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November 28, 2019

Sen. Pia Cayetano
Chairperson
Committee on Ways and Means
Senate of the Philippines
Pasay City, Manila

Dear Chairperson Cayetano:

Thank you for giving the Joint Foreign Chambers (JFC), the Information Technology and Business Process Association of the Philippines (IBPAP), and the Semiconductor & Electronics Industries in the Philippines Foundation, Inc. (SEIPI) the opportunity to raise the following comments on House Bill 4157 that is now for deliberation in your Committee.

The partial position paper of the JFC, submitted during the September 24 hearing, provided our broad concerns with the bill, arguments regarding cost of operating in the Philippines vis-à-vis regional competitors, and an estimate of the high job losses if CITIRA is enacted as passed by the House.

We hope you will consider the following inputs which, in our view, will help the CITIRA bill truly achieve its objective of promoting job creation and increased revenue flow and economic activity in the country:

Section 7 amending Sections 27 and 28 of the NIRC

We believe that the proposed reduction of corporate income tax (CIT) of two percentage points (2%) every two years, which will begin to take effect in 2020, is "too little, too slow." The Philippines has long suffered from high corporate tax rates, which have long been higher than our ASEAN neighbors.

We note that the mean average CIT in Asia is only 22.5% and globally is only 23%.[1] Thus, the CIT rate alone (all things being considered equal) unfortunately will not encourage foreign investors to invest in the country.

We strongly believe that the Department of Finance (DOF) computation that PhP 130 billion revenue loss will result from outright reduction of CIT from 30% to 25% is erroneous. It is based on a **wrong assumption that the tax base will not increase if the CIT rate is reduced**. Precisely, the reason for the reduction of CIT is to attract more investments that widen the tax base.

The DOF's assumption also goes against the experience of our ASEAN neighbors and many other countries who reduced their CIT rates. Their experience has reflected a **steady increase in tax compliance and increase in tax collection during the years following reductions of their CIT rates.** The reduction of CIT, as a global trend, shows that high tax rates do not

[1] https://taxfoundation.org/corporate-income-tax-rates-around-the-world-2017

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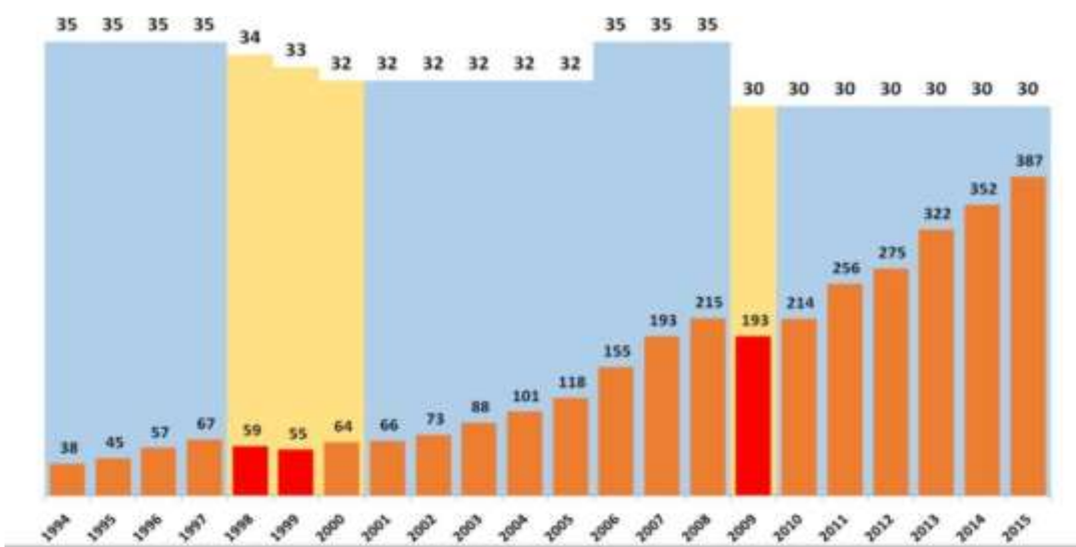
necessarily result in high revenue collection as the tax base is the most critical factor.

