New PCCI Officers usher in “PROSPERITY for Inclusive Business”

Identifies strategic priorities for continued growth and sustainability

“I commit to continue our steadfast role as the champion of entrepreneurial resilience, sustainable economic development, and inclusive business”. This was the message of Ms. Alegria Sibal Limjoco, the new president of PCCI, as she outlined her banner program and strategic vision for the largest business organization in the country.

In her remarks before the strategic planning of the PCCI Directors and Officers for 2018-2019, Limjoco, who is only the 2nd woman president of PCCI said that the Chamber, under her leadership, will build on the gains of the past two years’ GIANT STEPS. GIANT STEPS, which stand for the growth enablers - governance, infrastructure, agriculture, (new era in) manufacturing, tourism - and growth determinants – science and technology, education, people’s skills and source of financing – has seen significant milestones in both the operations and activities of PCCI, and in its advocacies to improve the regulatory and physical environment for doing business in the country. It has left a strong footprint where PCCI’s leadership propelled strong relations and leadership with both local business and government partners.

For 2018-2019, PCCI has adopted the theme “PROSPERITY for Inclusive Business” or “Promoting Sustainable Program for Entrepreneurial Resiliency, Industrialization and Tech-ready Economy for Inclusive Business”. Limjoco stressed that the agenda is to ensure that economic gains from the “new wave” of business opportunities trickle down while supporting the competitive advantage of micro, small and medium enterprises (MSMEs) to be able to enter into the global supply chains and reap the benefits of improved market access.

Outlining the agenda, Limjoco said PCCI will provide its members with more-than-adequate programs, services, and avenues for pursuing the shared mission of creating globally competitive enterprises while steadfastly pursing pressing issues on sustainable and inclusive economic growth and development.

She said PCCI will take advantage of opportunities to synergize and develop constructive, stronger and mutually-beneficial relationship with the national and local governments, other peer institutions and international bodies and organizations that will crystallize the movement for championing innovation and greater prosperity for MSMEs.

She further said PCCI will devote its resources and efforts to more meaningful partnerships, consultations, job creation, trainings, trade and investment missions, and business matching events so as to help further contribute and strengthen the growth of the Philippine economy.

Finally, she said that PCCI will harness its stable and thriving regional network at the National Capital Region (NCR), North Luzon, South Luzon, Visayas, and Mindanao to further diversify its resources for regional outreach to enable more programs that result to direct impact on local economic development and regional dynamism.

For a copy of PCCI’s 2018 strategic agenda, programs, services and advocacies, please visit the PCCI website, www.philippinechamber.com

Schedule of Activities

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Interested parties may register online at http://bit.ly/CITRoadshow2018. For inquiries, please e-mail: janessa.santelices@philippinechamber.com or advocacy@philippinechamber.com
PCCI, DOF, USAID hold nationwide tax reform caravan

DOF to submit reform proposals within first quarter of the year

The Philippine Chamber of Commerce and Industry (PCCI), in partnership with the Department of Finance (DOF) and with the support of the USAID’s Facilitating Public Investments Project (FPI), is holding a series of information campaign on the newly-enacted Tax Reform for Acceleration and Inclusion (TRAIN) or Republic Act (RA) 10963 and Package 2 of the Comprehensive Tax Reform Program (CTRP).

TRAIN provides for the lowering of personal income taxes, simplifying the income tax brackets and lowering of the estate and donor’s tax. It also increased the excise tax on fuel, coal, automobile, sweetened sugar beverages, mining, cosmetic and tobacco; repealed 54 out of 61 special laws with non-essential VAT exemptions; and, increase in Documentary Stamp Tax (DST), interest income for Foreign Current Deposit Unit (FCDU), capital gains of non-traded stock and transaction value for Stock Transaction Tax.

In relation to the removal of the VAT zero-rating for indirect exporters, while the Act is effective January 1, 2018, VAT zero-rating for indirect exports is STILL being implemented/status quo until such time that the following conditions have ALL been met:

- “… the successful establishment and implementation of an enhance VAT refund system that grants refunds within 90 days...”;
- “… that ALL pending VAT refund claims shall be fully paid in cash by Dec 31, 2019...”; and
- “… that the Department of Finance shall establish a VAT refund center at the Bureau of Internal Revenue and Bureau of Customs

The 90-day processing time starts from the submission of all the documents and is supposed to already include the actual payment of the refund which will be in CASH and NOT tax credit certificates.

