

Dominguez flags tax advisers' role in raising gov't borrowing

THE effective tax rate for value-added tax (VAT) in 2021 was significantly lower than the posted rate of 12%, reflecting the tax avoidance strategies provided by tax advisers, Finance Secretary Carlos G. Dominguez III said.

He said in a statement on Thursday that the reduced tax collections caused the government to borrow more to fund its pandemic response.

He was addressing his remarks to the Tax Management Association of the Philippines, and called on them to behave in a more "patriotic" manner, according to the statement.

He said the effective rate for VAT last year was 5%.

Tax avoidance is legal, while tax evasion is not. Avoidance makes use of various techniques to reduce tax bills, such as invest-

ing in tax-free instruments or structuring deals to make use of tax havens.

Before the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law took effect last year, the effective corporate income tax rate was 9%, against the posted rate of 30%.

The discrepancies between the rates were a result of advice given by tax professionals to their clients, he said.

"Had the government been able to collect all taxes due, we would have had more funds to cover our economic investments, debt service, and COVID-19 response expenditures," he said.

"We would have borrowed less. The government would have been better able to invest in building the prosperous future our people deserve."

Government revenue collections in 2021 rose 9%, he said. In 2020, government revenue declined due to the economic downturn caused by the coronavirus disease 2019 (COVID-19) pandemic.

The government has ramped up borrowing to finance its pandemic response, which included the purchase of vaccines.

At the end of 2021, the government had P11.73 trillion in outstanding debt, up 19.7%.

The Finance department as of Jan. 14 raised about \$25.8 billion from borrowing and grants for the government's COVID-19 response from multilateral lenders, development partners, and following the issue of foreign currency-denominated global bonds.

Mr. Dominguez said that tax advice "is probably the more

lucrative side of your profession. But it is not the most patriotic."

"Our experts in tax management should encourage our businesses to pay the right taxes and keep with the intent of our tax laws, instead of spending so much intellectual energy in finding every loophole there is."

He added that the government needs revenue to strengthen its public health system after the pandemic.

"We need to invest more in infrastructure and human capital development projects. The rehabilitation of communities devastated by extreme weather events will impose added costs to the government. We have to spend more to make our communities more resilient to climate change."

— **Jenina P. Ibañez**



PCC advises companies undertaking M&A deals to voluntarily seek review

THE Philippine Competition Commission (PCC) pressed companies undertaking large merger and acquisition (M&A) deals to submit to a competition review voluntarily.

PCC Commissioner Emerson B. Aquende said during a virtual briefing on Thursday that deals are not exempt from review regardless of size, if competition concerns arise.

"Even if there is a P50 billion threshold in effect until September, it doesn't really exempt them from being reviewed by the commission eventually, if the transaction is noted to have adverse impact on competition," Mr. Aquende said.

According to Republic Act No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II), all mergers and acquisitions with a transaction value of less than P50 billion that were undertaken within two years from the law's effectivity are exempt from compulsory PCC notification.

However, once the law expires in September, companies whose parent company assets exceed P6 billion and whose M&A transactions exceed P2.4 billion will once again be required to notify the PCC.

Mr. Aquende said an application for voluntary review was recently received by the PCC. He did not provide further details.

"That is a good development that shows the interest of firms to submit to the process of review to ensure that their intended merger transaction will not result in a substantial lessening of competition," Mr. Aquende said.

PCC Commissioner Johannes Benjamin R. Bernabe said there are at least two trans-

actions which may be subjected to motu proprio review, in which the commission acts on its own initiative, judging from the assessments of its monitoring division, a unit of the commission's (M&A) office.

Mr. Bernabe said only that the two deals are in the distribution and industrial sectors.

"Those transactions... sought to take advantage of the moratorium so as to get away with possible substantial lessening of competition in the market. I think the message that we wish to put forth is that even if they were undertaken when the threshold was at P50 billion, they are still not immune from the conduct of a motu proprio review," Mr. Bernabe said.

"That is a disincentive for firms to try and work around the merger review system of the Philippines because it would be more painful for these firms to unravel their transaction one or two years down the line if a motu proprio review (finds) that they caused a substantial lessening of competition in the market," he added.

