# KEYNOTE SPEECH

FINANCE SECRETARY CARLOS G. DOMINGUEZ
THE ASSET PHILIPPINE FORUM
OCTOBER 8, 2019





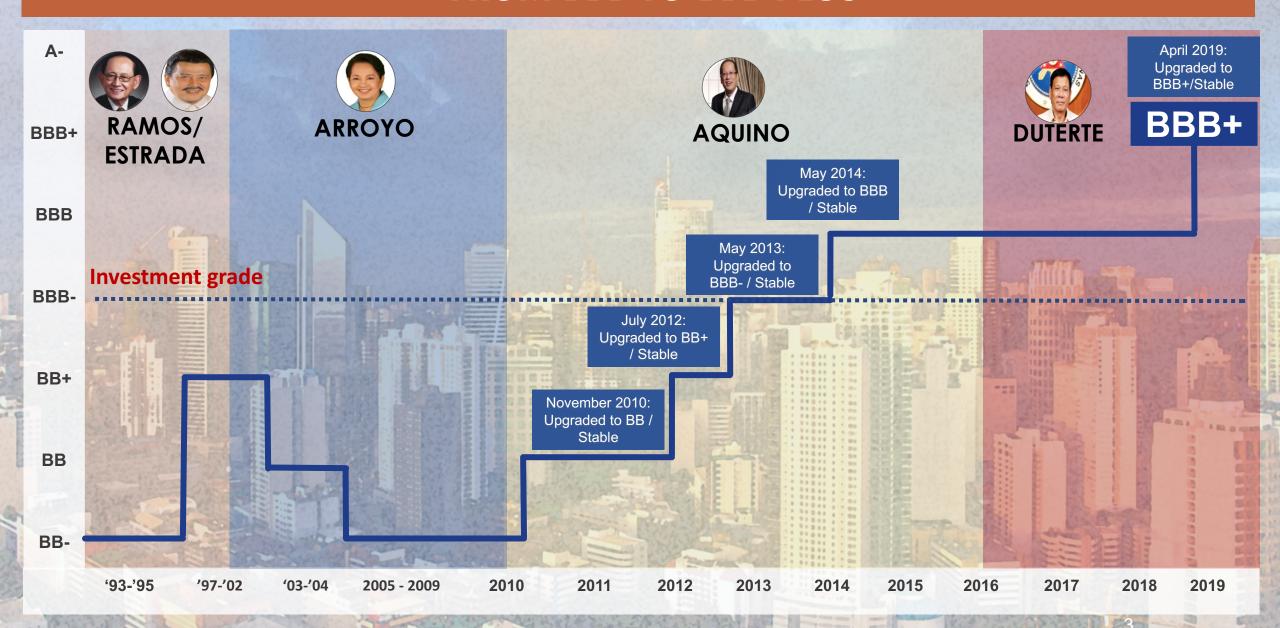
# THREE-FOLD STRATEGY TO CONTINUE THE POSITIVE PATH OF GROWTH

Continue to bolster our macroeconomic strength through prudent fiscal management and stable monetary policy.

Pocus our accelerated spending program on infrastructure and our people.

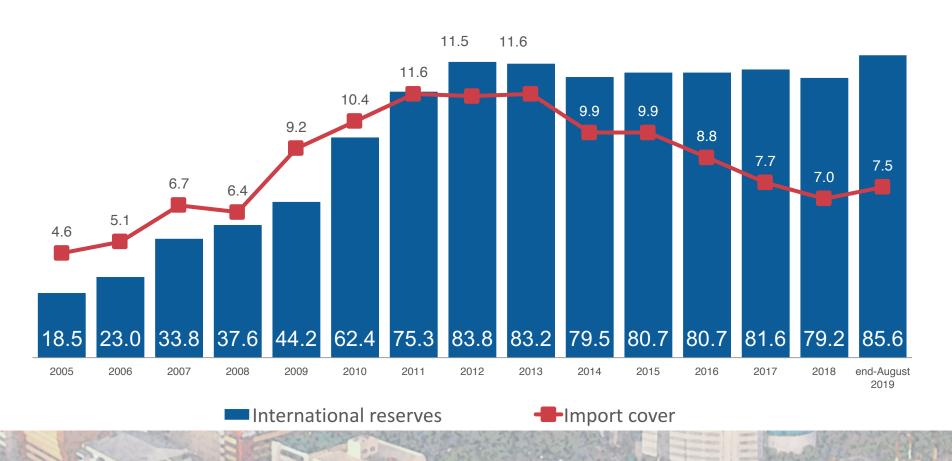
Pursue and implement game-changing reforms that will benefit all law-abiding Filipinos and businesses.

