필리핀한인상공회의소뉴스

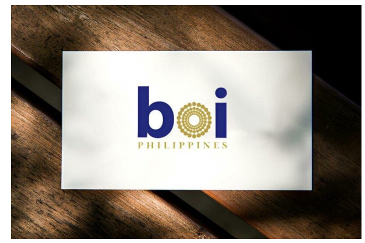
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

December 2024 Issue | Vol. 93

SPECIAL POINTS OF INTEREST

'Shift projects to Create, Create More'

December 27, 2024 | Ada Pelonia | BusinessMirror



THE Board of Investments (BOI) urged registered firms to transfer existing projects to Corporate Recovery and Tax Incentives for Enterprises (CREATE) law and CREATE to Maximize Opportunities for Reinvigorating the Economy (CREATE More).

According to Trade Undersecretary and BOI Managing Head Ceferino Rodolfo, registered business enterprises (RBEs) have until December 31, 2024, to submit an affidavit of intent to transfer to CREATE and CREATE More.

"The actual transfer and evaluation may come after the letter of intent, as long as they meet the deadline to submit the letter of intent by the end of this year," Rodolfo told reporters in Filipino during a briefing on Thursday.

Rodolfo said those registered under the pre-CREATE law only have income tax holiday (ITH), whereas those that will register under CREATE law can enjoy a enhanced reduction.

He also noted that the transfer to CREATE More would only be relevant to those whose project costs are above P15 billion and undergo the Fiscal Incentives Review Board (FIRB).

Depending on activities, the agency said those enterprises with FIRB-approved projects that would transfer to CREATE More law could enjoy 4 to 7 years of ITH and 20 years of enhanced deduction regime (EDR) or 24 to 27 years of EDR.

According to BOI, 275 identified RBEs are qualified to transfer. Of these, 119 firms are operating while 156 are pre-operating. All of these have not yet availed themselves of ITH, which makes them eligible for transfer.

The agency also noted that only 82 RBEs have signified their intent to transfer as of December 19.

Per their record, the BOI said 12 projects with investment capital of over P15 billion are qualified to transfer from CREATE to CREATE More.

The BOI clarified that there would only be two ways to transfer: from pre-CREATE law to CREATE law and CREATE law to CREATE More law.

Those registered under pre-CREATE law cannot bypass CREATE law to transfer to CREATE More.

Meanwhile, Rodolfo said the BOI is both an aggressive promoter of investments and a prudent administrator of fiscal incentives.

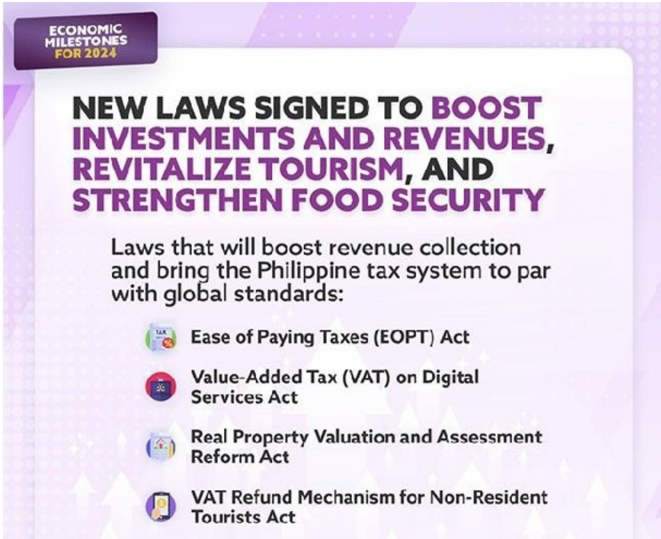
"In pursuing industrial development by using fiscal incentives as one of the tools for attracting investments, we have been a steadfast partner of the Department of Finance and the Fiscal Incentives Review Board in ensuring that we maintain the government's fiscal health," he said.

