Design of Camarines Norte port serving wind farms approaching completion

PEXELS-MERTKAHVECI

THE Philippine Ports Authority (PPA) is currently finalizing the design for a port improvement project at a new site in Camarines Norte, which will support the offshore wind industry.

"We are finalizing the engineering designs for a new site in Mercedes, Camarines Norte and will bid out the construction of said port as soon as the program of works is completed," PPA General Manager Jay Daniel R. Santiago said in a message to *BusinessWorld*.

The port regulator had announced last month that it will recommend the cancellation of the auction for the Jose Panganiban, Camarines Norte port improvement project.

"We are canceling the bidding for the Panganiban Port Project as the site was determined to be technically not suitable," Mr. Santiago said.

In January, the PPA allocated P2.11 billion to improve Jose Panganiban port to make it suitable for servicing the offshore wind industry.

The Department of Energy (DoE) had designated Jose Panganiban as one of three ports scheduled for repurposing for the offshore wind industry. Situated close to 14 offshore wind energy service contracts, Jose Panganiban was being positioned to service wind farms with an estimated capacity of 8,150 megawatts. Two wind projects in the area are in the advanced pre-development phase.

Jose Panganiban had been among the PPA's 14 flagship projects valued at P16 billion, scheduled for completion by 2028.

To date, the DoE has awarded 92 offshore wind energy service contracts to 38 renewable energy developers with a total potential capacity of 69.06 gigawatts (GW).

According to the Philippine Offshore Wind Roadmap, the Philippines has a potential capacity of about 63 GW from offshore wind resources. Also identified as priorities for redevelopment as offshore wind service bases are Currimao, Ilocos Norte and Sta. Clara, Batangas City.

In 2024, the PPA awarded the P839.18-million Currimao Port expansion project to Davao construction company Khan Kon Chi Construction and Development Corp. — **Ashley Erika O. Jose**

PHL urged to support Trump tariffs, leverage favored access

By Aubrey Rose A. Inosante
Reporter

THE GOVERNMENT has been slow in responding to the tariffs imposed by US President Donald J. Trump, an academic said, adding that the Philippines needs to support Washington's reordering of the global trading system while positioning itself as a hub enjoying favored access to US markets.

University of Asia and the Pacific Institute of Law Dean Jemy Gatdula described the government's response to the tariff increase as "tentative" and "slow."

"We should have early on declared support for Trump's restructuring of the global security and trade system," Mr. Gatdula told *BusinessWorld* via Facebook Message. "We should have immediately explored ways to lower our tariffs vis-a-vis the US, positioning us as a low-tariff trade hub (with) greater access to US communication, blockchain, finance, shipbuilding, and energy investment and technology."

Nine days after Mr. Trump's so-called "Liberation Day" imposing at least 10% tariffs on all its trading partners, the Philippines has yet to announce a concrete plan to counter the 17% tariff imposed by the US.

Trade Secretary Ma. Cristina A. Roque said on April 7 that her department is "definitely" open to lowering tariffs on US goods, adding that she will meet soon with the economic team to discuss the matter.

Palace Spokesperson Clarissa A. Castro said only that the matter is currently being studied.

"We should maximize our US Global System of Preferences access, as well as reviving the possibility of an FTA, improving our competitiveness and productivity, while increasing tariffs on China and correcting our $23-billion trade deficit with China," Mr. Gatdula said.

In an e-mail, HSBC economist for the Association of Southeast Asian Nation (ASEAN) Aris D. Dacanay said the Philippines can promote a China +1 strategy, referring to the approach taken by some manufacturers to relocate some operations to "friendlier" countries.

"While negotiating for even lower tariffs, a trade delegation can be sent to aggressively woo foreign manufacturers and multinationals selling to the US to relocate to the Philippines, to potentially build and reconfigure the country's manufacturing sector," Mr. Dacanay said.

The Philippines exported $12.14 billion worth of commodities to the US in 2024. Of the total, 53% or $6.43 billion were electronic products.

He also proposed that the Philippines buy more US agricultural goods.

Minimal Government Thinkers, Inc. President Bienvenido S. Oplas, Jr. said the government should pursue variety of measures, calling the response so far as insufficient.

"I think the Philippines should put on the table the possibility of zero tariffs with US. So far Vietnam and Taiwan have offered this to the US. Not for all products but for priority products like liquefied natural gas, cars, other manufactured goods," he said.

Vietnam Deputy Prime Ministers Bui Thanh Son on April 7 offered to remove all US import tariffs and requested a postponement of tariffs by at least 45 days.