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



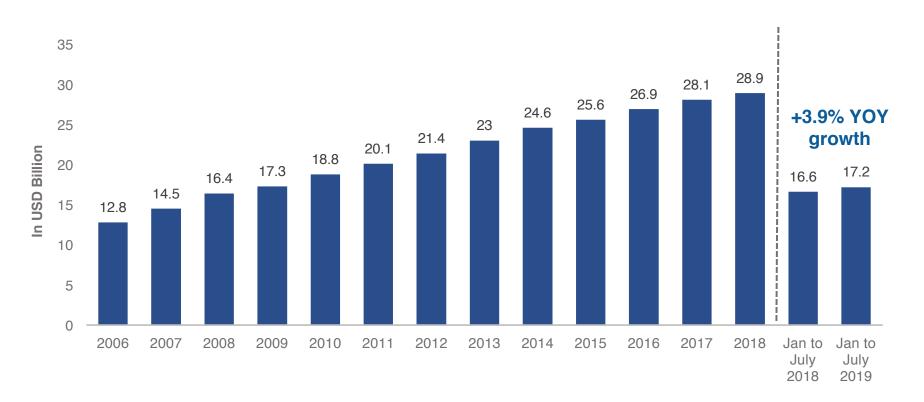
# GROSS INTERNATIONAL RESERVES IN AUGUST 2019—THE HIGHEST LEVEL IN THE PHILIPPINES' HISTORY