"In this particular case, the BOI made sure that in implementing the CREATE provisions for the transfer, there will be no double-dipping across incentive regimes, and only those who contemplated CREATE incentives and those who actually need these will be allowed to transfer."

Source: https://businessmirror.com.ph/2024/12/27/shift-projects-to-create-create-more/

New laws to boost investments, revenues

December 27, 2024 | LawrenceAgcaoili | The Philippine Star



MANILA, Philippines — Finance Secretary Ralph Recto is optimistic about the Philippines' economic prospects in 2025, fueled by the recent enactment of two key laws aimed at boosting the tourism industry and local spending as well as strengthening food security in the country.

President Marcos signed into law Republic Act No. 12079 or the Value-Added Tax (VAT) Refund Mechanism for Non-Resident Tourists Act and RA 12078 or the Amendments to the Agricultural Tariffication Act on Dec. 9.

A priority reform led by the Department of Finance (DOF), RA 12079 introduces Section 112-A in the National Internal Revenue Code of the Philippines, which states that tourists shall be eligible for VAT refunds on locally purchased goods.

With this, the Philippines positions itself alongside countries around the world with a standard VAT system in place, which is designed to incentivize foreign tourists to spend more in the country.

"It is high time that the Philippines catches up with countries around the world that have long implemented a standard VAT refund system. This strategic initiative aims to encourage foreign tourists to spend more in our country, stimulating our domestic economy. With increased tourism spending, we will have higher revenues to collect and we can create more jobs, raise incomes, and accelerate economic growth," Recto said.

RA 12079 states that goods should be purchased by foreign tourists in duly accredited stores in person and should be taken out of the country by the tourist within 60 days from the date of purchase.

The value of goods purchased per transaction should be equivalent to at least P3,000 but the Secretary of Finance may adjust this threshold upon recommendation of the Commissioner of the Bureau of Internal Revenue (BIR) taking into consideration the consumer price index.

Such refunds may be made electronically or in cash and shall be drawn out from the Special Account in the General Fund as provided under Section 106 of the Code.

The DOF is mandated by law to engage the services of reputable and internationally recognized VAT refund operators to provide end-to-end solutions to the government to establish and operate a VAT refund system that is consistent with best practices.

The Finance Secretary, after careful consultation with the Department of Trade and Industry, the Department of Transportation (DOTr), the Department of Tourism, the National Economic and Development Authority, the BIR, and the Bureau of Customs, shall promulgate the implementing rules and regulations 90 calendar days from the effectivity of the new law.

The calculated foregone revenues of the law can be easily offset by the economic impact of bolstered tourism spending induced by the refund.

Data from the DOF shows that savings from the refund fully channeled into additional tourism spending may boost economic output by P2.8 billion to P4 billion annually.

On the other hand, RA 12078 enhances the capabilities of the government to protect Filipino consumers by extending market interventions to stabilize rice prices during periods of volatility and to prevent manipulative pricing and hoarding.

"The refinements to the Rice Tariffication Law are essential for the effective management of the Filipino household's fundamental staple," Recto said.

The law strengthens the regulatory function of the Department of Agriculture (DA), through the Bureau of Plant Industry (BPI).

Under this, the DA-BPI is authorized to require the registration and maintain a national database of all grain warehouses, storage facilities, silos, and controlled-temperature cold storages; conduct regular site inspections; and collect and analyze data on rice trade activities, in cooperation with the Philippine Statistics Authority, the Bureau of Customs, the National Food Authority, and other government agencies. *[Cont. page 3]*

New laws to boost investments, revenues

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Meanwhile, the new law authorizes the DA Secretary, upon the recommendation of the National Price Coordinating Council, to declare a food security emergency on rice due to supply shortage or extraordinary increase in prices.

In addition, the Rice Competitiveness Enhancement Fund has been given an annual appropriation of P30 billion until 2031 to further improve rice farmers' competitiveness and income.

