ECCP wants longer validity for import clearances

THE European Chamber of Commerce of the Philippines (ECCP) proposed that the Philippines extend the validity of import clearances, which it said will provide relief to its members shipping in goods.

ECCP Vice-President Helen Grace Baisa said that as importers, European businesses are required to obtain clearances from the Bureau of Customs (BoC).

"You have to renew (some of them) on an annual basis," Ms. Baisa said. "But in the last couple of months, we requested that the BoC simplify that or perhaps to make the validity longer, because it's difficult."

She said that the ECCP has requested the current annual renewals to be valid for at least two years.

In an advocacy paper published this year, the chamber sought to rationalize regulatory processes such as the Certificate of Necessity to Import, as well as import quotas.

It also pushed for automatic approval of Sanitary and Phytosanitary Import Clearances from accredited countries of origin.

"At the same time, the ECCP has really pushed for the implementation of the National Single Window (NSW)," Ms. Baisa said.

"Of course, the Customs Modernization and Tariff Act is now in place and we are thankful for that. In fairness, BoC has quite improved. But the reason why we actually pushed for NSW is for the alignment of regulations," she added.

NSW is a web-based platform that allows parties involved in trade and transport to store standardized information to fulfill import, export and transit-related regulatory requirements.

In its advocacy paper, the ECCP said that the operationalization of the NSW will address the lack of communication between government agencies, combat smuggling and corruption, and facilitate smoother flow of domestic and international trade in the country.

It added that inefficiency, red tape, and corruption are trade and investment barriers which discourage doing of business in and with the Philippines.

"The ECCP is, of course, trying to help when it comes to the increase in foreign direct investments in the country. So how would the government do this? As much as possible, ease of doing business should be there," Ms. Baisa said.

"What we really need is the simplification of the laws ... For so many years, there has been this misalignment when it comes to interpretations of the law," she said.

She added that companies involved in the manufacture, import and export or trading of food products and beverages rely on Republic Act 9711, while some companies rely on Customs Memorandum Circular 54-2014.

"However, sometimes or most of the time, a lot of customs inspectors are asking for way more documents. It is okay if the importing party is basically new and has like a red flag, but sometimes even those that do not are asked for more documents," she added. — **Justine Irish D. Tabile**

PHL seeking $600-M WB loan

THE PHILIPPINES is seeking a $600-million loan from the World Bank (WB) to support climate resilience efforts and promote green investment.

According to a document uploaded to the World Bank website, the loan aims to "support the Government of the Philippines' reforms to accelerate the economic recovery and boost medium-term growth; and protect the environment and improve climate resilience."

This would be the lender's second sustainable recovery development policy loan to the Philippines.

In June, the World Bank approved the first sustainable recovery development policy loan worth $750 million.

"Climate change poses major risks to growth and development in the Philippines and will affect the country's ability to meet its development goals," the bank said.

"The country is exposed to frequent natural disasters and the impacts of climate change, which could cause severe economic and fiscal shocks and threaten the country's socio-economic development," it added.

The World Bank estimates that greenhouse gas emissions are expected to quadruple by 2050.

The proposed financing will support reforms that target increased investment in public services, renewable energy, infrastructure and green jobs, which will "accelerate economic recovery and boost long-term growth."

It will also finance initiatives to reduce and recover more plastic waste, promote green transport through electric vehicles, encourage the use of green goods and services in procurement, and enhance the resilience of the Philippine Crop Insurance Corp. in order to better protect farmers from climate risk.

The World Bank board will take up the loan proposal on May 31, 2024.

Separately, the World Bank said it approved a $500-million loan to the Philippines for climate disaster management for schools, health institutions, and communities.

In a statement issued on Nov. 17, the bank said the Philippines' disaster risk management and climate development policy loan with a catastrophe deferred drawdown option can be "quickly drawn upon when major natural disasters or health crises hit, minimizing the impact on the economy and long-term development."

"The real benefit of this support is its ability to rapidly deliver crucial services — such as healthcare, shelter, and food — to those most impacted by disasters or climate events," Ndiamé Diop, the World Bank's Country Director for the Philippines, said.

The bank said fund releases may be triggered with a state of calamity declaration due to a natural disaster or public health emergency.

"The full amount of this financial support will be available for three years, giving the Philippine government immediate access to funds when they need it, enabling it to better manage the cost of shocks and protect the Philippine population," it said.

"The financial support has a revolving feature, and the three-year drawdown period may be renewed up to four times, for a total maximum period of 15 years," it added.

In 2022, the World Bank was the Philippines' third-largest source of official development assistance (ODA). It accounted for 21.18% of the ODA portfolio, equivalent to $6.86 billion, through 29 projects and programs. — **Luisa Maria Jacinta C. Jocson**

Pag-IBIG sets records anew, releases nearly P51B in cash loans

Pag-IBIG Fund disbursed P50.79 billion in cash loans in the last ten months, breaking its record for the highest amount of cash loans released for any January to October period. The amount released benefitted 2,281,042 Pag-IBIG Fund members, also a record high.

