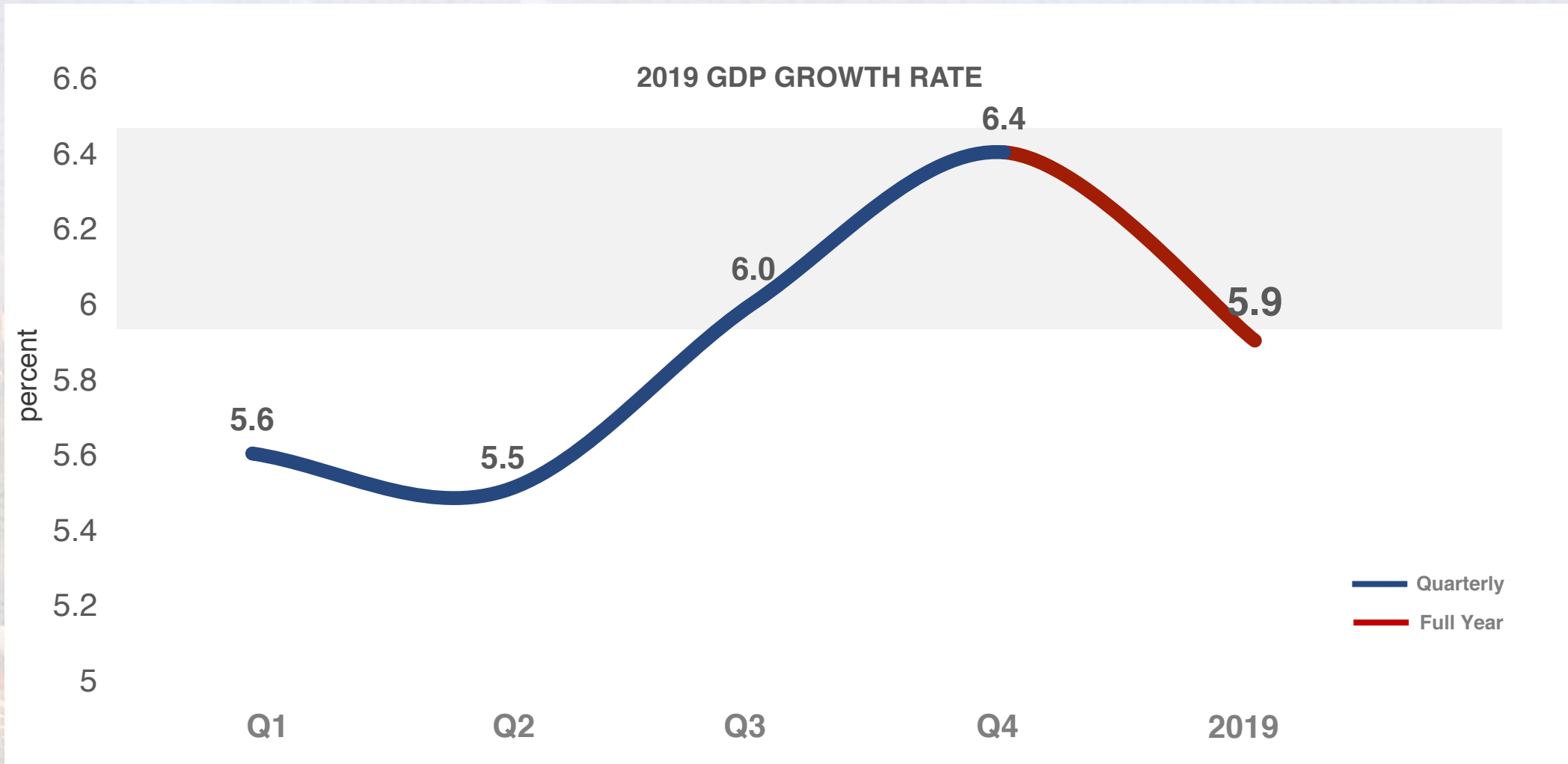


# KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ  
JOINT ASSEMBLY OF FINANCIAL INSTITUTIONS  
FEBRUARY 13, 2020



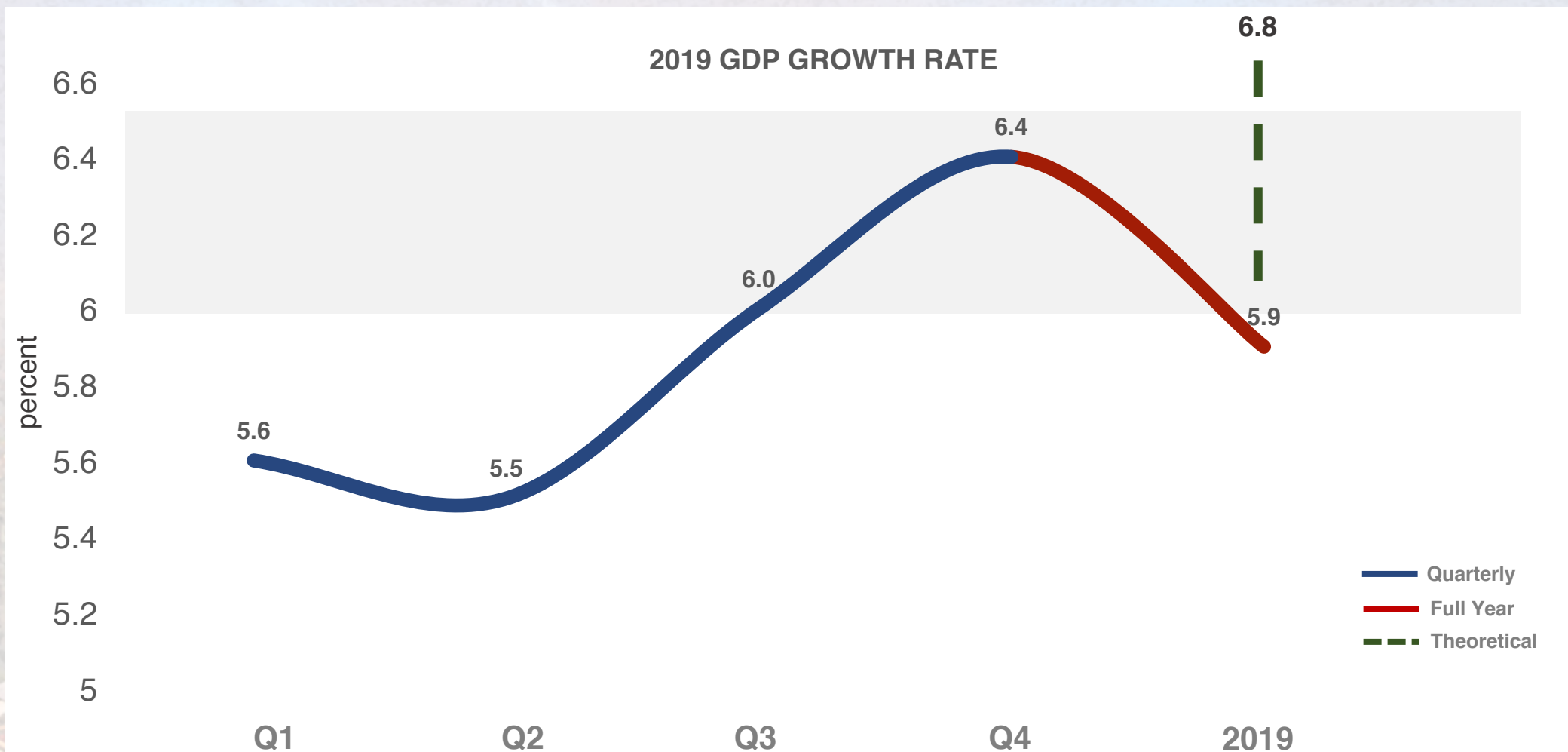
# THE OFFICIAL GROWTH NUMBER FOR THE ECONOMY'S PERFORMANCE LAST YEAR IS NOT A SURPRISE



Source: Philippine Statistics Authority



**HAD THE 2019 NATIONAL BUDGET BEEN PASSED ON SCHEDULE,  
OUR FULL YEAR GDP GROWTH RATE FOR LAST YEAR SHOULD HAVE BEEN AT 6.8%**



Source: Philippine Statistics Authority and DOF Office of the Chief Economist

# CHALLENGES IN EARLY 2020

## African Swine Fever



Source: ABS CBN News

## Taal Eruption



Source: Manila Bulletin

## 2019 Novel Coronavirus



Source: Manila Bulletin



An aerial photograph of a city skyline, likely Singapore, featuring numerous high-rise buildings and green spaces. The sky is a clear, vibrant blue with a few wispy white clouds. A white rectangular box is superimposed over the center of the image, containing bold black text.

