

GAME-CHANGING REFORMS FOR SUSTAINABLE DEVELOPMENT

FINANCE SECRETARY CARLOS G. DOMINGUEZ
PRE-SONA: ECONOMIC DEVELOPMENT CLUSTER
JULY 1, 2019



REFORMS

**ACROSS A
BROAD
SPECTRUM
WERE
INITIATED.**

Photo Source: Build, Build, Build Website



**ROBUST
ECONOMIC
GROWTH
CONTINUES
TO GAIN
MOMENTUM.**



Photo Source: Build, Build, Build Website

**MASSIVE
INVESTMENTS**
**IN OUR
ECONOMY'S
COMPETITIVENESS
CONTINUE
TO BE MADE.**



Photo Source: Build, Build, Build Website

**AMBITIOUS
PROGRAMS
HAVE BEEN
INSTITUTED.**



Photo Source: Build, Build, Build Website

**OUR FISCAL
POSITION
IS STRONG**
**AS IT HAS EVER
BEEN.**

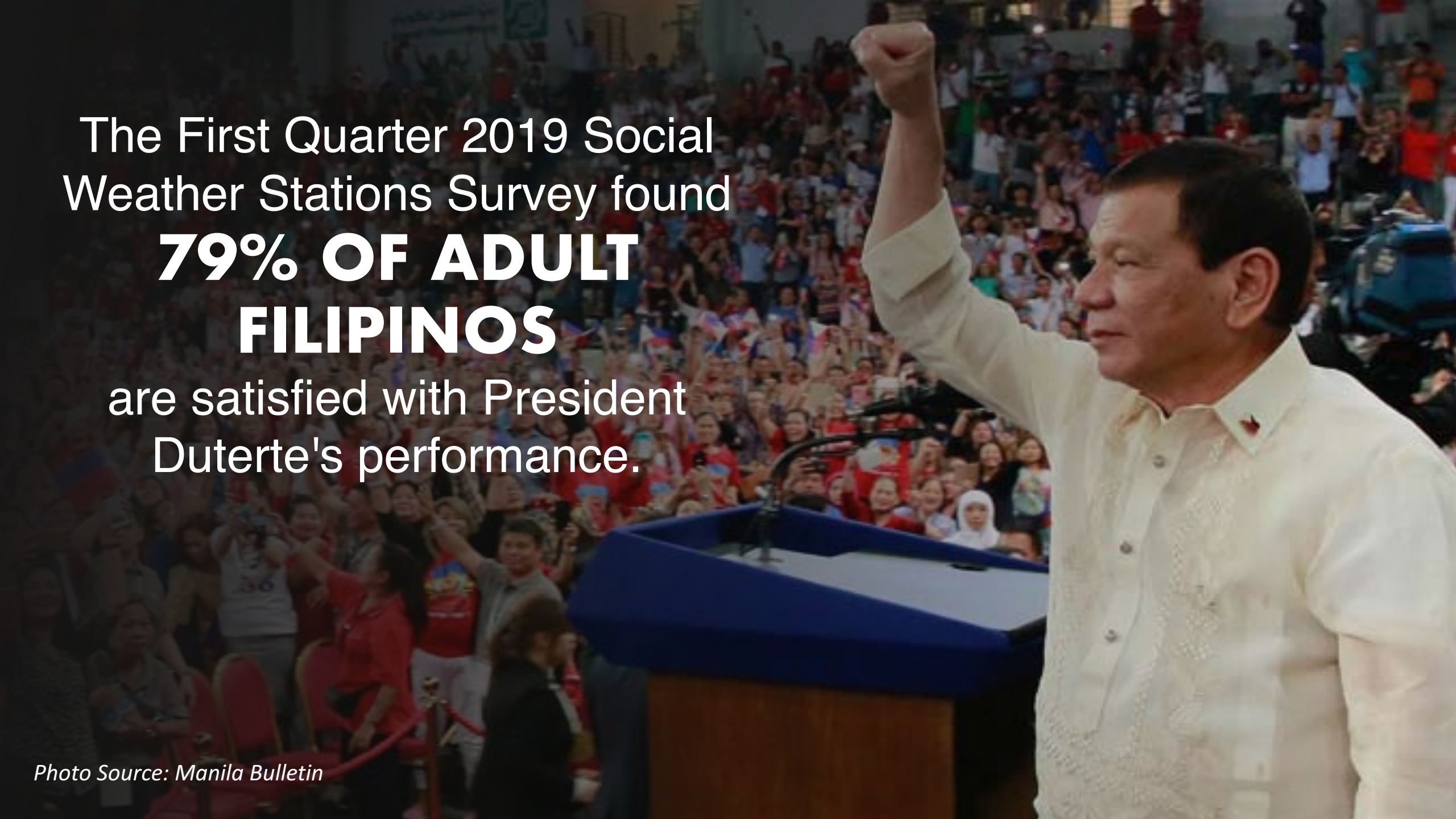


Photo Source: Build, Build, Build Website



Our ultimate goal is to
**BRING DOWN POVERTY
RATES** and **CREATE MORE
OPPORTUNITIES**
for all law-abiding Filipinos.

Photo Source: Headwaters Relief Organization

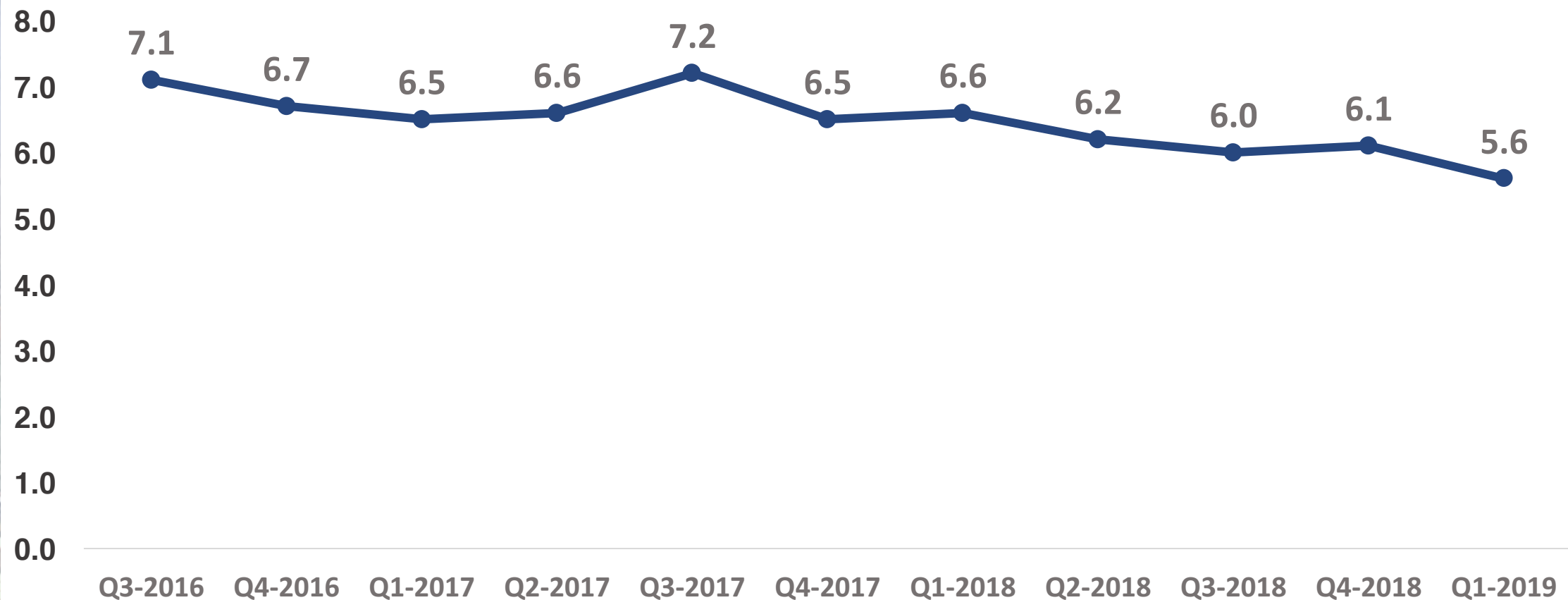
A photograph of President Rodrigo Duterte of the Philippines, wearing a white barong tagalog, standing at a blue podium and raising his right fist in a gesture of triumph or solidarity. He is facing a large, dense crowd of people, many of whom are also raising their hands and cheering. The scene appears to be an outdoor public event at night or in low light. The text is overlaid on the left side of the image.

The First Quarter 2019 Social
Weather Stations Survey found
**79% OF ADULT
FILIPINOS**
are satisfied with President
Duterte's performance.

Photo Source: Manila Bulletin

OUR ECONOMY GREW AT AN AVERAGE OF 6.5 PERCENT IN THE FIRST 11 QUARTERS OF THE DUTERTE ADMINISTRATION

PHILIPPINES' GDP GROWTH RATES IN THE FIRST 11 QUARTERS OF THE DUTERTE ADMINISTRATION



Source: Philippine Statistics Authority

MEASURES IMPLEMENTED TO INCREASE THE SUPPLY OF FOOD

ADMINISTRATIVE ORDER

Streamlining procedures on importation of agricultural products.

