

# Ecozone developers conditionally eligible for VAT zero rating status

THE Bureau of Internal Revenue (BIR) said economic zone (ecozone) developers and operators are eligible for value-added tax (VAT) zero rating subject to a number of eligibility conditions.

In a memorandum circular, the BIR said that the developers and operators of economic zones and industrial parks and buildings housing export enterprises qualify for VAT zero-rating if they pass the 70% threshold for leasable or saleable area dedicated to exporters.

“For investment promotion agency (IPA) — registered business enterprises, this means exporting at least 70% of total production or services. For non-

IPA registered enterprises, this means exporting at least 60% of output,” it added.

The circular also sets minimum standards for economic zones like infrastructure such as paved roads, power systems, water supply, drainage systems, sewage treatment facilities, pollution control systems, and other facilities needed for export operations.

“This also covers the development and management of new buildings located outside the National Capital Region, declared an economic zone or within export or freeport zones, with a minimum contiguous land area of 10,000 square meters,” it said.

It also added that these must have the following features: high-speed telecommunication networks; uninterruptible power supply; computer security systems; and any other requirements determined by the Board of Investments or IPA.

Meanwhile, Finance Secretary Benjamin E. Diokno said no further amendments to the VAT zero-rating guidelines are likely.

“If you ask me, my preference is to let the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) law be implemented first. That is a new law. It took three decades to come up with that,” he told reporters on Friday.

The BIR recently issued Revenue Regulations No. 3-2023, which amended the VAT zero-rating guidelines.

Under the revised rules, local suppliers of goods and services to registered export enterprises are not required to seek approval from the BIR for the VAT zero-rating.

A VAT zero-rating certification may instead be provided by the concerned IPA.

Exporters had called on the government to address the “conflicting provisions” in the VAT zero-rating guidelines stemming from the CREATE Act. — **Luisa Maria Jacinta C. Jocsion**

# PHL international visitor arrivals breach 2 million level as of May 12, on track to beat 2023 target

INTERNATIONAL visitor arrivals breached the 2 million level as of May 12, well ahead of the year-earlier pace and on track to beat the 2023 target of 4.8 million, the Department of Tourism (DoT) said.

In a statement on Sunday, the DoT said international arrivals totaled 2,002,304 in the year to date.

For 2023, the DoT has set a target of 4.8 million international arrivals, against the 2.65 million actual arrivals logged last year.

South Korea accounted for 487,502 visitors, or 24.35%, followed by the US with 352,894 (17.62%), Australia 102,494 (5.12%), Canada 98,593 (4.92%), and Japan 97,329 (4.86%).

Other top countries of origin were China with 75,043, Taiwan 62,654, the UK 62,291, Singapore 53,359, and Malaysia 36,789.

The DoT said that inbound visitor receipts — a measure of visitor spending — rose 782.59%

year on year to P168.52 billion in the four months to April.

The United Nations World Tourism Organization (UNWTO) has said that global international arrivals hit 80% of pre-pandemic levels in the first quarter, with 235 million traveling internationally during the period.

The UNWTO added that international arrivals in the Asia and Pacific region were at 54% of pre-pandemic levels in the first

quarter, lagging the international average but projected to close the gap after China’s easing of coronavirus disease 2019 (COVID-19) restrictions in January.

“The start of the year has shown again tourism’s unique ability to bounce back. In many places, we are close to or even above pre-pandemic levels of arrivals,” UNWTO Secretary-General Zurab Pololikashvili said. — **Revin Mikhael D. Ochave**

# Subdivision association seeking to increase price threshold for affordable housing units

THE Subdivision and Housing Developers Association (SHDA) is asking the Board of Investments (BoI) to declare more expensive housing units as eligible for incentives, pressing to raise the threshold for homes classified as low-cost housing to P4.2 million to P4.4 million.

Leonardo B. Dayao, Jr., SHDA national president, said at a briefing in Pasay City last week that the BoI has been receptive to the group’s proposal to review the price threshold for affordable housing.

“Right now, the price ceiling for incentives for housing is at P2 million, but we are proposing a much higher price ceiling at around P4.2 [million] to P4.4 million, driven by data,” Mr. Dayao said.

“The markets have shifted. (Their intent was to) incentivize affordable housing. At that time, affordable housing was capped at P1.7 million. But just recently, the affordable housing ceiling was also increased to P2.5 million. There needs to be a review. We are also proposing to conduct a review every three years for the housing price ceiling,” he added.

Mr. Dayao said the SHDA is also proposing to extend the period covered by incentives because project proponents typically do not recognize sales in the first 12 to 18 months.

“We are also proposing the extension of the incentive period from four years to as much as six years. We are praying that the BoI will grant that. So, let’s wait and see,” Mr. Dayao said.

“During a four-year incentives period, essentially the first 12 to 18 months, you don’t get any sales. You don’t get any recognized sales because you’re still doing your land development, you’re still building your houses...” he added.