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Package 2 of the CTRP on the other hand proposes the lowering of corporate income taxes; improving compliance by simplifying the tax rules for corporations; broadening the tax base by repealing 124 special laws on investment tax incentives and consolidating these into a single, omnibus incentives law and by repealing exemptions; and, modernizing fiscal incentives in line with 4 general principles. These are:

- Performance-based or there is a clear attainment of actual investment, job creation, exports, countryside development, and research and development
- Time-bound or 5 years income tax holiday (ITH) and/or reduced rate with no extension, except for customs duty of capital equipment
- Targeted based on a 3-year special investment priority program (SIPP), which can cover both foreign and domestic firms and both exports and domestic market
- Transparent, where the name of beneficiaries and estimated tax incentives have to be reported by the Fiscal Incentives Review Board (FIRB) to be chaired by the Department of Finance.

The tax reform roadshow is part of the Open Government and Participatory Governance Regional Dialogues initiated by the Participatory Governance Cluster (PGC) led by the Department of Budget and Management (DBM) and Department of Interior and Local Government.

The tax roadshow had its successful run in Bacolod City on January 31, in General Santos City on February 7 and in Clark, Pampanga on February 13. It is scheduled on February 21 in Zamboanga City, February 28 in Makati City, March 7 in Baguio City, March 9 in Cebu City and March 23 in Tacloban City.

DOF Undersecretary Karl Chua and Assistant Secretary Teresa Habitan lead the panel of speakers.
ADVOCACY UPDATES 16 February 2018

The Philippine Chamber of Commerce and Industry (PCCI) and the Agri-Fisheries Alliance (AFA) signed a Memorandum of Agreement to jointly undertake joint policy advocacy and programs aimed at pushing for reforms to improve the competitiveness and productivity of the Philippine agriculture and fishery sectors.

Signing the agreement were PCCI President Alegria Sibal Limjoco and the Agri-Fisheries Alliance led by its convenor former DTI Undersecretary Ernesto Ordonez.

Ms. Limjoco welcomed and described the partnership or the “convergence of initiatives” which she hopes would positively impact the agriculture and SME sectors.

“I am extremely delighted that AFA and MEGMA (Market Access Goes to Manila) have agreed to cooperate with PCCI to advance the cause of agri-fisheries and small business entrepreneurs. Our dream for an inclusive and prosperous economy will remain (a dream) if we will not do something to change the lives of our farmers and fisherfolks in the rural areas,” Limjoco said.

Under the agreement, PCCI and AFA will champion six priority reform programs: 1) formulate roadmaps with public-private implementation support; 2) effectively utilize the legally mandated Agriculture Fisheries Council and provide the agency with necessary information to be able to carry out their DA budget monitoring mandate; 3) effectively supervise and guide the 17,000 agriculture extension workers devolved to local government units (LGUs); 4) expand credit delivery to small farmers and fisherfolks by instituting new mechanisms in Land Bank and other financial institutions and significantly increase crop insurance beyond P1.1 billion provided in 2015, given the severity of climate change; 5) significantly increase subsidies for support services and facilities to level the playing field with international competitors; and, 6) other reform areas that would actually benefit the farmers and fisherfolks such as the utilization of coco levy funds and assets.

AFA is composed of five major cognizances, Alyansa Agrikultura, Philippine Chamber of Agriculture and Food Inc. (PCAFI), Coalition for Agriculture Modernization in the Philippines (CAMP), Pambansang Koalisyon ng Kababaihan sa Kanayunan (PKK) and Agriculture Fisheries 2025.

Meanwhile, PCCI, together with the Department of Trade and Industry (DTI) and Department of Agriculture, is set to roll out this year the Agribusiness Support for Promotion and Investment in Regional Expo (ASPIRE) project in the regions. It will hold the Agriculture Investment Summit, which will be dovetailed in the PCCI’s Area Business Conferences (ABCs).

