

Ruling on new airport fees expected by September

THE Transportation department said the proposed increase in Ninoy Aquino International Airport (NAIA) fees remains under review, with a ruling expected by September before the facility is taken over by a private operator.

“We are on track with the handover. The review of the airport fees is still ongoing by our regulators,” Transportation Undersecretary Timothy John R. Batan told reporters last week.

The draft administrative order for the planned airport fee hike is expected to be issued before the takeover of New NAIA Infrastructure Corp. formerly the SMC SAP & Co. Consortium, on Sept. 14, he said.

The group, led by San Miguel Corp. (SMC), won the P170.6-billion contract to operate, maintain, and upgrade NAIA with a bid of 82.1% of NAIA revenue to the government.

“Sept. 14 is still our target handover date for NAIA to the private concessionaire,” Mr. Batan said.

Asked to comment, Manila International Airport Authority General Manager Eric Jose C. Ines said the proposed airport fee hike will require Cabinet approval.

“At this time, it is still being studied... (ultimately) it is up to the Cabinet,” Mr. Ines said via Viber on Monday.

BusinessWorld sought comment from New NAIA Infrastructure Corp., but it had not replied at the deadline.

A consumer group has expressed opposition to the fees increase.

Bantay Konsumer, Kalsada, Kuryente (BK3) said in a statement on Monday that the new airport operator must upgrade the NAIA before imposing additional airport fees.

“The privatization of the NAIA was supposed to help the government fund the airport’s rehabilitation project,” BK3 Secretary General Patrick Climaco said.

Mr. Climaco said the project was supposed to bring in the private sector to fund the airport upgrade.

“However, instead of achieving this objective, it seems that the interests of the private group which won the contract are being prioritized rather than the public,” Mr. Climaco said.

Last month, the Department of Transportation (DoTr) said that the planned increase in passenger service fees is meant to boost the airport’s operational efficiency.

Passenger service charges, also known as terminal fees, are imposed on departing passengers.

Currently, domestic travelers pay a passenger service charge of P200, while foreign travelers pay P550. It is expected that these fees will rise to P390 and P950, respectively.

Transportation Secretary Jaime J. Bautista has said that the passenger service fees will likely be implemented in 2025, but other charges such as landing and take-off fees could be implemented before the end of the year.

All new fees are expected to be passed on to passengers via airfares.

The DoTr has said that the new fees are within the approved parameters, terms, and conditions specified in the tender documents for the NAIA rehabilitation project.

The plan to raise fees at the NAIA is based on inflation and the required capital expenditure for the airport’s upgrade, the DoTr said, adding that fees and charges at the NAIA have remained unchanged since 2000. — **Ashley Erika O. Jose**

POGO ban covers IGLs, PAGCOR says

THE Philippines’ 44 Internet Gaming Licensees (IGLs) are all covered by a Presidential ban on offshoring gaming, the gaming regulator told a Senate hearing.

“The ban is for all, very clear. The President’s order is very clear, ‘I am ordering PAGCOR to wind down,’” Alejandro H. Tengco, chief of the Philippine Amusement and Gaming Corp. (PAGCOR), said at the hearing.

PAGCOR will “wind down” all existing Philippine Offshore Gaming Operators (POGOs), which Mr. Tengco said also include “the 44 IGLs.”

Solicitor General Menardo I. Guevarra also told the panel that the ban announced by President Ferdinand R. Marcos, Jr., in his third address to Congress covered all POGOs “without qualification.”

“Although it’s a one-liner, his policy statement was clear: Without qualification, that all POGOs are banned effective immediately,” he said.

PAGCOR changed its terminology for POGOs to IGLs in late 2023.

In his address, Mr. Marcos ordered PAGCOR to shut down the POGO industry by the end of 2024. He also asked the Department of Labor and Employment to find new jobs for Filipino POGO workers.

He said POGOs, which cater mainly to Chinese markets, have been “disguised” as “legitimate entities” but their operations have ventured into illicit areas like financial scams, money laundering, prostitution, human trafficking, kidnapping, torture and murder.

“The grave abuse and disrespect for our system of laws must stop,” he said, which received a standing ovation from legislators.

When asked by Senator Ana Theresa Hontiveros-Baraquel if the ban also covers POGOs inside economic zones, Mr. Guevarra said: “That’s what it seemed to us, that all POGOs are banned without classification.”

But Mr. Tengco said the Cagayan Economic Zone Authority (CEZA), which has its own charter, can issue its own licenses.

“That’s where I can see a complication, but we will see how we can cover it,” he said.

Under an executive order issued by ex-President Rodrigo R. Duterte in 2017, only PAGCOR and three investment promotion agencies — CEZA, the Aurora Pacific Economic Zone Free Port Authority and Authority of the Freeport Area of Bataan, can license online gambling operations.