Based on past experience, **we dispute DOF's assumption that the reduction of the CIT rate will result in drastic revenue loss for the country.** The Philippine experience in 1998 saw only a momentary fall in revenue collection by PhP 8 billion, following the reduction of the CIT from 35% in 1997 to 34% in 1998, another PhP 4 billion reduction in collection in 1999 when CIT was reduced to 33%. However, revenue collection rapidly recovered and steadily increased from **year 2000 to 2005** when the CIT was even further **reduced to 32%.** In those years, **revenue collection steadily increased from Php 64 billion to PhP 155 billion. In 2005 the tax returned to 35%.**

Corporate income tax rates and revenue collection, 1994-2015



Source: BIR data, as presented by DOF, December 19, 2017

Moreover, there was only momentary reduction in CIT collection of PhP 22 billion when our CIT rate was reduced from 35% in 2008 **to 30% in 2009, but CIT collection steadily increased from 2010 to 2015.** In fact, in 2008, the total CIT collection was PhP 215 billion while the CIT collection in 2010 almost immediately recovered to PhP 214 billion or just one year after the CIT rate was reduced from 35% down to 30%.[2] From 2011, the CIT collection of PhP 215 billion that year steadily grew and resulted in amounts of collection (to PhP 387 billion) that were never achieved when the country was under the 35% CIT rate.

In this regard, **we strongly recommend an early reduction of the CIT rate from 30% to 20% to make the Philippines more competitive and attractive as an investment destination compared to other Asian countries.** This has become more important in light of recent development in India and Indonesia. India has announced an immediate reduction in its CIT from 30% down to 22%.

[2] Source: Slide No. 8 of DOF presentation about Package 2 dated December 19, 2017

The Indonesian Ministry of Finance in September announced its plan to introduce legislation to reduce the CIT from 25% to 22% for tax years 2021 and 2022, with a further reduction to 20% for tax year 2023 and thereafter.[3] We note that under CITIRA the Philippines will reach the 20% CIT rate several years after Indonesia. In fact, Indonesia plans to offer newly-listed Indonesian companies an additional three percentage point reduction in CIT for five years.

If outright reduction to 20% upon enactment is not possible, as an alternative we strongly recommend accelerating the reduction in corporate income tax rate by 5% starting upon enactment then followed by annual 1% reductions until 20% is reached to make the Philippines comparable to other ASEAN countries.

Moreover, we strongly object to the proposal that the scheduled rate reduction be subject to the review of the Secretary of Finance. The said provision should be deleted entirely as it will just create further uncertainty for domestic and foreign investors. CIT reduction should be clear, decisive, and definite, as it has been for other jurisdictions.

Section 8 amending Section 28 (A) (4) of the NIRC

The removal of the preferential taxation of Offshore Banking Units (OBUs) as well as the tax exemption of income of non-resident (individuals or corporations) from transactions with said OBUs must be carefully studied for its effects on potential capital flight.

We support the proposal of Senate Bill 1906 to retain the preferential taxation of OBUs and the tax exemption of income of non-resident (individuals or corporations) from transactions with said OBUs.

Section 8 amending Section 28 (A) (5) of the NIRC

The **removal of the exemption from Branch Profit and Remittance Tax (BPRT) of PEZA-registered branch offices must be retained** to promote consistency of policy. At the very least, the removal of the exemption from BPRT of PEZA-registered branch offices should only be made to apply prospectively by specifying that only profits earned and earmarked for remittance beginning January 1, 2020 (or any subsequent date of enactment) should be subject to BPRT.