It will also support other equally important programs, activities, and projects, including composting facilities for biodegradable wastes; pest and disease management; solar-powered water irrigation or impounding irrigation project; soil health improvement; and farming support programs of the DA and the National Irrigation Administration on contract farming.

The DOF's priority reform measures advanced well in Congress in 2024. Among those successfully enacted that will fast-track the entry of more foreign investors into the Philippines include the CREATE MORE Act and the Public-Private Partnership (PPP) Code.

Meanwhile, among the priority revenue reform measures signed into law were the Ease of Paying Taxes Act, the Value-Added Tax on Digital Services, the Real Property Valuation and Assessment Reform Act and the VAT Refund Mechanism for Non-Resident Tourists Act. All these will boost revenue collection and bring the Philippine tax system at par with global standards.

The President also signed into law the Amendments to the Agricultural Tariffication Act which enhances the capabilities of the government to protect Filipino consumers by extending market interventions to stabilize rice prices during periods of volatility and to prevent manipulative pricing and hoarding.

The rest of the DOF's revenue reforms are in the advanced stages in Congress, namely the Rationalization of the Fiscal Mining Regime, the Excise Tax on Single-Use Plastic Bags, Package 4 of the Comprehensive Tax Reform Program and the Motor Vehicle Road User's Tax.

https://www.philstar.com/business/2024/12/27/2410069/new-laws-boost-investments-revenues

The year that was: 2024 Business Highlights and 2025 Outlook

December 25, 2024 | By the Malaya Business Insight team Jimmy Calapati, Ruelle Castro, Angela Celis, Myla Iglesias, Irma Isip and Jed Macapagal

The Philippines may be seeing 2024 go with a renewed sense of resilience after having survived a significant series of weather-related disruptions to its agriculture that marked the latter part of the year. Now it faces 2025 with optimism about its economic and business prospects for 2025, although with a bit of caution about the impact of global uncertainty.

Given a strong performance of an average 5.8 percent gross domestic product (GDP) growth in the third quarter, and considering a pickup in consumption due to Christmas-related spending in December, the government is keeping its 6.0 – 6.5 percent growth target for 2024 and is seeing further expansion in the year ahead.

The National Economic and Development Authority (NEDA) said despite the challenges posed by the prolonged El Niño dry spell and consecutive strong typhoons brought by La Niña, the Philippines remains as one of the fastest growing economies in Asia.

NEDA said the government is optimistic about achieving its 2024 growth target, driven by structural reforms and strong domestic activity. Looking ahead, it has even widened its growth projections for 2025 to 2028 to 6 to 8 percent, reflecting confidence in the country's ability to navigate evolving challenges.

This momentum is expected to further support the Philippines' bid to attain upper middle-income country status by 2025.

Revenue exceeds targets

The government's revenue performance in 2024 surpassed expectations, with total collections seen reaching P4.42 trillion by year-end, exceeding the target of P4.27 trillion. As a percentage of GDP, revenues are projected to hit 16.7 percent, the highest in 27 years. *[Cont. page 4]*

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[Cont. from page 3]

Prudent fiscal management also led to a reduction in the fiscal deficit to 5.1 percent of GDP for the first three quarters, compared with 5.7 percent in the corresponding period of 2023.

Rate cut-friendly inflation

For the first time since the pandemic peaked in 2021 and brought economies the world over to their knees, the Philippines is seen likely to achieve its inflation target range of 2 to 4 percent this year.

Given this favorable inflation outlook, the Bangko Sentral ng Pilipinas (BSP) will find enough leeway to further cut interest rates within the first half of 2025. This will come after a triple 25-basis point rate cut earlier this year.

"Barring any unforeseen supply shocks, inflation can remain within the BSP's target range next year," Emilio S. Neri, Jr., senior vice president and lead economist of the Bank of the Philippine Islands (BPI), said.

However, Neri added that the BPI sees the central bank avoiding cutting rates aggressively in 2025 "as global price risks could thwart outsized monetary easing actions."

