

Headline	The 2017 Investment Priorities Plan: 'Scaling Up and Dispersing Opportunities'		
MediaTitle	The Philippine Star		
Date	16 May 2017	Language	English
Section	Business	Journalist	JOSE GABRIEL B. PACHORO
Page No	B4	Frequency	Daily



## The 2017 Investment Priorities Plan: 'Scaling Up and Dispersing Opportunities'

The relation between the national economy and taxes is complex. Depending on the circumstances, any movement, whether positive or negative, on either side can result in benefits or losses.

The state of a country's economy is indicated by its investment grade rating. A country's investment grade rating is the credit rating for government stocks or bonds, such as treasury shares. Government stocks or bonds are generally regarded as the most stable securities and carry minimal risks. These are usually issued to foreign governments to indicate the issuing country's economic status and stability.

### TOP OF MIND



**ATTY. JOSE GABRIEL B. PACHORO**

The investment grade rating is usually indicated by three major credit rating agencies: Standard & Poor's (S&P), Moody's and Fitch Group. Of the three, S&P recently reaffirmed the BBB stable long-term sovereign credit rating of the Philippines. A bond is typically considered as investment grade by S&P if it is BBB- or higher. Under S&P's definitions, a BBB rating means an obligor, which in this case is

the Philippines, has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

In order to maintain its credit standing, the Philippine Government, through the Board of Investments (BOI), regularly issues investment guides that enumerate priority programs. Individuals or entities who invest in priority programs and registers with the BOI entitle themselves to certain fiscal incentives such as the availment of an income tax holiday of four to six years (which in no case shall exceed eight years) reckoned from the scheduled start of commercial operations and exemption from import/export taxes, duties and fees.

The government has recently issued Memorandum Order 12, or the 2017 Investment Priorities Plan (IPP), which was signed by the President on Feb. 28. It is a guideline for investors who would want to take advantage of the country's current economic condition. Under this IPP, the government emphasizes on the continuity of the current industrial policy direction of the Philippines and its implementation; and the identification of other opportunities that can directly impact the lives of all participants in the growth process.

The IPP follows the Zero + 10-point Socio Economic Agenda of the President which embodies the collective national long-term vision *AmBisyon Natin 2040* of "*matatag, maginhawa at panatag na buhay*," and the recently issued Philippine Development Plan 2017-2022. The government hopes to establish a solid foundation for inclusive growth, a high-trust society, and a globally-competitive knowledge economy grounded on "*Malasakit, Pagbabago, and Patuloy na Pag-unlad*."

In comparison to IPP for 2014-2016, the 2017 IPP presents significant changes. The most notable of which is the increase in the number of preferred activities of investments from eight to 10 in the 2017 IPP. Also, the 2017 IPP included new

Headline	The 2017 Investment Priorities Plan: 'Scaling Up and Dispersing Opportunities'		
MediaTitle	The Philippine Star		
Date	16 May 2017	Language	English
Section	Business	Journalist	JOSE GABRIEL B. PACHORO
Page No	B4	Frequency	Daily

priority programs such as Innovation Drivers, Inclusive Business Models, and Environment or Climate Change-Related Projects.

Innovation Drivers cover businesses focusing on new and emerging technologies. This includes research and development (R&D) activities, clinical trials, and establishment of centers that would be housing these activities and trials such as centers of excellence, innovation centers, business incubation hubs and fabrication laboratories / co-working spaces, to name a few. This priority program will also cover the commercialization of new and emerging technologies and products developed by publicly funded R&Ds such as those from the Department of Science and Technology (DOST) and other government agencies.

Inclusive Business Models cover business opportunities for micro and small enterprises (MSEs) which form part of the value chains of medium and large enterprises (MLEs) involved in the agribusiness and tourism sector.

Environment or climate change-related projects include programs that are concerned with the promotion of efficient use of energy, natural resources, or raw materials; minimization or prevention of pollution; and the reduction of greenhouse gas emissions. It also covers green ship recycling and the establishment of privately-owned materials recovery facilities.

The Innovation Driver and Inclusive Business Model programs are aimed as steps in fulfilling the government's objective of making more opportunities accessible and available to a wider range of investors and to the public in general. This is in line with the slogan of the 2017 IPP of dispersing opportunities to more individuals engaged in micro, small and medium enterprises (MSMEs).

Moreover, the 2017 IPP included items that are aligned with the policies of the current administration, specifically, the war on drugs. The addition of Drug Rehabilitation Centers to the Healthcare Services priority program is in line with the anti-drug campaign currently being waged by the government.

Aside from these preferred activities, the 2017 IPP also continues the practice of including in the plan the following priority investment areas, as follows: Export Activities including services exports and activities in support of exporters; Activities based on Special Laws granting incentives; and, the ARMM programs list.

With this 2017 IPP, it is hoped that programs aligned with the policies of the current administration will be able to help retain or improve the Philippines' current investment grade rating for a better future for the country.

*Atty. Jose Gabriel B. Pachoro is a Supervisor from the Tax Group of KPMG R.G. Manabat & Co. (KPMG RGM&Co.), the Philippine member firm of KPMG International. KPMG RGM&Co. has been recognized as a Tier 1 tax practice, Tier 1 transfer pricing practice, Tier 1 leading tax transactional firm and the 2016 National Transfer Pricing Firm of the Year in the Philippines by the International Tax Review.*

*This article is for general information purposes only and should not be considered as professional advice to a specific issue or entity.*

*The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG International or KPMG RGM&Co. For comments or inquiries, please email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com) or [rgmanabat@kpmg.com](mailto:rgmanabat@kpmg.com).*