#### GROSS INTERNATIONAL RESERVES (IN USD BILLION) AND MONTHS OF IMPORT COVER

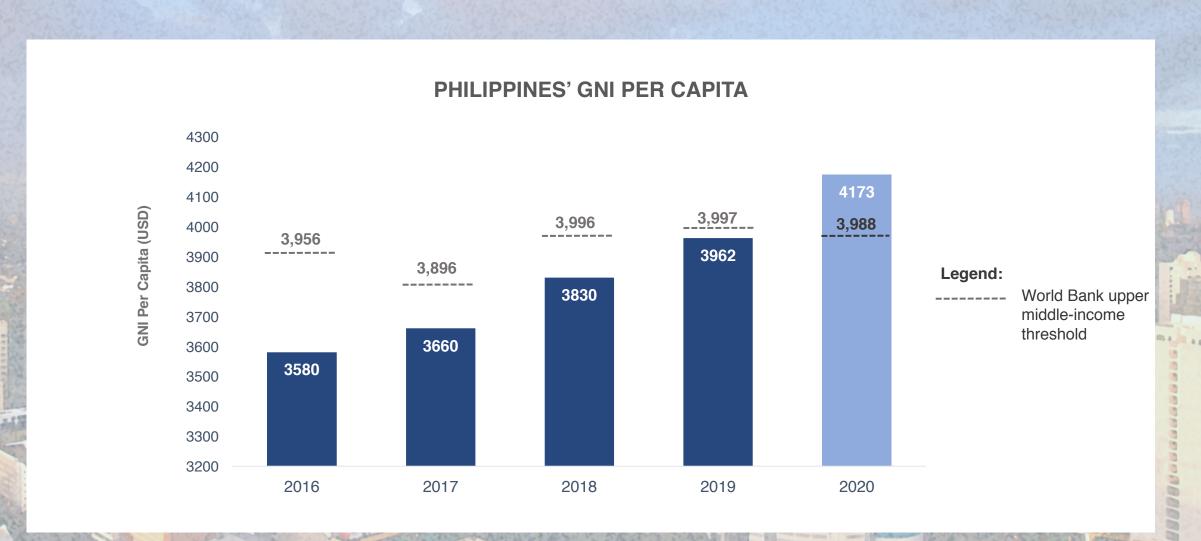


# STRONG REMITTANCES FROM OUR OVERSEAS WORKERS SUSTAIN CONSUMER DEMAND

#### **OVERSEAS FILIPINOS' CASH REMITTANCES (IN USD BILLION)**

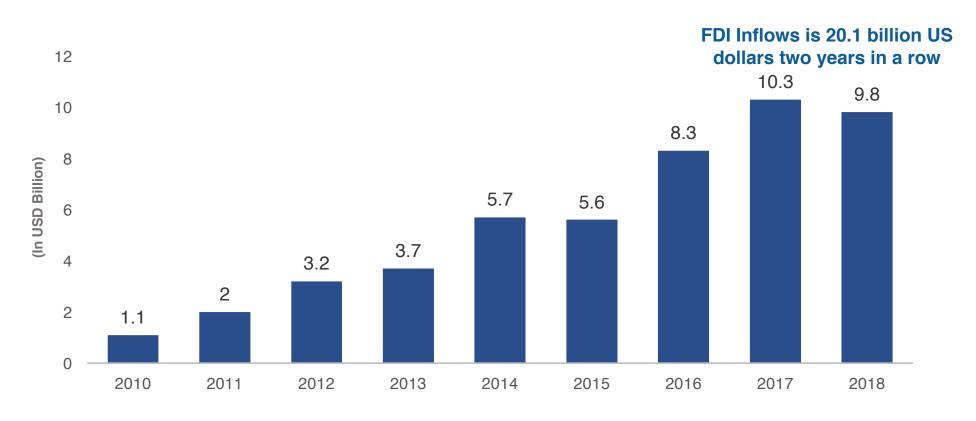


