

The Market Monitor

MINDING THE NATION'S BUSINESS

Green groups balk at AIIB coal tack

Cause-oriented and environmental groups expressed disappointment over the the Asian Infrastructure Investment Bank's (AIIB) energy strategy that indicated that the Chinese-backed multilateral lender will continue to fund coal projects "subject to conditionalities."

In an open letter submitted to the AIIB board of

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JG SUMMIT HIKES CAPEX TO P48B FOR THIS YEAR

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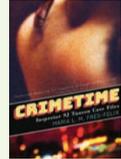
BSP EYES ENHANCED RULES ON ONLINE BANKING

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AUNOR, DAUGHTER, GRANDDAUGHTER SCORE NOMINATIONS AT 40TH URIAN

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Govt eyes cut in VAT once reforms in place

By Luis Leoncio

The government is considering a reduction in the value added tax (VAT) currently pegged at 12 percent contrary to the government earlier proposal to raise the sales tax to 15 percent as part of revenue enhancement.

A lower rate is possible once the government cleans up the tax system and plug leakages in the tax, Finance Undersecretary Karl Kendrick Chua said in a Senate hearing last week.

Thailand, which has a VAT of seven percent, collects the same amount of revenues from this tax as the Philippines because of fewer exemptions, Chua said.

Thailand has only 35 lines

of exemptions while the Philippines has 59 lines of exemptions in the tax code and 84 special laws with VAT exemptions.

The revenue share as a percentage of gross domestic product (GDP) from the VAT is the same at 4.2 percent for both the Philippines and Thailand despite the former's higher tax rate, he added.

"Our proposal really is to clean up the VAT system. Over time, once we have addressed the exemptions, we may reduce the VAT rate. We will do it step by step," Chua said during the Senate ways and means committee inquiry on the government's proposed Comprehensive Tax Reform Program (CTRP).

The House of Representa-

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Finance Undersecretary Karl Kendrick Chua listens during a Senate Ways and Means Committee hearing presided over by Sen. Juan Edgardo Angara.

Moody's vote shows economy on right track, officials say

Moody's Investors Service affirming the country one-notch above investment grade is expected to further boost growth as it showed to prospective investors that the economy remains on track, Bangko Sentral ng Pilipinas (BSP) Governor Amando Tetangco Jr. said.

"The decision of Moody's speaks well regarding the favorable path that the Philippine economy continues to tread, partly on account of the price and financial stability that comes on the back of prudent monetary policies and bank supervision," Tetangco said in a statement.

"The banking sector, which remains strong and stable, will also continue to support the increasing potential output of the economy as it provides financing for growing investment and consumer demand," he added.

Moody's last week affirmed its Baa2 rating, with a stable outlook, on the country.

Moody's gave the Philippines an investment in October 2013 citing the stability of the country's financial sector.

Moody's, in a statement, said it maintained the ratings on the country on expectations "that the Philippines' economic performance will remain strong while debt consolidation will continue and foster further convergence of key fiscal metrics versus corresponding peer medians."

It sees sustained domestic expansion of above six percent in the near term, after noting the 6.4 percent annual average growth of the economy from 2014-16.

The debt ratio also noted the improving debt management ability of the government after the improvement of unconsolidated general government debt to 38.3 percent of GDP in 2016 from 47.8 percent in 2009.

"We project the Philippines' indebtedness to remain low over the medium-term compared to similarly-rated sovereigns, with general government debt falling to around 37 percent of GDP by 2017," it said.

Finance Secretary Carlos Dominguez III said the current

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MOODY'S

DOF: Higher tax won't hit basic family cars

Middle-class Filipino households are not bound to lose the opportunity to have a family car as a result of higher excise taxes proposed under the government's comprehensive tax reform program.

The Department of Finance (DOF) said subcompact sedans such as the Mitsubishi Mirage and compact multipurpose vehicles such as the Toyota Innova models will remain affordable even with the higher tax because they are bound to get significant personal income tax rate (PIT) cuts that will more than offset the slight price markups in



these types of cars.

Finance Undersecretary Karl Kendrick Chua said the impact of higher excise tax on automobiles under the proposed Tax Reform for Ac-

celeration and Inclusion Act (TRAIN) will, however, impact luxury vehicles such as the Land Cruiser, given that the objective of tax reform is to make the system more progressive by imposing stiffer consumption taxes on the wealthy, or those who can well afford to pay these higher rates.

He said a household with two working members can, in effect, raise their combined take home pay by P44,000 per year under TRAIN because of income tax cuts, which is more than enough to cover the

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Poll: Pinoys 5th most optimistic globally

Prior to the terrorist siege of Marawi City last May, the Philippines was ranked the fifth most optimistic among nationalities in the world, a survey of global consumer sentiment showed.

Pew Research Center's Spring 2017 Global Attitudes Survey among Asian-Pacific nations, Indians and Filipinos are the most positive about their economic conditions. The South Koreans are the most downbeat.

These are among the key findings of the new survey conducted among 34,788 respondents in 32 countries from Feb. 16 to April 28.

Results for the survey were based on telephone and face-to-face interviews conducted under the direction of D3 Sys-



Children enjoy getting wet on the street. TMM FILE PHOTO

tems, Inc., ORB International, Princeton Survey Research Associates International, Kantar Public UK and Voices! Research & Consultancy.

Pew Research said the survey showed roughly eight-in-ten in India, or 83 percent and

the Philippines, 78 percent, say the state of their economy is good.

Notably, 30 percent of Indians believe their economy is very good, the strongest such

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Not too late to 'cure' P70-B deal, says PIDS

By Riza Lozada

Local telecommunications giants Philippine Long Distance Tele (PLDT) and Globe Telecom can still "cure" the defects of the P70 billion mega deal with San Miguel Corp. (SMC) on the acquisition of radio frequency assets without a long-drawn legal battle with the government, government think tank Philippine Institute for Development Studies (PIDS) said in a study.

The Philippine Competition Commission (PCC) is looking into possible violation of the recently enacted Philippine Competition Act (PCA) in the deal.

The PCC worries that the buyout of San Miguel's telecommunication assets will leave only two main players in the industry which are PLDT and Globe Telecom.

This move, according to Philippine Institute for Development Studies (PIDS) Senior Research Fellow Erlinda Medalla, has "brought a cloud of doubt as to the motives" of the transaction which she said can "clearly reduce competition to just two players" in the industry.

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