ASPIRE is collaborative project of DA, DTI and PCCI to integrate market development support services to farmers, fisherfolks and small agribusiness entrepreneurs to address the disparity as to what the farmers have to produce vis a vis market demand.
Initial tests to assess the Philippines’ interconnection with other Association of Southeast Asian Nations (ASEAN) economies, starting with Indonesia, via the ASEAN Single Window (ASW), were successful, according to Department of Finance (DOF).

“Although there were some gaps in the responses between the two systems, the initial testing on the ASW connection with Indonesia was successful,” said Undersecretary Gil Beltran in a report to Finance Secretary Carlos Dominguez III during a recent DOF Executive Committee meeting. Development and testing will continue in the next few weeks, Beltran said.

In the Philippines, TradeNet—the government’s online platform for the application of permits for imports and exports—will serve as the country’s national single window (NSW), the requisite platform to connect to the ASW.

TradeNet, set up by DOF in partnership with the Department of Information and Communications Technology (DICT), will involve a total of 76 government regulatory agencies to make it fully operational. So far the DOF has engaged 65 of these 76 agencies.

Launched last December, TradeNet is expected to minimize the cost of doing business and cut the processing time for the issuance of import and export permits, Beltran said.

Beltran said the ASW interconnection tests will run until May 2018 for the Philippines and two other newly connected countries, namely, Cambodia and Brunei.

The ASW is a regional initiative that aims to speed up cargo clearances and promote economic integration by enabling the electronic exchange of border documents among the organization’s 10 member-states. Indonesia, Malaysia, Singapore, Thailand and Vietnam are already using the ASW to exchange information on customs clearances.

Beltran said the Bureau of Customs (BOC) is set to identify five exporters who will pilot test TradeNet this month, while a team will do a demonstration of the Integrated Importer Accreditation Module. The module, which aims to simplify the accreditation process for importers, will later link accreditation records of regulatory agencies to the BOC records to form a full importer profile, he added.

Beltran said TradeNet.gov.ph—the digital portal to the NSW—will allow traders to initially use the system to apply for import and export permits for rice, sugar, used motor vehicles, chemicals (toluene), frozen meat, medicines (for humans, animals or fish) and cured tobacco.

As the vehicle for the NSW, TradeNet is expected to “shorten the processing time of import/export clearances, reduce the number of transactions and required documents to be submitted, and remove bureaucratic red-tape that has plagued businesses and citizens when dealing with the government.”

A total of 16 government agencies are connected to TradeNet, including the Bureau of Animal Industry, National Tobacco Administration, Fair Trade and Enforcement Bureau, National Food Authority, Bureau of Plant Industry, Food and Drugs Administration, National Meat Inspection Service, Bureau of Internal Revenue (BIR), and BOC.

Besides launching TradeNet, DOF implemented several innovations in 2017 anchored on the use of digital technology in order to improve the ease of doing business and electronically interconnect the country with other ASEAN member-states to help speed up the region’s economic integration.

These innovations include the establishment of the Philippine Business Data Bank (PBDB); the ongoing computerization program of DOF and its attached agencies BIR and BOC; and the continuing efforts to reduce the procedures and requirements in securing government documents or applications.

Beltran said the PBDB, now piloted in Quezon City, will eventually allow the online processing of business permits down to the local government level, and targets covering all 1,634 local government units (LGUs) nationwide within a two-year period.

“Economic zone data will likewise be progressively made available, covering all economic zones in the country,” Beltran said.

He said the precursor to the PBDB—the Online Unified Business Permit Application Form—is now being fine-tuned to further simplify the process and allow businesses to apply for LGU business permits regardless of the company’s location. The DOF and other agencies involved are now finalizing the data elements for the online business permit application form so it can be pilot-tested by the first quarter of this year. -- www.portcalls.com
The Philippine Bureau of Customs (BOC) has formally reactivated its Post Clearance Audit Group (PCAG) to scrutinize and validate the customs records of importers and customs brokers.

Customs Commissioner Isidro Lapeña on December 20 signed Customs Memorandum Order (CMO) No. 32-2017, which reactivates the PCAG, formerly known as Post Entry Audit Group (PEAG). The reactivation of PCAG is pursuant to Executive Order (EO) No. 46 series of 2017, which was signed by President Rodrigo Duterte on October 20, 2017, transferring back the post-clearance audit function to BOC from the Department of Finance (DOF) and renaming PEAG as PCAG.

