필리핀한인상공회의소뉴스

# KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

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## SPECIAL POINTS OF INTEREST



***UPCOMING EVENT***



## 'Shrinking fiscal space due to aversion to new taxes'

October 21, 2024 | Reine Juvierre S. Alberto | BusinessMirror


This February 8, 2024, photo shows Finance Secretary Ralph G. Recto delivering his keynote speech during the 2024 Bureau of Internal Revenue National Tax Campaign Kick-off held at the Philippine International Convention Center, Pasay City.

The national government's decision to prioritize the improvement of tax collection over the implementation of "more progressive" tax policies is causing the country's fiscal space to shrink, according to a United States-based think tank.

Through "more progressive tax policies," such as taxing the wealthy, GlobalSource Partners said in a report that Manila could have generated more revenues.

Faced with the challenging task of collecting P4.3 trillion this year, the Department of Finance (DOF) remains firm in its stance to not introduce new taxes, saying it would continue to rely on improved tax collection to beef up the government's coffers.

This has also been the case in previous years, which GlobalSource Partners said yielded limited results in the past, causing a retreat in fiscal space.

As fiscal space compresses, the government went on a "borrowing spree" to finance its expenses, bloating its obligations.

"It's not surprising that the Philippine national government should increase its borrowings both from the local and external capital markets," it said.

Revenues raised by the government reached P2.993 trillion as of end-August 2024 while expenditures amounted to P3.69 trillion, leaving the state with a fiscal deficit of P697 billion.

To finance its spending, the state increased its reliance on borrowing, acquiring P1.53 trillion from the domestic debt market and P121 billion from foreign sources, on a net basis to also service older loans. The remaining funds came from the government's cash reserves.

This year, the government raised $2.5 billion from triple-tranche US dollar global bonds in August and $2 billion from dual-tranche US dollar bond offering in May. Another $500 million will be raised through yen-denominated securities.

All these borrowings pushed the government's total debt to P15.550 trillion as of the end of August, accounting for 61 percent of the country's GDP.

Debt servicing also rose to P1.550 trillion as of end-August 2024, 33.50 percent higher than the P1.161 trillion debt payments in the same period a year ago.

"The imperative to raise more funds by borrowing could have also been motivated by the need to finance infrastructure projects and social services as well as probably various forms of pork barrel projects by some legislators," it noted.

GlobalSource Partners warned that if the government fails to meet its growth target of 6 to 7 percent this year, more borrowings will occur and the medium-term fiscal sustainability will be at risk.

The Philippine economy expanded by 6.3 percent in the second quarter of 2024, well within the government's target of 6 percent to 7 percent.

**Image credits:** Nonoy Lacza

*Source: https://businessmirror.com.ph/2024/10/21/shrinking-fiscal-space-due-to-aversion-to-new-taxes/*

## BIR warns document deficiencies will raise vat refund risk category

October 22, 2024 | Beatriz Marie D. Cruz | BusinessWorld

BW FILE PHOTO

THE Bureau of Internal Revenue (BIR) said the lack of supporting documents beyond a certain threshold on sales and purchases involved in a value-added tax (VAT) refund application will automatically bump the claim into the high-risk category.

"Sales and purchases determined to be 'NSD' or "no supporting documents" (e.g., a supporting document indicated in the schedules cannot be found in the physical documents submitted) during cursory checking of the completeness of the supporting documents shall not be considered as incomplete submission, but the same shall result in the disallowance of the unsubstantiated portion of the sales or purchases regardless of the risk classification," the BIR said in a circular.

"However, in the event that the 'NSD' for sales and purchases exceeded at least 1% of the total amount of sales (for sale transactions) or total amount of claim (for purchase transactions), the application shall automatically be classified as high-risk and shall require 100% verification."

Republic Act (RA) No. 11976 or the Ease of Paying Taxes Act introduced a risk-based approach in classifying VAT refund claims — low, medium, or high risk.

The BIR classifies VAT refund claims based on a points system that considers the size of the claim; the frequency of claims filed; the claimant's tax compliance history; and other risk factors.

Those applying for refunds must submit documentation before they are assigned a risk level, the BIR said.

"The determination of the risk level of the VAT refund claim can only be established once the application is officially received by the appropriate BIR processing office, inasmuch as the amount of claim, period covered, frequency of filing, among others, are already ascertained."

