

SHAREPHIL Online Summit Series

**Senate President Pro-Tempore Ralph G. Recto
Keynote Address**

21 October 2020



Authorizing the President to Expedite the Processing of Permits, Licenses and Certifications

SENATE BILL 1844

**APPROVED ON
3RD READING**
15 SEPTEMBER 2020

- The bill speeds up the process and shortens the requirements for permits as he desires.
- It will allow the President to increase the velocity of the processing of permits. It grants him the power to set the minimum speed.



Doktor Para sa Bayan Act

SENATE BILL 1520

**APPROVED ON
3RD READING
15 SEPTEMBER 2020**

- We have also ratified the Medical Scholarship Bill to address the shortage of doctors the pandemic had laid bare.
- One of the ways of choosing scholars is to crowdsource them from the town's best and brightest and let them repay their free schooling by serving in their own community, as way of directly reimbursing in kind their own people.
- The cost of producing one surgeon who is a future member of the Philippine Medical Association is only one fourth the P4.3 million price tag of training one soldier in the Philippine Military Academy.



Alternative Learning System Act

SENATE BILL 1365

**APPROVED ON
3RD READING**
6 OCTOBER 2020

- We have ratified the Alternative Learning System Bill, which brings the school to those who are too old, too poor or too far away to go to one.



Bayanihan to Recover As One Act (Bayanihan 2)

REPUBLIC ACT 11494

P165.2 B

TOTAL AID





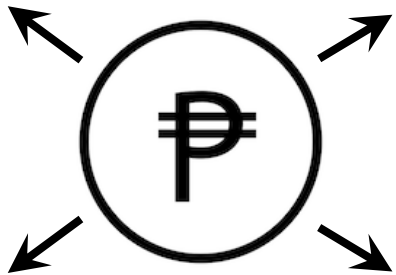
2021 National Budget

P4.506 TRILLION

P2.717 T
(revenues)

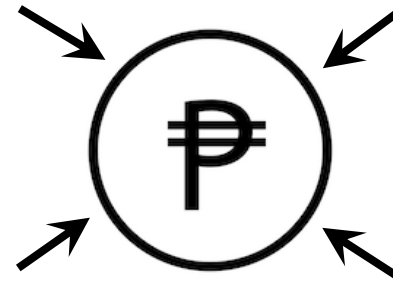
P1.749 T
(borrowings)

Budget spending



P12.31 billion
daily

Revenue collection



P7.4 billion
daily

Budget Deficit

P4.78 billion
daily



2021 Alcohol Tax Collection

2019 Projection

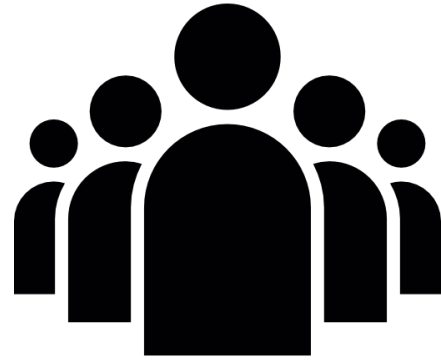
P142.1 billion

2020 Projection

P113.7 billion



P11.98 TRILLION
NATIONAL DEBT ON 2021



P1.31 TRILLION
PERSONNEL SERVICES EXPENSE

(30% of the budget)



“We are confident we can carve enough budget space for critical expenses that the budget proponents missed.”

CREATE

Corporate Recovery and Tax Incentives for Enterprises

Previously known as TRAIN 2, TRABAHO, CITIRA

“A good CREATE must create confidence and consistency in rules at a time when the pandemic is creating confusion, company closure, corporate tentativeness and consumer doubts.”

“When economies are retooling and revamping their rules to avert closures and attract investors, we must not take the opposite route.”

**Bureaucracy, they say,
must be faster than the virus.**

Sen. Recto's Corporate Income Tax Proposal

OPTION 1: BASED ON INCOME

With 5 rates, lowest rate at 0% for those with taxable income below P250,000 and highest rate at 25%.