Congress during Mr. Duterte’s term passed a law taxing POGOs to legalize them, despite concerns about the ensuing social costs. Chinese President Xi Jinping had asked him to ban their operations.

Philippine authorities have been raiding POGOs linked to crimes like human trafficking.

The Presidential Anti-Organized Crime Commission in early July told *BusinessWorld* that 17 POGOs are under the jurisdiction of CEZA.

Meanwhile, former Duterte spokesman Herminio L. Roque, Jr. said he was an incorporator of the registered owner of a house in Tuba, Benguet where two foreigners linked to POGOs were arrested.

Mr. Roque said he lived in the house when he left government but noted that he doesn’t have “an interest in the corporation that owns it.”

He said the house has been leased to a Chinese national named Huan Yun, who, Mr. Roque said, possesses an alien certificate of registration and a 9G or pre-arranged working visa.

Ms. Yun can enter the subdivision because she is a “registered lessee” and is “registered with the homeowners association,” he added.

PAGCOR’s Mr. Tengco said at a previous Senate hearing that Mr. Roque, had helped Lucky South 99, a POGO firm that was raided in Porac, Pampanga, reapply for a license and settle its arrears.

Mr. Tengco said the former Palace spokesman was named as head of legal in the organization chart that Lucky South 99 submitted to PAGCOR when it reapplied for its license. — **Kyle Aristophere T. Atienza**



MANAS RB-UNSPLASH

Yokohama Tire expansion in Clark seen boosting exports

THE Department of Trade and Industry (DTI) said the P3.5-billion expansion of Yokohama Tire Philippines, Inc. is set to provide a boost to Philippine exports, apart from creating jobs.

“This strategic expansion is poised to not only strengthen the Philippines’ export capabilities but also create numerous job opportunities for the local community,” Trade Secretary Alfredo E. Pascual said in a statement on Monday.

Yokohama broke ground on a new facility in Clark in Central Luzon, which is expected to be operational by the second quarter of 2026.

“We at the department are supportive of Yokohama’s steadfast commitment to fostering economic growth and prosperity,” Mr. Pascual added.

The DTI said that the Japanese firm’s expansion could generate about 500 new jobs in the Clark area, adding to the 3,000 employees it now has.

The expansion is set to increase tire output for the company to 10 million tires from the over 9 million currently being produced in the Philippines.

“Part of that is going to be sold locally, but the bulk will be for the export market, which is also very good for the country. But for this to be meaningful, we want local raw material sourcing,” he said.

He added that Philippine rubber production accounts for about 50% of the company’s requirements.

“Hopefully, they can further contribute to economic growth in the country by increasing the purchases of natural rubber from our producers, mostly in Mindanao,” Mr. Pascual said.

He added that the DTI will also assist the company in obtaining more natural rubber from domestic sources. — **Adrian H. Halili**

URC signs five-year deal to support potato farmers

THE Department of Agriculture (DA) said it signed a five-year agreement with Universal Robina Corp. (URC) to support potato farmers.

In a statement on Monday, the DA said that the Sustainable Potato Program (SPP) will upgrade seed quality, train potato farmer organizations, and seek to boost the productivity of potato producing areas.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. said that URC has committed to scale up the project and expand production areas in Bukidnon, Davao, and the Cordilleras.

According to the DA, seed varieties distributed by the project have yielded up to 45 metric tons (MT) per hectare of potatoes. The 14 farmer organizations participating in the program have produced 23,000 MT, generating about P920 million in income.

“This agreement solidifies our shared commitment to improve access to quality planting materials, enhance potato production practices and technology, boost local sufficiency, and ultimately uplift farmers en route to a sustainable future,” Mr. Laurel added.

DA regional offices and URC will collaborate in selecting farmers’ groups that could benefit from the SPP.

Mr. Laurel said the DA will provide 2 million potato seeds to farmers, good for planting to about 44 hectares.

“After three generations (the initial seed investment) could cover at least 12,000 hectares” of commercial potato production, the DA added.

The Bureau of Plant Industry was tasked with processing the import permits for the seed, as well as pest and disease surveillance. — **Adrian H. Halili**

OPINION

Is the CMEPA bill the cherry on top that will boost capital markets?

Foreign investors choose the Philippines to invest their excess money in for various reasons, which include the country’s strategic location, which provides investors proximity to major markets, consistently rapid economic growth in the region, a demographic profile of young, English-speaking, and highly skilled workers, and generous fiscal and non-fiscal incentives from the government, among other things.

In his third State of the Nation Address (SONA), the President emphasized the country’s focus on growth led by investment. One of the steps the government is taking to achieve this is the proposed reform of our capital markets.