**WHILE THESE DEVELOPMENTS MAY DAMPEN  
OUR GROWTH SOMEWHAT, THESE THREATS  
ARE NOT ENOUGH TO FORCE A DRAMATIC  
REDUCTION IN OUR GROWTH ESTIMATES.**

# GOOD NEWS IN 2020



President Duterte signed into law the General Appropriations Act (GAA) of 2020 during a ceremony at the Malacañan Palace on January 6, 2020.

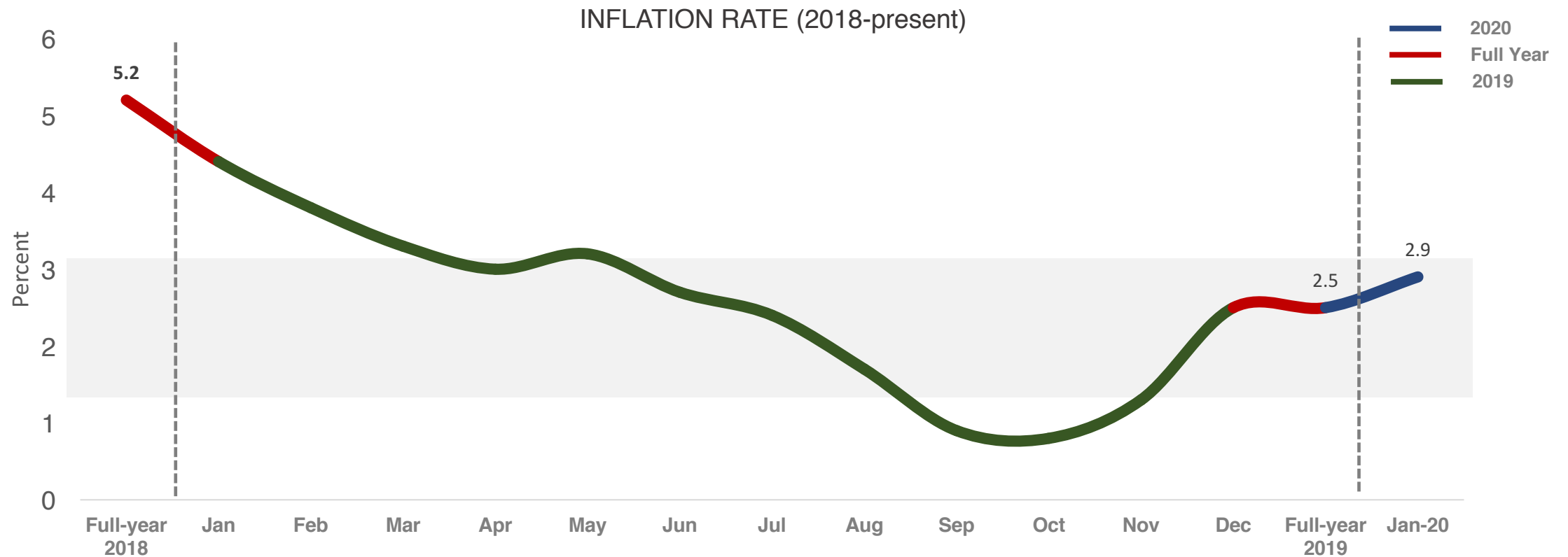
[REPUBLIC ACT NO. 11464]

AN ACT EXTENDING THE AVAILABILITY OF THE 2019 APPROPRIATIONS TO DECEMBER 31, 2020, AMENDING FOR THE PURPOSE SECTION 65 OF THE GENERAL PROVISIONS OF REPUBLIC ACT NO. 11260, THE GENERAL APPROPRIATIONS ACT OF FISCAL YEAR 2019

President Duterte signed Republic Act (RA) No. 11464 on December 20, 2019, extending the validity of all appropriations in the 2019 national budget until the end of 2020.



