

# PCCI presses new gov't to pass remaining tax reform packages

THE Philippine Chamber of Commerce and Industry (PCCI) said the incoming Marcos administration must focus on passing key legislation like the remaining components of the tax reform program, which the current government was not able to shepherd through Congress.

In a statement on Monday, the PCCI said its legislative committee's list of priority laws was headlined by the remaining elements of the Comprehensive Tax Reform Program like Property Valuation and Assessment reform and a Capital Income and Financial Taxes bill.

Other measures declared priorities are a Capital Markets De-

velopment Act; an Open Access in Data Transmission Act; a Better Internet Act; and amendments to the Philippine Qualifications Framework Act and the Dual Training System Act.

The list was compiled in consultation with partners like the Philippine Exporters Confederation, Inc. and Employers Confederation of the Philippines.

The remaining items on the PCCI's wish list are a Successful Farmers Development Act to amend the Comprehensive Agrarian Reform Law; amendments to the Magna Carta for micro, small, and medium enterprises

Act; amendments to the Philippine Warehouse Receipts Act; the amendment or repeal of the Act for Salt Iodization Nationwide; a National Quality Infrastructure Act; and an International Maritime Trade Act.

"The remaining packages in the tax reform program will help the administration to strengthen government's fiscal position and meet urgent calls on public funds," PCCI Director for Legislative and Taxation Benedicta Du-Baladad said.

Ferdinand A. Ferrer, PCCI Innovation and Science and Technology committee head, said that

measures related to internet connectivity will attract more market entrants to build out the national digital infrastructure, especially in the countryside.

"Internet connectivity has been made more urgent as the digitalization process started at the height of the coronavirus disease 2019 (COVID-19) lockdowns," Mr. Ferrer said.

President-elect Ferdinand R. Marcos, Jr. is set to take his oath as the 17th President of the Philippines on June 30, succeeding President Rodrigo R. Duterte. The 19th Congress will open on July 25. — **Revin Mikhael D. Ochave**



## Local specialty coffee gets trial orders from Japan

THE PHILIPPINES is hoping to expand its share of the Japanese coffee market following the introduction of specialty coffee varieties to potential large-scale buyers, the Department of Trade and Industry (DTI) said.

In a statement on Monday, the DTI confirmed Japanese interest in Philippine specialty coffee, following a report from Japan-based Commercial Counselor Dita Angara-Mathay regarding three promotional events staged between June 10 and 14, including a coffee tasting.

"The (coffee tasting) event opened up much interest in Filipino coffee among those in the Japanese coffee industry. There are now talks between Japanese importers and Philippine coffee exporters for trial orders ranging from 1,000 kilos of green beans to 25 kilos of roasted specialty beans. If the trial orders go well, the importers committed to have repeat orders in larger amounts," the DTI said.

According to the DTI, the coffee tasting event was attended by 41 industry participants, including coffee chain operator UCC, roaster Doutor, food company AGF Ajinomoto; importers Marubeni Foods, Sojitz, Aoyama Tsusho and CocoCures; retailer Don Quijote; and other specialty coffee companies like Horiguchi, Cerrad, Mobius, Tailwinds and Woodberry.

The specialty coffee beans were provided by VerraCoffee, a social enterprise currently exporting coffee to Filipino entrepreneurs in Australia, New Zealand, Malaysia, and the US.

Ms. Mathay said that the DTI is pushing Barako coffee from Southern Luzon, Peaberry Coffee from the Cordillera highlands, and Davao del Sur Peaberry from Mount Apo in Mindanao.

"These are rare and exotic coffee beans that we hope will satisfy the discriminating tastes of coffee drinkers on the lookout for specialty coffee. We want to push it in Japan, Asia's largest coffee market, as a niche gourmet product. We are confident a few Japanese coffee shops will feature it among their small-lot coffee lines," Ms. Mathay said.

The DTI said Barako coffee, also known as Philippine Liberica, is considered rare, accounting for 2% of global coffee production.

"Very few people are aware that the Philippines was one of the top producers of coffee in the world in the 1880s. Fast forward to today, opportunities abound in the rising wave of coffee consumption and increasing number of people who actively search and prepare specialty coffee in their homes or pursue it as a business," the DTI said. — **Revin Mikhael D. Ochave**

## Government revenue-to-GDP ratio performance seen ranking middle of the pack within ASEAN

THE Department of Finance (DoF) said National Government (NG) revenue performance, as a proportion of gross domestic product (GDP), would place the Philippines at around the median of the Association of Southeast Asian Nations (ASEAN).