The group is to be headed by an assistant commissioner and directly supervised by the customs commissioner.

CMO 32-2017 took effect immediately.

PEAG was created in 2003 under EO 160-2003 and tasked to perform the post-clearance audit work of BOC.

In 2013, the functions of PEAG were transferred to the Fiscal Intelligence Unit, then a newly created office under DOF.

EO 46-2017 notes that the Customs Modernization and Tariff Act (CMTA) mandates BOC to “conduct audit examination, inspection, verification, and investigation of transaction records of importers and brokers.”

CMO 32-2017 states that PCAG shall be headed by an assistant commissioner appointed by the President upon recommendation of the customs commissioner through the secretary of finance. In November last year, Duterte signed the appointment paper of Ariel Nepomuceno, who will head PCAG as assistant commissioner. Nepomuceno was previously deputy commissioner of BOC’s Enforcement Group.

The assistant commissioner shall exercise direct supervision and control over the management of the operating units of PCAG, which include the Trade Information and Risk Analysis Office (TIRAO) and Compliance Assessment Office (CAO). TIRAO and CAO will each be headed by a director II, and will be supported by two and five divisions, respectively.

Personnel complement shall consist of those previously assigned to PEAG, and those identified by the customs commissioner, with the approval of the finance secretary.

The reactivated PCAG shall—within three years of date of final payment of duties and taxes or customs clearance—conduct an audit examination, inspection, verification, and investigation of records pertaining to any goods declaration, which shall include statements, declarations, documents, and electronically generated or machine-readable data. This is to ascertain the correctness of the goods declaration and determine the liability of the importer for duties, taxes, and other charges, including any fine or penalty.

Among TIRAO’s functions are to review available data to determine compliance markers of industry and set benchmarks for developing an audit program for approval by the customs commissioner; develop, in coordination with BOC’s Management Information System and Technology Group, a computer-aided risk-based management system for profiling and identifying potential priority audit candidates; and develop policies, guidelines, manuals, and standard operating procedures for the audit process.

CAO’s functions include the following: prepare the audit work plan, scope, and approach for the approved audit candidates; conduct audit examination, inspection, verification, or investigation of records; and establish and maintain a customs compliance program.

The funding required to reactivate and operate PCAG shall be sourced from the applicable budget as certified by the Financial Management Office, while the group’s logistical requirements shall be provided in coordination with the General Services Division, both under BOC’s Internal Administration Group.

Nepomuceno, in a phone interview with PortCalls, said PCAG is currently still in the organizing stage, but voiced hope the unit can start functioning by February at the latest.

He noted that the existence of PCAG has a deterrent effect as importers will be conscious when filling in their declarations that an audit unit can come after them. While not its main function, PCAG, Nepomuceno said, can also contribute to revenue collection, mainly through the duties, taxes, and other charges, including any fine or penalty, that it can collect from importers with incorrect declarations.

Further, he noted that having a post-clearance audit function can facilitate trade because processing can be fast-tracked since customs can run after importers later. Nepomuceno said PCAG will be conducting meetings and consultations with stakeholders about the reactivated unit’s functions and duties.

--- www.portcalls.com
Trade portal facilitates MSME access to data on target markets

Micro, small and medium-sized enterprises (MSMEs) in the Philippines seeking data on their target export markets stand to benefit from a newly launched innovative tool increasing transparency and ease of access to global trade information.

Accessible through the new online hub HelpMeTrade.org, the Global Trade Helpdesk will serve as a one-stop shop for businesses and policymakers to access trade data and practical information on target markets.

It provides a unique entry point to existing trade-related information; translates trade-related information into trade intelligence; and raises awareness and capacity of MSMEs on the use of trade information.

The helpdesk—tagged “the MSME gateway to trade”—is a multi-agency response by the International Trade Centre (ITC), World Trade Organization (WTO), and United Nations Conference on Trade and Development (UNCTAD) to an information gap in trade.

For companies looking at potential export markets, the helpdesk supplies data on applicable tariffs and taxes; relevant health and safety standards and compliance procedures; details about export and import procedures such as pre-shipment formalities; and current trade patterns and trade agreements.

Trade and market information is made freely available and accessible via a user-friendly interface to make it easier for MSMEs to increase their participation in regional and international value chains and help them reduce trade costs.