# 2019 FULL YEAR INFLATION RATE IS WELL WITHIN OUR TARGET



Source: Philippine Statistics Authority

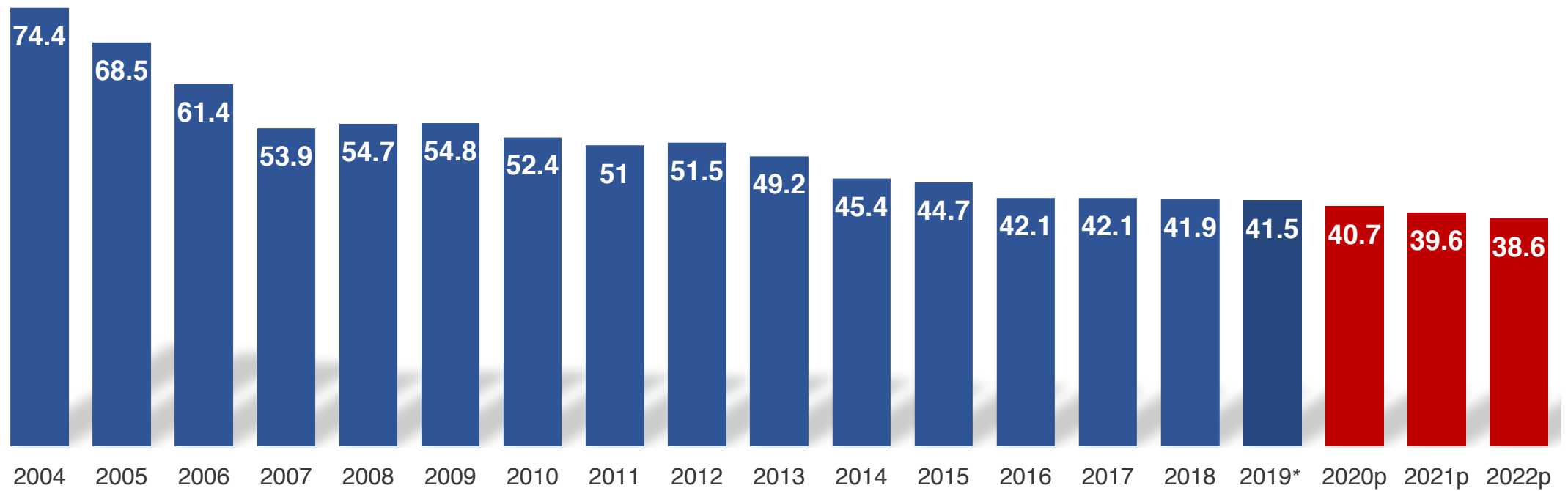




**IN GOVERNMENT, PRUDENCE  
IS EXPRESSED IN FISCAL  
DISCIPLINE.**

# SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

## NATIONAL GOV'T DEBT-TO-GDP

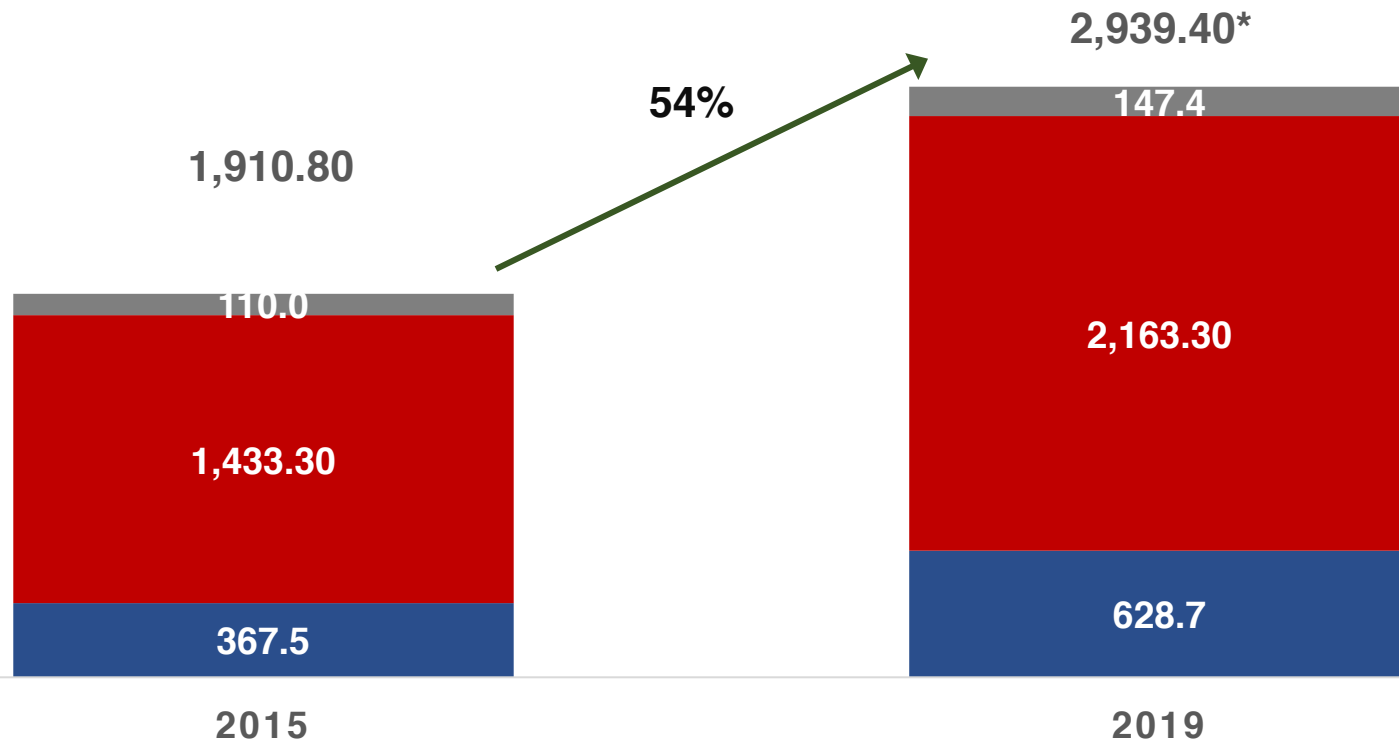


\*2019 Preliminary data  
Source: Philippine Statistics Authority

# THE GOVERNMENT CONTINUES TO POST REMARKABLE REVENUE GAINS

REVENUE COLLECTIONS IN 2019 VS 2015 (in PHP Billion)

■ Bureau of Customs   ■ Bureau of Internal Revenue   ■ Bureau of the Treasury

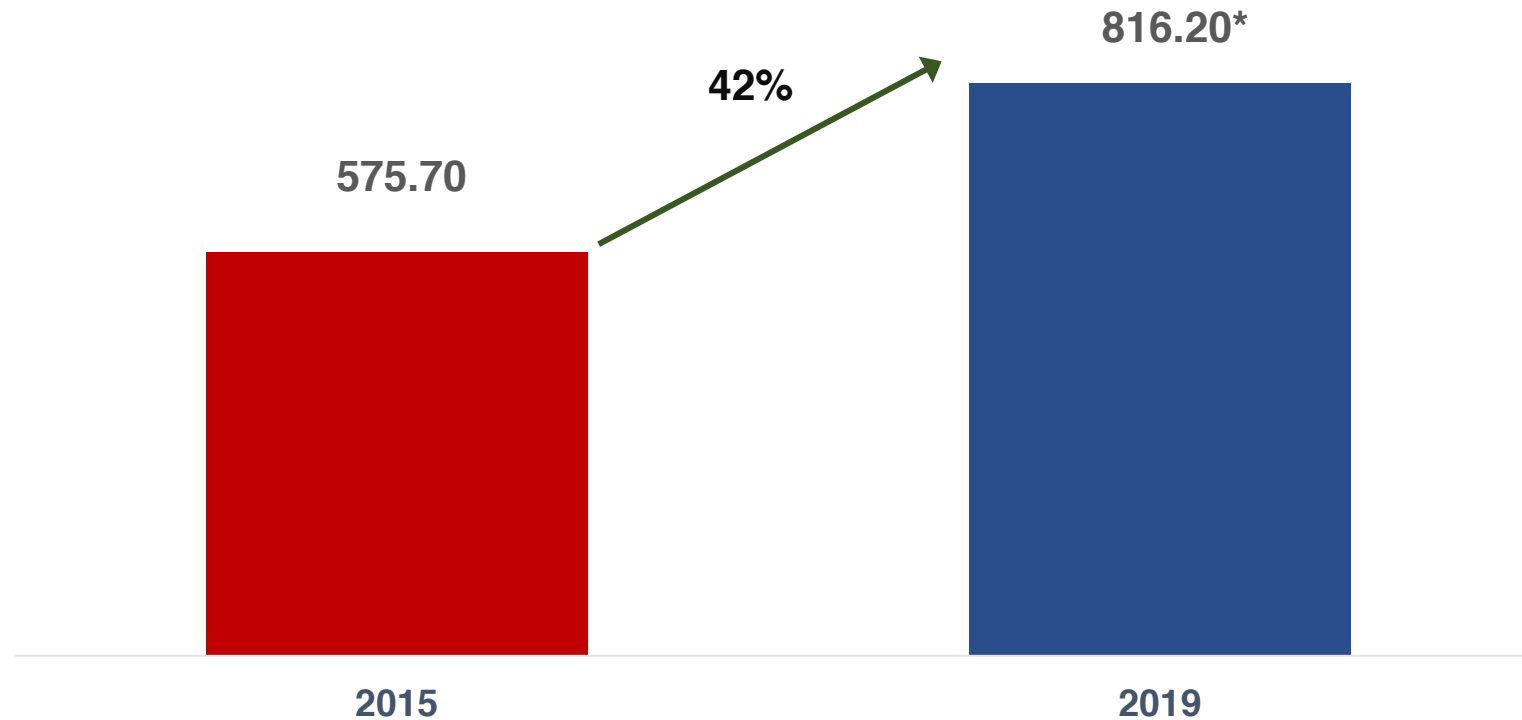


\*Preliminary data  
Source: Bureau of the Treasury



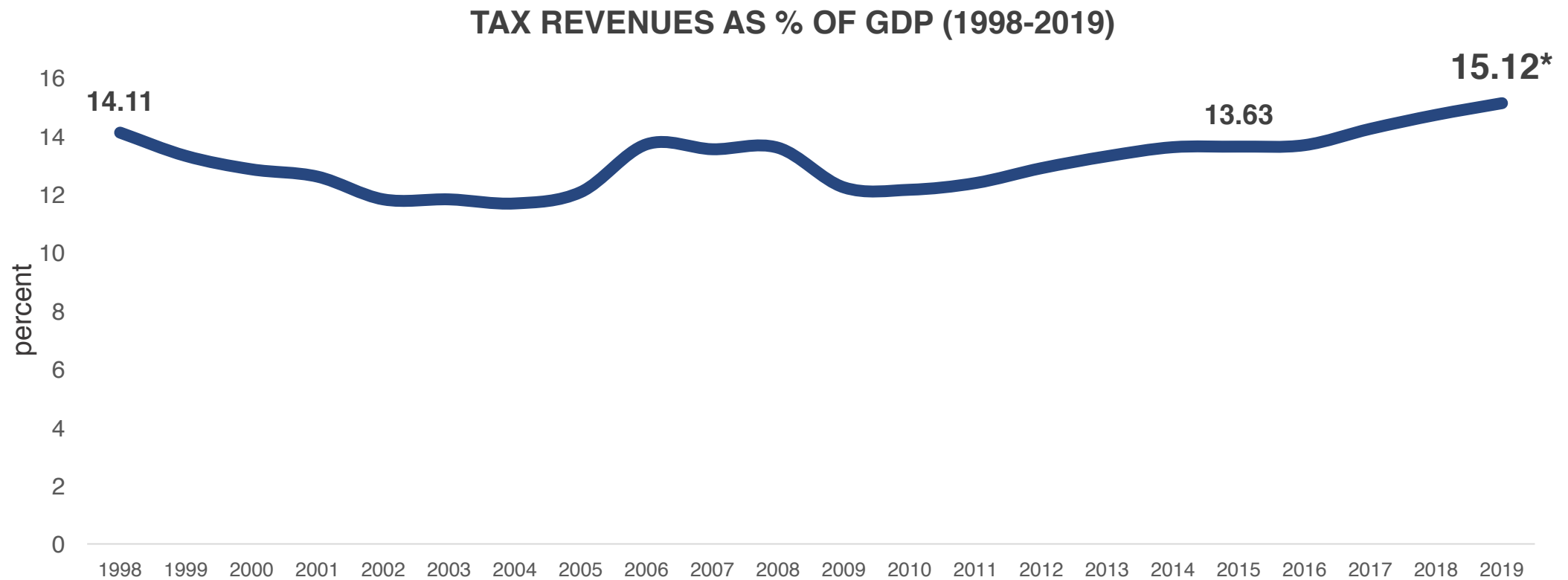
# IMPROVED REVENUE FLOWS TRANSLATE INTO GREATER ECONOMIC INVESTMENTS

INFRASTRUCTURE SPENDING IN 2019 VS 2015 (in PHP Billion)