In a statement on Monday, the director of the DoF's Domestic Finance Group, Rowena S. Sta. Clara, was quoted as saying in a report to a recent meeting of the DoF executive committee that the average revenue effort of the Duterte administration between 2016 and 2021 was 15.6% of GDP, the highest in over 20 years.

The DoF said the improved revenue levels were posted despite restrictions imposed during the various stages of the pandemic.

The report used data from the International Monetary Fund, which forecast the revenue effort of other ASEAN members. Philippine data were taken from the Cash Operations

Report of the Bureau of the Treasury, Ms. Sta. Clara said.

Brunei tops the list with a revenue effort of 19.1%, followed by Singapore's 18.7% and Thailand's 17%. Malaysia and Indonesia's revenue efforts are projected at 14.3% and 11.8%, respectively.

All data, except for the Philippines and Indonesia, are forecasts.

On the expenditure side, the Philippines was second in ASEAN with P4.7 trillion or 24.1% of GDP, Ms. Sta. Clara said.

She also noted that the 10.6% growth in NG expenditure in 2020 and 2021 was a result of infrastructure and other capital spending, spending for pandemic recovery measures, equity infusions in support of the government's lending programs, and spending on personal services, which has increased to 30% of NG expenditures in the past decade.

Brunei had an expenditure-to-GDP ratio of 28.4%, while Singapore was third at 21.1%.

All six ASEAN countries posted budget deficits in 2021. The Philippine deficit was second-largest at 8.6% of GDP, topped only by Brunei at 9.3%. Malaysia came in third at 6.4%.

During the Development and Budget Coordination Committee's 181st meeting on May 24, the target deficit-to-GDP ratio for this year was set at 7.6%, easing to 6.1% in 2023.

NG debt rose to a record P12.76 trillion in April, due to COVID-19-related borrowing and to support the economic recovery.

The DoF has said that debt would have been much higher at P15.4 trillion in 2022, had it not blocked revenue-eroding measures and scaled back COVID-19 stimulus bills. These would have led to additional spending amounting to P2.2 trillion, had these measures been passed by Congress. — **Tobias Jared Tomas**

### OPINION

## The 2022 SIPP: What's next for registered enterprises

Four hundred and twenty-five days after the effectivity of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or Republic Act (RA) No. 11534 on April 11, 2021, one question still lingers among the registered business enterprises (RBEs) doing business with the country's 19 Investment Promotion Agencies (IPAs): How can RBEs maximize their fiscal and non-fiscal incentives under the new tax rules and evolving market environment?

The key lies in the 2022 Strategic Investment Priority Plan (SIPP). Following the provisions of the CREATE Act, the SIPP refers to the priority projects or activities, including the scope and coverage of location and industry tiers, determined by the Board of Investments (BoI), in coordination with the private sector, Fiscal Incentives Review Board (FIRB), IPAs, and other government agencies administering tax incentives.

Prior to the effectivity of the CREATE Act and the 2022 SIPP, the 2020 Investment Priorities Plan (IPP) issued on Nov. 18, 2020, lists the industries and activities that may be subject to fiscal and non-fiscal incentives.

The newly formulated 2022 SIPP is aligned with the goals, priorities, and strategies of the

revised Philippine Development Plan 2017-2022 and the development agenda and strategy of the DTI and DoST. It continues to adopt the projects or activities in the 2020 IPP, while expanding the priority list to address the growing concern on climate change, economic and medical challenges in managing the COVID-19 pandemic, international and local security relations, and lack of innovation and technological advancements.

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#### PROJECTS OR ACTIVITIES UNDER THE 2022 SIPP

The CREATE Act introduced fiscal and non-fiscal incentives in tiers such that the qualified projects or activities are also categorized in industry tiers. Tier 1 covers all activities listed in the 2020 IPP, unless specifically listed under Tiers 2 or 3. Tier 2 covers all activities that address value chain gaps and promote green ecosystems, dependable health systems, and self-reliant defense. Tier 3 covers all activities that focus on the application of research and development and attracting technology investments. The table below summarizes the projects or activities.

