Low-cost housing target set at 1M units/year

THE Department of Human Settlements and Urban Development (DHSUD) said it hopes to augment the affordable housing stock by 1 million homes a year, including those built by the private sector.

The target was set to address the housing backlog, estimated at 6.5 million homes, the department said.

Secretary Jose Rizalino L. Acuzar said on the first day of the 30th National Developers Convention that President Ferdinand R. Marcos, Jr. has issued a directive to implement the 'Pambansang Pabahay Para sa Pilipino' program.

"*Kailangan gumawa ng gobyerno, sa utos ni* Presidente Marcos, *ng* 1 million houses a year *para matapos ang* backlog *ng* housing (The government, on President Marcos' orders, needs to build 1 million homes per year to clear out the housing backlog)," Mr. Acuzar told reporters.

The program focuses on affordable and accessible homes in selected areas, with the goal of clearing up the backlog before Mr. Marcos steps down. The program will require P1 trillion to realize at a cost of P1 million per home, which will need to be subsidized.

The DHSUD proposes a subsidy budget of P36 billion a year to cover the difference between commercial mortgage rates and the expected preferential interest for home buyers of 1%.

"The intention is to bring interest rates to 1%, so that's where the interest subsidy will come in. The market rate that we're looking at for this marginalized sector is 6%," Human Settlements Undersecretary Roberto Juanchito T. Dispo said.

"The subsidy (of) P36 billion, will cover the 5%, so effectively it be just down to 1%," Mr. Dispo added.

DHSUD also plans to tap the private sector to participate in the Pambansang Pabahay program.

"The idea is not to be dependent fully on the government. The idea is to tap the private sector to participate in this program," particularly banks, Human Settlements Undersecretary Henry L. Yap said on the sidelines of the event.

"Private banks have already signified their intention but it's not yet in writing. But for government institutions (we have signed) memoranda with many of them," Mr. Yap said.

"We've been going around talking to the developers. They have expressed their support for this project. The SHDA (Subdivision and Housing Developers Association) is one of the housing organizations that we've been meeting with and many of them have expressed support," Mr. Yap said. — **Justine Irish D. Tabile**

Gov't signals slowdown on devolution, LGUs to take over health, welfare first

THE National Government said the functions it will immediately devolve to local government units (LGUs) are local infrastructure projects, basic healthcare, social welfare, and agricultural extension.

The so-called "small-ticket" items to be shed by the National Government point to a prioritization of activities to be handed over to LGUs rather than a full-scale devolution by 2024, which was the timetable set by the previous administration, amid concerns over whether LGUs are properly equipped to take responsibility for such functions.

The Committee on Devolution (ComDev), which is overseeing the process, said a technical working group has been formed to study extending the transfer period for more intricate functions.

"The devolved functions are… core expenditure responsibilities, and that is where the functions must be devolved," Finance Secretary Benjamin E. Diokno was quoted as saying in a statement.

The ComDev met on Monday to discuss the implementation of the Supreme Court's Mandanas-Garcia ruling, including amendments to Executive Order (EO) No. 138, issued by the previous administration, which set the devolution timeline.

Under EO No. 138, functions currently performed by the National Government that enjoy funding of P234.4 billion should be fully devolved to LGUs by 2024.

Before the ComDev meeting, the Department of Budget and Management (DBM) had called for a deferral of the transfer of infrastructure and other "big-ticket" items to LGUs, because they require specialized expertise. It proposed a devolution period for such items of 2025-2027.

"Devolution should be contingent on the LGU, development priorities, capacity, and availability of resources. Devolution should be transitioned based on magnitude, technical requirement, and nature of programs, projects and activities," Interior and Local Government Secretary Benjamin Abalos, Jr. was quoted as saying.

"Moving forward, we will continue to strengthen coordination and extend necessary assistance to empower our LGUs in accordance with the Local Government Code and the Mandanas-Garcia ruling," added Budget Secretary and Committee Chair Amenah F. Pangandaman. "We believe that effective devolution will be achieved if our LGUs are fully capacitated, both technically and financially."

Also on the agenda during Monday's meeting were updates on the submission and evaluation of Devolution Transition Plans (DTPs), as well as a review of the functions, services, and programs, activities and projects for full devolution.

"This is another crucial step towards our goal of pursuing full devolution and our manifestation of collective efforts towards fulfilling the marching order of the President to get this moving," said Ms. Pangandaman. "So far, we continue to set important things in motion with the updates on the submission and evaluation of the National Government Agency (NGA) DTPs."

At the time of the meeting, the DBM had received 18 out of 20 expected DTPs. Those of the Department of Health and the Commission on Population and Development (POPCOM) have been approved.

National Economic and Development Authority (NEDA) Secretary and POPCOM Board Chairman Arsenio M. Balisacan reiterated the overriding goal of achieving equity in the devolution process.

"An important contribution of the proposed amendment is the clarification and the guiding principles that might clear certain instances… so we can ensure that everyone, regardless of their place of residence, has equal opportunity for equal economic or social opportunities," Mr. Balisacan said.