*\*Programmed expenditures on infrastructure for 2019 from DBM  
Source: DOF Domestic Finance Group and DBM*

# 2019 TAX EFFORT IS THE HIGHEST RATE WE HAVE ACHIEVED IN 22 YEARS



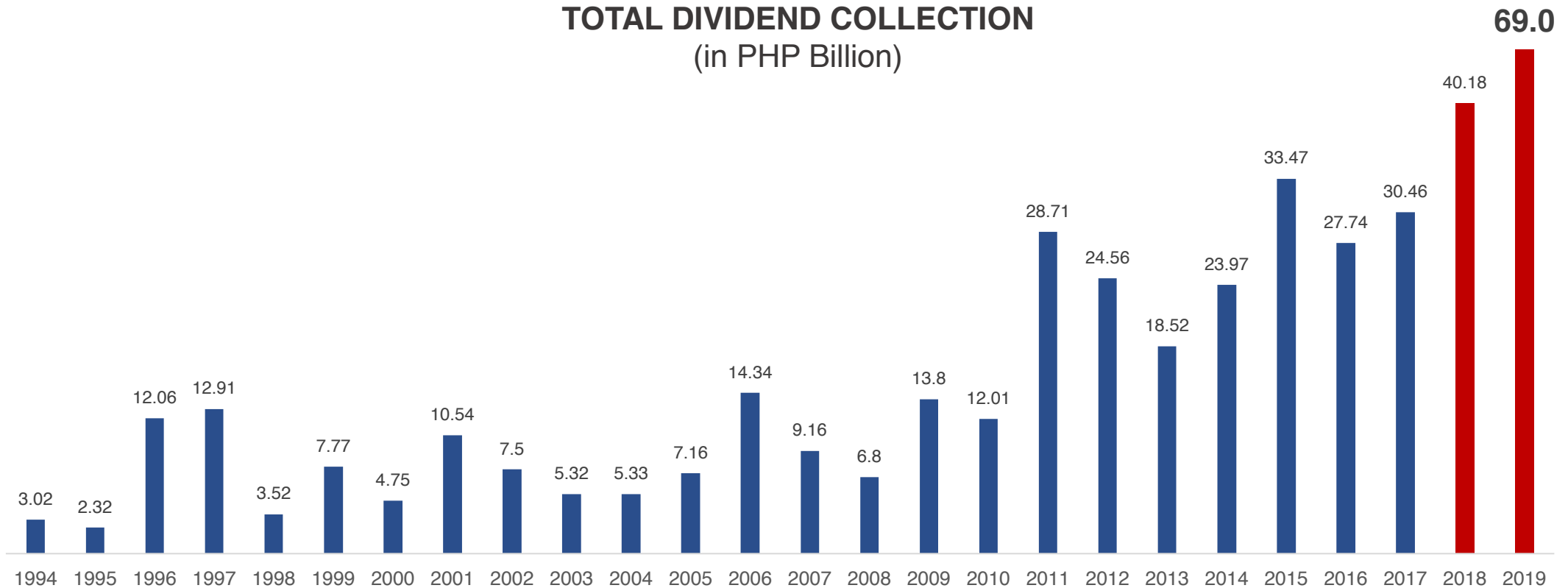
*\*Preliminary Data*

*Source: DOF Office of the Chief Economist*



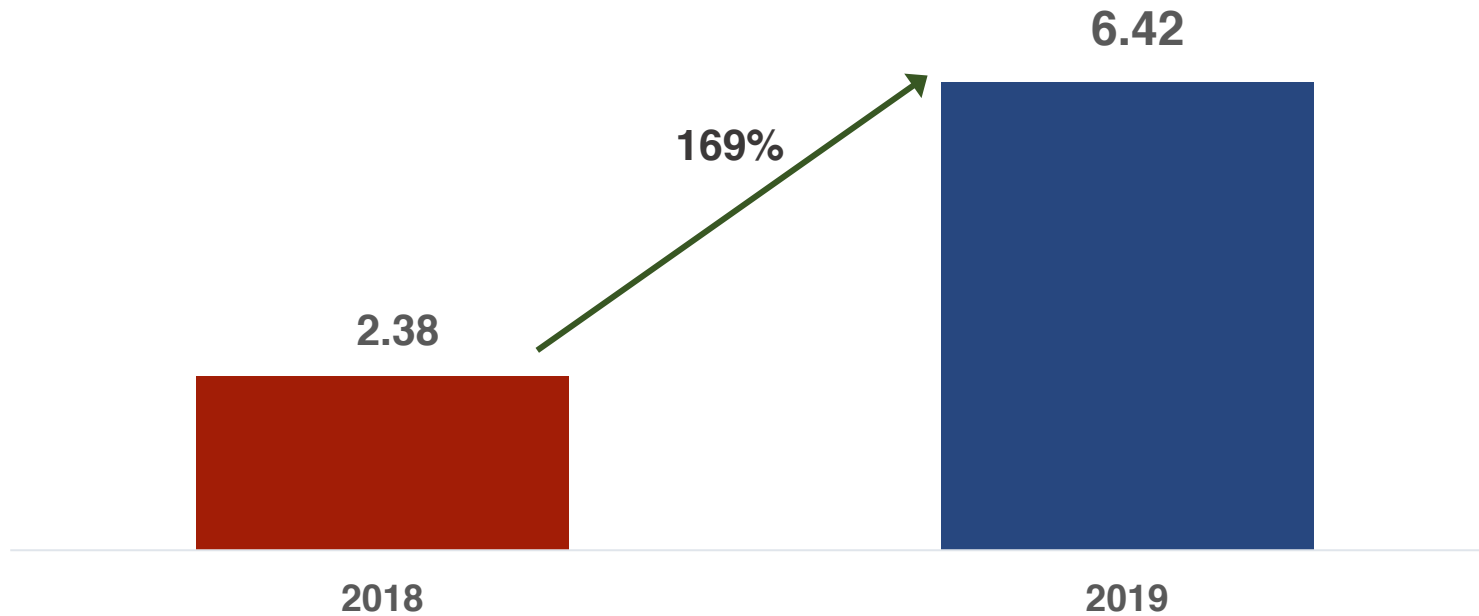
# 2019 GOCC DIVIDEND COLLECTION OF P69 BILLION IS THE HIGHEST AMOUNT EVER COLLECTED

**TOTAL DIVIDEND COLLECTION**  
(in PHP Billion)



# INTENSIFIED CAMPAIGN VS ERRANT POGOS YIELDS P6.42-BILLION TAXES IN 2019

TAX COLLECTIONS FROM PHILIPPINE OFFSHORE GAMING OPERATORS  
(in PHP Billion)



Source: Bureau of Internal Revenue



# USE OF MODERN TECHNOLOGIES TO PROVIDE CONVENIENT, RELIABLE, AND TRANSPARENT SERVICES TO THE TAXPAYERS

## Fuel Marking Program



## E-invoicing system



# HIGHLIGHTS OF THE TAX REFORM FOR ACCELERATION AND INCLUSION LAW (TRAIN LAW-PACKAGE 1)

**We are putting more money in people's pocket**



- Shifted to a simplified Personal Income Tax (PIT) system, and reduces the max rate to 30% over time.
- Restructured the tax for micro enterprises/ self-employed to an optional flat tax rate of 8%
- Reduced and restructured the donor's tax to a single rate of 6%
- Reduced and restructured the estate tax to a single rate of 6%



# WE ARE THE ONLY ADMINISTRATION THAT RAISED TOBACCO EXCISE TAXES TWICE



On July 25, 2019, President Duterte signed into law **Republic Act (RA) 11346**, which raised the excise tax on tobacco products.