This was struck rejected by Mr. Trump's trade adviser Peter Navarro.

Jose Enrique A. Africa, executive director at think tank IBON Foundation, has characterized the government's inaction as caving in to US bullying while holding on to "misguided free market dogma that lower tariffs are always better."

"The best response for the government to take has to start from finally realizing that the era of export- and Foreign Direct Investment-led investment started winding down in 2008/2009 and it is urgent to shift to domestic-led and -oriented development," he said.

Some ASEAN countries have started to formulate a joint approach to negotiating, as the region with some of the highest tariffs.

Cambodia was hit with a 49% tariff, followed by Laos (48%), Vietnam (46%), Myanmar (44%), Thailand (36%), Indonesia (32%), Malaysia (24%), and Brunei (24%).

Indonesian President Prabowo Subianto reportedly called Malaysian Prime Minister Anwar Ibrahim, Brunei Sultan Hassanal Bolkiah, President Ferdinand R. Marcos, Jr., and Singapore Prime Minister Lawrence Wong to discuss the region's tariffs.

On April 4, Cambodian Prime Minister Hun Manet wrote US President Donald J. Trump, committing to a 5% tariff for US goods in 19 product categories.

Thai Deputy Prime Minister Pichai Chunhavajira and Indonesia Chief Economic Minister Airlangga Hartarto are heading to the Washington in hopes of securing a deal for their countries.

Aside from also dispatching a delegation to the Washington for tariff talks, Malaysia has lobbied for a united ASEAN response to the US, according to Prime Minister Anwar Ibrahim.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Macroeconomic Policy and Analysis Section Chief Vatcharin Sirimaneetham said the Philippines' economic growth is tied to the reaction of its exporters to tariff changes, finding new markets and adjusting prices.

"This is what other countries around the world are also doing, so competition is especially high," he said.

He said the eventual US tariff on the Philippines after negotiations will be closely watched, as well as the exemptions for categories of goods and the impact on regional supply chains in Asia.

In its Economic and Social Survey of Asia and the Pacific 2025 report, the Philippine economy was projected by ESCAP to expand by 6.1% this year, unchanged from its forecast issued a year earlier. The report had been prepared before the US tariffs were announced.

"It is challenging to comment on the projected economic growth in 2025 now because the underlying information and assumptions are still evolving daily, with a usually high degree of uncertainty," he said.

For 2026, the Philippines is expected to grow 6.3%, ESCAP said.

Both of these projections were within the Development Budget Coordination Committee's 6-8% GDP growth until 2028.

ILO ASIA-PACIFIC

Industrialization touted as best counter to US tariffs

By John Victor D. Ordoñez
Reporter

THE PHILIPPINES needs to focus on developing industrial capacity and growing the domestic market for products which will face higher US tariffs, an economist said.

"Efforts to lower tariffs would be the conventional short-term response," IBON Foundation Executive Director Jose Enrique A. Africa said via Viber. "The government should however also look to Filipino industrialization and increasing domestic family purchasing power as well to create domestic demand for the products facing higher tariff barriers in the US."

The White House last week said the Philippines will be charged a 17% "discounted reciprocal tariff," in response to Philippine tariffs of 34% on US goods, as estimated by US trade officials.

US President Donald J. Trump announced a 10% baseline tariff applicable to all its trading partners, with the rates set higher for countries that impose high tariffs on US goods.

Within Southeast Asia, the Philippines had the second-lowest tariff next to Singapore, which was granted the 10% baseline tariff. Cambodia faces the steepest tariff at 49%, followed by Laos (48%), Vietnam (46%), Myanmar (45%), Thailand (37%), Indonesia (32%), Malaysia (24%) and Brunei (24%).

Trade Secretary Ma. Cristina A. Roque has said that her department is open to lowering tariffs on US goods.

She said the Philippines is "definitely" looking at reducing tariffs on US products but noted that the economic team will discuss the extent of what the Philippines can offer.

Mr. Africa said most exports of the Philippines to the US would not be affected by the executive order imposing the reciprocal tariff, which exempted semiconductors and auto parts, among other products critical to reindustrialization efforts.

In 2023, electronics accounted for about 56% of Philippine exports to the US, machinery 15%, chemicals 4%, and vehicles 2%.

"Bolstering domestic demand with higher family incomes and more robust and expansive Filipino industry is really the most viable strategy over the medium- to long-term especially with the growing risk of escalating tariff retaliation," he said.