Under RA 11976, the bureau must process a VAT refund claim within 90 days from the time the processing office accepts the claim or application.

The process for refund claims include checking if the requirements and supporting documents for the sales and purchases of goods and services are complete; the determination of the risk level of a refund claim; and the processing and verification of medium and high-risk claims.

Low-risk claims will only be classified with complete documentation. Claimants in this category are not subject to the verification procedure for sales of goods and services as well as purchases and input tax, BIR said.

In a memorandum order dated Oct. 2, the BIR said high-risk claims include those were filed between April 27, 2024 and June 30, 2024; those filed by first-time claimants; and cases where the claimant cannot be located.

Refund claims classified as medium risk are subject to 50% verification of both the sales amounts and total invoices or receipts issued.

The BIR said input VAT claimed from local suppliers but identified as "cannot be located" or flagged under the Run After Fake Transactions program will not be granted a refund.

*Source: https://www.bworldonline.com/economy/2024/10/22/629966/bir-warns-document-deficiencies-will-raise-vat-refund-risk-category/*

## PH economy to continue to post over 6% growth

October 22, 2024 | Anna Leah Gonzales | Philippine News Agency


**VIBRANT ECONOMY.** The skyline and business district of Bonifacio Global City in Taguig City are photographed on a clear afternoon on Oct. 4, 2024. The Philippines' economic growth is expected to reach over 6 percent this year and in 2025. *(PNA photo by Joan Bondoc)*

**MANILA** – The Philippine economy is expected to remain one of the fastest growing economies in the region, with growth likely settling at above 6 percent for 2024 and 2025.

In his economic and market outlook released on Tuesday, BPI senior vice president and lead economist Emilio Neri Jr. said economic growth will likely hit 6.1 percent this year and further accelerate to 6.3 percent in 2025.

"The Philippine economy has been resilient despite significant headwinds like severe El Niño and devastating typhoons, still managing to grow by 6% in the first half of 2024," Neri said.

"Looking ahead, the Philippine economy will likely continue to outperform in the region, supported by its strong consumer base," he added.

Neri expects headline inflation to ease to 3.2 percent in 2024 and further decelerate to 2.8 percent in 2025. *[Cont. page 3]*

## PH economy to continue to post over 6% growth

*[Cont. from page 2]*

"Inflation is expected to be more manageable in the coming year given the improving prospects of food supply. With El Niño now behind us and the potential increase in production, along with tariff reductions, rice may become more affordable," he said.

Neri said lower inflation may help boost consumption in the coming year, while election-related spending could also further stimulate economic activity.

**IMF projection**

In a separate report, the International Monetary Fund (IMF) said the Philippine economy could grow by over 6 percent in 2029, making the country one of the fastest growing economies in emerging and developing Asia.

In its World Economic Outlook October 2024 update, the IMF forecasts Philippine economic growth to settle at 6.3 percent in 2029.

The projected economic expansion is the third highest, next to economic growth forecast for Bhutan at 7.2 percent, and Bangladesh and India at 6.5 percent.

For 2024 and 2025, Philippine economic growth projection was maintained at 5.8 percent and 6.1 percent.

In an emailed statement, the IMF said growth in 2024 and 2025 is driven by a pickup in domestic demand, supported by gradual monetary policy easing.

"Consumption growth will be buoyed by lower food prices and the upcoming midterm elections, while investment growth is expected to pick up on the back of a sustained public investment push, and gradually declining borrowing costs," the IMF said.

Growth over the medium term at 6.3 percent, meanwhile, is expected to be supported by investment, on the back of an acceleration in the implementation of public-private partnership projects and foreign direct investments.

Risks to the growth outlook include commodity price volatility, escalation of geopolitical tensions, tighter for longer monetary policy in advanced economies, and the weaker-than-projected pickup in private investment if reform momentum stalls or payoffs from reforms generate lower-than-expected returns.

*Source: https://www.pna.gov.ph/articles/1236103*

## Competition watchdog clears Sangley airport JV

October 22, 2024 | The Manila Times

THE Philippine Competition Commission (PCC) on Monday said that it had approved a joint venture between the Cavite provincial government and a consortium led by Cavitex Holdings Inc. and listed House of Investments Inc. to develop the $11-billion Sangley Point International Airport (SPIA).

The decision was actually reached back in early 2023 and House of Investments had told the Philippine Stock Exchange back in July 23 of this year that it had received a copy of the PCC resolution. It was not immediately known why the PCC only announced the ruling on Monday.