# A NEW SET OF SIN TAXES ON ELECTRONIC CIGARETTES (E-CIGARETTES) AND ALCOHOL WILL BE IMPOSED THIS YEAR TO DETER SMOKING AND BINGE DRINKING

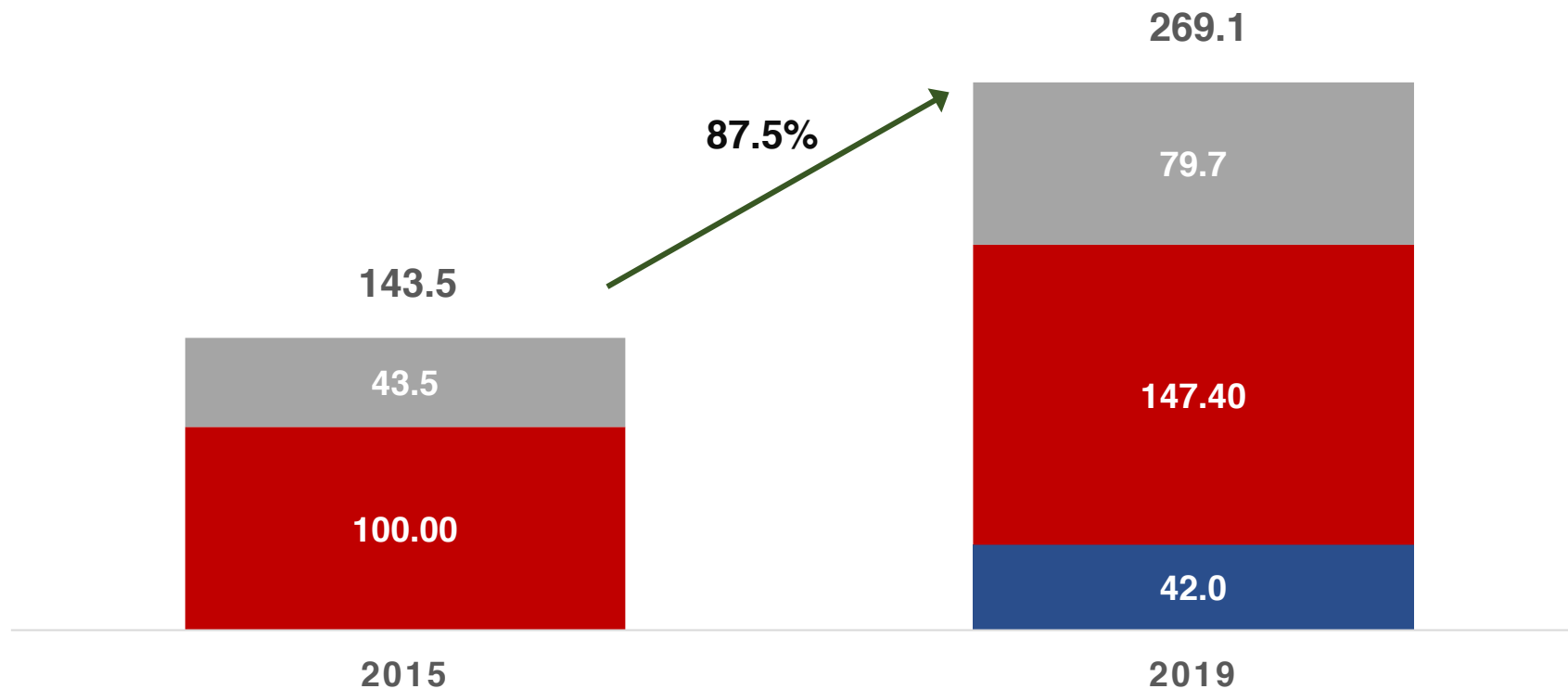


President Rodrigo Duterte signed into law **Republic Act 11467** on January 22, 2020, which hikes the excise taxes on alcohol and imposes new duties on heated tobacco and vapor products effective January 1, 2020.

# SIN TAX COLLECTIONS ALMOST DOUBLE IN 2019 VS 2015

TOTAL SIN TAX COLLECTIONS IN 2019 VS 2015  
(in PHP Billion)

■ Sweetened Beverages ■ Tobacco ■ Alcohol



Source: DOF Strategy, Economics, and Results Group





# RICE TARIFFICATION LAW (R.A. 11203)

*Signed into law on February 14, 2019*



Promotes **food security** by lowering the price of rice for every Filipino family.



Promotes **competition** by opening up the rice market to both imports and domestic production.

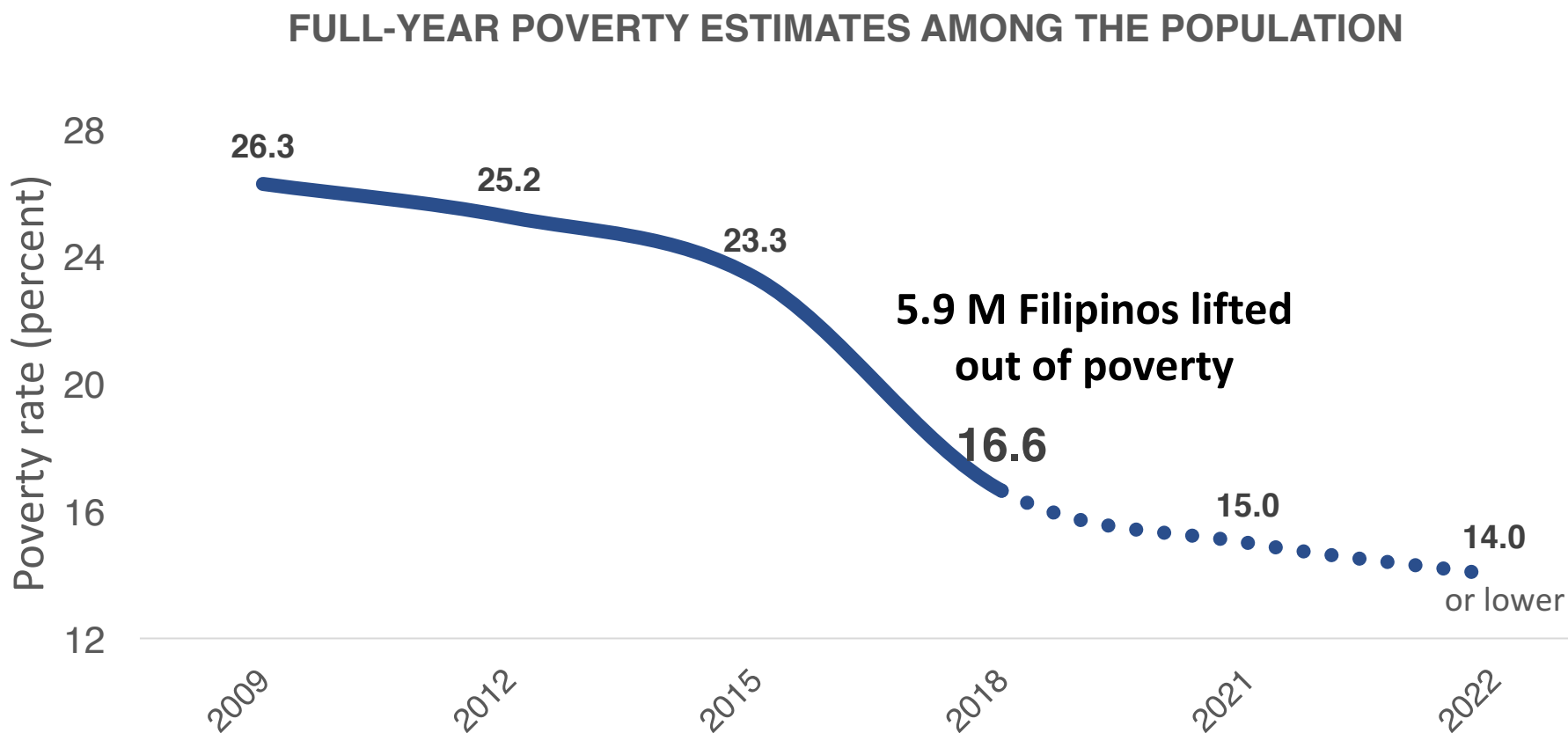


Supports **domestic rice production** as it mandates the National Food Authority (NFA) to source the emergency buffer stock solely from local farmers.