From January to October, the amount of short-term loans released by the agency increased by 12 percent or P5.5 billion compared to the P45.29 billion released during the same period in 2022. The number of members assisted through the program also increased by 6 percent or 127,494 more than the 2,153,548 members from the previous year as more members utilized the agency's online channel, the Virtual Pag-IBIG, to apply for cash loans. During the period, 743,362 members filed their loans online, an increase of 266,281 borrowers or 56% percent year-on-year.

"We are happy to report that Pag-IBIG Fund continues to provide Filipino workers with assistance on their immediate financial needs through our cash loans. The record-high amount of loans we released, as well as the highest ever number of members aided through these loan program, show that our short-term loans are among the top choices of Filipino workers in gaining additional funds for their needs. All these are part of our efforts in heeding the call of President Ferdinand Marcos, Jr. to provide the best service to the Filipino people," said Secretary Jose Rizalino L. Acuzar, who heads the Department of Human Settlements and Urban Development (DHSUD) and the 11-member Pag-IBIG Fund Board of Trustees.

Pag-IBIG Fund's Short-Term Loan Program includes the agency's Multi-Purpose Loan (MPL) and Calamity Loan. Under the Pag-IBIG MPL, qualified members can borrow up to 80 percent of their total Pag-IBIG Regular Savings, which consists of their monthly contributions, their employer's contributions, and accumulated dividends earned. The proceeds can be used to pay for tuition fees, medical expenses, minor home improvement, a family trip, or even serve as business capital. Borrowers may choose between a 24 or 36-month payment term, with the first payment deferred for two months. The Pag-IBIG Calamity Loan, on the other hand, is available to members residing or working in areas declared under a state of calamity. In the past years, the agency has returned more than 90 percent of its income, mostly derived from interest on loans, to members in the form of dividends.

Of the total amount of cash loans released by the agency, P48.32 billion were in the form of Pag-IBIG MPLs which helped 2,131,435 members, while P2.48 billion were in the form of Calamity Loans which in turn aided 149,607 members.

Pag-IBIG Fund Chief Executive Officer Marilene C. Acosta, meanwhile, cited the reliability and ease of access in availing the Pag-IBIG's Short-Term Loans as the main drivers for its strong growth. She further noted that with more members applying for loans using the Virtual Pag-IBIG, the amount of cash loans released by the agency in January to October from online applications surged to P16.65 billion, an increase of P6.51 billion or a 64% increase year-on-year.

"We at Pag-IBIG Fund recognize that each and every year, millions of our members rely on our Pag-IBIG MPL for their immediate financial needs. That is why we have made the application for our cash loans more accessible and easier for our members. Today, our members can easily and conveniently apply for these loans through many channels, which include their employers or at any of our more than 200 branches nationwide. Members may now also apply for a cash loan anytime, anywhere by using our online channels, the Virtual Pag-IBIG or the Virtual Pag-IBIG Mobile App. Our members can rest assured that our programs shall always be reliable, and that we shall continuously find ways to make their benefits accessible them," Acosta said.

OPINION

Innovating for green and sustainable growth

SUITS THE C-SUITE

CHERYL EDELINE C. ONG *and* ANNE E. MOMONGAN-LIM

With the Philippines undergoing rapid urbanization, industrialization, and environmental degradation, the government is taking the initiative to steer the country towards green growth and sustainable development. To be globally competitive, the government and businesses alike must prioritize innovative approaches, fostering technological advancement, and implement incentive mechanisms that promote environmental protection while driving long-term economic growth.

As such, the government has been actively ramping up efforts to encourage new and current investors to support this green and innovative drive through government-led incentive programs such as the Strategic Investment Priority Plan (SIPP) and the incentives under the Renewable Energy Act.

For business owners and investors, the SIPP is a crucial policy that serves as a roadmap and guide to identifying priority sectors and industries that play a pivotal role in achieving the country's development goals, including the creation of employment opportunities and export growth.

This is the fourth article in our series following the 2nd SGV Tax Symposium, which focused on how a sustainable and effective tax ecosystem can advance the sustainability agenda for both the public and private sectors. In one of the discussions by the Board of Investments, the speaker presented the SIPP goals for nation building briefly covered below.

THE LABOR-INTENSIVE ECONOMY

According to the Department of Finance (DoF), the unemployment rate in the first eight months of 2023 improved to 4.6% compared to the 5.3% rate from a year earlier. This is a positive development in a labor-intensive country. It is recognized that the workforce plays a vital role in growth and development. With a population of over 118 million in 2023, the Philippines presents a unique opportunity for labor-intensive industries to flourish. Noteworthy though is that being labor-intensive may also be the reverse of technological advancement; thus, it is a challenge to strike a balance between technological innovation and human involvement.