# THE PHILIPPINES IS SCHEDULED TO BECOME AN UPPER-MIDDLE INCOME COUNTRY IN 2020



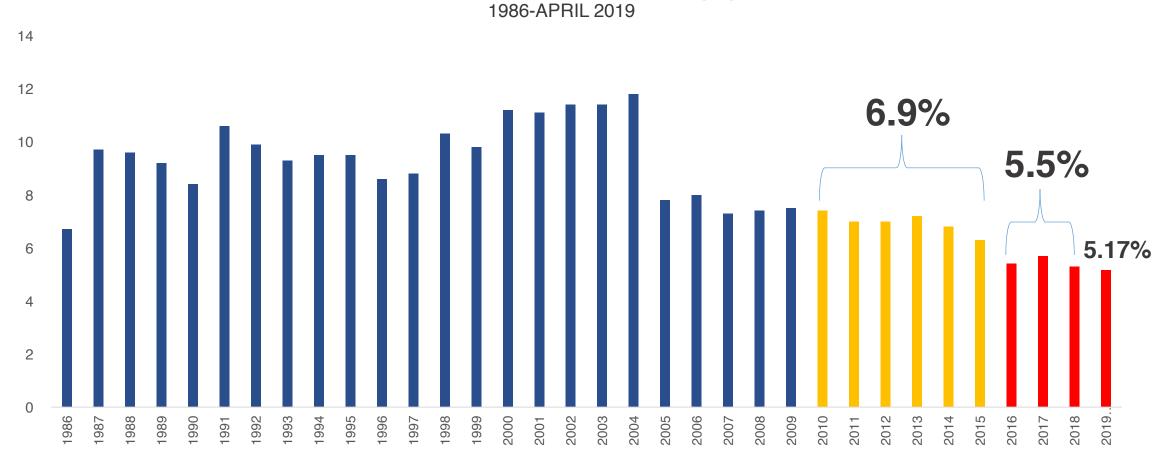
# RISING FOREIGN INVESTMENTS HIGHLIGHT CONFIDENCE IN THE PHILIPPINES' GROWTH PROSPECTS

#### **NET FOREIGN DIRECT INVESTMENT INFLOWS (IN USD BILLION)**



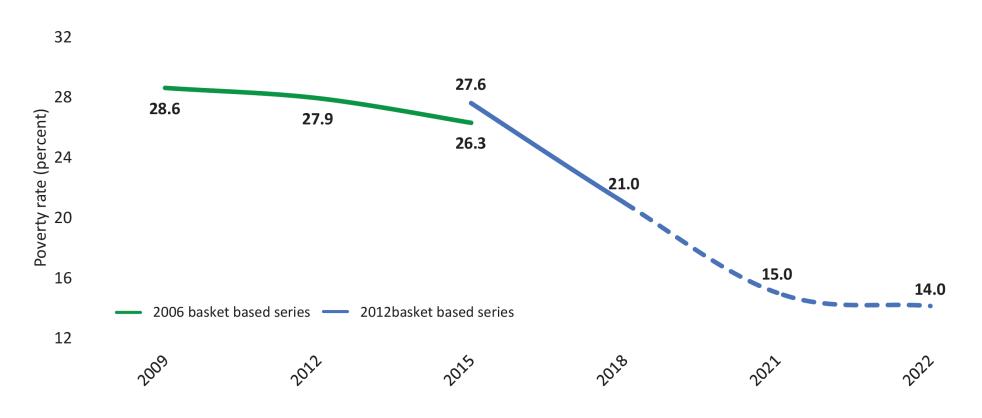
#### UNEMPLOYMENT IS AT ITS LOWEST IN 40 YEARS

