
PINA MESSINA-UNSPLASH

PHL pharmaceutical market estimated at $2 billion this year as UHC drives growth in generics segment

THE pharmaceutical market is projected to generate $2 billion in revenue this year and keep growing until 2029, driven by demand for generic drugs, the Board of Investments (BoI) said.

"Definitely, there is more potential for the pharmaceutical industry, especially since steady growth is expected to continue at an annual rate of 4.1% through 2029," the BoI said in a statement on Monday.

"This upward trend is expected to be largely driven by the increasing demand for generic drugs due to the government's efforts to make healthcare more affordable and accessible to all Filipinos," it added.

The market's growth is expected to expand opportunities for innovation, investment, and broader access to essential medicine, it said.

However, BoI Industry Development Services Executive Director Ma. Corazon Halili-Dichosa noted that the Philippine pharmaceutical industry remains import-dependent.

"From 2019 to 2024, the Philippines saw a steady rise in pharmaceutical imports, peaking in 2021," she said.

"Exports, on the other hand, remain almost nil relative to our imports and have been declining. For the first semester of 2025, exports have declined 25% while imports increased by 5%," she added.

The BoI has been implementing the Integrated Roadmap for the Philippine Pharmaceutical Industry (IRPPI) since 2023 to make the industry's value chain more agile and resilient.

The government hopes to increase the capacity of domestic manufacturers to produce 60% of medicine registered in the Philippines.

It also hopes to make the country a leading producer of essential pharmaceutical products and services.

According to Ms. Halili-Dichosa, key updates in the roadmap include the issuance of the guidelines for pharmaceutical economic zones, finalization of the Tatak Pinoy Strategy, simplified export processes for Philippine products, and the planned establishment of the Virology Institute of the Philippines. — **Justine Irish D. Tabile**

Construction seen slowing as corruption backlash deepens

By Katherine K. Chan

THE backlash against corruption in infrastructure projects could dampen construction activity in the next few quarters, Pantheon Macroeconomics said.

Nevertheless, Miguel Chanco, chief emerging Asia economist, and Meekita Gupta, Asia economist for Pantheon noted that a cleanup of the industry and procurement practices could boost the economy in the long run.

"Notwithstanding the ongoing political fallout, (President Ferdinand R. Marcos, Jr.'s) targeted anti-corruption drive probably will hit construction activity in the next few quarters, as public and private participants engage more cautiously in a sector that's now under a spotlight," Mr. Chanco and Ms. Gupta said in a commentary issued Monday.

On Sunday, at least 84,000 protesters gathered in various locations in Metro Manila in the wake of revelations of billions of pesos of fraud and waste in flood control projects, which were exposed after extensive flooding in many parts of the country in July.


DANNY LAU-UNSPLASH

At a Senate briefing earlier this month, Finance Secretary Ralph G. Recto estimated that such defective or non-existent projects cost the economy between P42 billion to P119 billion since 2023.

"For perspective, the upper estimate is equivalent to roughly 0.5% of GDP, significant for an economy still struggling to recapture its previous growth form," Pantheon Macroeconomics said.

"Any short-term squeeze on public infrastructure is likely to be seen in the macro data: the current administration has commendably built on the previous government's substantial ramp-up of infrastructure spending," it added.

The Department of Budget and Management (DBM) reported that infrastructure spending and other capital outlays rose 6.5% year on year to P148.8 billion in June, bringing the first-half total to P620.2 billion.

The government infrastructure budget was P1.51 trillion this year, equivalent to 5.3% of gross domestic product (GDP).

On Sept. 11, President Ferdinand R. Marcos, Jr. signed Executive Order No. 94, which established the Independent Commission for Infrastructure (ICI) to investigate infrastructure-related corruption.

Since the flood-control scandal broke, the Anti-Money Laundering Council has frozen over 700 assets belonging to government officials and contractors suspected of involvement in flood control projects that failed.

"To be sure, the bigger the clean-up in the short run, however painful for current activity, the better it will be for the economy's long-term prospects, as the poor quality of governance remains a major headwind in the Philippines," Mr. Chanco and Ms. Gupta said.