"While the first half of the year may present opportunities, cutting rates in the latter half could be more challenging as the Federal Reserve's outlook could shift in response to President (Donald) Trump's potentially inflationary policies. In an adverse scenario, higher tariffs and mass deportations may re-ignite inflation in the US, which could force global central banks to pivot to monetary tightening," Neri said.

Better management of inflation could lead to a more stable peso, which in the past week breached the P59:$1 level, a new record low.

Michael Ricafort, chief economist for Treasury Group of Rizal Commercial Banking Corporation, said the performance of the US dollar/peso exchange rate would still be "partly a function of intervention as consistently seen for more than two years already."

Ricafort noted that last week, the US dollar/peso exchange rate went up for the second straight week.

"The exchange rate was also higher for most weeks over the past three months or since the latter part of September 2024 largely due to the Trump factor that could lead to protectionist policies that could lead to higher US inflation, fewer Fed rate cuts, slower global trade and overall GDP growth," Ricafort added.

Investment boosters 'CREATE MORE'

The Philippines is also banking on the Corporate Recovery and Tax Incentives for Enterprises Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act to sustain investment growth in the country from the level so far achieved.

Signed into law in November, Republic Act (RA) No. 12066, or the CREATE MORE Act, is an economic measure that extends the duration

of availment of tax incentives by 10 years to 27 years for strategic and high-quality investments. It allows registered business enterprises to enjoy enhanced deductions through a reduced corporate income tax rate of 20 percent; a 100 percent additional deduction on power expenses, and streamlined value-added tax refund process.

Luzon Economic Corridor

In April, a landmark agreement on creating the Luzon Economic Corridor was signed by the Philippines, Japan and the United States. The project seeks to connect Subic Bay, Clark, Manila, and Batangas through high-impact infrastructure projects, such as ports and railways, to attract major investments in clean energy, semiconductors, supply chains, as well as other forms of connectivity in the Philippines.

Free trade talks resume

In March, the Philippines and the European Union (EU) agreed to resume the long-stalled negotiations for a free trade agreement (FTA). The FTA aims to provide enhanced market access for goods, services and investments, going beyond the benefits of the Generalized System of Preferences.

The FTA seeks to ensure mutual market access and diversify supply chains, offering more opportunities for professionals and service providers. Furthermore, it aims to attract more EU investment in key sectors such as infrastructure, digital technology, research, renewable energy and green transition. *[Cont. page 5]*

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This December, the Philippines also issued an executive order implementing an FTA with South Korea, eyed for 2025 rollout. The FTA is expected to bolster trade between the two nations by mutually granting better market access.

Energy: More power projects

The year 2024 for the energy sector literally started with a bang. On January 2, 2024, the entire Panay Island was isolated from the Visayas Grid after multiple power plants tripped. Power interruptions were experienced in the country's sixth largest island, comprised of the provinces of Aklan, Antique, Capiz and Iloilo. Supply was only fully restored after five days.

The government was prompted to ramp up efforts in completing the additional transmission lines in Panay, while also convincing investors to put up additional power generation projects.

In May, the National Grid Corporation of the Philippines completed the Mindanao-Visayas Interconnection Project, helping the country survive the summer months as it enabled the extra capacity in Mindanao to be utilized by Luzon and Visayas.

With a few days left before 2025 begins, stakeholders are expecting a better power supply scenario next year with the anticipated completion of additional power projects.

Agri hit by 'perfect storm'

The Department of Agriculture (DA) describes the year 2024 as a period of a "perfect storm" – with problems ranging from El Niño to La Niña and volcanic eruptions.

Even as the DA continued to collate the official damage data, it acknowledged that overall, agriculture output in the country for 2024 will be lower than the year-earlier level as everything has suffered damage from the effects of too much heat, wind, rainfall and ashfall.

