Saudi Arabia offers tax breaks for firms moving regional HQs to Riyadh

RIYADH — Saudi Arabia said on Tuesday it will offer tax incentives for foreign companies that locate their regional headquarters (HQs) in the kingdom, including a 30-year exemption for corporate income tax.

The world's top oil exporter announced in February 2021 plans to cease awarding government contracts to companies whose regional headquarters are not located in the kingdom by Jan. 1, 2024.

The ultimatum, part of efforts by Crown Prince Mohammed bin Salman to wean the economy off oil by creating new industries that would generate jobs for Saudis, has escalated the kingdom's competition with regional business hub the United Arab Emirates.

The tax exemption package for regional headquarters includes a zero percent rate for the income tax of the regional entity and for the withholding tax on approved activities of those entities for 30 years, state news agency SPA reported.

International companies will benefit from the tax exemption package starting from the date their licences are issued, it added.

The program has so far attracted 200 foreign companies, Saudi Investment minister Khaled Al-Falih was quoted as saying.

"The new tax exemptions granted on regional headquarters activities will give .... international companies in the kingdom more clarity of vision and stability," Saudi Finance Minister Mohammed Al-Jadaan said, according to SPA. "We look forward to welcoming more international companies to participate in projects in all sectors, including mega projects, and our preparations to host major events such as the Asian Winter Games in 2029, and the Expo 2030," Mr. Jadaan added.

Foreign companies have scrambled to meet the Saudi condition to relocate their regional headquarters after the kingdom said in October the deadline will be enforced.

However some companies have raised concerns over the regulatory framework, including taxation.

Foreign firms have for years used neighboring United Arab Emirates as a springboard for their regional operations, including for Saudi Arabia. — ***Reuters***

US SC wary of upending tax on Americans' foreign earnings

WASHINGTON — US Supreme Court (SC) justices on Tuesday appeared hesitant to upend a tax on Americans who have invested in certain foreign corporations, as they pondered the meaning of "income" in a case that could undermine efforts by some Democratic lawmakers to impose a wealth tax on the very rich.

The justices heard arguments in an appeal by Charles and Kathleen Moore — a retired couple from Redmond, Washington — of a lower court's decision rejecting their challenge to the tax on foreign company earnings, even though those profits have not been distributed to shareholders.

The case also has drawn attention because some Democratic lawmakers had urged Justice Samuel Alito to recuse himself because of his ties to one of the lawyers for the plaintiffs. Mr. Alito refused.

The one-time "mandatory repatriation tax" (MRT) is part of a Republican-backed tax law signed former President Donald Trump in 2017. It applies to owners of at least 10% of a foreign company controlled by Americans. At issue in the case was whether this tax on unrealized gains is allowed under the US Constitution's 16th Amendment, which enabled Congress to "collect taxes on incomes."

The Moores, backed by the Competitive Enterprise Institute and other conservative and business groups, contend that "income" means only those gains that are realized through payment to the taxpayer, not a mere increase in the value of property.

Mr. Alito, a member of the court's 6-3 conservative majority, pressed US Solicitor General Elizabeth Prelogar, arguing on behalf of President Joseph R. Biden's administration, about the limits of congressional taxation power over wealth. Mr. Alito gave the example of a startup company founder who began a business in a garage and decades later is a billionaire. "The appreciation in stock value over 20 or 30 years, could Congress say we want to reach back and tax all of that as the economic gain between two periods of time?" Mr. Alito asked.

The Moores are seeking a refund of nearly $14,729 in taxes that the law required them to pay as minority shareholders in a company in Bangalore, India, called KisanKraft that supplies equipment to farmers.

Some justices signaled the possibility of upholding the tax by attributing the income earned by the foreign company to its shareholders.

"Even assuming or leaving open whether realization is a constitutional requirement, there was realized income here to the entity that is attributed to the shareholders in a manner consistent with how Congress has done that and this court has allowed," conservative Justice Brett Kavanaugh told Ms. Prelogar.

Some justices expressed concern that a ruling favoring the Moores could imperil a wider array of tax code provisions including those related to other business entities such as partnerships, limited liability companies and S-corporations.

"Your definition, I think, would affect the government's ability to tax ... those individual shareholders," liberal Justice Sonia Sotomayor told Andrew Grossman, an attorney for the Moores.