Incentives for mass housing are considered part of Tier 1 of the 2022 Strategic Investment Priority Plan (SIPP). Some of the incentives offered under the SIPP, depending on the tier, as provided by Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, include income tax holidays, enhanced deductions, and lower corporate income tax rates.

Mr. Dayao said the Marcos administration’s goal of building

one million housing units annually until 2028 is a “very difficult target.”

“One million (units) is very ambitious considering that the past two years, we’ve only been able to do 2,000 (units) per annum. And out of that 2,000, SHDA developers are responsible for 80%,” Mr. Dayao said.

“Within our membership, we do have the biggest developers in the country, and we are really excited and really like to participate in nation building,” he added.

SHDA, established in 1970, is the largest industry group for housing and urban development. The group has 350 members across eight regional chapters. — **Revin Mikhael D. Ochave**

# Revenue effort falls in Q1 as gov’t blames shift to quarterly VAT

REVENUE EFFORT — a measure of the government’s efficiency in raising revenue — fell to 14.6% of gross domestic product (GDP) in the first quarter, behind the year-earlier rate of 15.9%, the Department of Finance said.

“If we compare it to the first quarter of last year, it’s slightly lower. But what we should consider is there’s a change in the disbursement; the collection of value-added tax (VAT) is now quarterly,” Finance Undersecretary Zeno Ronald R. Abenoja told reporters on Friday.

Tax effort — which isolates revenue collected in the form of tax — was 12.8% of GDP in the first quarter, against 14.2% a year earlier.

The Bureau of Internal Revenue’s (BIR) revenue effort was 9% of GDP in the first quarter, down from 10.2% a year earlier.

The Bureau of Customs’ (BoC) revenue effort stood at

3.8%, unchanged from a year earlier.

Non-tax effort was 1.8% of GDP, also unchanged.

Finance Secretary Benjamin E. Diokno said the revenue ratios are “not comparable” to 2022’s when VAT collection was still monthly.

“We have to look at April numbers. So far, when we look at advanced numbers for April, it will show the collection has actually improved relative to last year,” Mr. Abenoja added.

The BIR said it collected P837.92 billion in the first four months of the year, exceeding its target for the period by 1.3%.

Customs reported that it surpassed its target by 6.29% for the four months to April, collecting P265.22 billion.

The National Government’s deficit-to-GDP ratio was 4.84% at the end of March, lower than the 6.41% from a year earlier and the 7.33% seen over the full year in 2022. — **Luisa Maria Jacinta C. Jocsion**

# Budget hike of 9.2% to P5.75T proposed for 2024

THE proposed 2024 national budget has been set at P5.75 trillion, up 9.2%, the Department of Budget and Management (DBM) said.

In a National Budget Memorandum, the DBM said that next year’s spending plan includes carryover items from previous years.

“The total disbursement program for 2024 is pegged at P5.55 trillion. Of this amount, an estimated P553.6 billion is attributed to prior years’ obligations which are set to be paid in 2024, while P4.99 trillion is intended for projected current-year disbursements,” the DBM said.

“Considering the P756.9 billion obligations to be paid in the succeeding year, the total cash-based budget for 2024 is, thus, set at P5.75 trillion, equivalent to 21.6% of gross domestic product (GDP)” it added.

Assumptions of government revenue for next year have been set at P4.18 trillion, or 15.7% of GDP. The projection represents a 12.2% increase from the P3.729 trillion projection for this year.

“The government will actively pursue several measures to further support revenue growth,” the DBM said.

It cited priority measures such as the Passive Income and Financial Intermediary Taxation Act (PIFITA) and the value-added tax (VAT) on digital service providers, among others.

Meanwhile, the P5.55-trillion disbursement program will account for 20.8% of GDP and is up 6.1% from this year’s disbursements, which are set at P5.23 trillion.

“Given the tight fiscal space amid fiscal consolidation and competing priorities, including mandatory expenses, such as personnel services expenditures and the National Tax Allotment of local government units, budgetary priorities shall be strictly aligned with the medium-term fiscal framework and the Philippine Development Plan,” it added.

According to the DBM, forward projections for succeeding budgets are P5.9 trillion in 2025, P6.4 trillion in 2026, P7.15 trillion in 2027, and P7.88 trillion in 2028. — **Luisa Maria Jacinta C. Jocsion**

## FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link [bit.ly/Budget051223](https://bit.ly/Budget051223)

## OPINION

# ChatGPT: A versatile AI model

(Second of two parts)

When ChatGPT 3.5 was released last year, it made global headlines for its ability to perform tasks such as analyzing professional contracts and complex spreadsheets. ChatGPT is a rapidly evolving text-based artificial intelligence (AI) that facilitates “human” interactions via its natural language responses. Despite its nascency, ChatGPT has already solidified its presence in various industries. Its myriad of functions (e.g., content creation, data analysis, and code generation) can help organizations enhance their products and services, streamline work processes, and refine customer service.

However, many are also deeply concerned about its use in business, education and various other sectors. In the first part of this article, we discussed the science behind Generative Pre-Trained Transformer (GPT), hot topics regarding its human aspect, its response biases, and potential business applications. In this second part, we discuss the practical ways ChatGPT can be used in business and the potential risks it presents.

