IT-BPM industry sees growth moderating due to base effects

By Justine Irish D. Tabile
Reporter

THE information technology and business process management (IT-BPM) industry said growth this year is expected to moderate because it will be measured from a bigger base in 2024.

IT and Business Process Association of the Philippines (IBPAP) President Jonathan R. Madrid said that the industry has yet to issue an official forecast for 2025, adding that more clarity is expected by midyear.

"No official forecast yet, but it will be positive growth," Mr. Madrid said via Viber on Wednesday.

"It will probably be slightly more moderate, as our base is bigger now," he added.

In October, Mr. Madrid said growth will be less than 7% in 2025. If realized, the industry will not be hitting its 2 million staffing goal this year.

The industry ended with 1.82 million full-time employees (FTEs) and $38 billion in export revenue in 2024.

Mr. Madrid said that performance will hinge on global demand from US banks, financial institutions, services, and healthcare companies.

About 70% of IBPAP depends on North American clients or are controlled by North American companies.

According to the Center for Strategic and International Studies (CSIS) US Investment in the Philippines report, the IT-BPM industry was identified as an opportunity for US investors.

According to CSIS, 395 US-based firms have invested $22.4 billion in the Philippines between 2003 and 2021, $7.8 billion of which went into IT-BPM.

The industry was also identified as one of the top performers for the Philippine Economic Zone Authority.

Under the Philippine IT-BPM Industry Roadmap 2028, the target is to grow into a $59-billion industry and increase the FTE count to 2.5 million.

However, Mr. Madrid said the projections are up for review at midyear.

Moody's sees PHL 2025 growth slowing to 6.1%

THE economy's growth is expected to slow to 6.1% in 2025 from an expected 6.2% last year, Moody's Ratings said.

In an outlook, Moody's called the 6.1% projection "above-trend."

The government's official targets are 6-6.5% and 6-8% for 2024 and 2025, respectively.

"Rising employment and higher remittance inflows will support household spending," Moody's Ratings said.

"Public investment will also buttress growth, while reforms, including market liberalization, and foreign investment will spur private-sector investment," it added.

For the first nine months of 2024, growth averaged 5.8%. Preliminary fourth-quarter and full-year GDP data will be released on Jan. 30. — **Luisa Maria Jacinta C. Jocson**

Recto, LGUs settle NTA 'misunderstanding'

FINANCE Secretary Ralph G. Recto briefed local government units (LGUs) on how their National Tax Allotment (NTA) was computed, after a mayor alleged that the National Government (NG) is not handing over to LGUs their proper share of tax revenue.

In a statement, the Department of Finance (DoF) said Mr. Recto provided a "detailed line-by-line briefing" to mayors on the NTA computations, which it said were compliant with the 2019 Mandanas-Garcia Supreme Court ruling.

The 2019 ruling, which took effect in 2022, redefined the LGU share of national revenue, ordering that they be given 40% of all taxes, instead of the previous standard of 40% of all "internal revenue."

The change was reflected in the renaming of the LGUs' share to the national tax allotment. It had previously been known as the Internal Revenue Allotment (IRA).

Both the NTA and IRA are based on NG revenue from three years prior.

The ruling effectively amended the Local Government Code of 1991, which had originally based the LGU share on "internal revenue."

"We did not change or amend anything. This is based on the Supreme Court ruling and a Development Budget Coordination Committee resolution, which was made in consultation with the LGUs. We are very transparent," Mr. Recto said.

Baguio City Mayor Benjamin B. Magalong had claimed that municipalities and cities have been "shortchanged," receiving only 31.7% of national taxes instead of 40%.

"A comparison of the computations between the LGUs and the DoF was also discussed, revealing that the calculations and deductions under various laws were more or less aligned," the DoF said.

Asked if the mayors were satisfied with the explanation, Quezon City Mayor Maria Josefina G. Belmonte-Alimurung said: "Yes, to a certain extent. There were a lot of misunderstandings and lack of communication."

"I feel that all of our concerns were raised and all of them were answered. And the important thing is we have made a commitment to continue the dialogue between us and the DoF so that these issues pertaining to the NTA will continue to be resolved," Ms. Belmonte told reporters.

Both Ms. Belmonte and the Finance Secretary said the differences stem from the treatment of special purpose funds.

"It was also explained to us that in the Supreme Court ruling there are so-called special purpose funds that are not included in the tax base," she said.