In Decision 012-M-009/2023 dated May 30, 2023, the commission said the public-private partnership (PPP) project "will not likely result in a substantial prevention, restriction, or prevention of competition in the relevant market."

It approved the creation of the Sangley Point International Airport Development Consortium, which will develop, own, operate, manage and maintain the SPIA — envisioned as helping alleviate congestion at the Ninoy Aquino International Airport (NAIA).

In addition to equity partners Cavitex Holdings and House of Investments, the consortium is also composed of MacroAsia Corp., Samsung C&T Corp., Munich Airport International GmbH, and the Philippine unit of Ove Arup & Partners Hongkong Ltd. as nominated contractors.

The decision was said to have focused on three points: competition in the construction services market, the relationship between the parties as major players, and the possibility of overlapping businesses. *[Cont. page 4]*

## Competition watchdog clears Sangley airport JV

*[Cont. from page 3]*

The PCC said that competition in the construction services market was robust due to the presence of numerous qualified contractors. "Should the parties themselves decide to limit competition, consumers will still have the ability to explore other options in the market due to the numerous available choices," it said in the ruling.

It noted that while House of Investments owned a majority stake in construction firm EEI Corp., which could provide services for the SPIA project, EEI — despite having a market share of 21.70 percent in terms of project values — "still does not hold a dominant position."

"...EEI does not have enough market power to block other companies from getting what they need or finding customers," the PCC said in Monday's statement. "Additionally, having Samsung C&T Corp. as the main contractor for the airport project helps ensure fair competition."

Lastly, the companies involved in the SPIA project were said to have no overlapping businesses and that numerous rivals would help sustain competition in the market.

"[E]ven if the companies involved wanted to limit their suppliers' options, they would not have enough market power to do so," the PCC said in the statement. "In addition, the presence of strong competitors like Megawide Construction Corp. and Makati Development Corp. helps to prevent any unfair competitive practices by the joint venture.

In the decision, the PCC noted that the SPIA was only one of seven awarded airport projects that would require construction services. "It is not large enough, considering the broader market for construction services in general, to deny other construction firms access to a significant customer base."

The Cavite local government awarded the project on Sept. 15, 2022 to the Cavitex-House of Investment-led consortium after no firms challenged an unsolicited proposal submitted in November 2021.

An earlier contract awarded to MacroAsia Corp. and China Communications Construction Co. in February 2020 was terminated after deficiencies were found in the required submissions.

The existing project involves the development of a new international airport, the construction of a 4-kilometer connector road with provisions for rail connectivity, fully integrated logistics and aviation support facilities.

The consortium has said that the development of the first runway would immediately relieve congestion at the NAIA. It also said that the project would create 50,000 jobs.

Based on the PCC decision, the joint venture will be implemented in two stages, the first involving the determination of the scope, design, and viability of the project, and the second that of actual implementation.

The PPP Center currently marks the SPIA project as in pre-construction, with PCC clearance still being sought before the finalization of a detailed engineering design.

House of Investments shares closed up 11 centavos on Monday, or 3.11 percent, to P3.65 apiece, while MacroAsia's also rose 3.0 percent, or 21 centavos, to P7.21 per share amid a 0.12-percent dip for the benchmark Philippine Stock Exchange index.

Source: https://www.manilatimes.net/2024/10/22/business/top-business/competition-watchdog-clears-sangley-airport-jv/1988415

## IMF predicts slightly slower global growth in 2024 and 2025

October 22, 2024 | Agence France-Presse | Philippine Daily Inquirer


A view of the International Monetary Fund headquarters building in Washington, DC on October 20, 2024 ahead of the 2024 IMF/World Bank Annual Meetings. (Photo by Tierney CROSS / AFP)

Washington, United States — Global growth is expected to ease slightly to 3.2 percent this year and remain at that level in 2025, the IMF announced Tuesday, while warning that the stable figures masked "important" regional and sectoral shifts.

In its new World Economic Outlook (WEO) report, the International Monetary Fund also estimates that global inflation will continue to ease, hitting 5.8 percent this year, before falling to 4.3 percent in 2025.

"We are seeing inflation moving in the right direction without a major slowdown in economic growth or a global recession," IMF chief economist Pierre-Olivier Gourinchas told AFP in an interview ahead of the report's publication.

