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SPECIAL POINTS OF INTEREST

Budget gap widens to P643 billion in 7 months

August 27, 2024 | Louise Maureen Simeon | The Philippine Star

During the Senate committee on finance hearing yesterday, Finance Secretary Ralph Recto said the government incurred a higher budget shortfall of P642.8 billion in the seven-month period, 7.2 percent higher than the P599.5 billion in the same period last year.

Philstar.com / Jovannie Lambayan, file

MANILA, Philippines — The government recorded a high budget deficit of P643 billion from January to July even after the growth in revenue collections outpaced the expansion of state spending.

During the Senate committee on finance hearing yesterday, Finance Secretary Ralph Recto said the government incurred a higher budget shortfall of P642.8 billion in the seven-month period, 7.2 percent higher than the P599.5 billion in the same period last year.

A budget deficit means that the government is spending beyond what it earned from revenue collections and at a slightly faster pace.

Data showed that total revenue collection as of end-July rose by nearly 15 percent to P2.61 trillion as against the P2.27 trillion in the same period last year, as both tax and non-tax revenues increased.

The bulk or 86 percent of the revenues came from tax collections at P2.24 trillion, rising by 11 percent from a year ago. Non-tax collections, on the other hand, soared by 45 percent to P368.8 billion, largely from dividends from government-owned or controlled corporations.

The Bureau of Internal Revenue (BIR)'s haul climbed by nearly 13 percent to P1.68 trillion while the Bureau of Customs (BOC) saw its collections grow by almost six percent to P535.9 billion.

Income generated by the Treasury went up by 28 percent to P183.8 billion while collections from other offices including privatization proceeds and fees and charges for the period rose by 66 percent to P185 billion.

Recto said the government is on track to meeting its fiscal program for the year with the performances of the BIR, BOC, Treasury and state-run corporations.

"We credit this feat to the BIR and BOC's digitalization strategies and the collaboration with allied agencies to kick our revenue operations into high gear," Recto said.

As the government ramps up its revenue collection strategies, it is projecting a 10.3 percent average annual growth over the medium term.

As such, revenues as a percentage of gross domestic product are seen to increase from 16 percent this year to 17 percent by the end of the administration in 2028.

On the other hand, government spending in the seven-month period rose by 13.2 percent to P3.25 trillion.

During the Senate hearing, the Department of Finance (DOF) also presented its P33.75-billion proposed budget for 2025, up by 21 percent from this year's allocation of P27.94 billion.

Under the proposed budget, DOF's new general appropriations constitute the largest portion amounting to P29 billion to support its core operations and priority programs.

This is in line with the DOF's key priorities to ramp up digitalization to enhance revenue administration by the BIR and BOC, better financial asset and debt management by the Treasury and improved local finance administration by the Bureau of Local Government Finance.

About 41.4 percent of the proposed budget is allocated to personnel services, 37.9 percent to maintenance and other operating expenses and 20.6 percent to capital outlays.

Source: https://www.philstar.com/business/2024/08/28/2380990/budget-gap-widens-p643-billion-7-months

Foreign chambers urge Senate to work on stalled connectivity measure

August 29, 2024| Justine Irish D. Tabile | BusinessWorld

UPKLYAK-FREEPIK

THE Joint Foreign Chambers (JFC) called on the Senate to make progress on the Open Access in Data Transmission Act, or Konektadong Pinoy Act, after no action was taken since Senator Alan Peter S. Cayetano's sponsorship speech on Aug. 5.

"The foreign chambers look forward to the enactment of Konektadong Pinoy, given the support of the executive, with the National Economic and Development Authority (NEDA) as the main champion," the JFC said in a statement on Thursday.

"This bill is crucial to achieving the President's call for digitalization. It will simplify the licensing of broadband network operators, which will support ease of entry and ease of doing business and attract foreign investors," he added.

The House of Representatives passed a version of the measure on third reading in December 2022.

"To date, the two chambers are aligned, with Senate President Francis G. Escudero giving priority to Konektadong Pinoy," the JFC said.

Currently set for floor debate, Senate Bill No. 2699 aims to attract network operators, which will promote the resilience and security of the internet in the Philippines.

"The Konektadong Pinoy bill seeks to empower internet service providers in bringing accessible, reliable, and affordable internet to communities," the JFC said.

The bill seeks to simplify the approval process for network operators, promote efficient management of the radio spectrum, and promote the sharing of infrastructure.

It is among the bills prioritized for passage within the 19th Congress by the Legislative-Executive Development Advisory Council.