"The SC ordered the Secretaries of Finance and Budget, the Commissioners of the BIR and the Bureau of Customs (BoC), and the National Treasury, to include all national tax collections in the computation of the NTA base, 'except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth.'" — **Aubrey Rose A. Inosante**

John Hay investments projected at P10 billion

THE Bases Conversion and Development Authority (BCDA) said that it expects to generate investments of up to P10 billion in Camp John Hay (CJH) after its reversion to government control.

In a statement on Wednesday, the BCDA President and Chief Executive Officer Joshua M. Bingcang said that he expects "big things" from CJH.

"Here, we aim to replicate our successes in Bonifacio Global City and Clark by implementing infrastructure projects that will empower the community and by bringing in high-impact investments that will enable us to contribute more to the state coffers," he said.

"To achieve this, we will determine areas that need improvement and explore new opportunities for development, all while ensuring the preservation of Baguio's natural and cultural heritage," he added.

According to the BCDA, a review of the comprehensive master plan of the John Hay Special Economic Zone is ongoing to position CJH as a "premier ecotourism destination."

The plan involved the development of around 70 hectares of untapped land inside the former US military facility through a joint venture with the private sector.

It also includes the redevelopment of Mile Hi Center to expand its retail and restaurant offerings.

"Moreover, the BCDA is committed to enhancing public infrastructure inside the camp to provide a safer and more comfortable experience for tourists," BCDA said. — **Justine Irish D. Tabile**

Pangilinan backs broader industry adoption of AI

METRO PACIFIC Investments Corp. (MPIC) Chairman Manuel V. Pangilinan called on Philippine companies to further embrace artificial intelligence (AI) to remain globally competitive.

"AI is touted as this monumental technology that will forever alter the landscape of business. AI will be impactful. For us frontliners in the technology battlefield, it is simply another big challenge," Mr. Pangilinan said during his keynote speech at the 77th Management Association of the Philippines Inaugural Meeting in Taguig City on Wednesday.

Mr. Pangilinan said the Philippines needs to address data, talent and expertise, and infrastructure issues to boost AI adoption.

"For AI to work, companies need to feed their algorithms vast caches of data, which must be complete, high-quality, and available. Talent and expertise are probably the scarcest resources because AI needs to be customized for particular business needs. Open-source solutions may not always work," he said.

"(There is a need for) robust data networks and hyperscale data centers with humongous and ultra-fast computing capacities," he added.

Mr. Pangilinan, who is also MPIC's president and CEO, said workers should not be worried by greater AI adoption, citing its potential to transform employee roles.

"The end of one job often signals the beginning of another. AI reflects not just the rhythm of progress, it is the heartbeat of mankind. Humanity has never been shaped by the jobs we lose. Instead, we are defined by the future we create," he said.

"Every generation, but especially those who come next — millennials, Gen Zs, alphas, and betas — are allies, not adversaries. AI with its immense power, is not an existential threat; it is a tool. Together, they form the scaffoldings of the next great cathedrals of progress," he added.

Mr. Pangilinan said AI could also help address the Philippines' food insecurity issues.

"Imagine if we could develop an end-to-end digital map of our nation's food supply chain. We should know exactly which food items are consumed monthly per individual, how much are in inventory nationwide, how much are in transit, and what and where we produce or import our food items," he said.

MPIC is one of the three key Philippine units of Hong Kong's First Pacific Co. Ltd., the others being Philex Mining Corp. and PLDT Inc.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority share in *BusinessWorld* through the Philippine Star Group, which it controls. — **Revin Mikhael D. Ochave**

BIR sees further collection growth in 2025, assuming passage of pending tax measures

THE Bureau of Internal Revenue (BIR) is expecting further growth in collections in 2025, assuming that Congress passes a number of stalled tax bills.

"We are doing a lot to improve our efficiency and our collection targets. So, I think that the collection will be better also for 2025," Commissioner Romeo D. Lumagui said on the sidelines of a Congress hearing last week.

For 2025, the BIR is tasked with collecting P3.2 trillion, while the Bureau of Customs' target is P1.06 trillion.

Earlier this week, the BIR said that it exceeded its revised P2.85-trillion collection goal in 2024, which is expected to further increase when the totals are finalized around mid-February.

In 2024, the BIR's collection target was 22% higher than the P2.34-trillion goal in 2023. That year, revenue rose 8% but missed its P2.64-trillion target.

"This double-digit growth also presumes that (pending tax bills) will be passed. So, that's one thing," he said.