Provides funds for farmer education and mechanization to **improve productivity**.

# POVERTY INCIDENCE DECLINED TO 16.6 PERCENT IN 2018 FROM 23.3 PERCENT IN 2015



Source: PSA

Note: Poverty rates for 2021 to 2022 represent government targets.



## LOWER INCOME HOUSEHOLDS EXPERIENCED THE HIGHEST INCREASE IN MEAN PER CAPITA INCOME FROM 2015 TO 2018

GROWTH IN MEAN PER CAPITA INCOME (FROM 2015 TO 2018)



↑ **20.9%**

**ALL INCOME GROUP**



↑ **32.0%**

**LOWEST 30 PERCENT  
OF THE POPULATION**



↑ **18.0%**

**HIGHEST 20 PERCENT  
OF THE POPULATION**

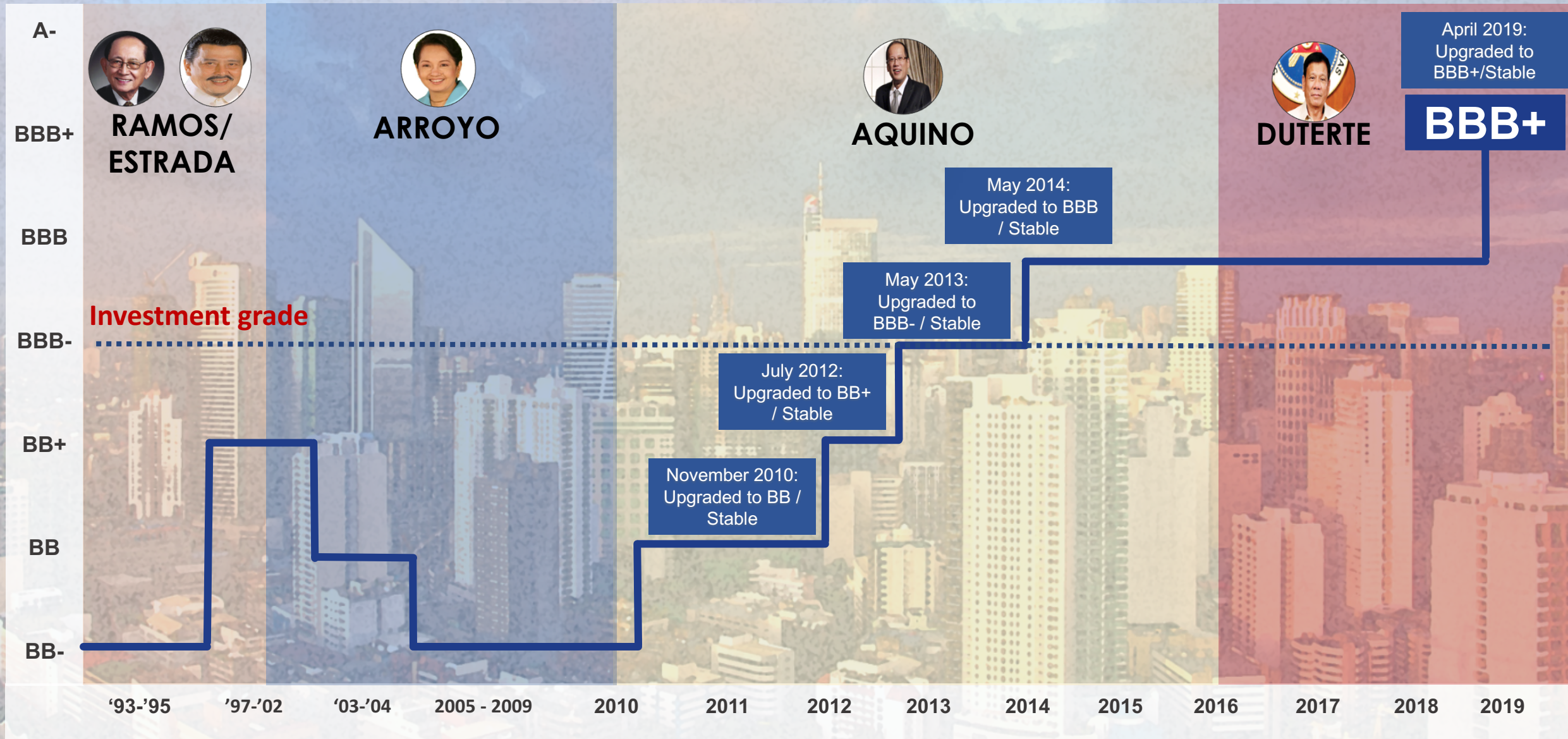




**THE GROWTH WE ARE  
EXPERIENCING IS NOT ONLY  
RAPID. IT IS ALSO INCLUSIVE.**



# S&P RAISED OUR SOVEREIGN RISK RATING FROM BBB TO BBB PLUS





# R&I UPGRADES PHILIPPINES' CREDIT RATING TO BBB+; FITCH ASSIGNS 'POSITIVE' OUTLOOK TO PHILIPPINES' 'BBB' RATING

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**R&I** Rating and Investment Information, Inc.

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In a report released on February 7, R&I said the upgrade was based on its assessment of the **Philippines' positive growth performance and prospects on the back of the government's infrastructure development drive**, as well as the government's ability to **keep its fiscal condition healthy**.

R&I also recognized the **improving socioeconomic climate in the Philippines**.

**Fitch**Ratings

In a report released on February 11, Fitch said, "The revision of the Philippines' outlook to 'positive' from 'stable' reflects expectations of **continuing adherence to a sound macroeconomic policy framework that will support high growth rates with moderate inflation, progress on fiscal reforms that should keep government debt within manageable levels, and continued resilience of external finances.**"



## HIGHER CREDIT RATING IS ALSO ABOUT UPGRADING EVERYONE'S LIVES

**This will translate into larger investments, as well as more jobs and a better quality of life for Filipino families.**



For the private sector, the upgrade means being able to borrow at lower rates to finance their business expansions.



Ordinary Filipinos likewise benefit because banks would then be able to lend money to them at lower interest rates.