"With the Mandanas ruling now in effect, NEDA will work to improve national, regional, and local coordination, and we will need to strengthen our efforts at the subnational level," he added in a Senate committee hearing on Wednesday. "This entails supporting the implementation of the devolution policy, strengthening activities, and providing support to LGUs in development planning."

The Mandanas ruling granted LGUs a larger share of the national taxes by expanding their 40% cut of "internal revenue," narrowly interpreted by previous governments to mean the collections of the Bureau of Internal Revenue, to also include revenue from Customs duties and other National Government collections.

As a result of the ruling, LGU allocations rose 37.89% to P959 billion in 2022, with the LGUs' take based on National Government collections from three years prior. However, because government revenue took a hit from the pandemic in 2020, the allotment for next year is estimated to fall 14.47% to P820 billion.

"The ComDev agreed to form a technical working group to consider the inputs of the LGU leagues and convene after two weeks to approve the draft amendatory EO," according to a statement issued by the DBM.

"The secretariat will continue to engage with the stakeholders in the next two weeks to finalize the draft for presentation to the President."

The ComDev is composed of the DBM, NEDA, the Departments of Finance and Interior and Local Government, the Executive Secretary, the League of Provinces, Cities, and Municipalities of the Philippines, the Liga ng mga Barangay sa Pilipinas, and the Union of Local Authorities of the Philippines. — **Diego Gabriel C. Robles**

Further P11.56B released for healthcare worker allowances

THE Department of Budget and Management (DBM) said it released a further P11.56 billion to the Department of Health (DoH) to fund the health emergency allowance claims of public and private healthcare workers between January and June.

The Special Allotment Release Order (SARO) was approved on Wednesday for the One COVID-19 allowance (OCA) of over 1.6 million eligible government and private-sector health workers who were on duty in the first half of the year, the DBM said.

"Our healthcare workers deserve all the support and assistance from their government. They've been risking their lives to save and protect our people amidst this still prevailing pandemic. This is the least we can do for them," Budget Secretary Amenah F. Pangandaman was quoted as saying.

According to the DBM, the P11.56 billion will cover the unfunded maintenance and other operating expenses (MOOE) amounting to P18.72 billion owed to 2.6 million approved claimants by the DoH from January to June.

The P18.72 billion includes P3.75 billion for personal services (covered healthcare workers who are government employees) and P14.98 billion for MOOE (for nonpermanent government healthcare workers and private healthcare workers).

Some P7.92 billion was released on Feb. 14 to cover 995,671 claims. Of this total, P3.42 billion was for MOOE, and P4.5 billion for personal services.

OCA is authorized by DoH Special Provision No. 14, or Benefits for COVID-19 Workers, as provided for by the 2022 General Appropriations Act, the DBM said.

At an online forum on Tuesday, DoH Officer-in-Charge Maria Rosario S. Vergeire said the department hopes to start disbursing the money by next week.

Republic Act No. 11712, or the Public Health Emergency Benefits and Allowances for Health Care Workers Act, replaced the SRA with a Health Emergency Allowance, with the latter now determined by risk exposure.

On Monday, the DBM also released a SARO amounting to P1.04 billion to cover the SRA of eligible public and private health workers who were involved in the pandemic containment effort between Sept. 15, 2020 and June 30, 2021.

However, OCA accumulated over the past years to about P64 billion, which has not been released in the absence of requests for funding to the DBM. — **Diego Gabriel C. Robles**

Marcos: Private help needed to 'green' economy

PRESIDENT Ferdinand R. Marcos, Jr. called on the private sector to help in the "greening" of the economy, calling the building of resiliency to climate change a top administration priority.

Government agencies, private companies, non-government organizations, and the academic community must work together "to steer our practices and systems towards a greener direction," Mr. Marcos said at a forum organized by the Department of Environment and Natural Resources (DENR).

"I have always believed that there is no greater shared responsibility than the care of our environment," he said.

"Let us identify each sector's unique and shared challenges, bolster cooperation and gather information and priorities for possible inclusion in the DENR's policy agenda and to be included in the multi-year roadmap for programs, activities and projects," he added.

Participants at the DENR-hosted event are expected to provide their input on climate and disaster resilience policy.

"We ensure that the initiatives we will take will enable us to become smarter, more responsible, more sustainable in all that we do," Mr. Marcos said.

At the United Nations General Assembly last month, Mr. Marcos urged that developed nations provide financing to poorer countries to address the "historical injustice" of climate change, which is thought to have been caused by the countries that industrialized early.

Mr. Marcos also asked them to transfer adaptation technology to vulnerable nations like the Philippines. — **Kyle Aristophere T. Atienza**

OPINION

The growing popularity of the Board of Investments

TAXWISE OR OTHERWISE
CHRISTIAN GRIMALDO

Recently, there has been a growing interest from the Registered Business Enterprise (RBE) in the Information Technology and Business Processing Management (IT-BPM) sector to register with the Board of Investments (BoI) because of the need to maintain flexible work arrangements, specifically the ability to allow employees to Work From Home (WFH). On Sept. 14, the Fiscal Incentives Review Board (FIRB) announced that the IT-BPM RBEs will be allowed to continue offering WFH to 100% of the workforce with incentives intact if they transfer their registration to the BoI.