OPINION

Tax-free foreign currency deposits for heirs

TAXWISE OR OTHERWISE
MARYJANE ALMIRA KAU CHONG

Parental love is one of the strongest and most selfless forces in the world. Having experienced this love through my own parents, who have always been there to support and nurture me, I now find myself, as a parent, driven by the same desire to care for and protect my child. This influence extends to every decision I make, particularly those concerning financial security and inheritance. My hope is that my dedication will transcend life's limitations, allowing me to provide for my child even after I am gone. This enduring love naturally intersects with practical matters like estate planning and tax considerations, which are crucial to ensuring that the legacy we leave behind is secure and beneficial for our loved ones.

Estate planning ensures that our beneficiaries enjoy the fruits of our labor without unnecessary burdens. An essential aspect is understanding how estate taxes impact wealth transfer. In the Philippines, the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which took effect on Jan. 1, 2018, fixed the estate tax rate at 6% of the net estate's value. This change aimed to simplify the estate tax process, making it more predictable and manageable for families.

Under the current Philippine tax rules, a decedent's gross estate comprises all properties wherever situated, including real properties, personal property, tangibles, and intangibles. However, for non-resident aliens, only properties situated in the Philippines are included. With respect to intangible personal property, its inclusion in the gross estate is subject to the rule of reciprocity. This means that estate planning can become quite complex, particularly for families with assets in multiple jurisdictions.

Alongside this fixed rate, the TRAIN Law introduced modifications to standard deductions and specific exemptions applicable in determining the net estate. Although these adjustments streamline the wealth transfer process, heirs must remain vigilant in comprehending the allowable deductions and exemptions to accurately assess the net estate value.

In 2024, a Supreme Court case addressed an issue concerning estate taxes and foreign currency deposits. The case involved the estate of a deceased person, for which the sole heir and representative, along with the estate itself, had already paid the estate tax. However, the estate subsequently claimed that the deceased's foreign currency deposit in a Foreign Currency Deposit Unit (FCDU) of a bank was erroneously subjected to estate tax. The estate argued that these deposits should have been exempted under Republic Act (RA) No. 6426, as amended by Presidential Decree Nos. 1034 and 1035, collectively known as the Foreign Currency Deposit Act of the Philippines.

Issued in 1974, the Foreign Currency Deposit Act primarily aimed to encourage the inflow and retention of foreign currency deposits within the Philippine banking system. It was designed to attract foreign currency deposits from both Filipino citizens and foreigners by offering a secure and favorable banking environment. One of the major incentives is the exemption of foreign currency deposits from all forms of taxation, including income tax, estate tax, and other national internal revenue taxes. This exemption was intended to make foreign currency deposits more attractive to potential depositors.

In its counterargument, the Bureau of Internal Revenue (BIR) asserted that estate tax should apply to these foreign currency deposits, claiming that the exemption granted under RA No. 6426 was implicitly repealed by the 1997 National Internal Revenue Code. This is because it is neither listed as an allowable deduction for estate taxes nor included among the acquisitions and transfers exempt from estate taxes under the Tax Code.

The Supreme Court, however, upheld that foreign currency deposit accounts are exempt from all taxes, including estate tax, under RA No. 6426. This ruling underscored the principle that as a special law regulating the foreign currency deposit system and detailing exemptions and incentives, the specific provisions of the Foreign Currency Deposit Act take precedence over the broader provisions of the 1997 Tax Code concerning national internal revenue taxes. The Court determined that the 1997 Tax Code, as a general tax law, cannot nullify or alter the specific exemptions provided by RA No. 6426 without a clear and explicit provision stating its repeal.

The landmark ruling highlights the fundamental rule in statutory construction that, when there is a conflict between a general law and a specific law, the specific law takes precedence because it more clearly reflects the legislative intent.

By reaffirming the tax-exempt status of foreign currency deposits under the Foreign Currency Deposit Act, the Supreme Court provided clarity and reassurance for families navigating the intricate landscape of estate taxation in the Philippines. It has also reinforced the agenda of a 50-year-old piece of legislation enticing people to invest in foreign currency.

The profound impact of parental affection goes beyond nurturing and protection in this life. It intertwines with critical financial decisions that we make today that affect the value of the gifts we will leave behind. The Supreme Court case serves as a pivotal reminder of the complexities inherent in estate planning and the importance of understanding nuances in tax law that can help preserve our legacy and reflect our enduring dedication to the well-being and prosperity of future generations.

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.

MARYJANE ALMIRA KAU CHONG is an assistant manager at the Tax group of Isla Lipana & Co., the Philippine member firm of the PricewaterhouseCoopers global network.
maryjane.almira.kau@pwc.com