

PHL ‘relatively immune’ to trade war impact — BSP

THE PHILIPPINES is “relatively immune” to the impact of a potential slowdown in China due to a trade war with the United States, the central bank said.

However, it may not benefit from the relocation of industries out of China due to its limited competitive advantage.

“When we take a look at the sensitivities of, say, a slowdown in the Chinese economy because of trade wars between the US and China, the Philippines is actually relatively immune,” Bangko Sentral ng Pilipinas (BSP) Deputy Governor Francisco G. Dakila, Jr. said in the 3rd ASEAN+3 Economic Cooperation and Financial Stability Forum on Tuesday.

Mr. Dakila, citing an Oxford Economics report, said every percentage point decline in China’s gross domestic product

(GDP) growth leads to a slowdown in Philippine GDP growth of just two basis points in 2024 and five basis points in 2025.

Economic managers trimmed their estimates for Philippine growth this year to 6-6.5% but widened the target band to 6-8% for 2025 to 2028.

In the third quarter, the economy expanded by a weaker-than-expected 5.2%, the Philippine Statistics Authority (PSA) said, indicating the need to grow by 6.5% in the fourth quarter to meet the lower end of the target range.

In addition, Mr. Dakila also called the Philippine predicament a “two-way challenge,” noting that industry is not poised to take advantage of the relocation of industries out of China.

US President-elect Donald J. Trump, who is set to assume office in January, has

been threatening to impose 60% tariffs on Chinese goods.

“If we look at the comparative advantage of the Philippines, I think it’s mostly in the services sector. So that means Vietnam has been able to exploit much of the relocation rush. That is something that is not yet felt in the Philippines,” Mr. Dakila said.

The PSA said the service sector accounted for 65.8% of the total GDP in the third quarter.

He added that the BSP projects a balance of payments (BoP) surplus for 2024 and 2025, while describing the current account deficit to be “manageable.”

The BSP reported a BoP surplus of \$3.526 billion in September, against \$88 million in August.

The semiconductor industry, which accounts for 10% of the Philippines’

GDP, faces electricity and logistics constraints that affect the attractiveness of the Philippines for further investment, the Organisation for Economic Cooperation and Development said in a report.

Krishna Srinivasan, director of the Asia and Pacific Department at the International Monetary Fund, said trade tensions have risen significantly, with countries imposing around 3,000 trade restrictions in 2023, against 1,000 in 2019.

“These measures often provoke retaliatory actions. Indeed, IMF analysis shows that when countries are hit with tariffs or other protectionist measures, there’s a 74% probability that they will retaliate,” he said.

However, he said several ASEAN economies have found ways to capture export

opportunities generated by Chinese and US tariffs, at least in the short term.

“What we find is that countries that were better integrated into global value chains and applied fewer FDI restrictions before 2018 have been especially successful in raising the exports of products targeted by US and China tariffs,” he said.

Mr. Srinivasan said countries that are better integrated and have fewer foreign direct investment restrictions have benefited from these trade restrictions between China and the US.

However he warns that in the short term, “some countries may benefit from the trade restrictions, but over the long run, any kind of fragmentation...leaves all of us in poor shape, and Asia in particular, which is highly integrated in global supply chains, risks losing more.” — **Aubrey Rose A. Inosante**

US chipmakers exploring PHL investments, Go says

THE Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA) said US semiconductor companies are exploring possible local partnerships and were briefed on the government’s plans to transform the Philippine semiconductor industry into an investment destination.

“Our government has identified the semiconductor industry as the priority sector for investment. This reflects its vital role in driving economic growth, technological innovation, and job creation,” Secretary Frederick D. Go, who heads OSAPIEA, said in a statement.

OSAPIEA said President Ferdinand R. Marcos, Jr. recently met with representatives of the US semiconductor industry, including Semiconductor Industry Association President John Neuffer.

“The visit aligns with our efforts to position the country as a premier investment destination in the region and the global stage,” Mr. Go added.

Among the companies in the delegation were Allegro Microsystems, Amkor Technology, Analog Devices, Microchip Technology, and OnSemi.

“Both sides are optimistic about forging partnerships that will drive technological advance-

ments and economic growth,” OSAPIEA said.

In 2023, the Philippines generated about \$50 billion in exports, with the industry supporting about 3 million direct and indirect jobs, according to OSAPIEA.

OSAPIEA said the government is encouraged by opportunities under the US CHIPS and Science Act, which features a \$500-million International Technology Security and Innovation Fund to be allocated to seven countries over five years, as the US moves to de-risk its technology supply chains.

“This funding aims to promote semiconductor supply chain se-

curity and diversification, potentially bolstering investments in manufacturing and innovation and enhancing the Philippines’ competitive edge in this critical industry,” OSAPIEA added.

“The engagement signifies a strategic move towards solidifying the Philippines’ role in the global semiconductor supply chain while fostering local talent and infrastructure development,” it added.