GLOBALLY COMPETITIVE INFRASTRUCTURE

Through the SIPP, the current administration acknowledges the need to hasten the transformation into a modern and efficient economy with highly developed infrastructure, such as efficient transportation systems, roads, bridges, and airports.

The National Economic and Development Authority (NEDA) in March announced that the administration approved high-impact infrastructure flagship projects worth P9 trillion, in line with the "Build Better More" infrastructure program.

Investors may want to delve into projects that will provide adequate infrastructure to promote and support the movement of goods and services across the country, thus reducing transportation costs and improving overall efficiency. Globally competitive infrastructure is also going to manifest in improved healthcare facilities, the availability of affordable housing, and enhanced education.

TECHNOLOGY

One of the focus areas of the SIPP is technology advancement and innovation. By embracing technology advancement, the Philippines seeks to develop a competitive edge, attract digital investment, foster entrepreneurship, and build a strong digital economy. The Department of Trade and Industry (DTI) is likewise pushing for the acceleration and growth of innovation.

As technology will depend on favorable factors, the focus areas for improvement ought to include lowering the cost of power and stabilizing the supply of energy, regardless of location in the Philippines.

CLIMATE CHANGE

With its goal of fostering green growth, the Philippines aims to position itself as a regional hub for carbon-reducing activities. The growth of the renewable energy sector and the transition to cleaner and more sustainable energy sources can be further promoted by making investors and stakeholders alike more aware of the fiscal and non-fiscal incentives on offer for those who invest in energy efficiency projects.

During the 2nd Tax Symposium, the DTI speaker discussed the energy efficiency projects (EEP) under the 2022 SIPP. In relation, BoI Memorandum Circular 2023-006 was issued as an amendment to the Specific Guidelines on Registration of Energy Efficiency Projects covered by Republic Act No. 11285.

Under the circular, for the self-financed, the EEP shall only be entitled to the Income Tax Holiday (ITH) incentive and duty exemption on imports of capital equipment, raw materials, spare parts and accessories. The ITH incentive is limited to the prescribed ITH entitlement period under the CREATE Act or until the recovery of 50% of its capital investment, excluding cost of land and working capital of the registered EEP, whichever comes first.

STRATEGIC INVESTMENT PRIORITY PLAN INCENTIVES

It can be inferred from the SIPP that these objectives for nation building are aligned with the global shift towards a sustainable and green economy through innovation and technological advancement. Businesses can be partners of government and align their investments and projects with the administration's goal for the Philippines to be a regional hub for globally competitive, innovation- and sustainability-driven industries. Amplifying one's knowledge of priority sectors vis-à-vis incentives can lead to opportunity and to expansive industries — these include electric vehicles, smart/high-tech light manufacturing, high-tech agriculture, renewable energy, and data centers.

To highlight these attractive incentives, PEZA presented during the symposium that the incentives granted to industries identified by the SIPP include the enjoyment of a four to seven-year ITH. The incentives will depend on the location, the industry, and whether the company is a domestic or export-oriented enterprise as provided under the CREATE law.

After the period of enjoyment, export enterprises can avail of a special corporate income tax of 5% or enhanced deductions. On the other hand, domestic enterprises are entitled to the latter after the ITH period. These deductions are in addition to the allowable ordinary and necessary deductions under the Tax Code, as amended. In addition, companies eligible are entitled to duty and VAT exemption for imports of capital equipment, raw materials, spare parts, and accessories directly and exclusively used in the registered activity. Local purchases directly and exclusively used in the registered activity are also entitled to VAT zero rating.

OTHER GREEN INCENTIVES AVAILABLE

Aside from the SIPP, the Philippines has placed a spotlight on the incentives under the Renewable Energy Act. As an overview, industries eligible under this act are entitled to an ITH of seven years from the start of commercial operations. The maximum period that can be availed of is 21 years, inclusive of the initial seven years. Further, after the ITH period, a 10% corporate tax on net taxable income may be availed of, provided that the savings must be passed on to end-users in the form of lower power rates.

When evaluating the incentives offered in the Philippines, businesses contemplating investment may need to carefully assess the available options to determine which are the most advantageous for their specific needs. Each company will have to consider the various applicable incentives and determine which can provide them with greater benefits.

The Philippines, being rich in natural resources including renewable sources, and having a pool of talented workers, is making strides towards sustainable development by leveraging innovative solutions and incentivizing green practices. By harnessing these incentives and supporting ongoing innovation, the Philippines is poised to become a regional leader in green growth and a model for other countries seeking sustainable development.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the authors and do not necessarily represent the views of SGV & Co.

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