Greenhouses to feature in new 'protected cultivation' strategy

THE Department of Agriculture (DA) said its new strategy for food production focuses on keeping supplies reliable and affordable in the face of potential disruptions from climate change, and will involve a major push for the use of greenhouses.

The heavy July rains and the resulting floods upended supply chains and raised food prices, pointing to the need to reconfigure the DA's efforts towards achieving scale and making crops more resilient through "protected cultivation," it said.

The so-called "White Revolution" project is geared towards ensuring that the growing population can be adequately fed. The term "White Revolution" is taken from the South Korean agricultural boom beginning in the 1970s, which employed white plastic film in the construction of greenhouses.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. was quoted as saying: "We cannot afford to rely on good weather anymore. Protected cultivation is no longer optional — it's a necessity."

A key component of the plan involves locating production areas in "corridors" closer to urban markets to make distribution networks less prone to failure. These areas will feature improved post-harvest systems to maximize the shelf life of produce and facilities that allow crops to grow regardless of climate conditions, such as greenhouses.

The goal is to have the first of these corridors operational by July 2026, the DA said.

Agriculture Undersecretary Cheryl Marie Caballero has ordered an inventory of all greenhouses set up during past DA programs to see if they can be tapped to jump-start the "White Revolution."

Mr. Laurel said President Ferdinand R. Marcos, Jr.'s vision for agriculture involves "a modern, climate-resilient, tech-powered agriculture sector that truly supports our farmers while ensuring food security."

The Philippines currently has a trade deficit of $11.71 billion due to its substantial food imports. Cutting this deficit by $1.71 billion would result in at least P60 billion being redirected to local producers. — **Andre Christopher H. Alampay**

Inflation risks 'tilted to downside' ahead of next BSP rate decision

THE Bangko Sentral ng Pilipinas (BSP) views the risks to inflation to be weighted towards the downside ahead of its next decision on interest rates, a central bank official said.

"To answer the question on under what conditions we might consider easing further... We need to make sure that inflation stays within target. The risk will be clearly tilted to the downside," Lara Romina E. Ganapin, director of the BSP's Monetary Policy Research Group, said during the Philippine Economic Briefing in Mabalacat, Pampanga on Monday.

"Expectations, which are a very important channel, should remain well-contained and well-anchored, (showing) no signs of second-round effects. And of course, we also need to look at growth risk," she added.


CRECENCIO I. CRUZ

The BSP's policy rate is currently 5% after the Monetary Board last month lowered borrowing costs by 25 basis points (bps) for a third straight meeting.

It has now cut benchmark interest rates by a total of 150 bps since it began its easing cycle in August 2024.

BSP Governor Eli M. Remolona, Jr. said the current key rate is now at a "sweet spot" for both inflation and output, but one more reduction is possible within the year to support the economy if needed, which would likely mark the end of the rate cut cycle.

In August, inflation picked up to 1.5% from 0.9% a month earlier. It was the sixth straight month of inflation coming in below the BSP's 2-4% target range.

In the first eight months, inflation averaged 1.7%, in line with the central bank's full-year target.

The economy grew 5.5% in the second quarter, driven by a rebound in agriculture output and stronger household spending. During the first quarter, growth had been 5.4%.

"We could still see some risk from supply shocks because there are still ongoing geopolitical tensions from the Ukraine-Russia conflict. There are also impacts from the adverse weather conditions," Ms. Ganapin said.

She added that the central bank is also monitoring external developments such as US tariff policy, policy shifts in other countries and the Federal Reserve's monetary policy stance.

"We remain vigilant, of course, to safeguard price stability and to support sustainable growth," Ms. Ganapin said. — **Katherine K. Chan**

OPINION

Who can audit you? Understanding the importance of a Letter of Authority

LET'S TALK TAX
ELIJAH DOMINIC V. DAVID

"With great power comes great responsibility." This famous line serves as a reminder to Spider-Man to use his power for the greater good. In the realm of taxation, the power to tax is often described as the power to destroy and should therefore be exercised with caution.