MEMORANDUM ORDER

Directing National Food Authority to **immediately release existing rice stocks in its warehouses.**

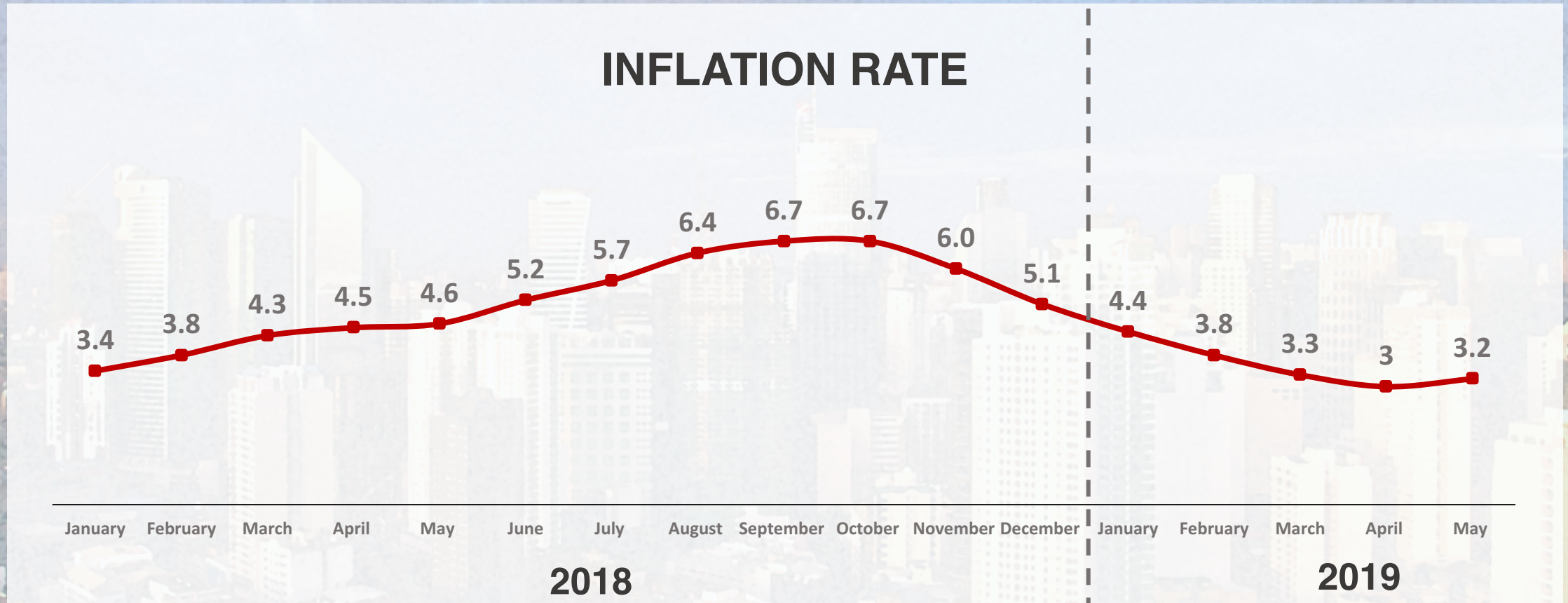
MEMORANDUM ORDER

Directing Department of Agriculture and Department of Trade and Industry to **adopt measures to reduce the gap between farmgate prices and retail prices of agricultural products.**

MEMORANDUM ORDER

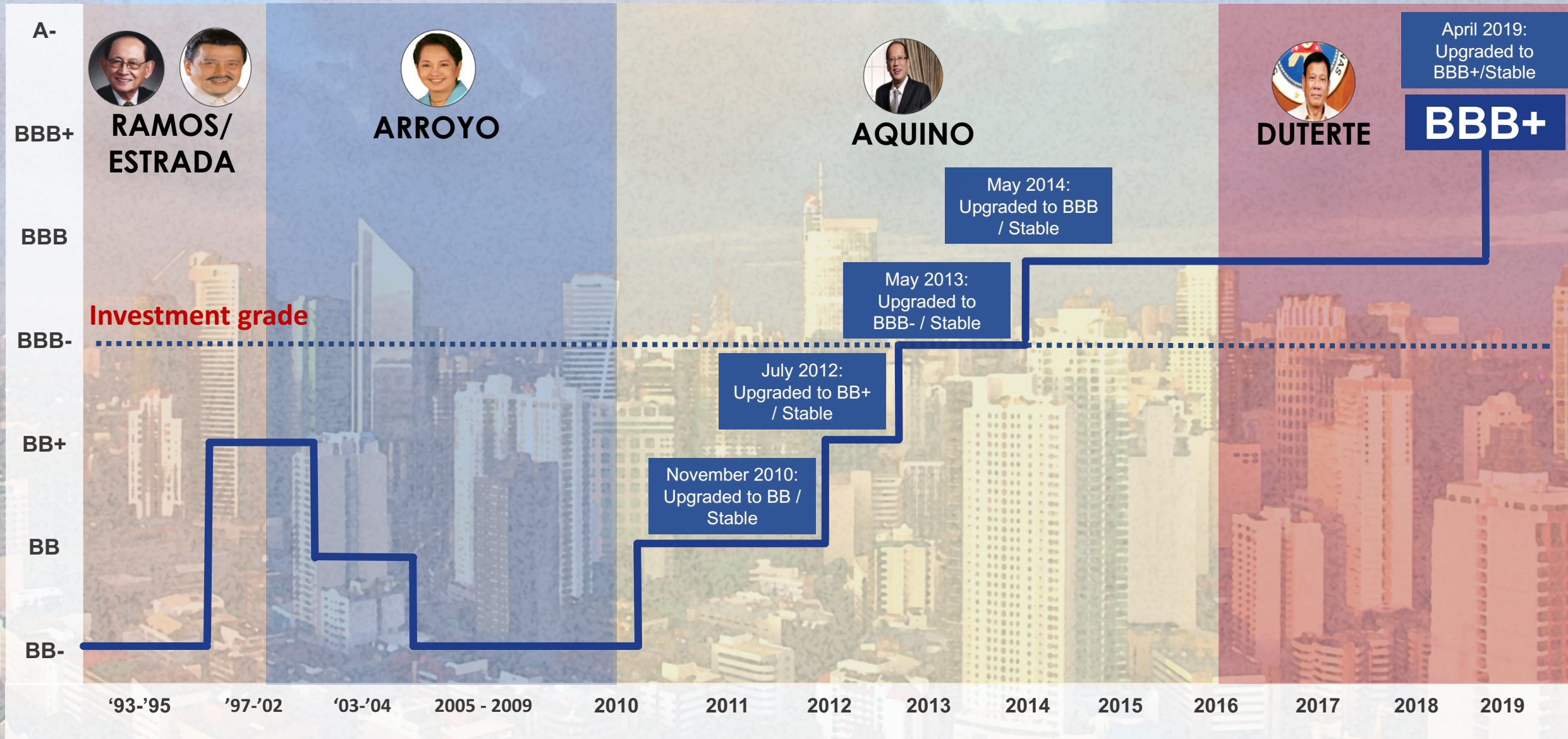
Directing Department of Agriculture, Department of the Interior and Local Government, Philippine National Police, and Metro Manila Development Authority to **adopt measures to ensure efficient and seamless delivery of imported agriculture and fishery products from the ports to markets.**

INCLUSIVE ECONOMIC GROWTH IS MADE EVEN BRIGHTER BY THE DECELERATION OF OUR INFLATION RATE



Source: Philippine Statistics Authority

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

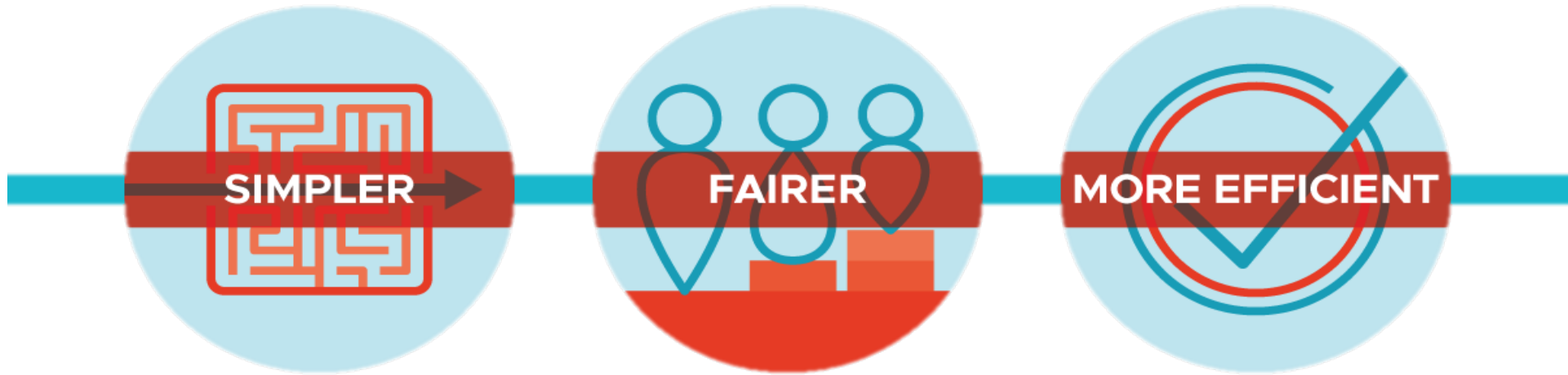


S&P RATINGS OF SELECTED COUNTRIES

AAA	Canada, Singapore
A-	Spain, Malaysia
BBB+	Philippines, Mexico, Peru, Thailand
BBB	Italy, Portugal
BBB-	Indonesia, India, Colombia
BB+ and below ("junk bond" status, below investment grade)	Vietnam (BB) Bangladesh, Brazil (BB-) Turkey, Greece (B+) Sri Lanka, Argentina, Egypt (B) Pakistan, Iraq, Ecuador (B-) Venezuela (selective default)

COMPREHENSIVE TAX REFORM PROGRAM

The tax reform program seeks to make the tax system



It also seeks to create a **LEVEL PLAYING FIELD FOR BUSINESS** and **GENERATE A RELIABLE REVENUE PROCESS** to support both economic investments and more robust social services.

“ I applaud Congress for the timely passage of the TRAIN Law. You have made funds available to build better roads and bridges, improve health and education, and strengthen our safety and security. ”

President Rodrigo Duterte

Third State of the Nation Address (SONA) on July 23, 2018 at the session hall of the House of Representatives in Batasang Pambansa Complex, Quezon City



IMPACT OF TRAIN LAW ON TAXPAYERS' PERSONAL INCOME



Workers earning **below**
PHP 250,000 (USD 4,500)
annually are now **exempt**
from paying personal
income taxes



Workers earning **above**
PHP 250,000 (USD 4,500)
annually are now receiving
about **a month's extra take-**
home pay each year

ROBUST DOUBLE-DIGIT GROWTH IN SALES AND THE HIGH-PROFIT MARGINS OF RETAIL GIANTS AND REAL ESTATE COMPANIES IN 2018



TOTAL REVENUES:
P28.3 BILLION (+11%)

New Store openings:
UP 10%



TOTAL REVENUES:
P158.67 BILLION (+20.60%)

TOTAL INCOME:
P7.77 BILLION (+16.5%)



PRIME
HOLDINGS

TOTAL REVENUES:
P103.9 BILLION (+17%)

TOTAL INCOME:
P32.2 BILLION (+17%)



LT Group, Inc.
Lucio Tan Group of Companies

TOTAL REVENUES:
P75.56 BILLION (+18.60%)

TOTAL INCOME:
P16.19 BILLION (+50%)



SAN MIGUEL
FOOD AND BEVERAGE, INC.