TAXABLE INCOME	TAX RATE
Not over ₱250,000	0%
Over ₱250,000 but not over ₱800,000	10% the excess over ₱250,000
Over ₱800,000 but not over ₱2,000,000	₱55,000 + 15% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱235,000 + 20% of the excess over ₱2,000,000
Over ₱8,000,000	₱1,435,000 + 25% of the excess over ₱8,000,000

Sen. Recto's Corporate Income Tax Proposal

OPTION 2: BASED ON ASSETS

- 3 rates depending if you are a Micro, Small, Medium, or Large enterprise
- Lowest rate at 15% for our Micro and Small Enterprises, which make up 99% of DTI registered establishments

TOTAL ASSETS	TAX RATE
Not over ₱15M	15% of the taxable income
Over ₱15M but not over ₱100M	20% of the taxable income
Over ₱100M	25% of the taxable income

Sen. Recto Proposal: VAT-exempt threshold on the sale of real properties

P1.5M → P2.5M

Sale of residential lot

P2.5M → P4.2M

Sale of residential
house and lot

INCOME TAX ON FOREIGN-SOURCED DIVIDENDS

SEN. RECTO PROPOSAL

EXEMPT

RATIONALE

- Earnings of a foreign investee company distributed as dividends to a Philippine company are potentially taxed three times.
- A higher dividend tax rate creates numerous distortions. It adds to the income tax code's general bias against savings and investment.
- High dividend taxes cause corporations to rely too much on debt rather than equity financing, because interest is deductible against the corporate income tax but dividends are not.
- Reduces the incentive to pay out dividends in favor of retained earnings, and trigger financial engineering efforts to avoid tax.

Lowering Minimum Income Corporate Tax



Improperly Accumulated Earnings Tax: **REPEAL**

- Tax on improper accumulation of surplus is essentially a penalty tax designed to compel corporations to distribute earnings so that the said earnings by shareholders could, in turn, be taxed.
- Why are we penalizing a company for accumulating a legitimate income which has already been subjected to corporate income tax?
- Penalty tax will not apply in instances where the accumulation of earnings is for the reasonable needs of the business such as for definite corporate expansion projects or programs, or reserved for building, plants or equipment acquisition.



Creditable Withholding Tax (CWT)

	BIR	TRAIN	SEN. RECTO PROPOSAL
PURCHASE OF GOODS	1%] 1% to 15%]	1%
PURCHASE OF SERVICES	2%		
RENTALS	5%		
PROFESSIONALS (lawyers, CPA, engineers)	5%, 10%, 15%		

CREATE

Corporate Recovery and Tax Incentives for Enterprises

**ON THE RATIONALIZATION OF
FISCAL INCENTIVES**

“They are calling for fixed rules, anchored in predictability, and not on discretionary powers of a review board.”

ON THE RATIONALIZATION OF FISCAL INCENTIVES

OPTION 1:

Exclude 5 Investment Promotion Agencies (IPAs) from the coverage of the Fiscal Incentives Review Board (FIRB)



**Philippine Economic Zone Authority (PEZA)
alone accounts for 60% exporters**

Firms that sell domestically will enjoy fiscal incentives other than the existing income tax holiday, if their industry is listed under the Strategic Investments Priority Plan. Export enterprises, on the other hand, will continue to enjoy the existing rates and sets of incentives.

OPTION 2:

**Based on the market they cater:
Domestic vs export enterprises**

OPTION 3: "Grandfather Rule"

Recognizes and honors the contracts held by the investors when they decided to invest in the country, which places these incentives beyond the dilution or deletion of CREATE.

“

My work is to present an alternative, other than the straitjacket championed by the executive. I would be happy to win the arguments but lose the vote, than the other way around.”

SEN. RALPH G. RECTO



FINANCIAL INSTITUTION STRATEGIC TRANSFER ACT

The improved and
rebadged SPV Law



FOR PRIVATE SECTOR ONLY
(establishment of FIST Corporation)



REGISTRATION:

Within 36 months from
the laws approval



- Prior notice to the borrowers NPLs is required before the transfer of NPLs to a FISTC
- The borrower has 90 days upon receipt of notice to restructure or renegotiate the loan.

EXEMPTED TAXES

DOCUMENTARY
STAMP TAX

CAPITAL GAINS
TAX

CREDITABLE
WITHHOLDING
INCOME TAX

VALUE-ADDED
TAX

“

Robust legislation involves civic participation. Never allow Congress to forge laws unilaterally. You are not a mere sounding board, but a supplier of good, tested, sound, pragmatic policies—more so at a time when policymakers have the tendency to believe that because a rose smells better than a cabbage, it will make a better soup.”

SEN. RALPH G. RECTO

