PCCI seeks swift passage of CREATE MORE bill

THE PHILIPPINE Chamber of Commerce and Industry (PCCI) called for the immediate passage of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill, saying it will correct inconsistencies in the current law.

In a statement, the PCCI said the CREATE Act currently in force makes no distinction between an export enterprise and a domestic market enterprise in the context of separate customs territories.

"This situation disincentivizes local suppliers of manufacturers inside freeport zones," PCCI President Enunina V. Mangio said in the statement.

She added that the law puts manufacturers/exporters at a disadvantage because they absorb the value-added tax passed on them by their local suppliers.

"Which they pass on to the consumers making them uncompetitive in the global market," she said.

The PCCI said domestic enterprises have stopped availing of their incentives, including the 5% tax on gross income earned.

The CREATE MORE bill, which seeks to cut the corporate income tax to 20% from 25%, was approved by the House of Representatives on final reading in March and has been passed to the Senate.

The PCCI also declared support for CREATE MORE's goal of streamlining the tax refund process.

"(Value-added tax) refunds represent sums of money owed by the government to zero-rated taxpayers and investors, who had already paid the VAT upfront on their purchases or investment. This is taxpayers' money trapped with the government, idle, instead of being used to generate economic activity," PCCI director for Taxation and Investment Policy Benedicta Du-Baladad said.

She added that inefficiencies in the refund system have raised the cost of doing business.

"Amid the aggressiveness of the current administration to draw in foreign direct investment and strengthen the economy, we must be able to improve our absorptive capacity by easing and making the cost of doing business more competitive," Ms. Mangio said.

The PCCI also recommended providing Registered Business Enterprises in good standing with their respective Investment Promotion Agency an extension of indirect tax incentives which include duty exemption on imports, VAT exemption on imports, and VAT zero rating on local purchases. — **Adrian H. Halili**

ARTA targets 200 LGUs for one-stop shop compliance

THE ANTI-RED Tape Authority (ARTA) said it hopes to bring 200 local government units (LGUs) to compliance this year with the electronic Business One-Stop Shop (eBOSS) program.

ARTA Secretary Ernesto V. Perez said only 35 LGUs are fully compliant with eBOSS, with Baras, Rizal the most recent addition to the list.

Republic Act No. 11032 of 2018, or the Ease of Doing Business and Efficient Government Service Delivery Act had required LGUs to fully comply with eBOSS by June 17, 2021.

"We really have to step up... (LGUs) should have complied (in 2021) we just extended the deadline," Mr. Perez told reporters on the sidelines of a forum late Wednesday.

The eBOSS system streamlines procedures for obtaining local business licenses and permits via a single digital portal accessible on demand. It is one of ARTA's flagship programs.

"It's really an effective way to fight against red tape and also (a) mode of increasing revenue for the LGUs," he said.

He added that LGUs which have complied and incorporated the ARTA system have seen revenue growth.

"With a little more push from us, the Department of Information and Communications Technology, and the Department of the Interior and Local Government we can do it... we still have six (or) seven months," Mr. Perez said. — **Adrian H. Halili**

Farmers see reduced rice tariffs depressing palay farmgate prices

FARMERS said that the further reduction of rice import tariffs could dampen palay (unmilled rice) farmgate prices, and estimated the income lost to farmers at P33 billion

The Federation of Free Farmers (FFF) said in a statement that every P5 per kilogram drop in the retail price of the grain could bring down the palay farmgate price by P3 per kilo if "imported rice is being dumped into retail markets."

Finance Secretary Ralph G. Recto, on Monday, proposed to lower rice import tariffs to 17.5% from 35%, with the government seeking to bring down rice prices by 20% by September.

"Any new tariff reduction will be useless if our foreign suppliers jack up their prices, especially since they know that we have no choice but to buy their rice," FFF National Manager Raul Q. Montemayor said.