"In our baseline analysis, in advanced economies (inflation) will be back at central bank targets in 2025," he continued, adding it would take "a little bit longer" for emerging markets. *[Cont. page 5]*

## IMF predicts slightly slower global growth in 2024 and 2025

*[Cont. from page 4]*

The Fund's WEO report noted that global growth is expected to trend to a lackluster 3.1 percent by 2029, and warned of growing risks to that metric.

Beneath the relatively calm outlook for growth through 2025, "the picture is far from monolithic," the Fund said, warning of "important sectoral and regional shifts" taking place over the past six months.

The WEO's publication comes a day after the IMF and World Bank Annual Meetings got underway in Washington, bringing together finance ministers and central bankers from around the world for meetings on the health of the global economy.

**Strong growth in US**

The report finds that the United States has remained an engine of global growth — in sharp contrast with the euro area, where expansion remains slow.

The world's largest economy is now expected to grow by 2.8 percent this year, down ever-so-slightly from the 2.9 percent seen in 2023, but still a shade better than the Fund's previous estimate in July.

It is then expected to ease somewhat to 2.2 percent in 2025 — up 0.3 percentage points from July — as fiscal policy is "gradually tightened and a cooling labor market slows consumption," the IMF said.

"The US economy has been doing very well," Gourinchas said, pointing to strong productivity growth and the positive effects of a surge in immigration on economic growth.

He added that the United States is "very close" to achieving a soft landing — a rare feat in monetary policy, where inflation falls to within targets without spurring a severe recession.

In Europe, growth is still trending higher, but remains low by historical standards, and is on track to be at an anemic 0.8 percent this year, rising slightly to 1.2 percent in 2025.

While France and Spain saw upgrades in their outlook for 2024, the IMF cut its projections for German growth by 0.2 percentage-points this year, and by half a percentage-point next year, citing its "persistent weakness in manufacturing."

There was some good news in the United Kingdom, where growth is projected to accelerate in both 2024 and 2025, "as falling inflation and interest rates stimulate domestic demand."

**China and India slow**

Growth in Japan is expected to slow sharply to just 0.3 percent this year, before accelerating to 1.1 percent next year, "boosted by private consumption as real wage growth strengthens," according to the IMF.

The Fund expects the growth in economic output in China to continue to cool, easing from 5.2 percent last year to 4.8 percent this year, and then falling further to 4.5 percent in 2025.

"Despite persisting weakness in the real estate sector and low consumer confidence, growth is projected to have slowed only marginally," the IMF said, pointing to "better-than-expected" net exports from the world's second-largest economy.

The slowdown in India looks set to be more pronounced, with the IMF penciling in growth of 7.0 percent this year, down from 8.2 percent in 2023.

It is then set to slow even further to 6.5 percent, as the "pent-up demand accumulated during the pandemic" runs out, the IMF said.

The IMF expects growth in the Middle East and Central Asia to pick up slightly to 2.4 percent this year, before jumping to 3.9 percent in 2025 as the temporary effect of oil and shipping disruptions fade.

And in Sub-Saharan Africa, the IMF predicts that growth will remain unchanged at 3.6 percent this year, rising to 4.2 percent in 2025 as weather shocks abate and supply constraints ease.

*Source: https://business.inquirer.net/485981/imf-predicts-slightly-slower-global-growth-in-2024-and-2025*

## Philippines slips in trade sustainability ranking

October 23, 2024 | Justine Irish D. Tabile | BusinessWorld

REUTERS

THE PHILIPPINES slipped to 13th place among 30 economies engaging in sustainable trade best practices, according to a report by the Hinrich Foundation and the International Institute for Management Development (IMD).

The Hinrich-IMD Sustainable Trade Index (STI) measures 30 economies' readiness and capacity to participate in the global trading system in a sustainable manner through 72 data points categorized into three pillars: economic, societal and environmental.

This year, New Zealand topped the index, followed by the United Kingdom and Australia. The worst performers were Russia (30th), Papua Guinea (29th) and Pakistan (28th).

The Philippines fell a spot to 13th place as its score dropped to 54.8 out of 100 from 61.4 points last year. The Philippines ranked 12th in the 2023 survey.

The Philippines slumped to 19th place in both economic and societal pillars.