Animal diseases such as African swine fever and bird flu, as well as other threats from the Q fever, mad cow disease and foot-and-mouth disease have also pestered livestock in the country.

Given such scenario, the government was compelled to lower tariffs on imported rice and meat products to try to diversify sources of food products and temper the rise in retail prices.

The DA said it is also banking on the enactment of the Anti-Agricultural Economic Sabotage Law, which it sees as a deterrent to smugglers, profiteers, cartels and hoarders. The new policy classifies smuggling of rice and other agricultural products as "economic sabotage" that has become a crime punishable by life imprisonment, paired with fines five times the value of the agricultural and fishery products smuggled.

DA is also looking forward to the positive effects of the extension and amendments of the Rice Tariffication Law. It extended funding for rice industry modernization until 2031 and tripled the budget allocation aimed at enhancing food security.

The amended law also increased annual allocation for the Rice Competitiveness Enhancement Fund to P30 billion from P10 billion to bolster support for other initiatives in the sector.

The DA is very much hopeful that with the absence of El Niño next year and the anticipated positive effects of the two newly implemented agricultural laws, the sector is seen getting back on track for growth next year.

Environment

In 2024, the Department of Environment and Natural Resources (DENR) hosted the year's international Board of the Fund for responding to Loss and Damage.

As host, the Philippines led the operationalization of the Loss and Damage Fund that is being utilized to assist developing countries that are particularly vulnerable to the adverse effects of climate change.

This is also the year when two more wetlands in the country were added to the list of internationally significant areas. The Sibugay Wetland Nature Reserve in Zamboanga Sibugay and the Del Carmen Mangrove Reserve in Siargao Island Protected Landscape and Seascape are the latest additions to Wetlands of International Importance located in the Philippines. *[Cont. page 6]*

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The agency is also in the process of bidding out water rights for private development to properly utilize water resources in the county, apart from helping in setting up water refilling stations operated by local water districts in order to provide the public with bottled water services that is more affordable than what is currently offered by the private operators.

Further improving policies that govern the local mining sector are also underway, starting with the setting up of a digital application process to streamline the tedious process and cut short the waiting time for mining companies to operate, the DENR said.

Telcos expanding coverage

Local telecom operators in the Philippines will continue to expand their networks, focusing on the Geographically Isolated and Disadvantaged Areas.

This expansion is in line with the directives issued by President Ferdinand Marcos Jr. to improve connectivity in underserved regions and bridge the digital divide across the country.

Despite lower capital expenditures (CapEx) this year, telcos are aggressively pursuing network expansion and new services for mobile and fixed broadband customers.

The strategy is driven by the need to keep growing, despite competitive pressures, and address increasing demands for faster, more reliable connectivity.

PLDT Inc. has set its capex range of P75 billion to P78 billion for 2024, lower by 12 percent compared with P85 billion in 2023.

Globe Telecom Inc.'s digital revenue growth this year is expected to come in lower, while its $1 billion in capital expenditures is 23 percent lower than last year's capex. This is in line with the company's move to optimize spending and remain on track to achieve positive free cash flow by 2025.

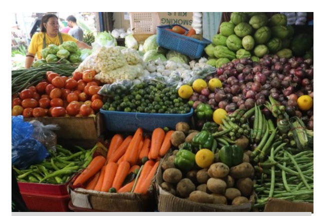
The third telco player, Dito Telecommunity Corp., said it successfully completed its fifth and last regulatory technical audit, and exceeded its five-year network commitment rollout with the government.

Source: https://malaya.com.ph/business/business-news/the-year-that-was-2024-business-highlights-and-2025-outlook/

BSP extends 2% to 4% inflation target through 2028

December 27, 2024 | Reuters | BusinessWorld

MANILA – The Philippines' central bank said on Friday it will maintain its current annual inflation target of 2% to 4% through to the end of 2028, saying the outlook was for inflation to stay manageable.



