Pharma industry targets bigger share of DoH drug procurement

By Justine Irish D. Tabile
Reporter

THE pharmaceutical industry said it is hoping to supply more drugs to the Department of Health (DoH) this year en route to hitting a 10% growth target to P300 billion for market size.

The Philippine Pharmaceutical Manufacturers Association (PPMA) made the projection on the sidelines of the ProPak Philippines 2024 briefing.

PPMA President Higinio Porte, Jr. valued the Philippine pharmaceutical market at P275 billion last year.

"We are looking at an increase of 10% this year, just a little bit bigger than last year. We are looking at growing it to about P300 billion but that doesn't include imported vaccines, as those are separately procured by the government," Mr. Porte told reporters on Wednesday.

To achieve the target, Mr. Porte said that pharmaceutical manufacturers are seeking a bigger share of the DoH's drug procurement program.

Domestic manufacturers supply only 5% of the DoH's drug needs, with the rest imported.

"So the target in the next eight years is to bring it up to 50%. We are starting with anti-tuberculosis (medicine) as most of them are imported," he said.

Two members of the PPMA have put in bids to supply tuberculosis medication and have been issued notices of award, he said.

Mr. Porte said the industry cannot yet produce human immunodeficiency virus (HIV) treatments domestically. The government dispenses free drugs to HIV sufferers at selected hospitals.

"Unfortunately, the anti-HIV products are still patented so we cannot just manufacture them. Aside from that, we do not have the raw materials to do that," he said.

"So the way to go is to partner with the technology innovators and import semi-finished anti-HIV tablets or capsules and then we will package it here so they can be considered local," he added.

The PPMA is also seeking pharmaceutical procurement programs to give domestic producers more preferential treatment.

"Currently, what the government is promoting is for local manufacturers to match the price of the foreign manufacturers," Mr. Porte said, noting that the current preferential policy for Philippine producers applies if their price is within 15% of the bids of foreign manufacturers.

"But we don't want it to be that way ... what we want is for the government to prefer local manufacturers. That is what we are pushing for," he added.

By the next decade, domestically produced pharmaceutical products are projected to account for 60% of the market.

"Right now, only 32% of the value of the market consists of local drugs. So... by 2030, we want 60% of that to be from local," Mr. Porte said.

"And the biggest opportunity for that is in the government requirements because the implementation of Universal Health Care will benefit a lot of Filipinos; therefore, the government will be needing more medicine," he added.

Mr. Porte said the 60% goal has been capped because the industry cannot produce all of the Philippines' needs.

"We do not have capability to produce biotechnology products and if we want to invest in that, there will be no economies of scale," he said.

"For example, vaccines. We cannot produce vaccines here in the Philippines and sell it to other countries because vaccines produced in other countries are a lot cheaper," he added.

Pharmaceutical manufacturers also said that the global economic crisis has caused packaging materials to increase in cost by up to 30%.

"These are being absorbed by the manufacturers because the price increase that we can implement at most is only 5-8%. So we absorb these price increases for the moment, but we are expecting for the economy to stabilize and all the prices of the raw materials will follow through," Mr. Porte said.

The 4th International Processing and Packaging Trade Event for the Philippines or ProPak Philippines, set for Jan. 31 to Feb. 2, is expected to attract 200 exhibitors.

For this year's edition, ProPak Philippines will be expanding its focus from food and beverages to include pharmaceutical and nutraceutical industries.

Tourism, construction expected to drive growth this year — NEDA

ECONOMIC GROWTH this year will be driven by a rebound in tourism and construction, the National Economic and Development Authority (NEDA) said.

"In our case, we have drivers of growth that we are pushing for, like international tourism. We think that that will be another driver of growth this year. And then of course, construction in terms of the Build Better More and our public mass housing project... will be a big factor in accelerating growth," Undersecretary Rosemarie G. Edillon said on the sidelines of a briefing on Wednesday.

The government is targeting 6.5-7.5% growth this year, reducing the upside from its previous target of 6.5-8%.

In the nine months to November, gross domestic product (GDP) grew 5.5%. To meet the lower end of the government's 6-7% goal for 2023, the economy would need to grow by 7.2% in the fourth quarter.

The Philippine Statistics Authority will release fourth-quarter and full-year 2023 GDP data on Jan. 31.