TOTAL REVENUES:
P286.3 BILLION (+14%)

TOTAL INCOME:
P30.5 BILLION (+8%)



TOTAL REVENUES:
P162.855 BILLION (+17.8%)

TOTAL INCOME:
P29.2 BILLION (+16%)



TOTAL REVENUES:
P16.19 BILLION (+21.3%)

TOTAL INCOME:
P1.84 BILLION (+32%)



TOTAL REVENUES:
**P132.68 BILLION
(+15.10%)**

TOTAL INCOME:
P4.98 BILLION (+6.50%)



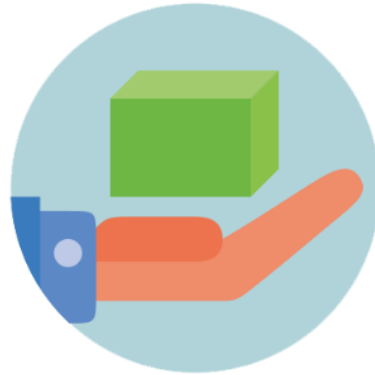
TOTAL REVENUES:
P40.26 BILLION (+15.6%)

TOTAL INCOME:
P10.23 BILLION (+16.3%)

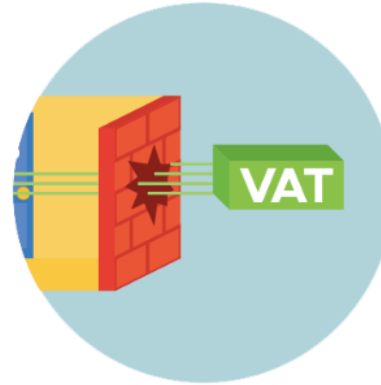
SALIENT FEATURES OF THE TRAIN LAW



Lowered Personal Income Tax (PIT) for all taxpayers except the richest



Lowered Estate and Donor's Tax to only a single tax rate of 6 percent



Simplified Value-Added Tax (VAT) system to make it fairer and simpler



Increased the excise tax on petroleum products, which has not been adjusted since 1997



Simplified the excise tax on automobiles



Imposed excise tax on sweetened beverages



Imposed higher excise tax on cigarettes



Imposed tax on coal and additional oil excise; imposed tax on gross receipts of non-essential cosmetic surgery intended for aesthetic purposes only

WE ARE COLLECTING ABOUT PHP100 MILLION A DAY FROM EXCISE TAXES ON SWEETENED BEVERAGES

Excise Tax Collection on Sweetened Beverages (in PHP Million)

Period	Total Cash Collection	Daily Average Collection
2018	35,643.0	99.0
2019 (Jan to May)	16,541.0	110.3

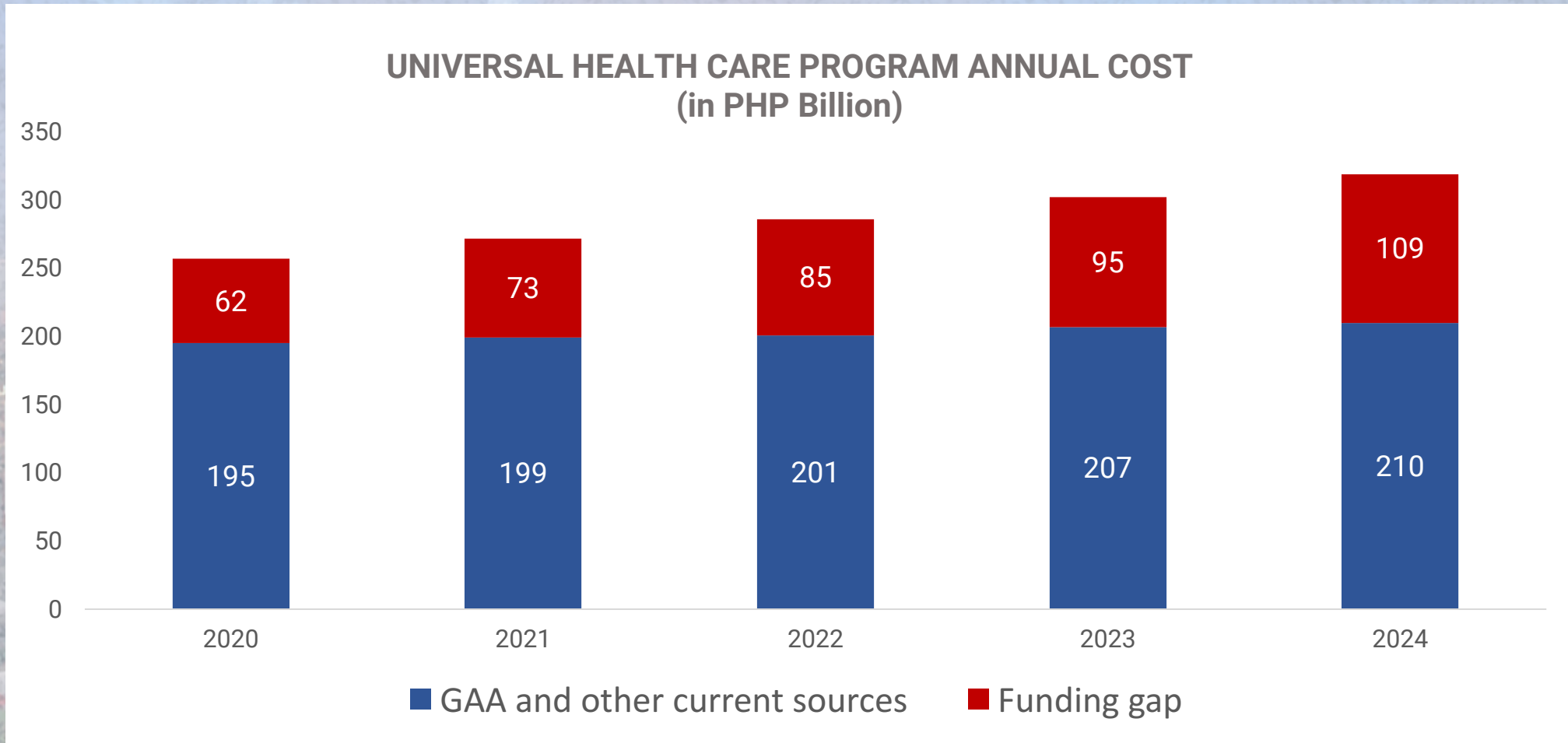
Source: Bureau of Internal Revenue

**On June 4, 2019, the new
sin tax bill on tobacco
products was ratified by
both Houses of Congress.**

**This will secure sustainable
funding for the
implementation of the
Universal Health Care
program.**



REVENUES FROM HIGHER EXCISE TAXES ON TOBACCO AND ALCOHOL PRODUCTS WILL FULLY FUND THE UNIVERSAL HEALTH CARE PROGRAM



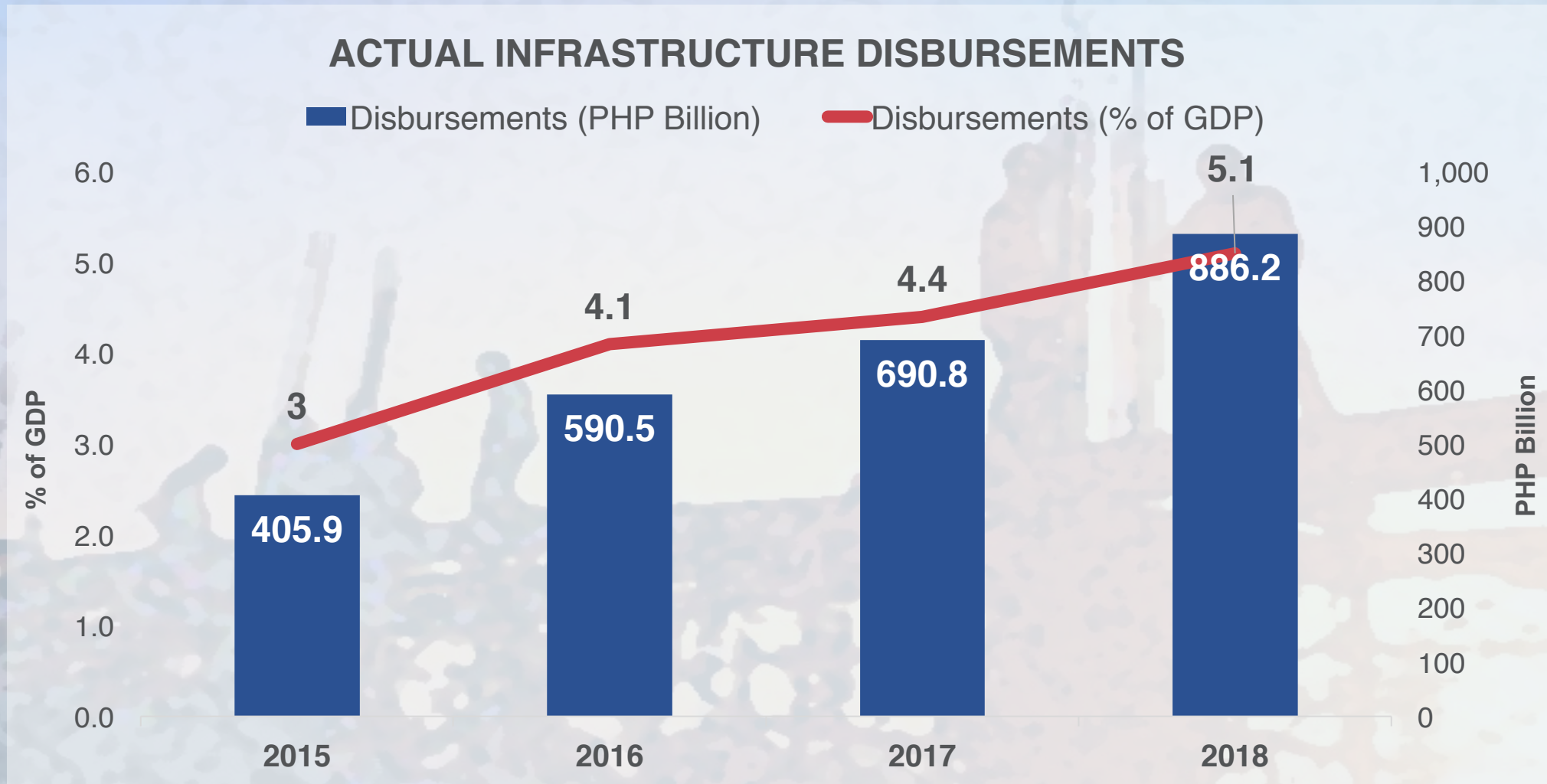
Source: Strategy, Economics, and Results Group, DOF