# THE COMPREHENSIVE TAX REFORM PROGRAM WILL DRAMATICALLY ALTER THE BUSINESS ENVIRONMENT IN THE COUNTRY



Package 1 TRAIN



Package 2 CITIRA



Package 2+ Sin Taxes



Package 1B Tax Amnesty



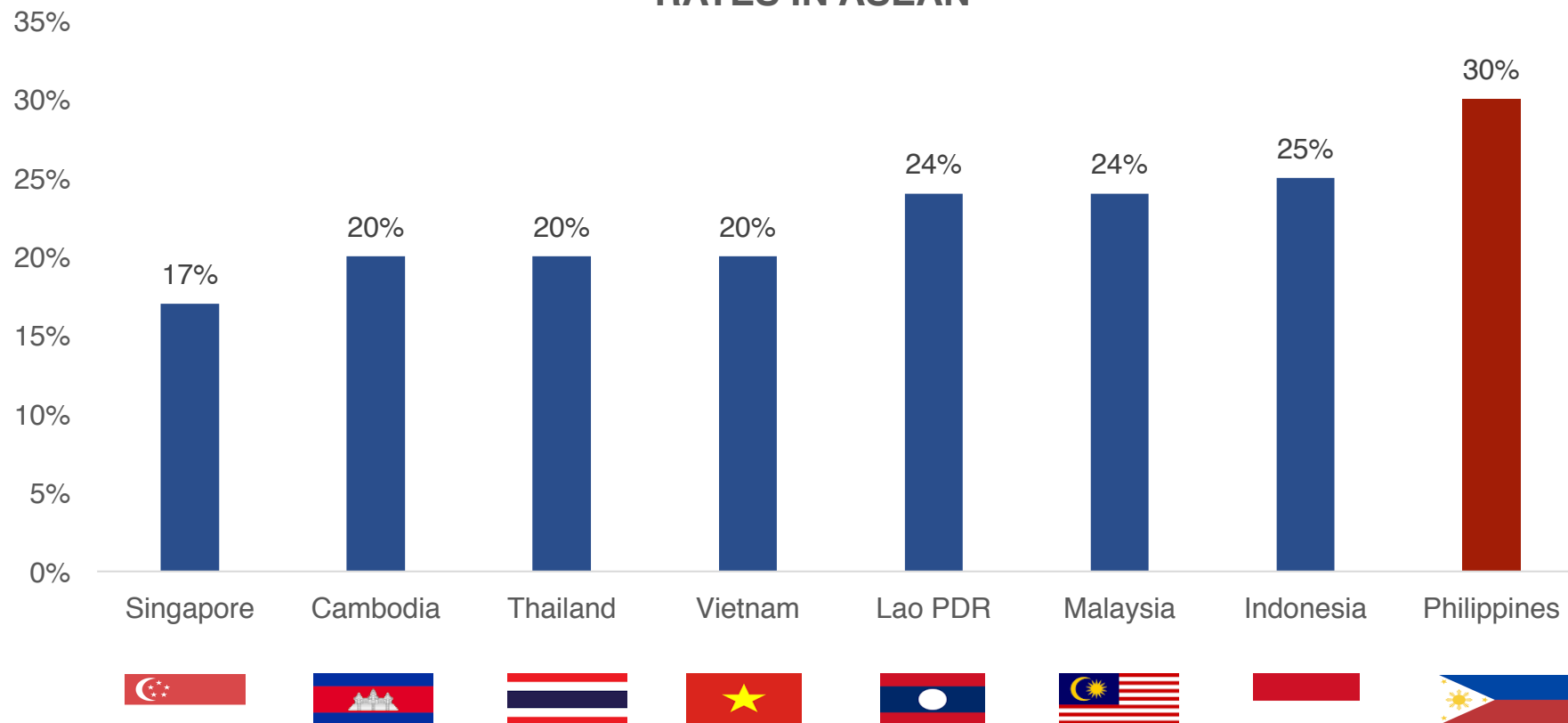
Package 3 Property  
Valuation



Package 4 PIFITA

# CITIRA WILL ENHANCE COMPETITIVENESS WITH ASEAN PEERS

COMPARATIVE CORPORATE INCOME TAX  
RATES IN ASEAN





# FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



**Performance-based**



**Time-bound**



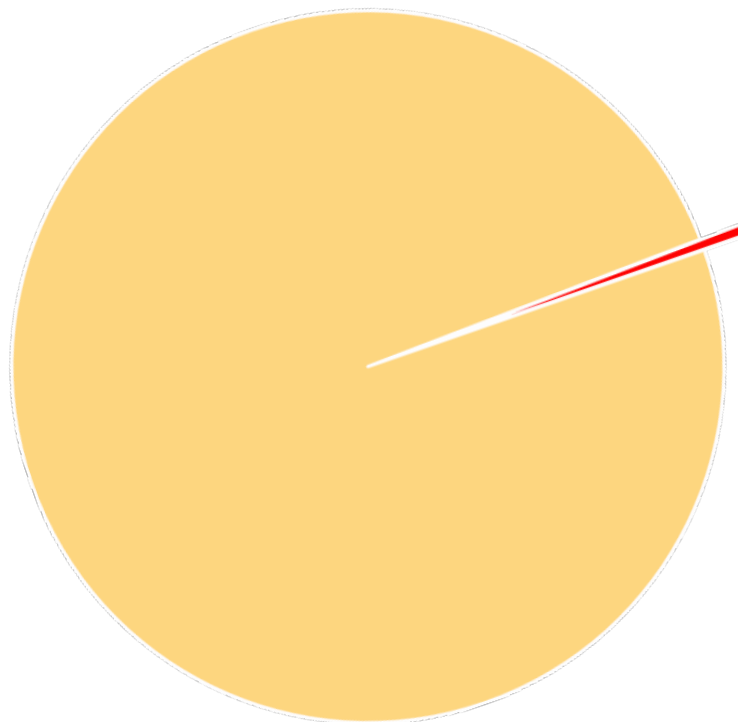
**Targeted**



**Transparent**

# THE PHILIPPINES HAS A COMPLEX TAX INCENTIVES SYSTEM RESULTING IN MANY AND UNNECESSARY INCENTIVES

- Firms with no incentives pay the regular rate of **30%** of net taxable income
- Firms with incentives pay **between 6% and 13% effective tax**
- For example, almost all of the 90,000 Small Medium Enterprises pay the regular 30% rate.



In 2017, **989,166** registered firms

In 2017, over **PHP 441 billion** was granted to **3,150** firms

In addition, PHP 63 billion was lost due to possible abuse of transfer pricing

**Total: PHP 504 billion**  
(3.2% of 2017 GDP)

(Equivalent to 93% of the DepEd budget and more than 5 times that of DOH in 2017)

# CITIRA WILL CREATE 1.5 MILLION JOBS

## Jobs, Jobs, Jobs!



Under CITIRA, more jobs will be generated as we can reasonably expect companies to reinvest at least 50 percent of their additional money from the reduction of the corporate income tax rate toward growing their business.

A new menu of incentives for investors, as proposed in CITIRA, will encourage job creation, upskilling, and linking up SMEs into export value chains.



# PACKAGE 4: PASSIVE INCOME AND FINANCIAL INTERMEDIARY TAXATION ACT (PIFITA) HIGHLIGHTS

**PIFITA will make the Philippines more attractive for capital and investments**



- **Simplifies the tax system on passive income and financial intermediaries** by reducing the number of unique rates and bases from 80 to 36.
- **Minimizes arbitrage opportunities.**
- **Provides neutrality in the tax treatment** across financial instruments and institutions.
- **Promotes capital market development and tax competitiveness** within the context of financial globalization, increased capital mobility, and financial inclusion.


# PACKAGE 3: PROPERTY VALUATION REFORM HIGHLIGHTS

**Package 3 will adopt globally benchmarked valuation standards in real property valuation**



- 🎯 Inculcates a **higher degree of professionalism** in real property valuation.
- 🎯 **Enhances the revenue-generating capacities** of our local governments.
- 🎯 **Helps clear right-of-way issues** currently inhibiting many key infrastructure projects.
- 🎯 **Reduces government costs** arising from the reduction of unnecessary expenses due to conflicting appraisals.





**WE CONTINUE TO IMPLEMENT MEASURES THAT  
WILL INVIGORATE OUR CAPITAL MARKETS,  
BOOST INVESTOR CONFIDENCE, AND ENHANCE  
FINANCIAL INCLUSION.**



# REIT IS A POWERFUL FINANCIAL INSTRUMENT TO FUND PROPERTY DEVELOPMENT AND DRIVE THE ECONOMY FORWARD



The **Real Estate Investment Trust (REIT)** will boost investments in property development in the country as well as democratize wealth by opening access to thousands of small investors wanting to be shareholders in secure and profitable real estate projects.

# THE PHILIPPINES ISSUED ITS FIRST EVER ZERO-COUPON EURO GLOBAL BOND IN THE INTERNATIONAL CAPITAL MARKETS



Source: Business World/ ROBERT ANASCH/UNSPLASH

The overwhelming response from the market for our **3- and 9-year global bond issuance worth 1.2 billion Euros** underscores the international investor community's deepening confidence in the Philippine economy.



# SUCCESSFUL ISSUANCE OF PREMYO BONDS



The wider public patronized the first-time sale of Premyo Bonds, enabling us to raise **4.96 billion pesos** or over 65 percent more than the initial issue size of 3 billion pesos.

These bonds open yet another channel for ordinary Filipinos to be included in the financial mainstream.