The Department of Tourism has said that the tourism industry generated P404.02 billion in revenue in the 10 months to October, up 190%.

The government hopes to spend the equivalent of 5-6% of GDP on infrastructure annually.

Most multilateral institutions' growth forecasts for the Philippines for 2024 would miss the government's target. The World Bank expects GDP to grow by 5.8% while the Asian Development Bank sees growth expanding 6.2% this year.

Ms. Edillon also noted the potential of the blue economy. "It's untapped. It consists of so many economic activities that can be done along the shore, the coast, and the waters themselves."

Last month, the House of Representatives approved on second reading a bill that seeks to establish a framework for a blue economy that would sustain marine ecosystems and resources.

Ms. Edillon said that the blue economy could be worth more than a trillion pesos.

"We first need to have that framework to develop the blue economy. So that will include the resorts that will include the diving spots; the maritime sector, which will include ocean energy. We want to make sure that first of all, it's guided by the framework," Ms. Edillon said.

"And of course, it should support sustainable development, because we want the next generation to still have this resource," she added. — **Luisa Maria Jacinta C. Jocson**

Investments conferred CREATE incentives valued at P1.1 trillion

PROJECTS benefiting from incentives under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law generated investments exceeding P1 trillion, the Department of Finance (DoF) said.

In a social media post, the DoF said that the CREATE Act attracted P1.1 trillion worth of investments between August 2021 and December 2023. The projects are expected to generate 102,304 jobs.

The Fiscal Incentives Review Board approved 51 applications involving capital worth P843.9 billion, projected to generate 33,278 jobs.

Meanwhile, 881 applications were approved by investment promotion agencies, generating P207 billion in investments and expected to create 69,026 jobs.

Signed into law in 2021, CREATE was designed to provide relief to businesses recovering from the pandemic through reduced corporate income tax rates and rationalized fiscal incentives.

The CREATE MORE bill is currently being considered by the House of Representatives, to better harmonize CREATE with its implementing rules and regulations. — **Luisa Maria Jacinta C. Jocson**

PHILIPPINE STAR/EDD GUMBAN

Gov't urged to move faster in setting up jobs plan council

By John Victor D. Ordoñez
Reporter

THE GOVERNMENT must move faster in assembling the council tasked with executing the plan to create quality jobs, with projections of growing unemployment worldwide adding to the urgency, according to a labor group.

"Our policymakers now face the challenge of stimulating quality economic growth, growth that not only creates jobs but also improves working conditions, strengthens societal resilience and ensures sustainability," Jose G. Matula, president of the Federation of Free Workers (FFW), said in a Viber message.

"The FFW strongly advocates for the immediate constitution of the 'Trabaho para sa Bayan' council, ensuring tripartite representation."

In its 2024 World Employment and Social Outlook report published last week, the International Labour Organization (ILO) said the global unemployment rate is expected to grow to 5.2% this year, from 5.1% last year.

It said about two million more people are expected to be looking for jobs this year.

The ILO also urged countries to boost productivity as about 58% of workers worldwide remain engaged in informal work.

In September, President Ferdinand R. Marcos, Jr. signed into law a bill authorizing the creation of a national employment roadmap and an inter-agency body to draft a national strategy for job generation.

The law aims to boost the competitiveness of the workforce through upskilling and reskilling.

National Economic and Development Authority Secretary Arsenio M. Balisacan has said the law will "facilitate stronger coordination and partnership among relevant agencies and stakeholders for the efficient implementation of employment programs."

The unemployment rate eased to an 18-year low in November of 3.6%, the Philippine Statistics Authority said.

Job quality remained unchanged that month, as the underemployment rate, the share of the employed who are seeking more work or longer hours, stayed at 11.7%.

"The FFW urges the Philippine government to align with international standards, focusing on creating a more equitable society through improved employment and labor practices," Mr. Matula said.

OPINION

New year, new tax rules

TAXWISE OR OTHERWISE
RACHEL DICIANO-SISON

As we welcome 2024, we have a new law, the Ease of Paying Taxes (EoPT) Act or Republic Act No. 11976. This is a welcome development as the new law introduces reforms which aim to modernize tax administration and improve efficiency by providing mechanisms to encourage easy compliance on the part of taxpayers.