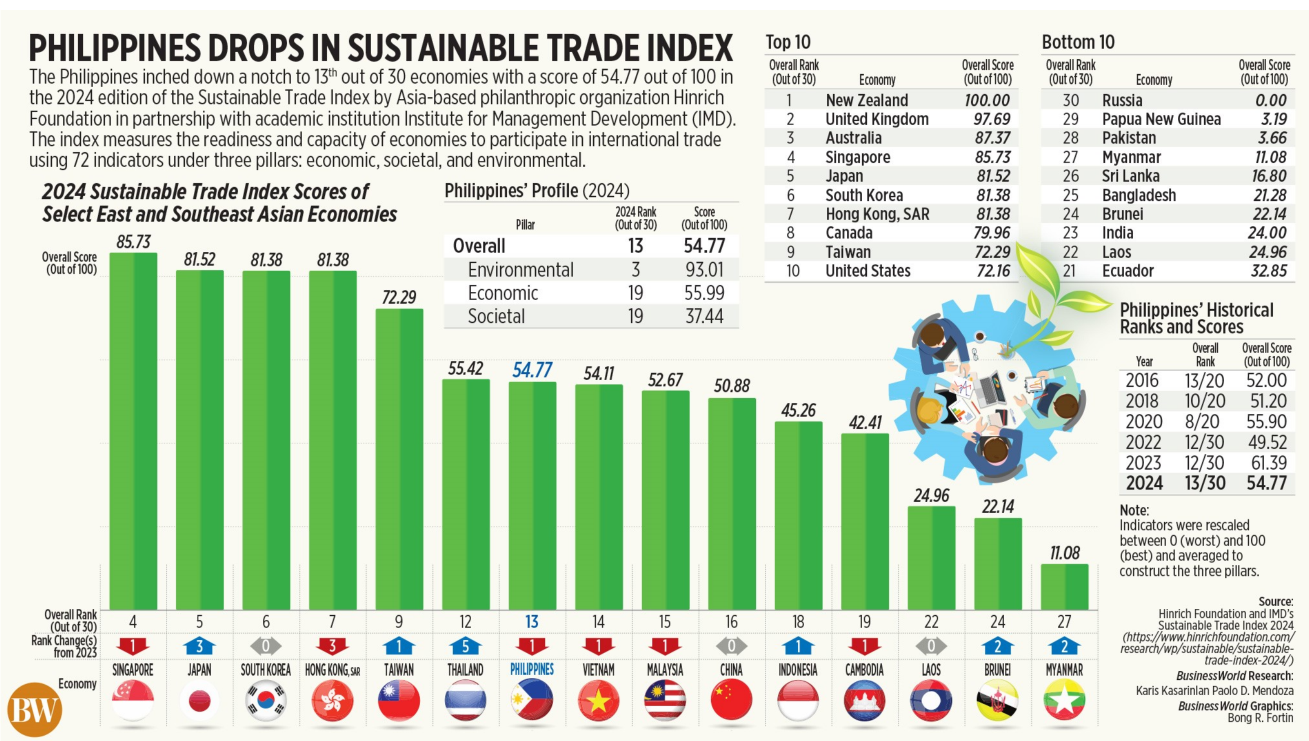
The country's best performing areas under the economic pillar are growth in the labor force (fourth), tariff and nontariff barriers (11th), and real gross domestic product growth per capita (third), according to the report.

However, the country performed worse in areas such as trade costs (18th), technological infrastructure (21st) and consumer price index (22nd).

Under the societal pillar, the country performed best in stance against trade in goods at risk of modern slavery (14th), government response against human trafficking (second), and labor standards (12th).

However, the IMD said the country performed worse in areas such as inequality (18th), educational attainment (23rd), political stability and absence of violence (25th), and goods produced by forced or child labor (25th).

Meanwhile, the Philippines ranked third in the environmental pillar in this year's index, one place higher than last year. This measures how much importance a country gives to sustainability within the trade framework.




[Cont. page 7]

**Philippines slips in trade sustainability ranking**
*[Cont. from page 6]*

"Countries that rank highly in this area, such as New Zealand, the United Kingdom, the Philippines, Mexico, and Australia, are distinguished by their strong environmental regulations and commitments to international environmental agreements," the report said.

"These nations effectively manage carbon emissions, maintain low pollution levels, and prioritize renewable energy (RE) sources," it added.

The Philippines performed best in the environmental standards in trade (first), ecological footprint (fifth), and RE (sixth), which are indices under the environmental pillar.