**THE CONTINUING REVIEW OF GOVERNMENT  
CONTRACTS IS AN EFFORT TO PROTECT  
TAXPAYERS AND ORDINARY CITIZENS FROM  
ONEROUS PROVISIONS.**





**THE INTERESTS OF THE WHOLE  
NATION SHOULD BE A PRIMARY  
CONSIDERATION.**

# Duterte's satisfaction rating hits record-high

By Catherine S. Valente, TMT    January 23, 2020

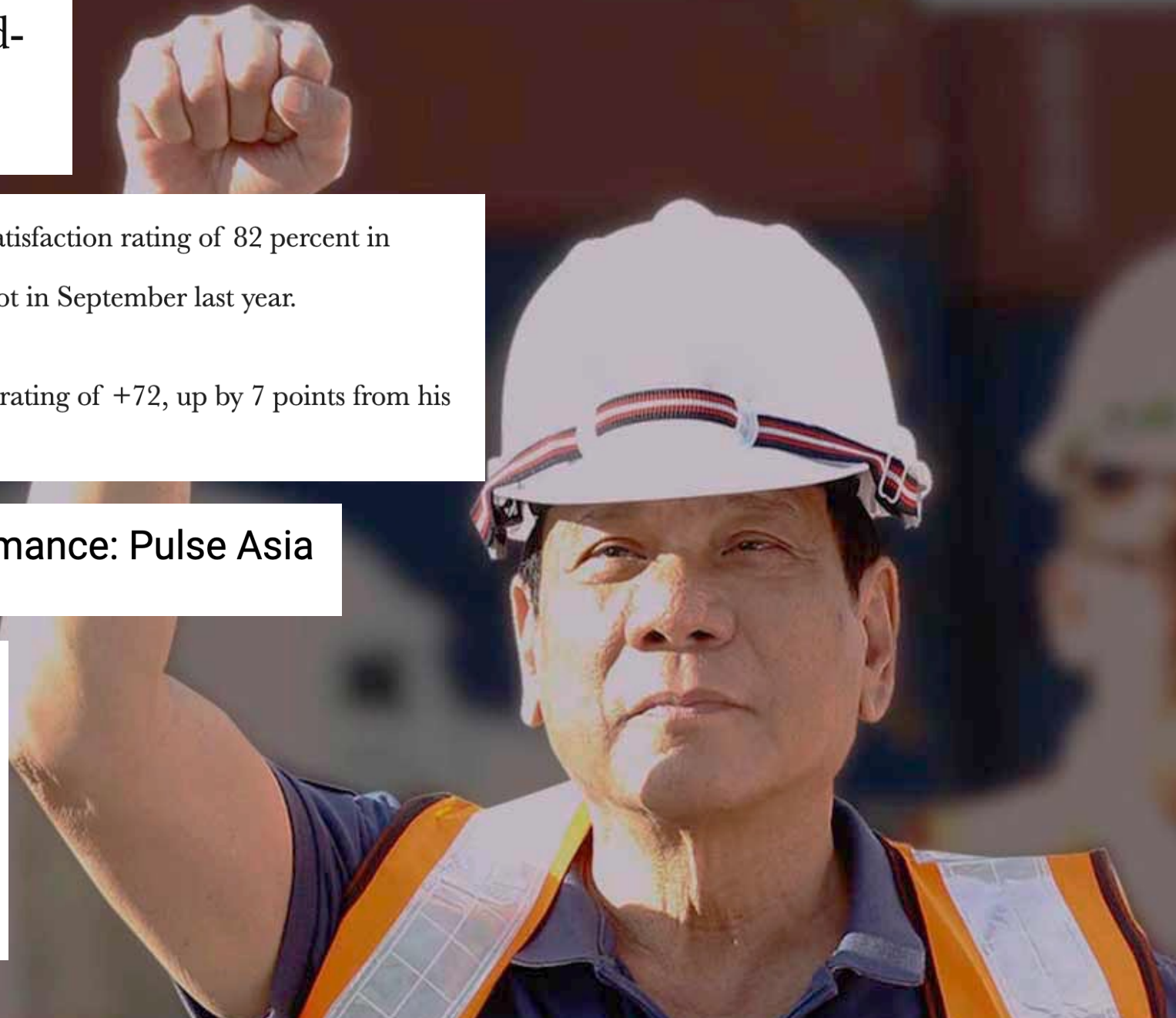
The survey showed that Duterte received a net satisfaction rating of 82 percent in December, 4-percent higher than the rating he got in September last year.

The President got an “excellent” net satisfaction rating of +72, up by 7 points from his “very good” +65 rating in September 2019.

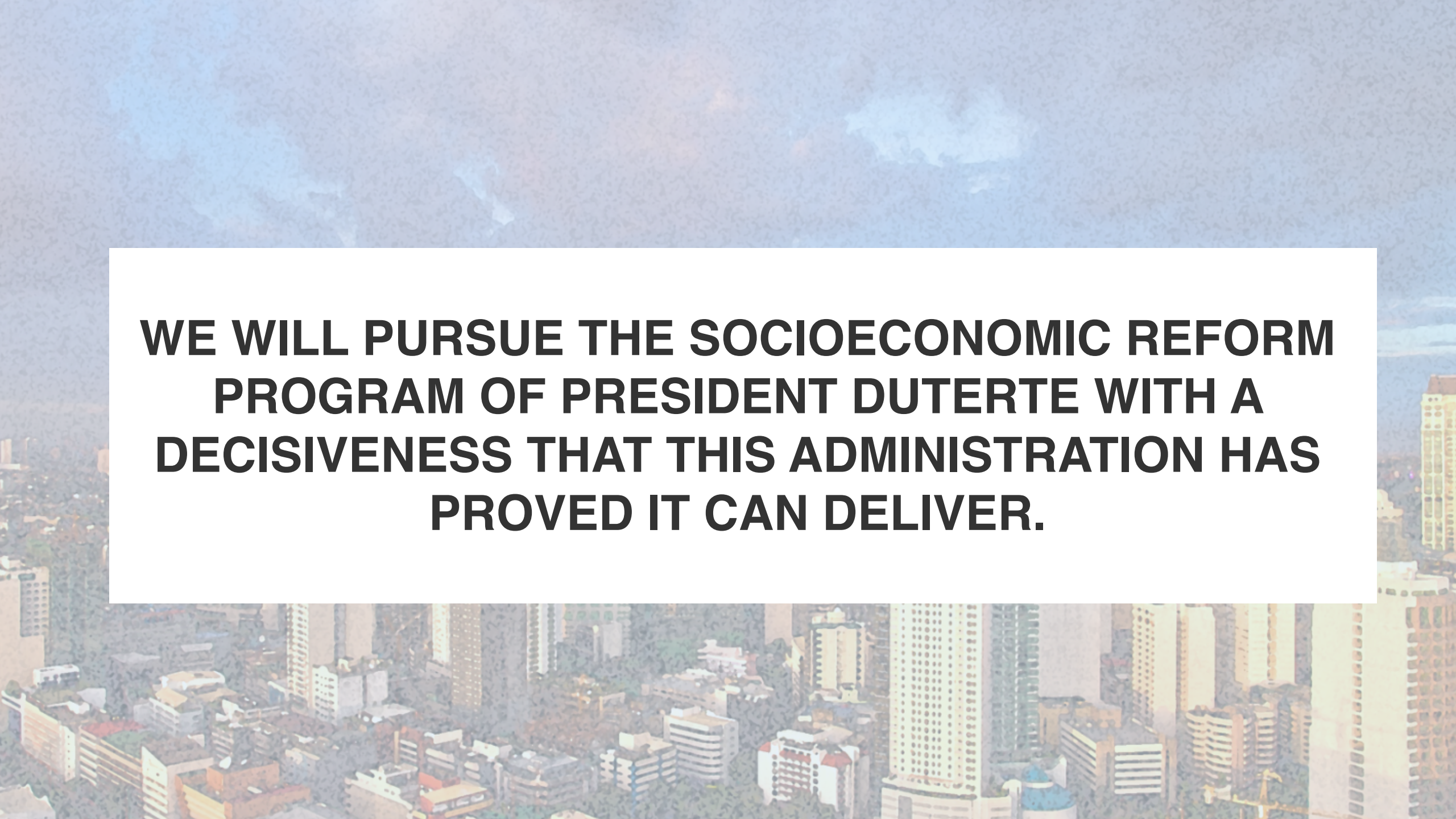
## 87% of Filipinos approve of PRRD's performance: Pulse Asia

By Ruth Abbey Gita-Carlos    December 21, 2019, 10:12 am

Results of Pulse Asia's latest poll revealed that the President continued to enjoy public satisfaction on his work ethic after his approval score climbed by nine notches to 87 percent in December from 78 percent in September.







**WE WILL PURSUE THE SOCIOECONOMIC REFORM  
PROGRAM OF PRESIDENT DUTERTE WITH A  
DECISIVENESS THAT THIS ADMINISTRATION HAS  
PROVED IT CAN DELIVER.**

# KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ  
JOINT ASSEMBLY OF FINANCIAL INSTITUTIONS  
FEBRUARY 13, 2020