The Semiconductor and Electronics Industries in the Philippines Foundation, Inc. has said that exports of semiconductor and electronic products are likely to be flat in 2025. — **Adrian H. Halili**

Senate approves bill extending foreigner land leases to 99 years

THE SENATE approved a bill on Monday extending the maximum term for land leases entered into by foreign investors, and another measure reorganizing the socio-economic planning agency.

Senate Bill No. 2898, which seeks to amend the 31-year-old Investors’ Lease Act, extends the term for foreign leases to 99 from 75 years.

Under the current setup, foreign investors may lease private land for an initial period of 50 years, renewable for a further 25 years.

The latest bill, which is among the measures that Congress seeks to pass before the midterm elections, also allows foreign investors to sublet properties unless barred by contract.

The proposal will also allow foreign investors to lease land for agriculture, agroforestry and ecological conservation.

Senate President Francis Joseph G. Escudero said the bill is in line with government efforts to attract foreign investment, which he called “critical in realizing socio-economic objectives such as increasing employment levels, creating decent work, infusing technology into domestic businesses, and improving the integration of local enterprises with the global market.”

“This bill seeks to address this economic roadblock by strengthening the legal framework for long-term leases provided under Republic Act No. 7652,” he said in a statement.

The Senate also passed on third and final reading a bill seeking to reorganize the National Economic and Development Authority into the Department of Economy, Planning and Development (DEPDev). — **Kyle Aristophere T. Atienza**

Gov’t urged to harness ‘transformative’ tools to meet PDP goals

THE National Economic and Development Authority (NEDA) said government agencies must embrace the transformative potential of the monitoring and evaluation (M&E) process and its role in developing sound policy.

NEDA Secretary Arsenio M. Balisacan urged participants at the 11th M&E Network Forum on Monday to

harness evidence-based policy as a means of achieving the objectives of the Philippine Development Plan (PDP).

“Monitoring and evaluation are not just technical processes; they are transformative tools,” he said.

“When embedded into our decision-making frameworks, they bridge knowledge, action, insight, and impact, ensuring that every policy and

program we undertake is effective and responsive to the needs of the people we serve.”

Mr. Balisacan said NEDA’s partnership with the M&E Network was a key component of its efforts, and cited the Network’s role in the Strengthening Evaluation for Evidence-based Development (SEED) Project. — **Aubrey Rose A. Inosante**

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link

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OPINION

2024 BIR issuances Wrapped, plus year-end compliance reminders

It’s the most wonderful time of the year; not only do we have Christmas and New Year to look forward to, it’s also time to explore our music year in review via Spotify Wrapped 2024! Who else looked forward eagerly to our respective Wrapped stories? I believe we’re all excited for the music app to encapsulate our favorite artists, genres, and songs.

“You listened to 13,463 minutes and played over 478 songs this year,” according to my own summary. These statements dominated the first two weeks of December. How was your own music evolution? Did you start the year with some “Pink Pilates Princess Strut Pop” and transition to “After Hours Pop” or “Heatwave Beach Reggaeton” in July? How about your top artists and genres? Are they what you expected after locking in your music preferences?

Just as Spotify wrapped up the evolution of our music taste for the year, let’s also take a moment to look back at the ever-changing tax landscape as we review several important regulations and clarifications issued by the BIR this year, primarily focused on the implementation of the Ease of Paying Taxes (EoPT) Act.”

EASE OF PAYING TAXES (EOPT) ACT

The EoPT Act is a significant tax reform law aimed at improving the ease and efficiency of the tax compliance process for businesses and individuals. Below is a summary of the key highlights of the EoPT Act:

- Simplification of tax filing and payment procedures
- Removal of certain documentary requirements when substantiating invoices for the purpose of claiming input VAT
- Enhancements to taxpayer services
- Introduction of electronic tax payments to remit taxes, promoting cashless transactions and reducing errors in manual processes
- Modernization of tax systems, including the automation of tax assessments, collections, and the enforcement of tax compliance
- Tax rate reductions for small and medium enterprises (SMEs) in

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an effort to promote business growth and sustainability

- Stricter penalties for non-compliance with tax filing deadlines or failure to use the digital systems established under the law
- Strengthened Taxpayer Education Programs to ensure that businesses and individuals are aware of their tax obligations and the available digital tools for compliance
- Revised Taxpayer Identification System (Small, Medium, and Large Taxpayers)

These highlights reflect the main objectives of the EoPT Act, which are to streamline and simplify tax compliance, enhance taxpayer services, and modernize the tax collection system to make it more efficient and accessible for businesses and individuals.