PCC Chairman Arsenio M. Balisacan said the commission is monitoring developments in various markets for potential anti-competitive mergers.

Mr. Balisacan added that there is no move so far to extend the moratorium and threshold set out in Bayanihan II.

"We hope that we have learned the lessons from many other countries. We should (give) the competition authority the opportunity to review what might be potentially anti-competitive mergers and acquisitions," Mr. Balisacan said. — **Revin Mikhael D. Ochave**

IHS Markit sees PHL growth 'normalizing' this year

ECONOMIC GROWTH is expected to "normalize" in 2022 on the back of strong domestic demand, IHS Markit economist said.

IHS Markit Asia Pacific Chief Economist Rajiv Biswas said during a recent briefing organized by the Board of Investments (BoI) that the main drivers will be private consumption and government infrastructure investment.

"For the Philippines, we are expecting rapid growth in 2022 due to further progress towards normalization of the economy," Mr. Biswas said.

"2022 will be another year of global recovery, with around 7% gross domestic product (GDP) growth forecast for the Philippines helped by buoyant domestic demand. In the fourth quarter of 2021, the Philippine economy grew at a pace of 7.7% year on year, following a 6.9% growth year on year in the third quarter of the same year," Mr. Biswas said.

According to Mr. Biswas, the Philippine economy is considered attractive over the next decade because of the growing domestic consumer market, which he said will increase foreign direct investment, with new investment seen in manufacturing and infrastructure.

"The Philippines is projected to become one of Asia's \$1 trillion economies by 2033. Foreign investors will increasingly focus on the opportunities created by the fast-growing domestic consumer market in the Philippines, in addition to its attractions as a hub for producing manufacturing exports such as electronics," Mr. Biswas said.

Mr. Biswas said the Philippines has a potential advantage as demand grows for electric vehicles (EVs), because it has nickel, a key material for components like batteries.

"The Philippines could also seek to develop greater value-added by attracting investment in manufacturing EV batteries as well as into EV-related auto manufacturing. Fundamentals are favorable for nickel due to strong long-term growth in global production of EVs and this is an exciting area for the Philippines," Mr. Biswas said.

Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo said at the briefing that the Philippines has notified New Zealand and Japan about its interest in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

"We have conveyed our interest with the parties to the CPTPP through our bilateral engagements and so far, we have been receiving supportive messages from them," Mr. Rodolfo said.

Recently, the Philippine Statistics Authority reported that GDP grew 5.6% in 2021, against the 9.6% contraction posted in 2020. — **Revin Mikhael D. Ochave**

Indigenous peoples seek to overturn Kaliwa Dam deal

THE Philippine Task Force for Indigenous Peoples' Rights (TFIP) said the National Commission on Indigenous Peoples (NCIP) needs to revisit the consent agreement for the Kaliwa Dam project.

"Muling ibalik sa community 'yung memorandum of agreement (MoA) negotiation para maintindihan ng community 'yung MoA. Lahat ng ginagawa ng NCIP, hindi pabor sa aming katutubo. Pinapaganda nila ang report, kahit alam nila na maraming kontra sa Kaliwa Dam project. Hindi kami titigil. Lalaban po kami (We urge the NCIP to bring the MoA negotiations back to the community to so we get terms that are clear to the community. Everything the NCIP has done so far has not been agreed upon by the IPs. They make the reports sound favorable to the Kaliwa Dam project, even though they know we are against it. We won't stop and we will keep fighting back.)" Marcelino S. Tena, president of the Samahan ng mga Katutubong Agta-Dumagat-Remontado sa Pagtatanggol at Binabaka and Lupang Ninuno (SAGUIBIN-LN), said during a virtual press conference.

Started in 2019, the Kaliwa Dam is a bulk water supply project which is a component of the New Centennial Water Source program of the Metropolitan Waterworks and Sewerage System (MWSS).

It will be ready for commercial use by 2023 and is expected to provide 600 million liters of water per day to Metro Manila.

The IP groups urged the government to revisit the "flawed" Free, Prior and Informed Consent (FPIC) processes of the project.

The FPIC is a prerequisite for projects in IP land.

Mr. Tena said that the NCIP "handpicked" the representative for the negotiations and

used the police to shut out opposing views during the hearings on the project.