The FFF said that exporting countries took advantage of earlier tariff cuts by raising their prices. Most Philippine rice imports are shipped in from Vietnam or Thailand.

It added that the reduced tariffs had failed to diversify the Philippines' rice sources, as non-ASEAN (Association of Southeast Asian Nations) countries accounted for less than 4% of imports.

The Department of Finance (DoF) said that the further reduction in rice tariffs could potentially result in P10 billion in foregone revenue for the government.

"When government reduced tariffs on non-ASEAN rice imports from 50% to 35% starting in May 2021, rice retail prices actually rose. Savings from lower tariffs were simply pocketed by importers and middlemen and were not passed on to consumers," Mr. Montemayor added.

Executive Order No. 50 extended the reduced tariffs on rice imports until December. Rates were kept at 35%, regardless of the minimum access volume and country of origin.

"The main beneficiaries of decreased tariffs will be the relatively well-off, who can better afford to buy good-quality rice," Mr. Montemayor said.

"Tariff cuts are not needed since import prices are expected to go down soon anyway, as stated by Secretary Recto himself," he added.

Rice imports amounted to 1.97 million metric tons as of May 23, according to the Bureau of Plant Industry. — **Adrian H. Halili**


PHILIPPINE STAR/KJ ROSALES

NG debt,
from S1/1

Meanwhile, external debt went up by 1.3% to P4.71 trillion as of end-April from P4.65 trillion as of end-March. Year on year, foreign debt rose by 5.74% from P4.45 trillion.

"Although there was a net repayment of P32.91 billion in foreign loans within the month, the considerable depreciation of the peso caused a P109.31-billion upward adjustment in the local valuation of US dollar-denominated debt, partly offset by the P15.91-billion downward adjustment brought about by the opposite movement of third-currency debt," the BTr added.

External debt was composed of P2.25 trillion in loans and P2.46 trillion in global bonds.

Broken down, global bonds consisted of P2.07 trillion in US dollar bonds, P212.85 billion in euro bonds, P64.03 billion in Japanese yen bonds, P57.58 billion in Islamic certificates and P54.77 billion in peso global bonds.

Meanwhile, the NG's guaranteed obligations stood at P356.06 billion as of April, up by 2.89% from P346.04 billion in March. However, it dropped by 6.47% from P380.69 billion in the same period in 2023.

"The increment was due to the net availment of domestic guarantees amounting to P7.54 billion and the impact of peso depreciation on foreign currency-denominated guarantees amounting to P3.8 billion," the BTr said.

"On the other hand, third-currency adjustments against the US dollar trimmed P1.32 billion," it added.

Analysts noted that the peso depreciation contributed to the increase in debt as of end-April.

"This 0.61% increase from March is due to a combination of government borrowing and a weaker peso. Domestic debt grew slightly, impacted by new government security issuances and peso depreciation," Security Bank Corp. Chief Economist Robert Dan J. Roces said in a Viber message.

Mr. Roces said the higher external debt was "primarily due to the peso's depreciation inflating the value of dollar-denominated debt, outweighing a small decrease from other currencies."

In mid-April, the peso sank to the P57-per-dollar level for the first time since November 2022, which was also its worst close in 17 months at the time.

"Weaker peso exchange rate over the past two years could have also increased the peso equivalent of foreign debt," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message.

Mr. Ricafort said that outstanding debt could rise further after the government's dollar bond issuance in May and other planned borrowings for the rest of the year.

The Philippine government raised $2 billion from its dual-tranche dollar bond issuance in May, its first global bond sale for the year.

The government's borrowing program is set at P2.57 trillion this year, of which 75% will come from domestic sources and the rest from foreign sources.

As of the first quarter, the NG's debt as a share of the gross domestic product (GDP) stood at 60.2%. This was below 61.1% a year ago but higher than 60.1% at the end of 2023.

The government's debt-to-GDP ratio target this year is set at 60.3%. It seeks to bring this down further to 55.9% by 2028.