“For a small business, easy access to the right information can make the world of difference,” said WTO Director-General Roberto Azevêdo. “With it, you can trade with the global marketplace. Without it, the challenges and costs of trading can be too high. This new helpdesk will provide all the information you need in one place, free of charge, accessible to all.”

Ultimately the portal will increase transparency of data, improve coherence and help MSMEs to navigate the procedures needed to break into foreign markets and grow through trade, said ITC.

Moreover, the Helpdesk’s email-alert system will allow users to receive customized real-time information on markets and products relevant to their sector.

The HelpMeTrade.org portal, which is still in a beta version, is scheduled to be fully functional in 2020.

“Data will be added to the Helpdesk over a three-year period, and complemented with business information such as buyer and seller contacts as well as trade fair dates and locations,” said ITC.

National administrations and technical institutions in developing and least-developed countries will be offered tailored support to overcome capacity constraints in sourcing and updating trade information, as well as to develop country or region-specific interfaces linked to the HelpMeTrade.org portal.

“This will help empower local stakeholders to publish relevant information in line with their commitments under the WTO Trade Facilitation Agreement and simultaneously update the Global Trade Helpdesk,” said ITC.

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Study calculates $2B-$5B in economic losses for PH from shipping surcharges

The Philippine government is losing billions of dollars each year from the slew of surcharges imposed by some shipping lines on Filipino importers and exporters, according to a joint report on the cost of international shipping presented to the Lower House recently.

The report, entitled “Potentially Avoidable International Shipping Cost and Other Charges,” said the state is losing from US$2 billion to $5 billion (P101.6 billion to P253.9 billion) annually due to various shipping charges paid by local shippers to international shipping lines.

In addition to freight, which the study said is “a valid expense,” Filipino shippers are also required to pay other charges that include the terminal handling cost, container imbalance charge, emergency cost recovery surcharge, container deposit fees, container cleaning fees, container detention and demurrage charges, docs fees, online release fee, foreign currency adjustment, and bunker price adjustment.

“An analysis of the impact indicate that, on the low side, these surcharges (economic burden) are estimated to cost the economy roughly $2 billion annually (to a high of $5 billion) annually,” said the report jointly undertaken by the National Competitiveness Council-Transport, Infrastructure, and Trade Logistics Committee and the Export Development Council Networking Committee on Transport and Logistics last year.

Highlights of the report were presented during a Lower House public hearing conducted by the Committee on Transportation on January 17, 2018 tackling high shipping charges.
The study stressed, however, that not all international shipping lines levy all of these surcharges.

The document, based on a series of forums and a survey conducted last year, disclosed that for imports, freight on the average accounts for only 39% of the total amount paid to international shipping lines, while the so-called “destination charges” levied on Philippine importers by the carriers account for 61%.

For exports, freight on the average accounts for only 25% of the total amount paid to international shipping lines while the so-called “origin charges” levied on Philippine exporters by the carriers account for 75%, continued the report.

The impact of these costs can be felt five ways, the study added.

One is that it undermines the country’s export competitiveness by increasing the cost of importing raw materials and intermediate goods.

“Hardest hit by these costs are the small exporters and importers (SMEs) because larger and regular importers and exporters are able to negotiate for better rates and terms,” said the paper.

Moreover, it undermines the competitiveness of domestic products against imported goods by increasing the cost of importing raw materials and intermediate products for local producers.

The third impact, said the study, is that it makes Filipino consumers pay a higher price for imported products (for final consumption) since “added” import cost are passed on to them.

Fourth, by transferring cost from the foreign shippers to the consignees, who are the Philippine importers, “the government may lose revenues from income taxes as the consignees will declare these charges as costs and allowable expense in their books thereby reducing their taxable income.”

Finally, it impairs the right of the government to collect the right amount of taxes from importers if those charges by their nature being “freight” are misdeclared as “something else” and are not added to the dutiable landed cost of imports.

“It may be further argued that these charges are not only excessive but undefined as to their nature of freight, recoverable actual cost or penalties,” said the report.

“The government must not allow these costs to be incurred by (or passed on to) Philippine Shippers especially if they do not have any contractual relationship with the Carriers,” recommended the paper. --- Philexport News and Features