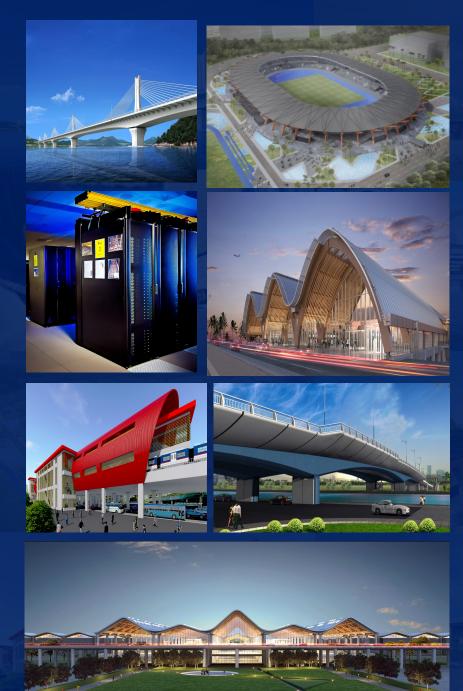




# DROP IN UNEMPLOYMENT RATE REFLECTS IN THE REDUCTION OF POVERTY INCIDENCE







# BUILD BUILD

MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS

MORE BRIDGES
AND ROADS

NEW AND BETTER
CITIES

# BUILD, BUILD, BUILD PROGRAM FLAGSHIP INFRASTRUCTURE PROJECTS



**ROADS AND BRIDGES** 



WATER TRANSPORT PROJECTS



RAILWAY AND URBAN TRANSPORT



FLOOD MANAGEMENT PROJECTS



WATER SUPPLY AND IRRIGATION PROJECTS



POWER PROJECTS

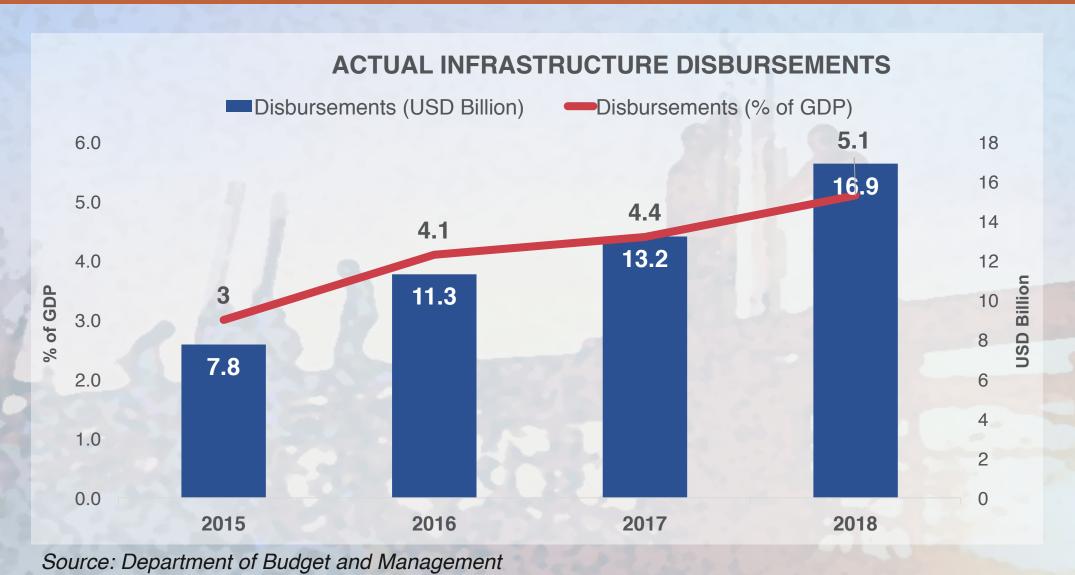


AIR TRANSPORT PROJECTS

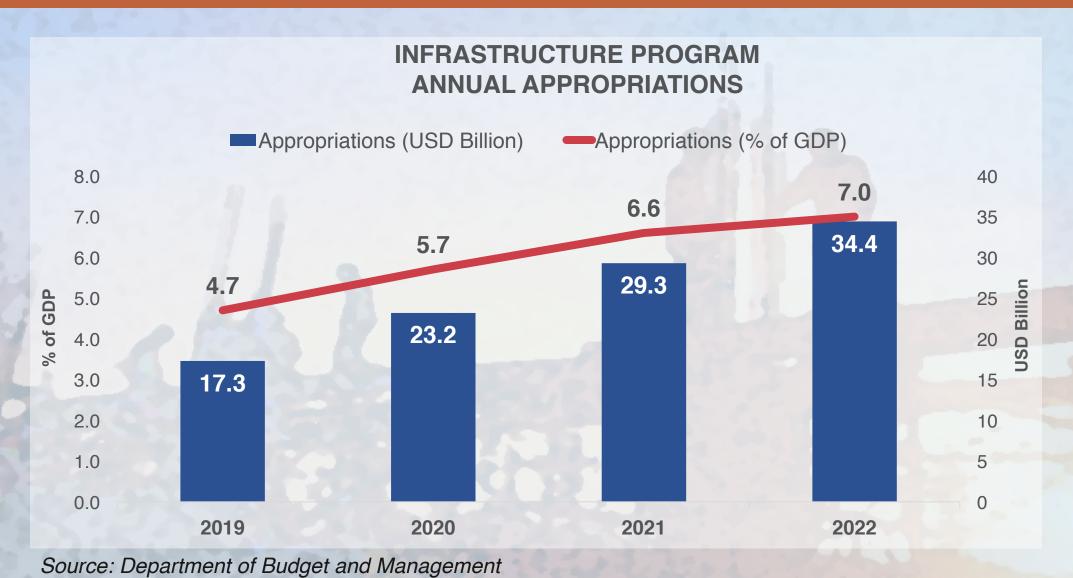


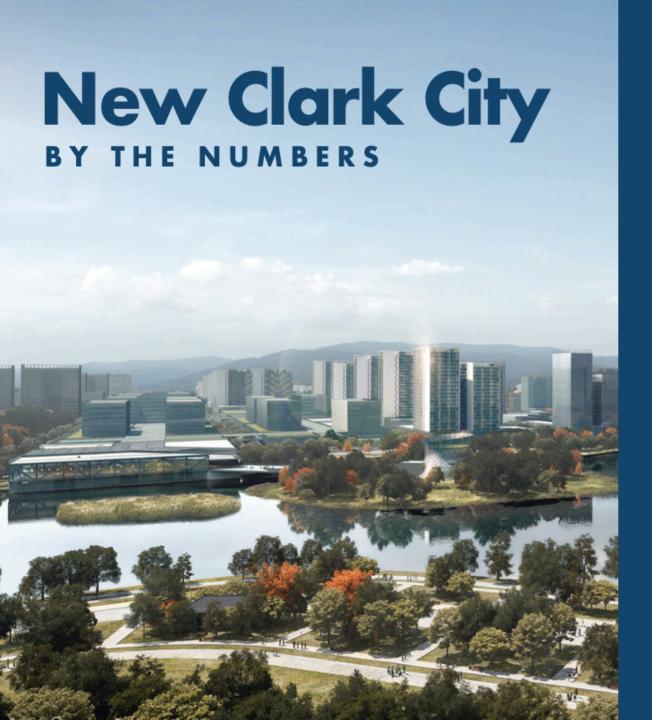
NEW CITIES AND OTHER PUBLIC INFRASTRUCTURE PROJECTS

# RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT



# RAPID ADMINISTRATIVE RESPONSE FOR INFRASTRUCTURE DEVELOPMENT







smart, green, and resilient metropolis in the Philippines



9,450 hectares



1.2 Million residents



600,000 workers + provide indirect employment opportunities in Central Luzon



#### Soon to rise

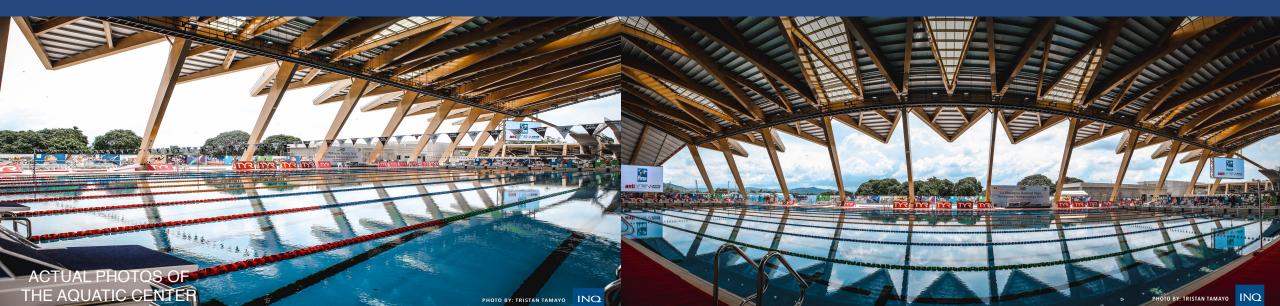
National Government Administrative Center Philippine Sports City Food Processing Terminal International Food Market Mixed-use estate by Filinvest

#### Schools

University of the Philippines
Technological University of the Philippines
Philippine Science High School



The **New Clark City Phase 1**, which involves the construction of a world-class sports complex, is now **complete**.





The Clark International Airport is now 75 percent complete and is targeted to be operational by mid-2020.



CATALYST FOR NATIONAL GROWTH



#### 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.

# HIGHLIGHTS OF THE TAX REFORM FOR ACCELERATION AND INCLUSION LAW

#### 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 funding investments for our people for a more inclusive growth.



Broadened the VAT system by reducing the number of unnecessary exemptions.



Increased the excise tax on petroleum products gradually.



Simplified excise tax on automobiles.



Introduced a tax on sweetened beverages.



Introduced and updated taxes on: cosmetic procedures, coal excise, mining, tobacco, foreign currency deposits, capital gains, stock transactions, and documentary stamp taxes.

It's a win for health of course because we are saving real lives. It's also a win for economy. We know that healthy society is more productive if you have economic return.

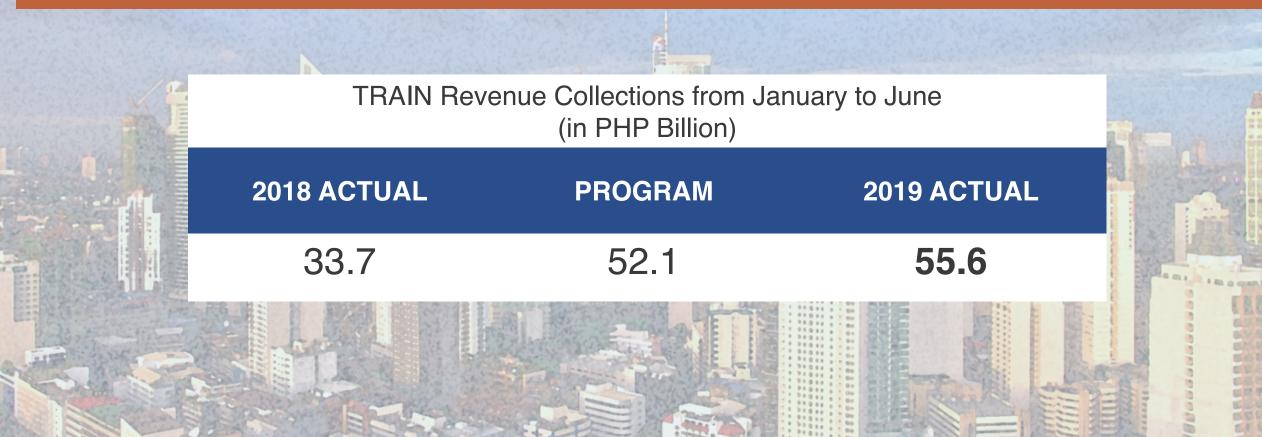
World Health Organization Representative