WE EXCEEDED TRAIN'S REVENUE GOAL, COLLECTING 108% OF THE ANNUAL TARGET

TRAIN Revenues in 2018 (in PHP Billion)

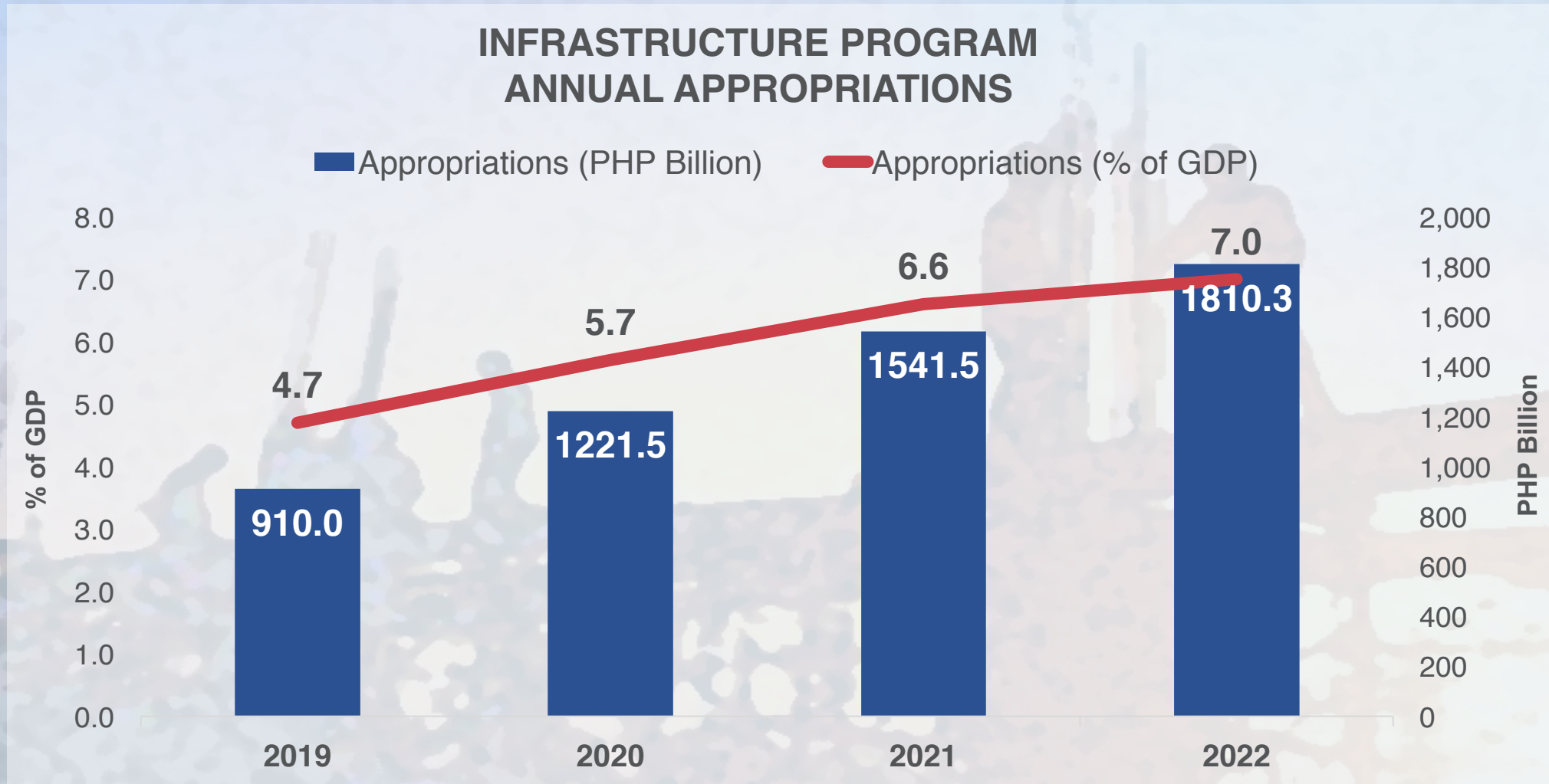
Actual	Target	Actual to Target Ratio (%)
68.4	63.3	108.1

RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



Source: Department of Budget and Management

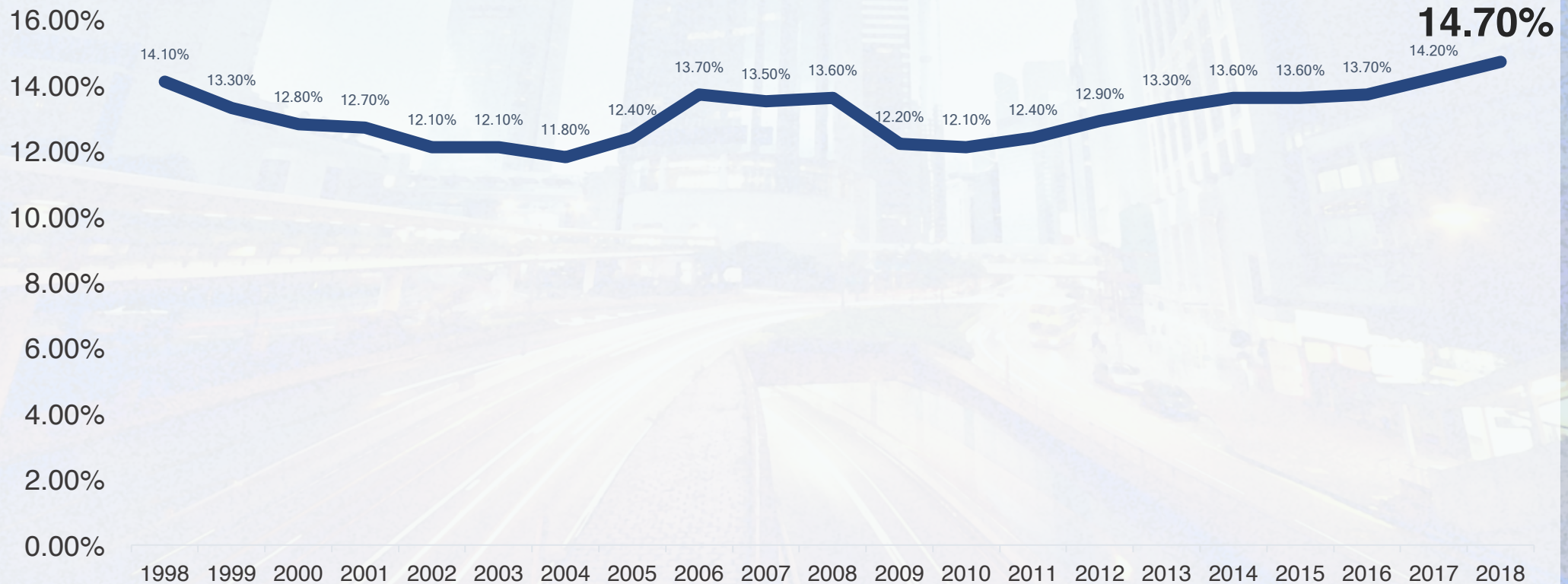
RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



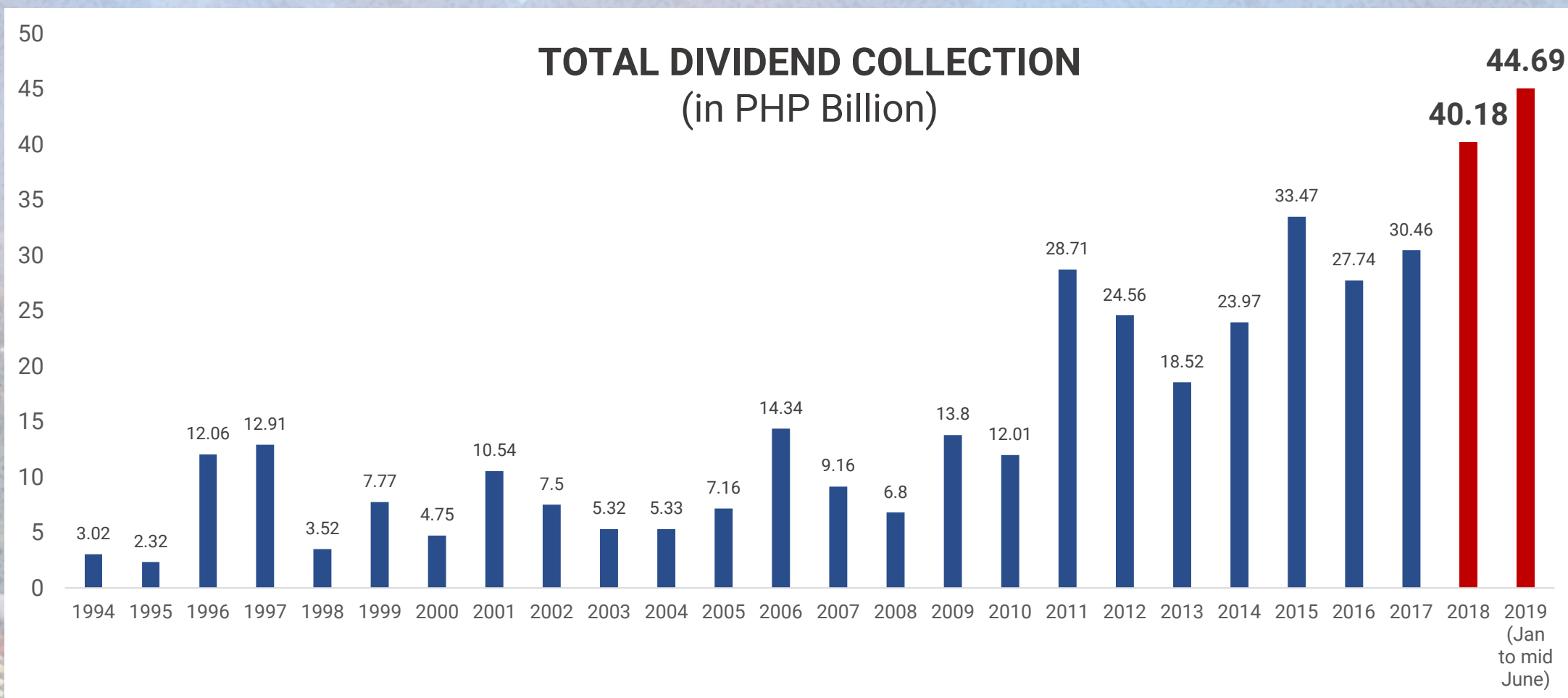
Source: Department of Budget and Management

