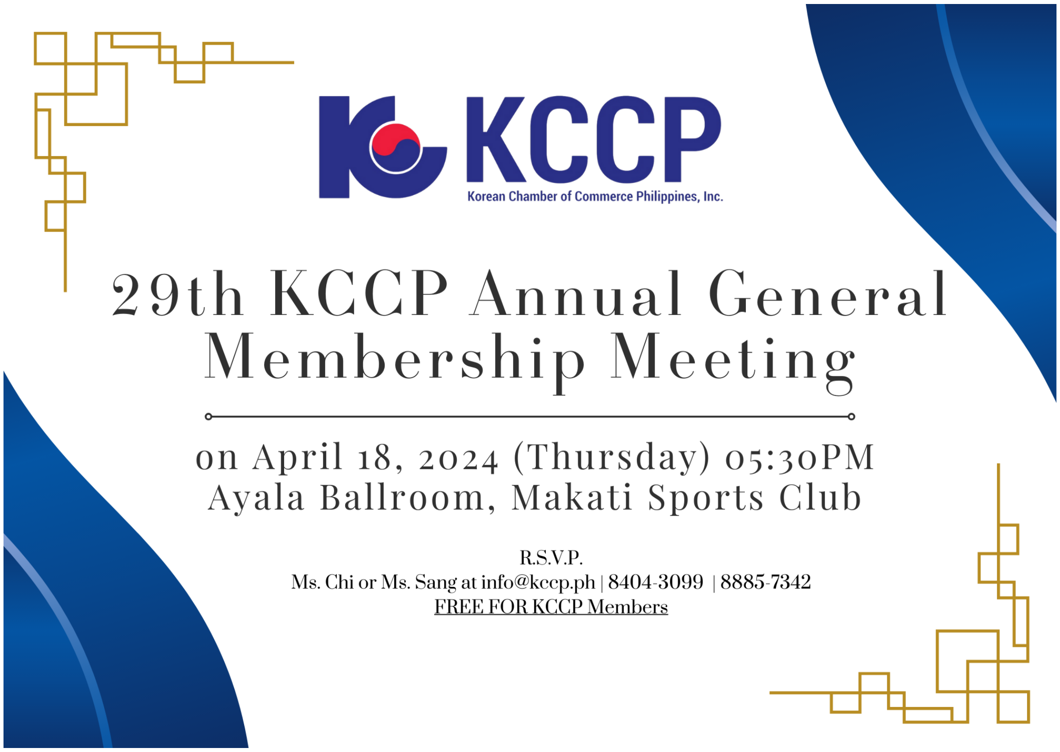

Both events are open for sponsorships, for more information please feel free to **contact KCCP Secretariat at 8885-7342 | 8404-3099 or email info@kccp.ph.**

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