The Philippine Chamber of Commerce and Industry (PCCI), the Philippine Exporters Confederation, Inc. (Philexport), and the Employers Confederation of the Philippines (ECOP) have also expressed support for the bill after the sponsorship speeches in the Senate.

PCCI President Enunina V. Mangio said that the bill will benefit micro, small and medium enterprises, which make up 99.5% of the businesses in the country.

"Bringing them online is crucial to make them competitive. With the Konektadong Pinoy Act, small entrepreneurs even in rural areas can participate in e-commerce and use e-payments," she said.

ECOP Chairman Edgardo G. Lacson said such a measure will help businesses increase their productivity by enabling the use of new technology.

"Harnessing the power of artificial intelligence (AI) requires robust connectivity. With Konektadong Pinoy, businesses of all sizes can leverage AI and other digital technologies to increase productivity and develop a globally competitive workforce," Mr. Lacson said.

"Filipino businesses are ready for the global market. Once passed into law, Konektadong Pinoy will bring a reliable and secure internet that will help exporters access modern technologies and participate in international trade," Philexport President Sergio R. Ortiz-Luis, Jr. said.

Source: https://www.bworldonline.com/economy/2024/08/29/616997/foreign-chambers-urge-senate-to-work-on-stalled-connectivity-measure/

House won't adopt Senate version of CREATE MORE bill

August 29, 2024| Filane Mikee Cervantes | Philippine News Agency

MANILA – The House of Representatives will not adopt the Senate version of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill, a House leader said on Thursday.

In a statement, House Appropriations Committee chairperson Joey Salceda said the House contingent will seek to resolve the differences in principle between the chambers' versions of the CREATE MORE bill in an upcoming bicameral conference committee meeting. *[Cont. page 3]*

House won't adopt Senate version of CREATE MORE bill

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The CREATE More bill is one of the measures approved as "top priority" by the Legislative-Executive Development Advisory Council.

House Appropriations Committee chairperson Joey Salceda *(File photo courtesy of House Press and Public Affairs Bureau)*

It aims to improve the current regulations by enhancing the tax and administrative incentives available to companies and clarifying rules on implementing value added tax (VAT) incentives.

One major reason for rejecting the Senate version, according to Salceda, is that it did not clearly establish whether the "cross-border doctrine" remains the law of the land.

Salceda said the House version defined the separate customs territories, which include the ecozones and freeport zones.

He said the Senate aimed to do away with separate customs territories altogether by repealing them from the special ecozone laws that established them, and deleting the House's definition of separate customs territories.

"However, the Senate eventually just removed the repeal of such special laws, without adopting the House position of setting a primary and overarching doctrine on the question. If we adopt the Senate version as is, we're back to the confusing status quo," he said.

Salceda added the Senate version effectively allows tariff and VAT-free, but "supposedly bonded", importation of petroleum for international carriers.

"We vehemently object to this. Such products will not be fuel marked when imported –so the Senate proposal will confuse law enforcement as to the provenance of unmarked fuel," he said.

Salceda cited previous House hearings that the customs-bonded warehouse system enabled as much as PHP357 billion in revenue losses in 2010-2019, when the system was still allowed.

"We cannot agree to something we have already found in our own investigations to be a policy that creates and allows smuggling," he said.

RBELT proposal
Meanwhile, Salceda highlighted concerns raised by the manufacturing sector regarding the Registered Business Enterprise Local Tax (RBELT) proposal, adding that they want current rates already set by local government units (LGUs) to apply in case they are lower than the proposed 2 percent rate in the CREATE MORE bill.

"We see the merit in this, since the RBELT aims to streamline tax collection, not increase rates. Manufacturing tends to be sensitive to taxes based on gross receipts because they have very low, single-digit margins," he said.

Salceda said the manufacturing sector also wants the bill to be "very explicit" in empowering LGUs to adjust those rates downward if they wish to, and that is a matter naturally reserved to LGUs under their fiscal autonomy," he said.

Salceda said the House is studying if there are "other logical inconsistencies or ambiguities" that cannot be left to the implementing rules and regulations (IRR).

"Usually, when we pass tax reforms, they tend to be towards December of the year. Hence, there is pressure to complete the reform before the new fiscal year starts. We still have a full month of session, not to mention, four months before this fiscal year ends. CREATE MORE is supposed to remedy ambiguities in CREATE. The cure will not be rushed," he said.

The House leader said he will closely work with Malacañang, particularly recognizing the importance of feedback from the Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA).

"We always treat comments from the OSAPIEA with the highest consideration and priority. But, on these key issues, the House contingent will be steadfast," he said.