OUR TAX EFFORT IN 2018 WAS THE HIGHEST TAX EFFORT WE HAVE EVER ACHIEVED IN THE PAST 20 YEARS

TAX EFFORT FOR THE PAST 20 YEARS



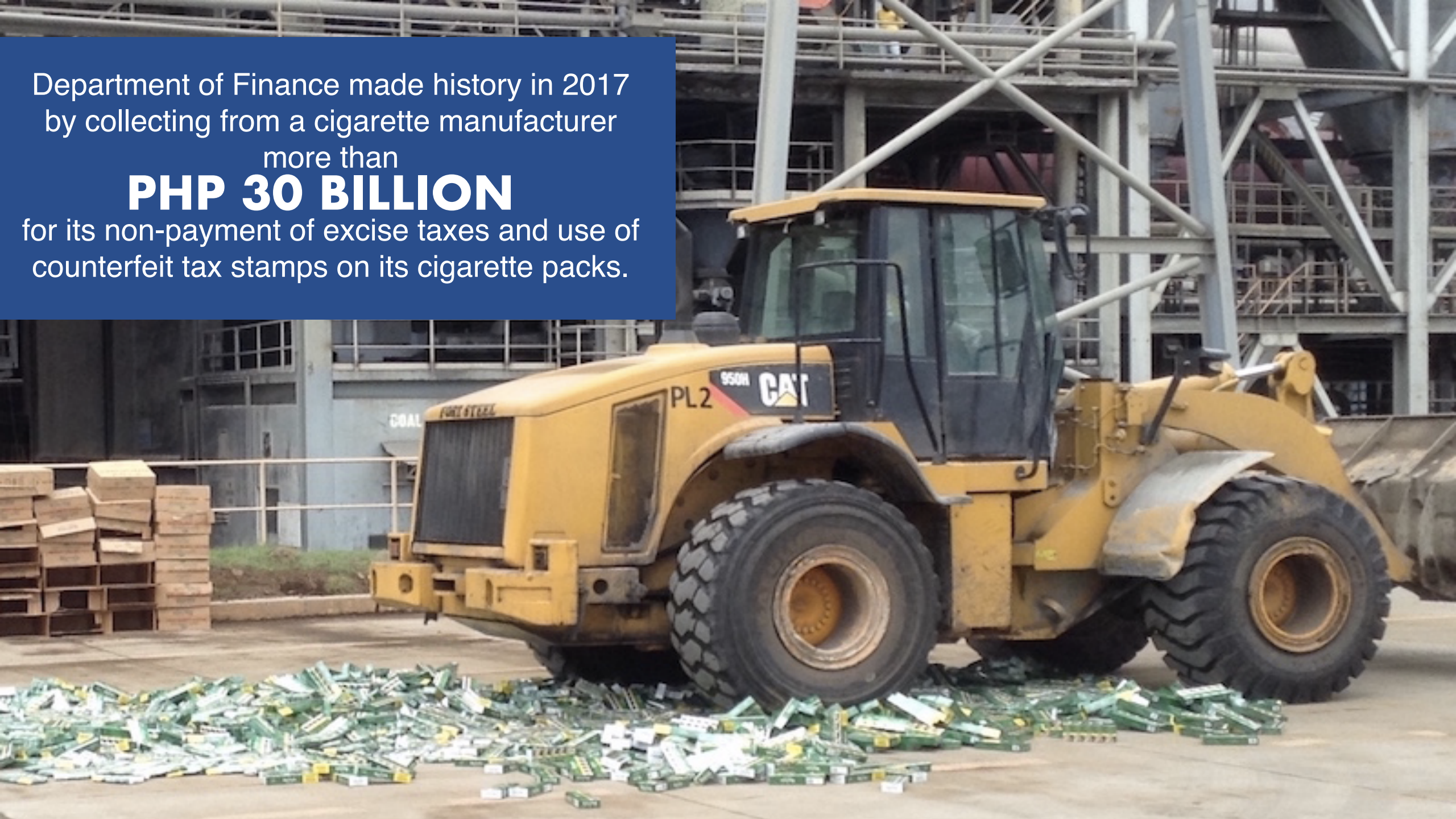
2018 GOCC DIVIDEND COLLECTION OF PHP40 BILLION IS THE HIGHEST AMOUNT EVER COLLECTED SINCE 1994



Department of Finance made history in 2017
by collecting from a cigarette manufacturer
more than

PHP 30 BILLION

for its non-payment of excise taxes and use of
counterfeit tax stamps on its cigarette packs.



INTENSIFIED CAMPAIGN AGAINST SMUGGLING AND TAX EVASION



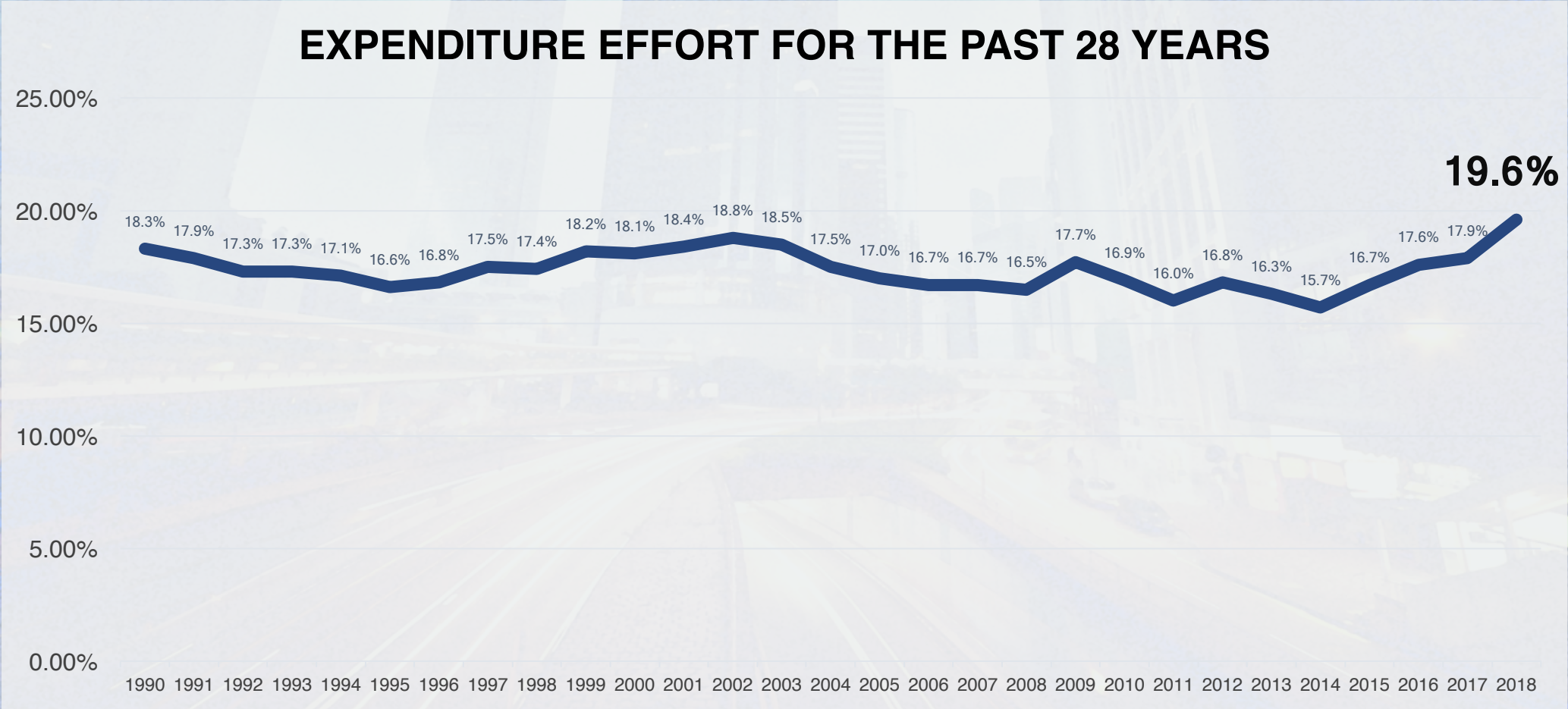
Product disposed/destroyed (Period: 2016-present)	No. of Packs	Value
Counterfeit cigarette brands	33,401,170	PHP 1.169 Billion