VAT ON DIGITAL SERVICES

The VAT on digital services is a tax imposed on digital services that are supplied over the internet or other electronic networks with the use of information technology, where the supply of the service is essentially automated. This includes those digital services provided by non-resident digital service providers (NDSPs) to consumers in the Philippines. The law aims to equalize the tax obligation of digital service providers located overseas, particularly those engaged in entertainment, content creation, marketplaces, and cloud services. To meet this objective, the law imposes 12% value-added tax (VAT) on digital service providers (DSPs).

The law also introduced the registration with the Bureau of Internal Revenue (BIR) of NDSPs who provide digital services consumed by Philippine customers. If the customers of NDSPs are VAT-registered, the customer is liable to withhold and remit the VAT via reverse charging mechanism (withholding VAT) to the BIR. On the other hand,

if the customers are not VAT-registered, the NDSPs have an obligation to remit the 12% VAT on their digital services.

This move aims to ensure fairness in the tax system, improve revenue collection as the government targets additional billions in revenue over the next five years, and address the growing digital economy.

CREATE MORE

The CREATE MORE Act (Corporate Recovery and Tax Incentives for Enterprises – Maximize Opportunities for Reinvigorating the Economy) is a continuation of the tax reforms introduced under the CREATE Act (Corporate Recovery and Tax Incentives for Enterprises Act). The law seeks to further promote economic growth, improve tax incentives, and encourage investments by enhancing the tax system for businesses and industries. Below is a summary of the key highlights of the CREATE MORE Act:

- Enhanced tax incentives for registered business enterprises
- Reduction in Corporate Income Tax Rates
- Incentive rationalization and streamlining
- Further VAT exemptions
- Enhanced tax administration on improving tax collection efficiency and automation of tax filing
- Tax relief for new and expanding businesses
- Strengthening incentive-granting agencies
- Support for MSMEs (Micro, Small, and Medium Enterprises)
- A more competitive business environment by encouraging foreign investment

The CREATE MORE Act builds on the reforms of the CREATE Act, offering enhanced tax incentives, reducing the corporate income tax rate, rationalizing tax breaks, and simplifying tax administration. It aims to further drive investment and boost economic recovery.

BIR YEAR-END TAX COMPLIANCE REMINDERS

As the end of the year approaches, taxpayers need to be mindful of several

key compliance requirements set by the BIR. Here are some important reminders for 2024:

- 1. Submission of Annual Information Returns and Alphalists, together with the Annual Alpha List of Employees/Payees**
 - **BIR Form 1604-C (Compensation)** and the Annual Alphalist of Employees must be submitted by Jan. 31.
 - **BIR Form 1604-F (Final Withholding Taxes)** and the Alphalist of Payees are also due on Jan. 31.
 - **BIR Form 1604-E (Expanded Withholding Taxes)** and the Alphalist of Payees need to be filed by March 1, 2025.
- 2. Submission of Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316)**

Employers must provide BIR Form 2316, which details the income earned and taxes withheld for each employee, by Jan. 31. Signed copies must be submitted to the BIR by Feb. 28.
- 3. Submission of Inventory List and other reporting requirements**

Taxpayers maintaining inventory are required to submit soft copies of the annual inventory list and applicable schedules, accompanied by a notarized and signed sworn declaration, within 30 days following the close of the taxable year.

Taxpayers are advised to prepare a reconciliation of the inventory list and other applicable schedules with their records so that they can explain any differences to the BIR upon tax audit.
- 4. Submission of Books of Account**

Depending on the taxpayers’ registered books of account, the following shall be observed for subsequent registration:

 - **a) Manual Books of Account**
 - New businesses must register their manual books of account before the deadline of the first quarterly or annual income tax return, whichever is earlier.
 - Existing businesses must register new sets of manual books before fully consuming the pages of previously registered books.
 - Further, please note that the registration does not need to be completed

annually unless the old set of books is fully consumed.

b) Loose-Leaf Books of Account

These must be submitted annually, within 15 days after the end of each taxable year or within 15 days from the closure of business operations.

c) Computerized Accounting System (CAS)

These must be submitted annually, within 30 days from the end of each taxable year or from the closure of business operations.

Further, in compliance with the EoPT Act, the BIR set a deadline of Dec. 31, 2024, for taxpayers to update their CAS to comply with the latest changes, including the issuance of invoices and generation of necessary reports in the format prescribed by the BIR.

In 2024, all books of account must be registered online via the BIR’s Online Registration and Update System (ORUS). The registration process now involves generating a QR code, which serves as proof of registration instead of manual stamping. The QR code includes various taxpayer details, such as TIN, registered name, and type of book.

These updates aim to streamline the registration process and ensure compliance with the BIR regulations.

In conclusion, we can say that the BIR’s incremental actions in 2024 include a variety of impactful issuances aimed at modernizing the tax system, improving compliance, and addressing the challenges of a growing digital economy. Taxpayers have felt a substantial improvement. As we look forward to 2025, we expect that the BIR continues to build rapport on the significant advancements and reforms it achieved this year.

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