Peso,
from S1/1

The dollar held steady on Thursday after rising to a two-week high as a rout in US Treasuries pushed up yields, boosting the currency's allure, Reuters reported.

The index tracking the US currency against its major peers climbed to 105.18 overnight, the highest since May 14, and was slightly lower at 105.05 in early European trading.

A two-day, 15-basis-point jump above 4.6% for long-term Treasury yields helped push the dollar higher. The rise in yields, which move inversely to prices, has been driven by a spate of stronger-than-expected data, tough words from Federal Reserve officials, and a run of poorly received bond auctions.

Expectations for Federal Reserve interest rate reductions this year have been pared back amid signs of sticky inflation, most recently with a surprise uptick in consumer sentiment in data on Tuesday.

Traders currently see 56.6% odds of a quarter-point cut by the conclusion of the September meeting, down from 57.5% odds a week ago, according to the CME Group's FedWatch Tool.

For Friday, Mr. Roces said peso-dollar trading will be driven by the second estimate for first-quarter US gross domestic product scheduled for release overnight.

Mr. Ricafort expects the peso to range from P58.50 to P58.70 per dollar on Friday. — **A.M.C. Sy** *with* ***Reuters***

BSP,
from S1/1

At present, the Philippines is classified as a lower middle-income country with a GNI per capita of $3,950.

"All things considered, the slowdown in household consumption is likely temporary as Filipino households adjust their spending given how much inflation soared last year," HSBC said.

Household spending, which accounts for more than three-fourths of economic growth, rose by 4.6% in the first quarter, the slowest since 2010.

"When inflation stabilizes, consumption should broadly pick up. But, when it does, demand for nonessentials will likely grow faster than essentials — a trend apt for a country that is inches away from becoming an 'upper-middle income' economy," it added.

Headline inflation accelerated for a third straight month to 3.8% in April, bringing the four-month inflation average to 3.4%. The BSP sees full-year inflation at 3.5%. — **Luisa Maria Jacinta C. Jocson**

Budget transparency,
from S1/1

accountable people's budget," Budget Secretary Amenah F. Pangandaman said in a statement.

However, the Philippines received a score of 33 out of 100 on public participation in the budget. This was still better than the global average of 15, and highest among Southeast Asian peers.

This pillar looks into the executive, legislature, and its main audit institution's practices in line with the Global Initiative for Fiscal Transparency's Principles of Public Participation in Fiscal Policies.

To enhance public participation in the budget process, the IBP said there is a need to engage vulnerable and underrepresented sectors.

"To further strengthen public participation in the budget process, [the DBM] should also prioritize expanding mechanisms during budget formulation and implementation to engage any civil society organization or member of the public who wishes to participate," it said.

It also called on lawmakers to conduct public consultations before approving the budget, and allow the public or civil society organizations to testify during audit report hearings.

Meanwhile, the Philippines received a score of 83 out of 100 in budget oversight, noting that Congress and audit agencies provide "adequate oversight" in monitoring the country' budget use.

"To strengthen independence and improve audit oversight by the Philippines' Commission on Audit.... [it must] ensure that audit processes are reviewed by an independent agency," IBP said.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the government must ramp up its digitization efforts to ensure budget transparency.

"Further digitization of National Government and local government processes and transactions internally and with the general public would help improve transparency and overall rankings," he said in a Facebook Messenger chat.

Institute for Leadership, Empowerment, and Democracy, Inc. Executive Director Zy-za Nadine M. Suzara, who also worked on the data gathering of the survey, said confidential funds hamper budget transparency.

"There's lack of transparency in the use of confidential funds and it really isn't the best example in terms of promoting, better yet, ensuring transparency," she said in a Viber message.

"Though there are guidelines on how to use the confidential funds, we have seen since the Duterte administration how the allocation and use of them by non-security agencies have been so prone to abuse," she added.

There are at least P9-billion confidential and intelligence funds in the 2024 national budget. — **Beatriz Marie D. Cruz**