The official guidance was released through FIRB Resolution No. 026-22 issued on Oct. 4, allowing direct transfers to the BoI up to the end of this year. RBEs must simply signify to their current Investment Promotion Agency (IPA) their intention to transfer to the BoI. The IPA is to prepare an endorsement to the BoI containing the registration details, remaining tax incentives, and status of compliance with registration terms and conditions. Once endorsed and approved, the BoI will issue a Certificate of Registration indicating the remaining tax incentives the project is eligible for. The current cost-benefit analysis required for new projects no longer applies to the transferee RBEs. To further ease the transition, the current IPA will remain responsible for monitoring the compliance and availment of incentives of the transferee RBEs and submit a report to the BoI.

There are about 2,000 IT-BPM firms registered with Philippine Economic Zone Authority (PEZA) that may transfer to the BoI. It is truly commendable that the government has made it as painless and efficient as possible.

While the spotlight has been on the IT-BPM sector lately, it is worth noting that the BoI caters to other industries and accepts new registrations as well, not just transferees.

Now, let's talk about the qualifications for BoI registration, available incentives, and registration procedures for a new enterprise applicant.

QUALIFICATIONS FOR BOI REGISTRATION

The BoI, an arm of the Department of Trade and Industry (DTI), is an incentive-granting agency in charge of promoting investment. To avail of BoI incentives, prior registration must be obtained.

To register with the BoI, the proposed business activity of a new applicant must be listed in the Strategic Investment Priorities Plan (SIPP) which is grouped into three tiers.

Under the 2022 SIPP, all activities listed in the 2020 Investment Priority Plan (IPP) are retained and included under Tier I, whereas, the activities proposed to be included under Tier II are industrial value chains, green ecosystems, health, defense, and food security-related activities. Finally, under Tier III, the proposed activities include those that accelerate the transformation of the economy primarily through the application of research and development, and attracting technology investments. It also includes activities involving the production of equipment, parts, and services that embed new technologies.

The tier will determine the extent of the incentives that may be granted based on a combination of both the location and industry priorities. The SIPP further provides the specific requirements that applicants must satisfy to qualify for registration.

For instance, if the applicant is a call/contact center, similar to PEZA, the BoI requires the enterprise to put in a minimum investment of $2,500 per seat to qualify for registration. This amount covers the cost of equipment (hardware and software), office furniture and fixtures, building improvements and renovation, and other fixed assets except land, building and working capital. If equipment is to be leased, the cost should be converted to assets at commercial interest rates and amortized over a five-year period. If equipment is proposed to be consigned, the same should have an assigned value to be considered as part of the project cost.

INCENTIVES AVAILABLE TO BOI-REGISTERED ENTERPRISES

Once registered with the BoI, the enterprise is entitled to fiscal and non-fiscal incentives granted under the Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), as amended by the CREATE law.

RBEs are eligible for an Income Tax Holiday (ITH) of four to seven years depending on location and industry. An ITH of three years is available for expansion projects on incremental sales.

After the ITH period, an export enterprise has the option to avail of the 5% Special Corporate Income Tax (SCIT) or be subject to the regular corporate tax rate with Enhanced Deductions (ED) for 10 years. On the other hand, a domestic market enterprise can only avail ED for five years.

Other fiscal incentives include VAT exemption on imports and zero percent VAT on local purchases of goods and services that are directly and exclusively used in the registered project or activity (for export enterprises only); a customs duty exemption on imports of capital equipment, raw materials, spare parts and accessories directly and exclusively used in the registered project or activity; and exemption from all local government imposts, fees, licenses and taxes during the original ITH period.

On the other hand, non-fiscal incentives include the unrestricted use of consigned equipment, employment of foreign nationals, simplified customs procedures, and access to bonded manufacturing warehouses.

With the passage of the CREATE Law, which aims to provide uniform incentives for IPAs, the BoI now offers the same incentives as other IPAs like PEZA. One major advantage of BoI, perhaps the most important one as discussed above, is the flexibility of location. Enterprises do not need to locate in a Special Economic Zone to enjoy the incentives.

REGISTRATION PROCEDURES WITH THE BOI

The registration process may vary depending on whether the applicant is a Micro Enterprise, Small Enterprise, or a Regular Enterprise, as classified in the Citizen's Charter of the BoI.

Generally though, the enterprise applicant must fill out the application form and must make sure that all documentary requirements in the checklist are complete. Once the Project Evaluation and Registration Division (PERD) formally accepts the application, the enterprise will then pay the filing fee and wait for the Notice of Board Action. If approved, the enterprise must submit the pre-registration requirements and pay the registration fee. Thereafter, the enterprise will receive the Certificate of Registration.

Under normal circumstances and after the submission of all the required documents, registration with the BoI can be completed within two weeks if it is a Micro/Small Enterprise, or within two months if it is a Regular Enterprise.

Compared to some IPAs, the BoI has fewer registration requirements. Some of them are a 15-year financial projection and schematic diagram of the activity being registered.

Taking advantage of the BoI's growing popularity and flexibility in terms of work location, the Philippines could end up attracting more investment and position itself as a viable investment destination.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

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