INTENSIFIED CAMPAIGN AGAINST SMUGGLING AND TAX EVASION



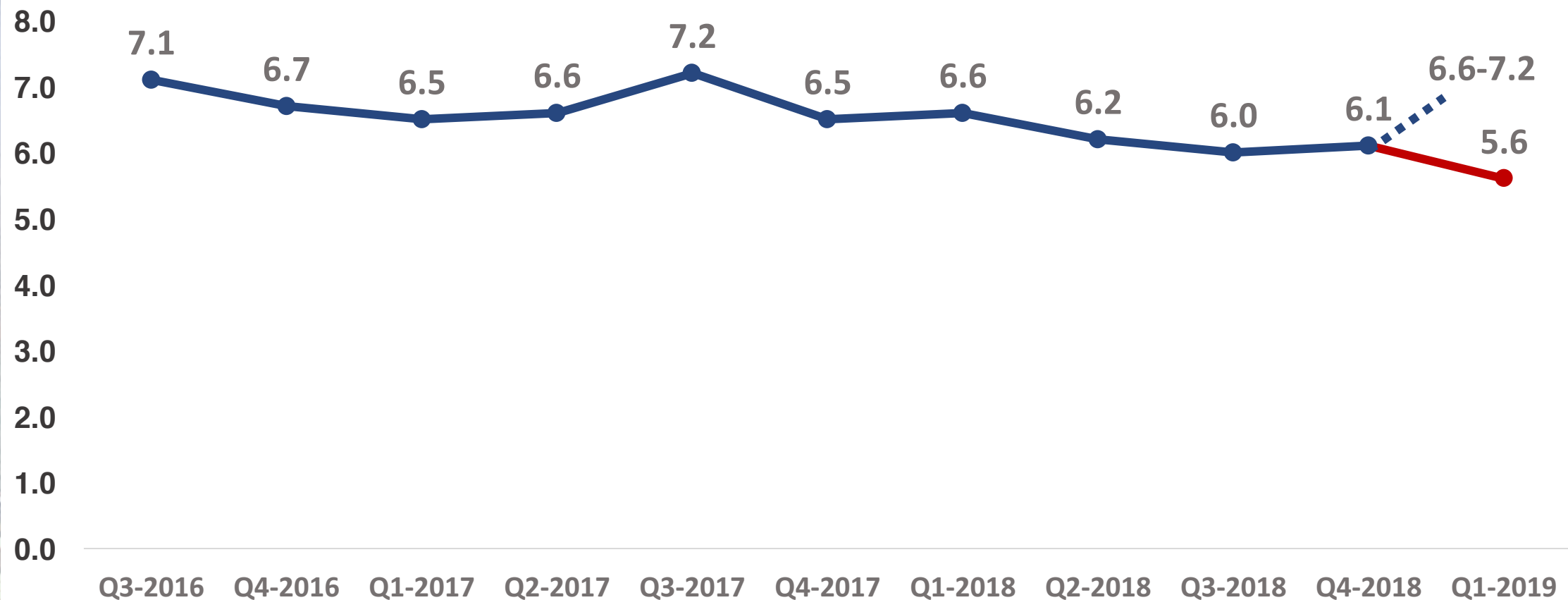
Product Destroyed	Pieces	Value
Smuggled luxury vehicles	152	PHP 96.3 Million

OUR EXPENDITURE EFFORT IN 2018 WAS THE HIGHEST WE HAVE EVER ACHIEVED IN THE PAST 28 YEARS



HAD THE BUDGET BEEN PASSED ON TIME, Q1-2019 GDP WOULD HAVE GROWN WITHIN TARGET AT 6.6% TO 7.2%

PHILIPPINES' GDP GROWTH RATES IN THE FIRST 11 QUARTERS OF THE DUTERTE ADMINISTRATION



Source: Philippine Statistics Authority

BOLD CATCH-UP PLAN



Fast-track the implementation of priority socioeconomic programs, including the national ID system, social pensions and unconditional cash transfers.



Double efforts to bring up the growth of our agriculture sector to at least 2 percent per annum.



Work closely with Congress to continue improving the ease of doing business.

RICE TARIFFICATION LAW (RA11203)

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

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

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

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

SOME MEASURES PROPOSED BY THE 17TH CONGRESS ARE NOT ALIGNED WITH OUR PUBLIC INVESTMENT PRIORITIES OR DETRIMENTAL TO OUR FISCAL POSITION

147 BILLS

would either erode revenues by 178 billion pesos or mandatorily add to the budget 799 billion pesos, or a total of 977 billion pesos on the year of implementation.

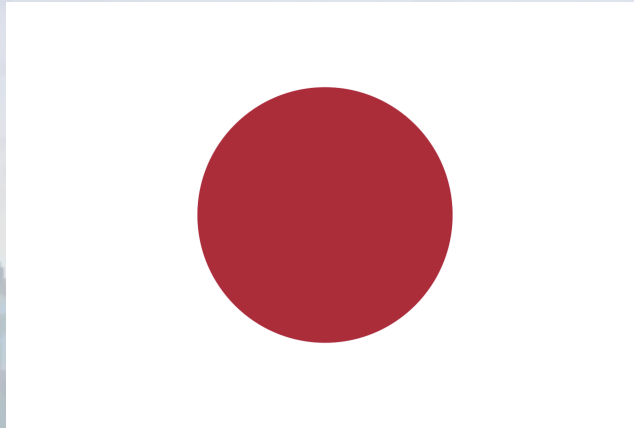
31 BILLS

out of the 147 bills would create more tax-free freeports or ecozones. As of 2017, we already had 546 of them, all contributing to massive leakages.

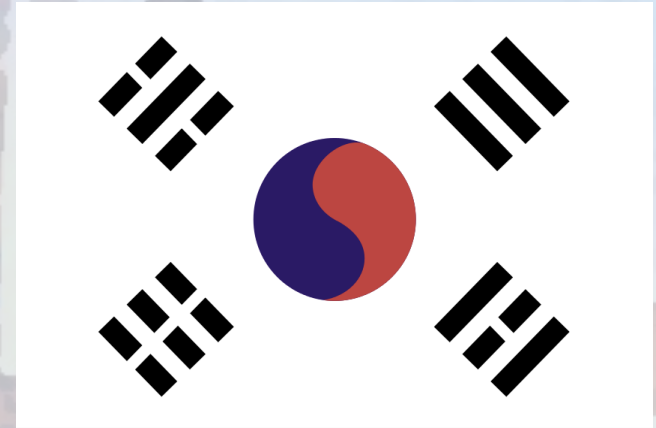
OUR AMBITIOUS INFRASTRUCTURE PROGRAM BENEFITS FROM EXPANDED OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FLOWS FROM OUR FRIENDS IN THE REGION



CHINA committed
USD 9 BILLION
worth of aid and investments



JAPAN pledged
USD 9 BILLION
worth of investment and
development aid package



SOUTH KOREA pledged up
to **USD 1 BILLION**
in official development
assistance

17 HIGHLY CONCESSIONAL LOAN AGREEMENTS WITH OUR BILATERAL AND MULTILATERAL PARTNERS FOR OUR BIG-TICKET INFRASTRUCTURE PROJECTS WERE SEALED SINCE THE START OF THE ADMINISTRATION

- Metro Rail Transit Line 3 Rehabilitation Project
- North-South Commuter Railway Extension Project I (1st tranche loan)
- Pasig-Marikina River Channel Improvement Project Phase IV
- (2 L/A) Metro Manila Bus Rapid Transit - Line 1 Project
- Road Network Development Project in Conflict Affected Areas in Mindanao
- Water District Development Sector Project of LWUA
- Angat Water Transmission Improvement Project of MWSS
- New Centennial Water Source-Kaliwa Dam Project of MWSS

- Cavite Industrial Area Flood Risk Management Project
- (2 L/A) Metro Manila Management Project, Phase 1
- Arterial Road Bypass Project Phase III
- Metro Manila Subway Project, Phase I (1st tranche loan)
- Chico River Pump Irrigation Project
- New Cebu International Container Port Project
- New Bohol Airport Construction and Sustainable Environment Protection Project II



**THIS IS ONE OF THE
SOFTTEST LOANS WE
HAVE EVER
NEGOTIATED.**

The **104.530 billion yen (USD 935 million)-loan agreement** for the first tranche of financing carries an interest rate of **0.10% per annum for non-consulting services** and **0.01% per annum for consulting services.**

It will be payable in **40 years inclusive of a 12-year grace period.**

METRO MANILA SUBWAY PROJECT

HYBRID PUBLIC-PRIVATE PARTNERSHIP MODEL

The government undertakes the projects using **budget allocations, official development assistance, and funds raised from bond flotation**. The completed projects are then passed on to private partners for **management or even acquisition**.

CLARK INTERNATIONAL AIRPORT

The project won approval from the NEDA Board in June 2017 and after six months, the project broke ground.



*EPC (engineering, procurement, and construction) Contract

*O&M (operations and maintenance) Contract

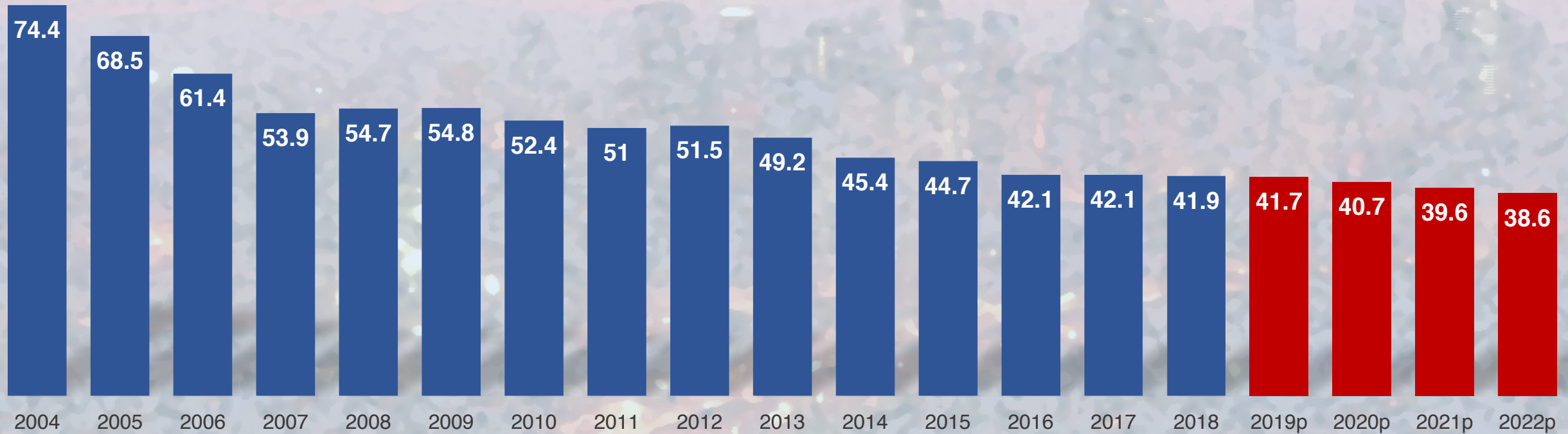
The background of the slide is a blurred photograph of a large crowd of people, likely at a public event or protest. The colors are muted, with a lot of blue and grey tones. At the top, there is a solid brown horizontal bar.