The BIR said these bills include the excise taxes on single-use plastics, pre-mixed alcoholic beverages, sweetened beverages, as well as the rationalization of the mining fiscal regime.

The proposed excise tax measure on single-use plastic received final approval from the House of Representatives but remains stalled at committee level in the Senate.

Similarly, the measure rationalizing taxes for large-scale miners has hurdled the House but remains at second reading in the Senate.

Meanwhile, the excise tax on sugar-sweetened beverages and pre-mixed alcoholic beverages remains in committee at the House. — **Aubrey Rose A. Inosante**

OPINION

Here comes the VAT refund for tourists

TAXWISE OR OTHERWISE
MARYANNE PATRICIA UNO

2025 has finally rolled in and social media posts about the possible long weekends throughout the year brought about by the declared regular and special non-working holidays are all over the place. Of course, when we speak of long weekends, people tend to see these as possible out-of-town holidays or even long haul flights to other countries. One good way to get ideas and to plan for these holiday vacations, particularly for those overseas, is to watch content from travelers regarding their latest trips, which often showcase their *budols* or splurges.

One thing that has always captured my attention whenever I watch these vlogs is when the travelers are able to save on their luxury purchases by having the value-added tax (VAT) or sales tax refunded. I see their delight at getting the refund, enabling them to save money to spend on their other expenses during the trip. Also, certain vlog entries have been very helpful in sharing tips on obtaining VAT refunds, highlighting the ease and smoothness of the process, which is a factor they considered in pursuing the VAT refund.

Shopping is a huge part of tourism, not only in other countries, but also here in the Philippines. Indeed, having a portion of the total price paid, such as the VAT, returned to the buyer, can definitely be an incentive for tourists to procure more locally made *pasalubongs* for their loved ones.

Fortunately, tourists coming to the Philippines are now entitled to a VAT refund for the goods that they purchase, thanks to Republic Act (RA) No. 12079, which was signed into law on Dec. 9 and took effect on Dec. 24.

Under the law, non-resident tourists are eligible for a VAT refund provided: (1) the goods are purchased in person by the tourist in duly accredited stores; (2) such goods are taken out of the Philippines by the tourist within 60 days from the date of purchase; and (3) the value of goods purchased per transaction is at least P3,000.

The VAT can be refunded either electronically or in cash. The VAT refund system is to be operated by one or more reputable, globally recognized, and experienced VAT refund operators providing end-to-end solutions to the government. The Secretary of Finance, in consultation with the other administrative agencies and departments, is tasked with issuing the rules and regulations to faithfully implement the provisions of the law.

The VAT refund for non-resident tourists is definitely a welcome change considering the projected increase in revenue to boost the economy and the growing level of tourists. However, like all changes, there are challenges to be overcome.

From a tourist's perspective, the weight of the benefits of the refunded VAT over the cost or burden of going through the refund process is one of the main challenges once the refund system is implemented.

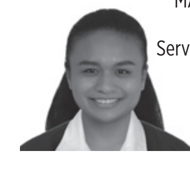
Taking into account that the VAT refund threshold amount is just P3,000 per transaction, 12% of that amount may be too small for a non-resident tourist to bother with a cumbersome process. Establishing a refund system that is quite simple and easy to follow would be a key success factor for this government initiative, particularly if the price of the goods to be purchased barely exceeds the P3,000 threshold.

On the other hand, the option to refund the VAT electronically and the engagement of a VAT refund operator for the implementation of this refund system aligns with the BIR's ongoing efforts to digitalize tax administration. To further modernize the process, the Secretary of Finance in the law's IRR can also explore the option for an automatic or on-the-spot VAT refund, where tourists can avail the refund by just presenting passports and return tickets. A streamlined process will encourage tourists to purchase more goods in the Philippines by refunding the VAT outright, which will allow them to use the savings to further increase their domestic spending, thereby boosting the economy.

All in all, the idea of a VAT refund for tourists is a gesture of reciprocity for what our own residents have been enjoying in other countries. However, in order to fully realize the potential of the system, its implementation should consider both efficiency and effectiveness, which are part of the considerations of tourists in availing of such opportunities.

In the meantime, all we can do is wait for the implementing rules and regulations, which would hopefully include a more detailed process and procedure that the law has kept broad and open. Fingers crossed that in the next long holiday weekend, we would see more social media content where non-residents share their positive experience with our VAT refund system, enticing other tourists to visit our country.

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.



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