## PRACTICAL BUSINESS USE CASES

With the ability of AI to automate several tasks, businesses can reduce their labor costs while simultaneously enhancing workflows. ChatGPT’s flexibility can support and possibly even enhance various corporate functions such as customer service, data analytics, sales and marketing, and finance.

Customer service. Given its text-based nature, ChatGPT can leverage its ability to customize responses based on user prompts

to facilitate a seamless user experience. The program’s versatility means that it can be incorporated into different platforms such as chatbots, e-mail, and SMS. ChatGPT can provide round-the-clock support, potentially becoming instrumental in the banking, healthcare and information technology (IT) industries.

Small- and medium-sized enterprises (SMEs) can capitalize on AI by setting up a chatbot that can interface with customers without needing human moderation. Since the AI will continue to

evolve through repeated customer interactions, the company can make use of the data for continuous improvement.

Data analysis. ChatGPT has a wealth of information to draw on, potentially making it an asset for tasks such as market research, research and development, and financial forecasts. Businesses will be able to analyze data more efficiently given its comprehensive set of information. A practical example would be ChatGPT’s capacity to break down complex code and generate bug fixes.

Sales and marketing. Sales and marketing are corporate functions that require a more personalized approach, and ChatGPT can address this by utilizing its natural language model to create bespoke solutions. Apart from generating SEO-friendly keywords to outlining drafts, ChatGPT can also produce personalized e-mails, blogs and video ideas.

## BUSINESS RISKS

Despite ChatGPT’s potential for streamlining operations, it can pose risks for organizations.

Given the nature of this AI and how it can evolve (i.e., it analyzes large data sets on the internet before generating a response based on the user prompt), security, accuracy and fairness are paramount concerns.

A potential pitfall for the AI lies in its primary competency — that it can facilitate more “human-like” interactions since humans are prone to error and subject to different biases. Its very strength can prove to be its weakness, since the conveniences it affords can also facilitate the spread of disinformation, ethical issues and copyright disputes.

Data accuracy. OpenAI, the company behind the program, acknowledged that the software produced erroneous and/or biased content. One of the program’s limitations is that its learning model was programmed in 2021, which means that it has little-to-no knowledge of developments since then. It is also worth mentioning that not all online information is accurate, proving to be a substantial constraint for ChatGPT. People have even claimed that the AI can “hallucinate” because it has populated user queries with false information, such as listing down incorrect credentials for public individuals.

Cybersecurity and data privacy. Its online nature makes ChatGPT vulnerable to cybersecurity attacks that make it a potential risk to businesses. The program can endanger one’s privacy because it can sift through a vast range of data accessible online. Businesses will have to deliberate whether the technology’s benefits outweigh its potential security risks. They must also be vigilant when it comes to the security of both themselves as well as their clients.

Bias. In the first part of the article, we discussed how ChatGPT has a category of

answers that consists of subjective responses. This inherent bias may deter corporations from assimilating it into their established work systems. There was a case wherein ChatGPT was asked which airline passengers could pose a risk, and it asserted that individuals who traveled to North Korea, Afghanistan, Iraq and Syria were the more prominent dangers. The learning model is continuously evolving, but it still needs some form of arbitration to avoid ethics and bias-related issues.

Ethics. In academia, there have been longstanding, divergent opinions when it comes to technological advancements, ranging from the archaic decision of whether smartphones should be allowed in class, to more current concerns, such as the ethics of using AI to accomplish assignments and/or examinations. The jury is still out as institutions have varied responses, with some universities mandating the return of in-person exams to safeguard against cheating, whereas others have started to delineate AI-specific guidelines. Plagiarism, however, remains a principal concern. The convenience of AI may exacerbate issues when it comes to the originality of work, whether in academia or corporations.

Intellectual property and copyright. In light of ongoing discussions that ChatGPT can replace, or at the very least, assist with certain types of work, it is vital to understand the legal repercussions. With copyright protection, the US Copyright Office will not register work that was generated by an AI. In accordance with US law, AI-generated output will either be a claimless work available in the public domain or considered a derivative work of the tools that the AI was developed upon. This raises

the question as to who the true owner is — the creators of ChatGPT or the user for whom the output was generated.

## AI IS HERE TO STAY

As one of many developing AIs, ChatGPT offers advantages and risks for personal users and organizations. It is also apparent that human intervention is necessary to truly leverage its benefits and mitigate its intrinsic shortcomings.

With the current technological climate though, it seems that businesses will no longer be able to turn a blind eye to the program. Similarly, OpenAI is not the only company making headlines when it comes to artificial intelligence as other companies are racing to develop their own versions. One thing is clear — AI is here to stay.

Technology is at the forefront of business change and learning how to leverage it is critical. ChatGPT has jolted the corporate landscape, presenting both challenges and opportunities for organizations. For companies considering the use of AI, it is vital to evaluate its role in their respective ecosystems. Ultimately, the biggest question is whether hypothetical returns will be enough to mitigate the potential risks.

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