PPPP

**Public-Private Partnership
for the People**

SUSTAINED DECLINE IN DEBT-TO-GDP RATIO

NATIONAL GOV'T DEBT-TO-GDP



Source: Bureau of the Treasury

FISCAL DEFICIT TARGET

Year	Target
2019	3.2%
2020-2022	3.0%

Source: Bureau of the Treasury

THE TIGHT SPREADS OF OUR BOND ISSUANCES INDICATE INVESTOR CONFIDENCE IN OUR FISCAL AND DEBT MANAGEMENT

2018

ROPs

- USD 2 billion US dollars 10-year global bonds
- Issued in January
- +37.8 bps spread

PANDA BONDS

- Maiden issuance of RMB 1.46 billion 3-year Panda bonds
- Issued in March
- +35 bps spread

SAMURAI BONDS

- JPY 154.2 billion multi-tranche Samurai bonds
- Issued in August
- +34.7 bps spread

2019

ROPs

- USD 1.5 billion of 10-year Global Bonds
- Issued in January 7, 2019
- +110 bps spread

EURO BONDS

- EUR 750 million of 8-year Euro Bonds
- Issued on May 10, 2019
- +70 bps spread

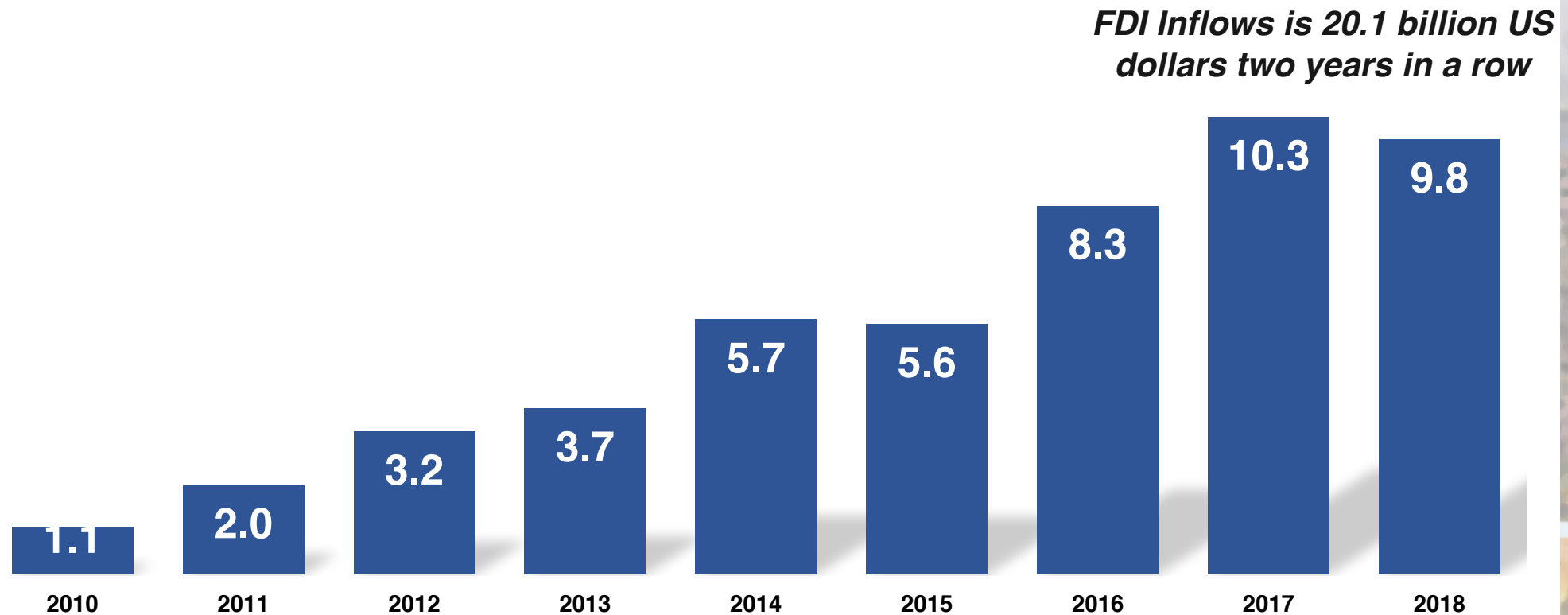
PANDA BONDS

- RMB 2.5 billion 3-year Panda Bond
- Issued on May 15, 2019
- +32 bps spread

Source: Bureau of the Treasury

RISING FOREIGN INVESTMENTS HIGHLIGHT CONFIDENCE IN THE PHILIPPINES' GROWTH PROSPECTS

Net Foreign Direct Investment (FDI) Flows (In USD Billion)



Source: Bangko Sentral ng Pilipinas

TRABAHO BILL HIGHLIGHTS

Reduction of corporate income tax rates

This will bring our tax regime closer to the regional average, help us attract investments to fuel our economic growth, and benefit small and medium enterprises that employ the biggest number of Filipinos.

Rationalization of fiscal incentives

This will create a level playing field for our enterprises and attract new players to compete.

FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



Performance-based



Time-bound



Targeted



Transparent

Your Date Here

Your Footer Here

ACROSS THE SPECTRUM OF GOVERNMENT, REFORMS ARE ALSO BEING INTRODUCED TO IMPROVE EFFICIENCY AND ACCOUNTABILITY

Department of the Interior and Local Government

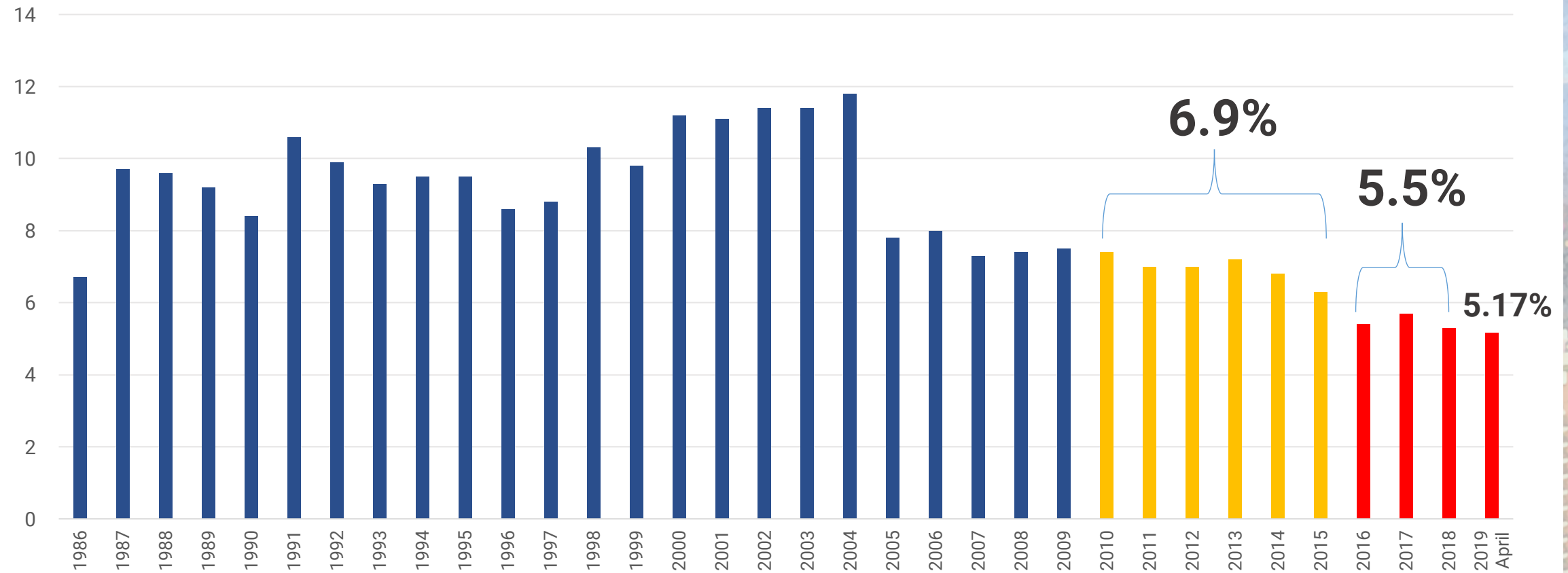
has streamlined local government processes through the increased use of modern digital technologies.

Department of Trade and Industry

is reengineering the process of starting a business through Project One. We will now have a One Central Business Portal that will be available online and through mobile phone.