However, the country scored lower in the areas of deforestation ($19^{th}$) and air pollution ($18^{th}$).

"Notably, the Philippines witnessed a significant improvement in carbon indicators, rising from $18^{th}$ to ninth place, and holds $10^{th}$ place in energy intensity," the report said.

"Challenges for the Philippines include wastewater treatment, air pollution and deforestation. However, its overall strong performance underscores the country's commitment to environmentally sound trade practices," it added.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the country's lower ranking this year could be a result of slower rollouts of RE projects, less developed infrastructure and higher power costs.

"It may be due to a relatively slower rollout of and transition to more renewable power sources such as solar and wind," he said in a Viber message.

The Philippine government saw increased investments in renewable energy projects after it allowed full foreign ownership in the sector last year.

*Source: https://www.bworldonline.com/top-stories/2024/10/23/629953/philippines-slips-in-trade-sustainability-ranking/*

**UPCOMING EVENT**

ORGANISED BY

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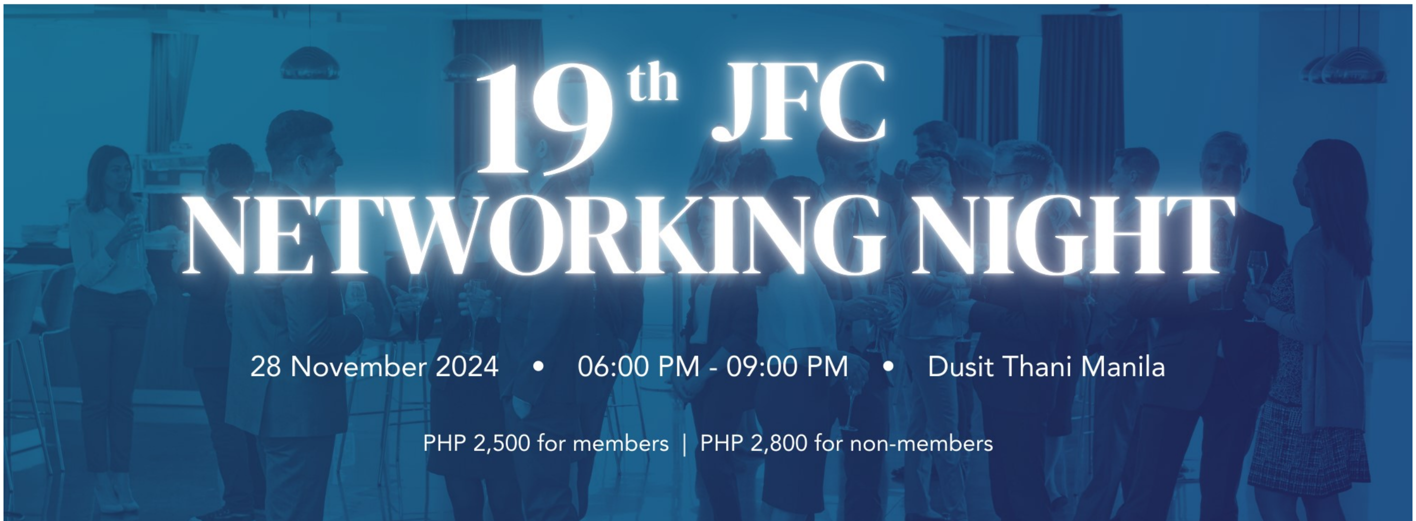


The Joint Foreign Chambers (JFC) will be holding its 19th Annual Joint Foreign Chambers Networking Night. This will be held on Tuesday, 28 November 2024 from 6:00 pm to 9:00 pm at the Mayuree Grand Ballroom, Dusit Thani Hotel, Makati City

Back on face to face, this event is one of the highlight networking events in Manila and is created to provide an opportunity for our respective members and honoured guests to meet and network in an informal setting.

Relationships formed at an event like this help stimulate discussion and possible business opportunities.

The JFC Networking Night attracts over 350 guests, composed of the members of the different foreign chambers, prominent figures in the business and diplomatic world, and top government officials.

The event is also open for sponsorships. For interested parties (attendees and/or sponsoring companies), kindly contact KCCP at +632-8885-7342, or mobile numbers 0917-8015920 (Ms. Chi) / 0915-8887296 (Ms. Sang) or through email at info@kccp.ph.

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