To limit such power, taxation must respect the taxpayer's right to due process. One of the most important safeguards in the tax system is the requirement for a Letter of Authority (LoA) before any audit or investigation can begin. The LoA is not merely a procedural formality — it is a legal prerequisite that ensures the taxpayer's right to due process is respected.

What Is a Letter of Authority?

A Letter of Authority is an official document issued by the Commissioner of Internal Revenue (CIR) or a duly authorized representative. It empowers specific revenue officers to examine and audit the books of account and other financial records of a taxpayer for a specific period. The LoA must clearly identify the officers assigned to the case, including their names and positions.

The audit team typically consists of the Group Supervisor (GS) and the Revenue Officer (RO).

This is a vital part of the assessment, as only those named in the LoA are authorized to participate. Any involvement by individuals not listed in the LoA constitutes a violation and renders the assessment null and void.

WHY THE LOA MATTERS

The LoA serves as a legal boundary that protects taxpayers from unauthorized or excessive scrutiny. It ensures that the audit is conducted by officers who have been properly designated and that the taxpayer is aware of who is examining their records. This transparency is essential to maintaining trust in the tax system and upholding the principles of fairness and legality.

There are instances where one or both cases of officers assigned to an audit are transferred to other revenue districts. As a result, either a new revenue officer or a new team will be assigned to handle ongoing audits.

In such a scenario, it is mandatory that a replacement LoA be issued bearing the new team's composition. Failure to do so violates the taxpayer's right to due process and undermines the legitimacy of the audit.

THE ROLE OF THE GROUP SUPERVISOR

A common point of confusion is whether a group supervisor must be named in the LoA, especially when their role is primarily supervisory rather than directly investigative. This issue was addressed in the recent case of Brilliant Creations Publishing, Inc. v. Commissioner of Internal Revenue, decided by the Court of Tax Appeals (CTA).

In this case, the CTA emphasized that "all ROs must be armed with an LoA issued by the CIR or an authorized representative to conduct an audit or examination of a taxpayer."

The CTA cited the landmark case Commissioner of Internal Revenue vs McDonald's Philippines Realty Corp., where it was held that when a revenue officer is reassigned or transferred, the substitute or replacement revenue officer must be issued a separate or amended LoA. Failure to do so violates the taxpayer's right to due process, usurps the statutory power of the CIR or his duly authorized representative to grant the power to examine the books of account of a taxpayer, and does not comply with existing BIR rules and regulations.

The CTA further clarified that a group supervisor is considered a revenue officer. Under Revenue Administrative Order (RAO) No. 02-90, 78 a GS is classified as Revenue Officer II, III, or IV and is tasked with supervising and reviewing the work and audit reports of subordinate Revenue Officers.

The CTA also noted the responsibility of a GS, stating that "all group supervisors and section chiefs shall be responsible for the work performance of their subordinates, and it shall be their responsibility to closely supervise and review their work and audit reports."

As such, the Court ruled that Group Supervisors are Revenue Officers themselves under RAO No. 02-90 and are not exempt from the requirement of a valid LoA when participating in audit activities. Their designation as supervisors does not negate their classification as ROs. The RAO merely defines their additional responsibility to oversee and review the work and audit reports of their subordinate ROs.

LEGAL IMPLICATIONS OF NONCOMPLIANCE

The Court stressed that any audit activity or assessment undertaken by a GS without an LoA is void. In the cited case, since the GS was not granted an LoA, his participation in the audit was unauthorized, rendering the deficiency tax assessment null and void.

WHAT TAXPAYERS SHOULD DO

Given the importance of the LoA, a taxpayer must be vigilant during an audit. He or she must ensure that the person conducting the examination is explicitly authorized in the LoA to safeguard their right to due process.

CONCLUSION

Just as Uncle Ben reminds Peter Parker to use his powers responsibly, the Court reminds us that the power to tax is not the power to destroy, as long as the courts uphold the rule of law. When the rules are followed, the tax system works not as a tool of destruction, but as a mechanism for justice and accountability.

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.

ELIJAH DOMINIC V. DAVID is an associate from the Tax Advisory & Compliance practice area of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton@ph.gt.com