Source: https://www.pna.gov.ph/articles/1232242

Southeast Asia export earnings to stay modest till yearend

August 29, 2024 | Cai U. Ordinario | BusinessMirror


Container vessel approaching the berth in the Port of Manila, North Terminal.

THE growth of export earnings across Southeast Asia, including in the Philippines, may continue to be modest until the end of next year, according to a UK-based think tank.

In an Asia Pacific brief on Southeast Asian exports, Oxford Economics said, however, that export growth will continue and is also due to pick up.

However, as households in advanced economies continue to feel the pinch, they may be less inclined to make major spending decisions.

"We expect the boost from the chip upcycle to continue over the coming year, lending a helping hand to overall exports. However, there are few strong tailwinds elsewhere. The usual lags suggest the impact from looser monetary policy will not be massive," Oxford Economics said.

"And despite looking in decent shape, households in advanced economies still look reluctant to spend big. As such, the pickup in Asia exports growth will probably remain modest until the end of 2025," it added.

Oxford Economics estimated that Asian exports grew 0.6 percent on a month-on-month basis. This was mainly driven by the 8.7 percent month-on-month growth of Southeast Asian exports.

In terms of product, the think tank noted that electronic exports remained the key bright spot for the region given the upturn in the chip cycle.

"Available data suggest semiconductor export growth has continued to hold up well at the start of Q3 [third quarter]. Outside of Asia, capital goods exports to the US also rose on the back of resilient capex activities there," Oxford Economics said.

Earlier, the Philippine Statistics Authority (PSA) said the growth of the country's export earnings posted a 14-month low in June 2024.

PSA said the export earnings growth declined 17.3 percent in June 2024, the lowest since the 20.3-percent contraction in April 2023. The data showed earnings from exports reached $5.566 billion in June 2024, lower than the $6.73 billion posted in June 2023.

In May 2024 and June 2023, total exports sales registered annual decreases of 3.1 percent and 0.2 percent, respectively.

However, in the January to June period, export earnings reached $36.41 billion in 2024, a 3-percent growth from the $35.34 billion posted in 2023.

PSA said the commodity group that posted the largest decline in export value were electronic products, the country's primary export. *(See: www.businessmirror.com.ph/2024/08/07/phl-export-earnings-hit-14-month-low-in-june/).*

Image credits: Oana Ungureanu | Dreamstime.com

Source: https://businessmirror.com.ph/2024/08/29/sea-export-earnings-to-stay-modest-till-yearend/

Philippines, UAE set third round of FTA negotiations mid-Sept

August 29, 2024 | Alden M. Monzon @AldenMonzonINQ - @inquirerdotnet | Philippine Daily Inquirer


The Philippine and United Arab Emirates flags | INQUIRER FILE PHOTO

A high-ranking trade official on Wednesday said the next round of negotiations for a planned free trade agreement between the Philippines and the United Arab Emirates (UAE) will happen in the middle of next month in Dubai, with both sides focusing on the market access provisions of the bilateral agreement in the works.

Trade undersecretary Allan Gepty, who is heading the negotiations for the Philippine side, told the Inquirer they would meet with their counterparts from the Middle Eastern country on September 16 to continue the discussions for the Comprehensive Economic Partnership Agreement (CEPA).
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Philippines, UAE set third round of FTA negotiations mid-Sept
[Cont. from page 4]

"We will focus on market access negotiation, and will continue to work on the text-based negotiations," Gepty said in a message sent to the Inquirer.

"We have strong interest on services in UAE in addition to trade in goods. We want to provide more opportunities for our stakeholders especially Filipino professionals and (micro, small and medium enterprises who want to access foreign market or be integrated in the global value chain," he added.

He added that they intend to finish the negotiations during the 4th round of talks in October, which will likely be in Manila.

Negotiators for the FTA from Philippines and the UAE had already convened twice this year to negotiate the terms of the FTA.

The first round of the CEPA negotiations which lasted three days was held back in May in Dubai.

The second one was held in Manila mid-July, while the third one was originally slated for this August.

In previous interviews, Gepty had said that the Philippines was targeting to expand its market access of export halal-related products in the Middle Eastern country under the CEPA.

The Philippines is also hoping for better market access for other goods such as tropical fruits and garments, as well as high-end, finished consumer goods like luxury watches, belts and other leather products.

If the CEPA pushes through, it will be the Philippines fourth bilateral FTA next to the Philippines-South Korea FTA in 2023, the European Free Trade Association (EFTA) in 2016 and the Philippines-Japan Economic Partnership Agreement (PJEPA) in 2006.