What is a capital market? It is where businesses can raise capital by selling securities such as stocks, bonds, and corporate paper, as well as Treasury bills, to people and institutions looking for investments. This also serves as a way for investors to lend money to the government, which can be used to fund its projects.

The capital markets in the Philippines have grown rapidly in recent years. Despite this, the performance of the markets is lackluster when compared to Singapore, Thailand, and Malaysia. Factors behind the lagging performance include the high cost of capital, the low level of capital market sophistication, limited options for investors, and high taxes on income generated from such investments.

House Bill No. 9277, or the proposed Capital Markets Efficiency Promotion Act (CMEPA) bill is intended to make the

LET’S TALK TAX CHRISTIAN DERICK D. VILLAFRANCA

capital markets more attractive to investors by aligning the tax rates more closely with other countries in ASEAN. The bill has passed third reading at the House of Representatives and has been endorsed to the Senate. Once the Senate passes its own bill, the two bills will be harmonized or modified in bicameral conference, after which the President can choose to sign or veto it in part or in full.

The provisions of the CMEPA bill that will enhance the attractiveness of equity securities are as follows:

• Reduction of the Stock Transaction Tax (STT)

Existing rules provide that a STT of 6/10 of 1% be levied, assessed, and collected on every sale, barter, exchange, or other disposition of shares of stock of a publicly listed company other than sale by a dealer in securities, provided the publicly listed company complies with the minimum public ownership (MPO). Failure to comply would result in the imposition of a capital gains tax of 15% on net capital gains.

One of the proposed changes under the CMEPA Bill is the reduction of the stock transaction tax to 1/10 of 1%, in lieu of a capital gains tax. The reduction in tax will lower trading costs, which makes it cheaper for investors to buy and sell shares and encourage more frequent trading.

• Standardized the final withholding tax rate (FWT) rate on dividend income for all individual investors

The current FWT rates for the dividends received from a domestic corporation or from a joint stock company, insurance or mutual fund company, and regional operating headquarters of multinational companies are 10% if received by resident citizen and resident alien, 20% if received by nonresident alien engaged in trade or business (NRAETB), and 25% if received by a nonresident alien NOT engaged in trade or business (NRANETB).

The CMEPA Bill proposes to standardize the applicable FWT rate on dividends for non-resident alien (NRA) individual investors with the FWT rate applicable for resident citizens and resident aliens, which is a 10% FWT rate.

The tax savings of 10% FWT for NRAETB and 15% FWT for NRANETB will attract more NRA investors to invest more money in our capital market.

Although the above proposed changes will have a positive impact on certain aspects of the capital markets, our legislators may also consider the following:

1. Incentivize resident individuals to invest in the trading of equity securities

While we recognize that the CMEPA Bill has aligned the FWT rate on dividends for NRA investors with that of resident citizens and resident alien investors, no incentive, neither in the form of relief nor a lower tax rate, was given to these resident investors to entice them to invest in equity securities.

Based on the current version of the CMEPA bill, the reduction of the FWT on dividend income mainly benefits NRA investors, who are, in most cases, wealthier compared to resident individual investors.

The legislators may also consider providing resident investors with the same benefits provided in Republic Act No. 9505, or Personal Equity and Retirement Account (PERA) Law, which provides a tax credit of 5% to the contributor and a tax exemption on the investment income.

Incentives to resident individual investors will encourage them to put their excess hard-earned money into assets that earn passive income.

2. Provide relief or incentives to investors in debt securities

The current version of the CMEPA bill favors the lowering of taxes on the dividend income of investors whose portfolios consist mainly of equity securities. Meanwhile, the interest income of investors who prefer to invest in the fixed income market, where bonds issued by corporations and the government are generally subject to a 20% FWT rate, did not receive the same love from legislators.

Providing relief, or at least a comparable reduction in the tax on income arising from trading debt securities, will benefit investors in debt securities. This will also encourage investors to diversify their portfolios and not only focus on one type of investment.

3. Provide tax relief to those non-resident foreign corporation (NRFC)

investors who invest in the capital markets

Aside from the lower final tax rate that the NRFCs can avail of on their dividend and interest income pursuant to double taxation agreements as may be applicable, legislators may also consider providing tax relief to the extent possible to NRFC investors who will invest in our capital markets.

This will make our capital markets more appealing to foreign companies that are looking to invest their excess funds.

The phrase “cherry on top” refers to something that makes a good situation even better or adds a finishing touch to an already positive experience. Introducing reforms and changes to our current tax rules and policies relevant to the trading of equity and debt instruments may be the cherry on top that the Philippine capital market needs to make investing in our capital market more rewarding.

Let’s Talk Tax is a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.

CHRISTIAN DERICK D. VILLAFRANCA is a senior manager of the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd. pagranthornton@ph.gt.com