#### **Dr. Gundo Weiler**

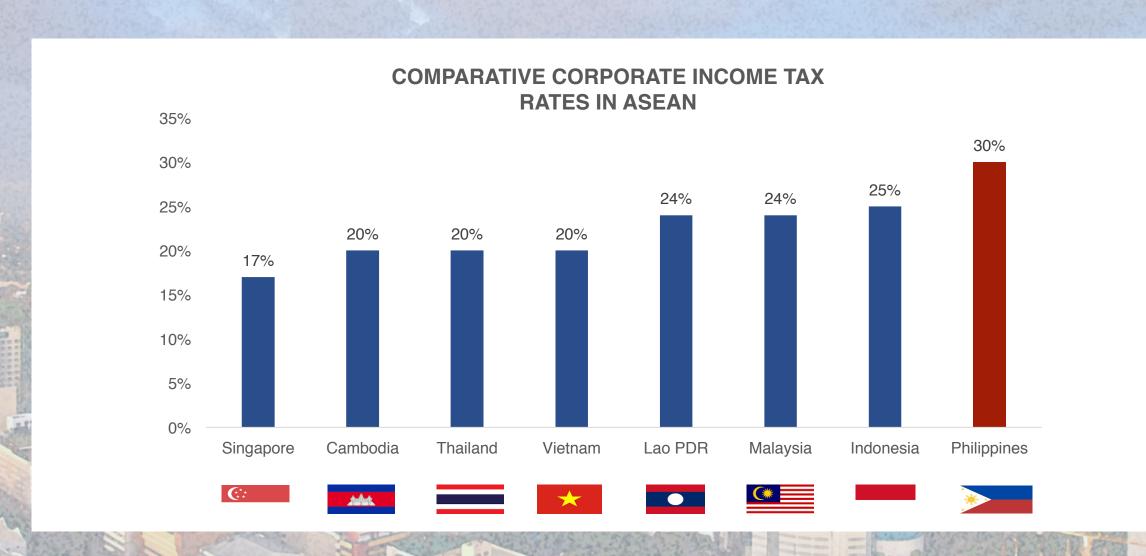
World No Tobacco Day event Dusit Thani Hotel, Makati City June 3, 2019







# THE PHILIPPINES HAS THE HIGHEST CORPORATE INCOME TAX RATE IN THE ASEAN REGION, YET IT HAS LOW EFFICIENCY

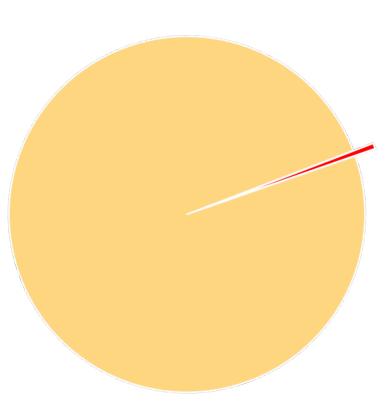


#### FOUR MAIN PRINCIPLES FOR TAX INCENTIVES



# 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

(2.8% of 2017 GDP)

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

(0.4% of 2017 GDP)

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

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

#### REMAINING PACKAGES OF THE COMPREHENSIVE TAX REFORM PROGRAM (CTRP)



Package 2

**Corporate income tax** and incentives reform



Package 2+

Alcohol and e-cigarette excise



Package 3

**Property valuation** 



Package 4

Passive income and financial taxes

#### GAME-CHANGING REFORMS FOR SUSTAINABLE DEVELOPMENT



TAX REFORM FOR ACCELERATION AND INCLUSION LAW (TRAIN)

The goal of the first package is to create a fairer, simpler, and more effective system of tax collection where the rich will have a bigger contribution and the poor will benefit more from the government's programs and services.



**EASE OF DOING BUSINESS LAW** 

The law creates a unified business application form to make it easier to put up or renew business licenses in the Philippines.



**NATIONAL I.D. SYSTEM** 

The law will pave the way for efficient delivery of services and strengthen financial inclusion.



**RICE TARIFFICATION LAW** 

This promotes food security by lowering the price of rice for every Filipino family and opens up the rice market to both imports and domestic production.



UNIVERSAL HEALTH CARE PROGRAM

Filipinos will now be considered to possess immediate eligibility for and have access to the full spectrum of health care.



REVISED CORPORATION CODE

The amendments are aimed at encouraging entrepreneurship, the formation of new businesses, and improving the ease of doing business in the country.

# 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



### 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.

THE DUTERTE **ADMINISTRATION HAS LAID** THE FOUNDATIONS FOR RESILIENT GROWTH **DRIVEN BY STRONG** DOMESTIC DEMAND, WHILE SETTING THE STAGE FOR MORE INVESTMENTS-LED GROWTH IN THE MEDIUM TERM. Photo Source: Build, Build, Build Website



# SEIZE THESE **OPPORTUNITIES**

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