Customers are seen buying goods at Quinta Market in Quiapo, Manila. — PHILIPPINE STAR/EDD GUMBAN

The target range remained an appropriate representation of the medium-term goal for price stability, given the current structure of the economy and the macroeconomic outlook, the Bangko Sentral ng Pilipinas (BSP) said in a statement.

"Prospects for aggregate demand and supply-side conditions point to a manageable inflation outlook despite upside risks," it added.

Last week, the BSP cut last week its key interest rate by 25 basis points to 5.75%, the third consecutive cut, but flagged that further easing next year might come in "baby steps" as inflation remains a concern.

"The risk of possible domestic and external shocks will warrant continued close monitoring and proactive intervention measures," the BSP said on Friday.

The central bank said it would continue to ensure monetary policy was aligned with its primary mandate of safeguarding price stability.

Inflation has averaged 3.2% for January to November, within the central bank's 2% to 4% target range for 2024. It expects annual to be between 2.3% to 3.1% in December, with the full-year figure averaging 3.2%.

Source: https://www.bworldonline.com/top-stories/2024/12/27/643704/bsp-extends-2-to-4-inflation-target-through-2028/

Manila-Seoul trade deal: $3.18B duty-free Korean imports from PH to start Dec 31

December 25, 2024 | Irma Isip | Malaya Business Insight

The Philippines-South Korea Free Trade Agreement will take effect on Dec. 31, 2024, giving duty-free entry on 11,164 tariff lines, valued at $3.18 billion or 87.4 percent of total Korea imports from the Philippines, Trade Undersecretary Allan Gepty said.

This shows that the Philippines is making significant strides in its negotiations on free trade agreements (FTAs) with South Korea, as well as the United Arab Emirates (UAE), the Department of Trade and Industry said.

One of the major beneficiaries of this free trade deal with Seoul is the banana industry, with the tariff rate on bananas going down to zero in five years.

“Upon effectivity, tariff rates on bananas will have a reduction of 6 percent; and another 6 percent reduction on Jan. 1, 2025,” said Gepty.

The trade agreement also sets in motion a mechanism for economic cooperation on key areas such as the creative industries, innovation, and manufacturing.

Meanwhile, DTI Secretary Cristina Roque said negotiations on the comprehensive economic partnership agreement (CEPA) with the UAE will be finished early next year, instead of end 2024.

Roque said the Philippines and UAE are in the final stages of negotiations on the economic partnership deal, with some of the market access issues on products to be covered being ironed out.

“We just started negotiations four months ago. Negotiations don’t happen overnight, it takes years but we want to move quickly. We have been meeting back and forth,” Roque said.

Roque said the economic partnership deal will have to go through final refinements, including the translation of the documents into English, and the approval by the executive branches of both parties. The agreement will also have to be ratified by the Senate.

Roque said investors from the UAE see the Philippines as a big market due to its huge population.

She said the UAE also welcomes the export of more products from the Philippines for overseas Filipino workers in the Emirates.

On the other hand, Roque said the free trade deal with South Korea will benefit the Philippine agriculture sector, particularly bananas.

South Korea imposes a 30 percent levy on banana imports from the Philippines, according to the DTI.

Under the agreement, tariffs on bananas will be reduced proportionately each year until zero is reached by the fifth year.

Signed on Sept. 7, 2023 during the 43rd Asean Summit in Jakarta, Indonesia, the PH-Korea agreement will help ease trade and investment flows, remove barriers to market access, and create new business and investment opportunities.

Gepty said the market share of fresh bananas in South Korea dropped to 65 percent in the 10 years to 2023, from a high of 98 percent in 2013.

Increasing market competition and the free trade deals signed by South Korea with other banana exporting countries are a disadvantage for the Philippines, Gepty noted.

These countries include Vietnam, Ecuador, Colombia, and Peru.

Source: https://malaya.com.ph/business/business-news/manila-seoul-trade-deal-3-18b-duty-free-korean-imports-from-ph-to-start-dec-31/

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