"The processes done in (our) communities were filled with deception, manipulation, and misinformation. Reports from indigenous communities include incidents of bribery, false promises, creation of fake leaders, and suppression of known opposition among the Dumagat people," the TFIP said.

"The building of dams in indigenous communities has caused great destruction of ancestral land, resources, and livelihoods. This outweighed the supposed benefits promised by their proponents and builders," it added.

The organizations also claimed that the NCIP disregarded the safety of indigenous communities during the COVID-19 pandemic, after it barred unvaccinated IPs from joining the negotiations.

"Ang sinasabi namin, bakit ngayong nasa Alert Level 3 kami ay patuloy ang NCIP? Alin ba ang mahalaga? Ang MoA o ang kaligtasan naming mga katutubo? (Why is the NCIP going ahead with proceedings while we were at Alert Level 3 prioritizing signing this MoA during an Alert Level 3? What is more important, the MoA or the safety of us IPs?)" Mr. Tena said.

The negotiations and signing of the MoA between the Dumagat indigenous people and the MWSS was held between Jan. 24 and 29 in General Nakar, Quezon.

According to Mr. Tena, more than 20 IP representatives were barred from entering the venue because they were unvaccinated. Mr. Tena said that the Dumagat people should have the right to decide on whether or not they wish to be vaccinated and unvaccinated status should not be used against them when exercising their right to participate in negotiations. — **Luisa Maria Jacinta C. Joczson**

ADB: Housing microfinance growth hampered by lender constraints



INSUFFICIENT KNOWLEDGE of the urban poor market and low levels of capital allocated by institutions to such borrowers are hampering the growth of the microfinance market for housing, the Asian Development Bank (ADB) said in a report.

Joji Reyes, president of Global Works International Consulting, Inc., prepared a report on inclusive and resilient urban development for the poor at the request of the Department of Human Settlements and Urban Development, with ADB assistance.

Housing is traditionally a big-ticket item financed via mortgages. A microfinance approach to housing would consider market factors such as low ability to pay, smaller loans, and an incremental release strategy.

Ms. Reyes in the report said that rapid urbanization in the Philippines led to the growth of informal settlers with little access to affordable housing, capital, and health and safety.

The poorest, she said, are not able to access traditional housing financing because they cannot afford it.

"While remarkable progress has been achieved to grow housing microfinance in the Philippines and demonstrate the viability of housing microfinance products, policy and market barriers to further scaling-up exist."

According to the report, many banks in the Philippines do not have enough knowledge to operate housing microfinance businesses.

She said there is also mismatch between the equity

capital terms of microfinancing institutions and the financing terms needed by clients to keep housing affordable.

"Average lending per household is still relatively small compared to the lowest house and lot price within the Philippines' socialized housing ceiling," she said.

The stock of affordable housing is also limited.

Recommendations from the report include creating a wholesale financing facility for microfinancing institutions and developing public private partnerships (PPP) for microfinance products.

"Develop and implement a PPP program for green and inclusive housing microfinance properly targeted to the informal settlers," according to the report. — **Jenina P. Ibañez**

DA bans Thai pork imports after ASF outbreak reports

THE Department of Agriculture (DA) issued a memorandum order banning imports of swine and pork products from Thailand, following reports of an African Swine Fever outbreak there.

Signed by Agriculture Secretary William D. Dar, the order suspends the issuance of sanitary and phytosanitary import clearances for domestic and wild

pigs and their products, including pork, pig skin, and processed animal proteins.

"Several news media platforms have reported the occurrence of African Swine Fever (ASF) virus detected in a pet pig and surface swabs (at a) slaughterhouse in Nakhon Pathom, Thailand," the DA said.

"Thailand is not an accredited country to export any swine related com-

modities to the Philippines but there is a need to prevent the entry of any ASF-susceptible products originating from Thailand that might enter the country through hand carried products from international vessels or any other possible routes," it added.

The order authorizes the confiscation of all such shipments by the DA's

Veterinary Quarantine Officers and Inspectors at all major ports.

On Wednesday, the DA issued a ban on the imports of poultry and poultry products from Spain and Croatia.

The ban was issued to prevent the entry of highly pathogenic avian influenza virus. — **Luisa Maria Jacinta C. Joczson**