UNEMPLOYMENT IS AT ITS LOWEST IN 40 YEARS

UNEMPLOYMENT RATE (%)
1986-APRIL 2019



DROP IN UNEMPLOYMENT RATE REFLECTS IN THE REDUCTION OF POVERTY INCIDENCE

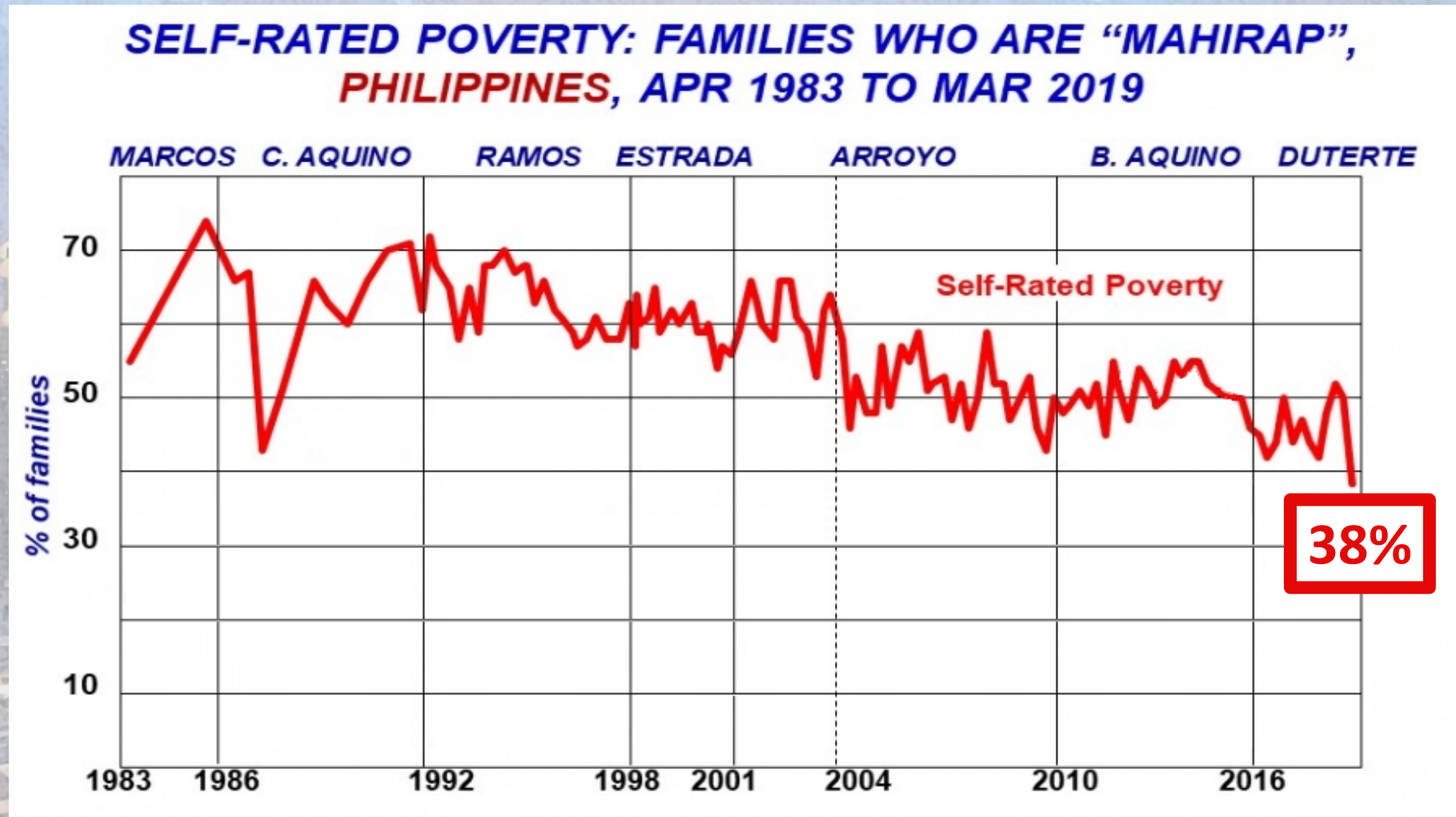
2015 (H1)

27.6%

2018 (H1)

21.0%

FILIPINOS WHO CONSIDER THEMSELVES POOR FELL TO 38% IN Q1 2019, THE LOWEST NUMBER EVER—SWS



**WE STAND BY OUR COMMITMENT TO BRING DOWN
POVERTY INCIDENCE TO ONLY 14% BY 2022**

2015

21.6%

2022 (TARGET)

14.0%

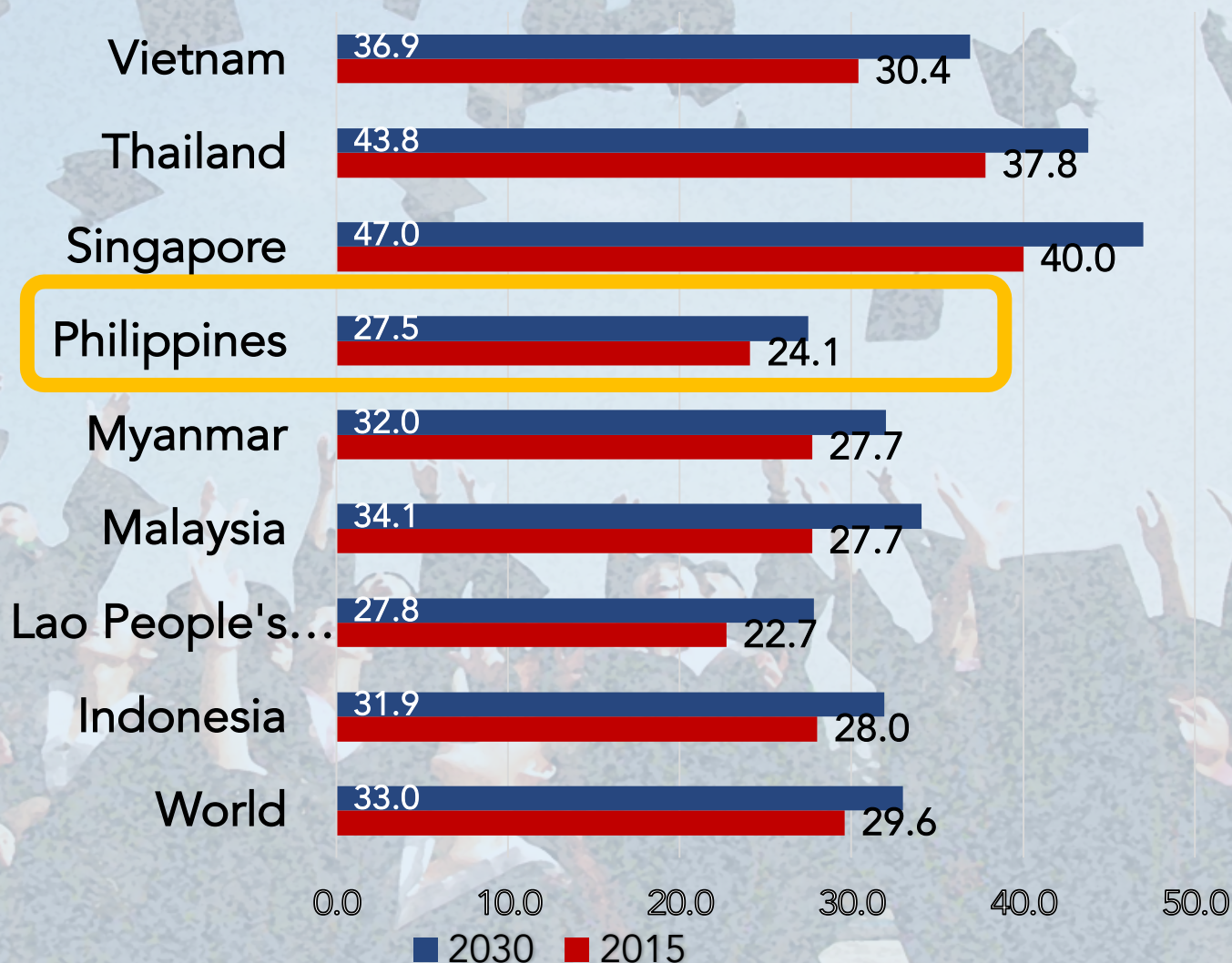
Source: National Economic and Development Authority

YOUNG AND SKILLED WORKFORCE SUPPORTS THE ROBUST ECONOMIC MOMENTUM

**THE PHILIPPINES HAS THE
YOUNGEST MEDIAN AGE
COMPARED TO ITS NEIGHBORS
AND THE REST OF THE WORLD
EVEN UP TO 2030.**

THE PHILIPPINES' WORKFORCE IS:

- ✓ Highly educated and English Proficient
- ✓ Strongly customer-oriented
- ✓ Highly trainable with fast learning curve
- ✓ Adaptable to universal cultures
- ✓ High level of commitment and loyalty





The reward for all the work
we do now is a **better
future for the next
generation of Filipinos.**

Photo Source: <http://hamsternice.blogspot.com>

The background of the image is a composite. The upper portion shows the blue and white stripes of the Philippine flag, with a yellow sun and three yellow stars visible on the left. The lower portion shows a dense urban skyline with numerous high-rise buildings, overlaid with a semi-transparent red and white wavy pattern.

**“ THE PHILIPPINE DEVELOPMENT STORY
HAS BEEN AT ITS MOST PROMISING DURING
THE PAST THREE YEARS. ”**

CONTINUED PURSUIT OF A SIMPLER, FAIRER, AND MORE EFFICIENT TAX SYSTEM FOR ALL

REMAINING PROPOSALS UNDER PACKAGE 1B

This consists of the Motor Vehicle User Charge (MVUC), the lifting of bank secrecy laws, and the automatic exchange of tax information.

PACKAGE 2 TRABAHO

This includes the reduction of corporate income tax rates and the rationalization of fiscal incentives.

PACKAGE 2+ MINING AND SIN TAXES

Increases further the excise tax on both alcohol and tobacco products to provide additional funding for the Universal Health Care (UHC). This also includes increase in the government's share from mining.

PACKAGE 3 PROPERTY VALUATION AND TAXES

Broadens the tax base of property taxes of the national and local governments, thereby increasing government revenues without increasing the existing tax rates or devising new tax impositions.

PACKAGE 4 CAPITAL INCOME AND FINANCIAL TAXES

Rationalization of capital income taxation to address the multiple rates and different tax treatments and exemptions on capital income and other financial instruments.



“ We expect to perform even better in the coming period by rapidly modernizing not only our infrastructure base but also the policy architecture that will make possible sustained and inclusive growth. ”

GAME-CHANGING REFORMS FOR SUSTAINABLE DEVELOPMENT

FINANCE SECRETARY CARLOS G. DOMINGUEZ
PRE-SONA: ECONOMIC DEVELOPMENT CLUSTER
JULY 1, 2019