According to government statistics, two-way trade between the Philippines and the UAE reached $1.88 billion in 2023, with exports and imports totaling 341.97 million and $1.54 billion, respectively.

The Tariff Commission will conduct a public consultation on Friday for the CEPA.

Interested parties can also submit their position paper to the commission until September 4.

Source: https://business.inquirer.net/477168/philippines-uae-set-third-round-of-fta-negotiations-mid-sept

9 foreign, local firms keen on exploration deals — DOE
August 29, 2024 | Alden M. Monzon @AldenMonzonINQ - @inquirerdotnet | Philippine Daily Inquirer

Nine firms have turned in their applications for petroleum service contracts under the first Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) Conventional Energy Bid Round and the 2024 Philippine Bid Round.

The Department of Energy (DOE) announced on Wednesday during the opening of application documents that six foreign firms turned in their bid offers for the 2024 Philippine Bid Round while three local firms are interested in the first BARMM bid round.

Three applications were received under the first BARMM bid round. These are for pre-determined areas (PDA) 1 (Cotabato Basin), PDA 2 (Sulu Sea Basin), and PDA3 (Sulu Sea Basin).

The DOE did not identify the three companies that submitted bid offers for the first BARMM bid round. While these applications were deemed qualified, they will still undergo further evaluation.

Meanwhile, under the 2024 Philippine Bid Round, the agency received five applications for service contracts (SC) for native hydrogen exploration in Central Luzon–three for PDA-PH-1 and two for PDA-PH-2.

These applications have also passed the completeness check and are eligible for further substantive evaluation.
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9 foreign, local firms keen on exploration deals — DOE
[Cont. from page 5]

The sixth application for PDA-PD-2 (Alegria Field) was disqualified due to incomplete documentation.

The DOE said the comprehensive legal, technical, and financial evaluation of all qualified applications will be completed in the fourth quarter. The highest-ranking applicants from this evaluation will be endorsed to the Office of the President.

“We are very pleased that well-known international players in hydrogen and petroleum exploration and production have shown interest and participated in this year’s bid round,” said DOE Undersecretary Alessandro Sales.

The DOE did not reveal the identities of the bidders because “we are still in the bidding process.”

The government continues to encourage investors to apply for petroleum service contracts through the nomination process of the Philippine Conventional Energy Contracting Program.

Source: https://businessmirror.com.ph/2024/08/29/9-foreign-local-firms-keen-on-exploration-deals-doe/

VAT refund scheme eyed for tourists
August 30, 2024 | Janine Alexis Miguel | The Manila Times

The Manila Times®

A VALUE-ADDED tax (VAT) refund for tourists could boost economic activity in the Philippines and uncover the country's potential of becoming Asia's premier shopping destination, a government official said Thursday.

Secretary Frederick Go, special assistant to the president for investment and economic affairs, said that the implementation of such a scheme could boost retail and tourism revenues.

"Every country in Asia has a VAT refund for tourists, [and] we don't. These are what you call very basic, very fundamental, to becoming a shopping capital," Go told reporters on the sidelines of the 30th National Retail Conference and Stores Asia Expo.

Asked what VAT refund rates he had in mind, Go said international standards typically range from 60 to 90 percent of the VAT paid.
The official added that if approved, the Department of Tourism would be the proponent agency of the VAT refund legislation while the Department of Finance would oversee its implementation and regulation through the Bureau of Internal Revenue.

He also noted the scheme's potential to attract luxury brands to the Philippines, suggesting that VAT refunds could make Manila more appealing to high-end consumers.

For this part, Philippine Retailers Association President Roberto Claudio said their group has been making recommendations to the government to adopt a VAT refund scheme as an incentive for tourists to make the Philippines their choice of destination.

"The VAT refund scheme for tourists will boost tourist arrival [rates]. ... The overall benefit to the economy is going to be enormous, and we, the retailers, will be the first one to be in the front line," Claudio said.

Shopping, he added, is considered a tourist's second-biggest expense aside from visiting attractions and resorts, and dining.

Furthermore, Go cited the need to make the Philippines more accessible for tourists by simplifying visa procedures and implementing an e-visa system.

"If we indeed want to become a shopping capital of Asia or of the world, we need to have those two as fundamental" to reaching that goal, he stressed.

Such measures would encourage higher tourist spending overall, which, in turn, would benefit other sectors. Go said, "I really believe that tourism is a very low-hanging fruit, as they say, meaning it's one of the easiest things we can boost" to elevate economic growth.

Source: https://www.manilatimes.net/2024/08/30/business/top-business/vat-refund-scheme-eyed-for-tourists/1967810

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