The Justice Department has said that a ruling by the Supreme Court invalidating the mandatory repatriation tax could cost the US government $340 billion over the next decade — and potentially far more if the decision invalidates other tax provisions as well.

Such a ruling also could thwart legislative proposals favored by some Democrats, including Senator Elizabeth Warren, for a tax on the net worth — meaning all assets and not just income — of super-rich Americans.

A ruling is expected by the end of June.

CALL FOR RECUSAL

The case became enmeshed in the ongoing debate over the ethical conduct of the justices amid revelations about issues including undisclosed luxury travel funded by wealthy benefactors.

Democratic senators urged Mr. Alito's recusal because David Rivkin, Jr., one of the lawyers for the Moores, co-authored *Wall Street Journal* articles in which Mr. Alito both defended the court and argued that Congress lacks power to regulate the Supreme Court. Senate Democrats have pursued ethics legislation that would apply to the court.

Mr. Rivkin attended Tuesday's argument but did not take part. The senators argued that Rivkin's access to Mr. Alito and his efforts to help him "air his personal grievances" cast doubt on the justice's ability to fairly judge the case. Mr. Alito has said Mr. Rivkin's role in the articles was "as a journalist, not an advocate." — ***Reuters***

Tariffs,
from S1/1

without relying on the monetary response or cure from our central bank," Mr. Balisacan said.

Last month, the Bangko Sentral ng Pilipinas (BSP) kept its benchmark interest rate at a 16-year high of 6.5%. The BSP raised borrowing costs by a total of 450 basis points (bps) from May 2022 to October 2023 to tame inflation.

Meanwhile, analysts said headline inflation may further decelerate in December to within the BSP's 2-4% target.

"After 20 months staying above BSP's target range of 2-4%, we expect headline inflation in December 2023 to be within the target range," Maybank Investment Banking Group said in a note.

The bank sees Philippine inflation averaging at 6% this year, before easing to 3.5% in 2024.

"The recent trend in headline and core inflation enhanced our view that BSP will keep interest rate at 6.5% during the last monetary policy meeting for the year, scheduled on Dec. 14," Maybank said.

BSP Governor Eli M. Remolona, Jr. earlier said the Monetary Board intends to keep rates tighter for longer until the downtrend in inflation has become more evident.

He also said rate cuts are not on the table this year, as inflation may still pick up in the second quarter of next year.

Pantheon Macroeconomics said headline inflation may hit 4% this month, barring any unforeseen supply shocks, as base effects will remain favorable until January.

"We're sticking to our forecast for a big slowdown in average inflation next year to 2.8% from 6% this year," it said in a note.

However, Maybank noted there are still upside risks to the inflation outlook such as the El Niño weather event, which may cripple agricultural production and supply, and higher minimum wage adjustments.

Broader geopolitical tensions in the Middle East and further production cuts in global oil output next year may also risk domestic transport inflation to pick up again, it added.

'MOST EXPOSED'

In Asia, the Philippines is the most vulnerable to spikes in food and oil prices, Nomura Global Markets Research said in a report.

"Within Asia, the Philippines is the most exposed, as food and energy account for 43.9% of its CPI basket (rice alone has an 8.9% weighting), and the absence of fuel subsidies implies a direct pass-through to consumers," Nomura said.

It also said that in every 10% increase in oil prices, there would be a 0.4-percentage-point rise in headline inflation.

"Fiscal policy and supply-side interventions will likely be the first lines of defense. The role of monetary policy is limited in the face of supply-driven pressures but could be activated if second-round effects materialize," Nomura said.

"This is especially true in the Philippines, where BSP follows its inflation mandate more strictly," it added. — **Keisha B. Ta-asan**

Nvidia to develop new chips that comply with US export regulations

SINGAPORE — Nvidia will continue to develop a new set of products that comply with US government regulations involving exports of high-end chips to China, its chief executive officer Jensen Huang said on Wednesday.

The California-based artificial intelligence (AI) chip designer has commanded more than a 90% share of China's $7-billion AI chip market, but analysts have said tightening US curbs on chip exports are likely to create opportunities for Chinese rivals to make inroads. "Nvidia has been working very closely with the US government to create products that comply with its regulations," Mr. Huang told reporters in Singapore at a news conference.