The 2022 SIPP excluded RBEs engaged in customs brokerage, trucking or forwarding

LOCATION	EXPORT MARKET ENTERPRISE			DOMESTIC MARKET ENTERPRISE		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
NCR	4 ITH + 10 ED/SCIT	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT	4 ITH + 5 ED/SCIT	5 ITH + 5 ED/SCIT	6 ITH + 5 ED/SCIT
Metropolitan areas; areas contiguous and adjacent to NCR	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT	5 ITH + 5 ED/SCIT	6 ITH + 5 ED/SCIT	7 ITH + 5 ED/SCIT
All other areas	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT	6 ITH + 5 ED/SCIT	7 ITH + 5 ED/SCIT	7 ITH + 5 ED/SCIT

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services, janitorial services, security services, insurance, banking and other financial services, consumers' cooperatives, credit unions, consultancy services, retail enterprises, restaurants, public administration, or such other similar services. Further, it is projected that at least 30% of the gross domestic product earned in the National Capital Region (NCR) will be reallocated to provincial areas.

The list of priority projects or activities detailed in the 2022 SIPP is not entirely new. Similarities can be found in the IPPs for prior years. The 2014-2016 IPP included regional dispersal of industries and locational restriction in NCR, creation of specialty hospitals, and manufacture of alternative fuel vehicles, while

the 2017-2019 IPP emphasized research and development activities, commercialization of new and emerging technologies, and climate change-related projects.

The 2022 SIPP is effective June 11, 2022, or 15 days after the date of publication in a newspaper of general circulation, and is valid for three years until June 10, 2025, subject to review and amendment every three years thereafter, unless a supervening event necessitates an earlier review.

#### WHAT DO RBEs STAND TO GAIN UNDER THE 2022 SIPP?

RBEs can either be export market enterprise or domestic market enterprise, depending on its total export commitment. Export market enterprises refer to RBEs that export at least 70% of its total revenue or production output while domestic market enterprises refer to RBEs that export below the minimum threshold for export enterprises.

Regardless of which IPA the RBEs will apply, the period of availment of incentives is based on the combination of location and industry summarized as shown above.

In addition, qualified RBEs enjoy duty exemption on imports of capital equipment, raw materials, spare parts or accessories, and value-added tax (VAT) exemption on imports and VAT zero-rating on local purchases that are directly and exclusively used in the registered activity of the RBEs.

As such, the farther the RBEs are located from metropolitan areas and the more the projects or activities involve research and development applications and highly advanced technologies, the greater the incentives.

#### MAXIMIZING INCENTIVES UNDER THE NEW RULES

It is prudent for the RBEs to weigh the pros and cons on whether to continue with the status quo, restructure their business model, or transfer their registration to another IPA or location. A carefully laid out tax study may prove beneficial in assessing the best option that is most suitable to the RBE in the long run.

#### WHAT'S NEXT FOR RBEs?

Investment prospects in the Philippines remain

robust. According to the Philippine Statistics Authority, total approved foreign and Filipino investments in the first quarter of 2022 increased to P190.87 billion as compared to P164.9 billion in the same quarter of 2021. The BoI approved 95% of the total investments, representing a 32% increase from the first quarter of 2021. On the other hand, investments approved by PEZA decreased by 68% from 25 billion in the first quarter of 2021 to P8 billion in the first quarter of 2022.

The top three projects or activities pertain to electricity and gas, real estate activities, and manufacturing while the top three investing countries are Japan, South Korea, and Singapore.

With the effectivity of the 2022 SIPP, the issuance of synchronized implementing regulations from various concerned government agencies is necessary in addressing gray areas. These include the criteria and guidelines on green ecosystems and artificial intelligence projects. Priority must also be given to expediting the setting up and conduct of registered projects or activities, anchored on the principles of the Ease of Doing Business and Efficient Government Service Delivery Act of 2018. One of the salient features under the amended Foreign Investment Act (RA No. 11647) is the creation of an Inter-Agency Investment Promotion Coordination Committee among the IPAs. This Committee will promote a unified and efficient approach on evaluation of investments and granting of incentives for RBEs.

So, to all the RBEs, stay vigilant as interesting developments will be rolled out in the foreseeable future.

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