The EoPT law will be effective on Jan. 22, 15 days after its publication in the *Official Gazette*.

Significant highlights of the EoPT law are as follows:

Classification of taxpayers

For purposes of responsive tax administration, the EoPT law classified taxpayers into four groups, depending on their gross sales.

Micro taxpayers are those with gross sales of less than P3 million. Those with gross sales of P3 million to less than P20 million are small taxpayers, while medium taxpayers are those with gross sales of P20 million to less than P1 billion. Taxpayers with gross sales of P1 billion or more are considered large taxpayers.

'File and pay anywhere' mechanism

Unlike the existing rule which restricts the filing of returns and payment of taxes with the revenue district office (RDO) where the taxpayer is registered, the EoPT law introduced the "file and pay anywhere" mechanism.

Under this mechanism, tax returns may be filed and tax paid, either electronically or manually, at any authorized agent bank, RDO through the Revenue Collection Officer or authorized software provider.

This development will result in convenient filing of returns and payment of taxes and the elimination of the 25% surcharge on wrong-venue filings.

Simplified rules on tax withholding

Under the current withholding tax rules, the obligation to withhold arises at the time an income payment is paid, becomes payable, or is accrued or recorded as an expense or asset, whichever is applicable in the payor's books, whichever comes first.

The timing of withholding of tax has been simplified under the EoPT law with the introduction of a new provision under the Tax Code [Section 58 (C)] which states that the obligation to deduct and withhold tax arises at the time the income has become payable.

Another significant change under the EoPT law is the repeal of Section 34(K) of the Tax Code on the requirement to withhold taxes as a requisite to claim deductions from gross income.

Changes in VAT rules and documentation

With the objective of having simplified rules and documentation for Value-Added Tax (VAT) purposes, the EoPT law provided for a uniform tax base (gross sales) and documentation (VAT invoice) for all transactions, whether involving the sale of goods or services, or lease of property.

With these developments, VAT is due upon issuance of the invoice, regardless of the timing of collection.

To remedy the potential cash flow issue, the EoPT law allows taxpayers to deduct the output VAT remitted on uncollected receivables from their output VAT in the next quarter after the lapse of the agreed period to pay, subject to the following conditions: (1) the seller has fully paid the VAT on the transaction; and (2) the VAT component of the uncollected receivables has not been claimed as an allowable deduction.

On the invoicing requirements, the need to specify the business style of the purchaser for sales amounting to P1,000 or more has been removed. Further, an invoice with incomplete information is no longer a bar to claim input VAT provided the lacking information is not one of the essential ones, specifically the sales amount, VAT amount, name and taxpayer identification number (TIN) of buyer and seller and description and date of the transaction.

Classification of VAT refund claims

VAT refund claims are to be classified as low-, medium- and high-risk claims depending on the amount of the refund claim, tax compliance history, frequency of filing of refund claims, among others. Only medium- and high-risk claims are subject to the audit or other verification process of the Bureau of Internal Revenue (BIR).

Refund period for erroneously paid/collected taxes

The prescriptive period to file a claim for a refund is still two years from the date of payment. Note, however, that this prescriptive period will only be applicable to administrative claims for refund, *i.e.*, the filing with the BIR, and will no longer apply to judicial claims.

In addition, refund claims must be acted upon by the BIR within 180 days from the taxpayer's submission of complete documents. Judicial appeal must be made within 30 days from either (1) the receipt of the full or partial denial of the claim; or (2) from the lapse of the 180-day period for the BIR to act on the refund.

Other changes in the Tax Code brought about by the EoPT law includes the five-year period for preservation of books of account, an adjusted threshold for the mandatory issuance of an invoice from P100 to P500 in sales, the reduction of penalties (surcharge, interest and other penalties for violating the Tax Code) for micro and small taxpayers, and the removal of the business style requirement as well as payment of the annual registration fee in the taxpayer's registration.

While the implementing rules and regulations are yet to be issued, being due within 90 days from effectivity of the law, I am optimistic that with these tax reforms introduced by the EoPT law, the legislative intent of encouraging tax compliance from the taxpayers will be achieved to improve tax collections.

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.

RACHEL DICIANO-SISON is a senior manager at the Tax Services department of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers global network.
rachel.d.sison@pwc.com