The company warned during its November earnings that it expects a steep drop in fourth quarter sales in China in the wake of the new US rules.

Reuters last month reported Nvidia had told customers in China it was delaying the launch of a new AI chip it designed to comply with US export rules until the first quarter of next year.

Mr. Huang also said on Wednesday the company was in talks with Singapore about potential big investments. — ***Reuters***

Education,
from S1/1

"We welcome our continuous participation in large-scale international learning assessments as this provides us measurement of the impact of the pandemic on learning," it said, calling for data-driven decisions in education governance.

Meanwhile, the Commission on Higher Education (CHED) said it is considering phasing out teacher education programs in poor-performing teaching education institutions (TEIs).

"The Commission has created a Technical Working Group and developed guidelines for the monitoring and evaluation process that will lead to the phasing out of teacher education degree programs in poor-performing TEIs in order to address teacher quality issues that ultimately influence learning outcomes," it said in a statement following the release of the PISA results.

The CHED said it plans to engage Centers of Development and Centers of Excellence in teacher education, as well as expand a technical panel for teacher education to include Department of Education (DepEd) curriculum development and learner assessment specialists.

In the 2022 PISA, the average mathematics score for 15-year-old Filipino students was 355 points, way lower than the global average of 472 points and higher by just two points from the national average in 2018.

The Philippines' average score for science in 2022 dropped by only one point to 356 from 357, placing the country third to last globally in mean science performance among its peers.

Its literacy score increased to 347 points from 340 points — the country's best performance last year — but it was still way lower than the global average reading score of 476 points.

Test scores need to hit at least a 20-point improvement to address learning losses of at least a year's worth of schooling, according to the OECD, which does not consider one to two-point changes significant.

Ahead of the 2022 PISA results, the DepEd said, it was "not expecting to see high scores."

Vice-President and Education Secretary Sara Duterte-Carpio said PISA results "are not merely a reflection of our education system" but also of the country's "collective efforts, investments, and most importantly our commitment to education and the future we envision for our children."

"As such, this is a call to action, a call to our collective responsibility as a nation," she said in a video statement during a PISA conference, where she heavily touted the education agency's programs to address the learning challenges in the Philippines, which was among the last countries to reopen schools following a coronavirus pandemic.

She touted the "Matatag Curriculum," which revised the K-to-10 program to put focus on literacy and math skills, as well as other programs such as the "Catch-up Fridays" and the national reading, science, and mathematics program.

ACT Teachers Party-list Rep. France L. Castro called on the government to increase the education budget to at least 6% of the Philippine gross domestic product "with a thrust for building more classrooms, hiring more teachers and increasing their salaries as well as adopting a curriculum that would make learning easier for students and more attuned to the Philippine situation."

"The PISA results also show that the militaristic and 'do as I say without questions asked-style' in the DepEd now is detrimental to the learning of students," she said. "That allocating funds for surveilling students and teachers is wrong since it deprives funds to hire more teachers or build more classrooms."

Ms. Duterte, who in August said, "education is intertwined with national security," has received backlash in recent months for initially seeking a total of P650 million in confidential and intelligence funds divided between the DepEd (P150 million) and her office as vice-president.

Confidential funds are used for surveillance operations within civilian government agencies, while intelligence funds are used for intelligence-gathering activities by uniformed personnel.

Senator Sherwin T. Gatchalian, chair of the Senate panel on education, called for the swift passage of the proposed ARAL Program Act, which seeks to allocate P10 billion for programs that would address pandemic-related learning loss and boost learners' access to well-designed remediation plans.

The Senate has already approved the bill on third and final reading last March.

Leonardo A. Lanzona, an economist at the Ateneo de Manila University, said education should be a crucial aspect of the country's goal to reach upper middle-income status.

"Learning affects productivity and wages. For a country that aspires to reach upper middle-income status, education will be crucial especially in an environment of accelerating technological changes," he said in a Facebook Messenger chat.

He said the education sector should heavily benefit from public-private partnerships (PPP). "When we speak of public investments and PPPs, education should be prioritized over infrastructure and other physical capital investments."

"The state of education in the Philippines demands immediate attention, collective effort, and a commitment to improvement so we can give our children the best learning experience that they deserve," PBED said.