Section 8 of amending Section 28 (A) (6) (b) of the NIRC

[3] https://www.ey.com/gl/en/services/tax/international-tax/alert--indonesia-announces-plan-for-key-tax-changes

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We object to the removal of the preferential taxation of Regional Operating Headquarters (ROHQs). The Philippines is just starting to be noticed as a potential site for shared services of multinational companies (MNCs). Thus, if ROHQs are subjected to the regular CIT rate of 30% only two years after the TRABAHO bill becomes a law, we highly doubt if the country can still compete with Hong Kong, Singapore, and Malaysia as a site for shared services of MNCs. These three jurisdictions are fierce competitors of the Philippines in this industry and offer a CIT rate that is much lower than the 30% rate of the Philippines, as shown below.

RANKING	1	2	3	4	5
DATA POINT	HONGKONG	SINGAPORE	MALAYSIA	PHILIPPINES (Current)	THAILAND
Corporate Income Tax - Regular	16.50%	17%	24%	30%	20%
Corporate Income Tax - ROHQ	16.50%	15%	Tax-exempt	10%	10%

Our suggestion is to retain the present preferential income tax rate of ROHQs for a period of at least 10 years, to encourage the increasing growth of this sector. **Faced with the possibility of losing the 10% CIT and coupled with the fact that the 15% employee preferential tax rate was removed last year, many ROHQs have stated they will close their ROHQ operations or hold off expansion plans.** This is not an empty threat as we have already seen the contraction of the industry after the implementation of TRAIN and the veto provision which sought to remove the grandfathering of existing ROHQs' preferential employee tax rate. **Board of Investments data suggests that between 10 and 20 ROHQs have filed for closure within 2018 – the 1st year of the implementation of TRAIN.** We trust that the intention of the legislators is not to completely forego this subsector and cease promoting it—especially given its potential to generate many tens of thousands of high-level jobs in the future and to retain existing ones as well.

The Philippines may also consider what Thailand did last year to replace its ROHQs in response to the *Harmful Tax Practices* – 2017 Progress Report on Preferential Regimes (Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Action 5). In 2018 Thailand introduced the "International Business Center" (IBC) regime as a replacement of ROHQ. IBCs are still required to render qualifying services of an ROHQ but with higher minimum capitalization of US$331,000.00 minimum annual local spending of US$1.83 million, and minimum of 10 employees. IBCs can be entitled to preferential income tax rate of 8%, 5%, or even 3% depending on their minimum local spending. Qualified expatriates of IBCs are still given preferential personal income tax rate of 15%.[4]

We believe that if the Philippines will do the same, the country will continue to be considered as a competitive destination for shared services of MNCs.

[4] https://www.bdo.co.th/en-gb/insights/tax-updates/thailand-new-international-business-centre-regime-(-ibc%E2%80%9D)

Section 9 amending Section 34 (L) on Corporations' Optional Standard Deduction

We suggest retaining the Optional Standard Deduction (OSD) for corporations regardless of classification because this has actually resulted in ease of doing business. Currently, the OSD allows for utmost convenience in preparing tax returns of business because the taxpayer simply needs to deduct 40% of gross income from revenue to compute income tax due. There is no need to itemize their expenses. This simplifies the operations of businesses who avail of the OSD.

Section 10 of HB 313 amending Section 40 (C) (2) (d) of the NIRC

The word "recapitalization" must be defined or at least must be illustrated by example so as to guide taxpayers. In other words, what qualifies as recapitalization? Is this restricted to infusion of additional capital without issuance of shares or otherwise known as additional paid-in capital?

We would also suggest that the last paragraph of this proposed amending provision be reworded as follows:

> "All sale, exchange or transfer of property falling under subsection 40 (C) (2) shall not be subject to value-added tax."

Section 11 amending Section 50 of the NIRC

The **definition of "tax avoidance" being introduced by this proposed amendment is dangerously so vague and general** that it practically closes all room for any taxpayer (whether individual or corporate) to engage in tax planning to minimize his/her taxes.

One of the key considerations of the Philippine government's tax reform program should be to improve Philippine competitiveness and attractiveness for investments and business growth. Stable, clear, and predictable tax rules and tax administration are critical in improving the Philippine investment environment. As regards intercompany transactions under Sec. 50, it is **time to be at par with regional neighbors by adopting best practices and developments in international taxation,** such as compliance with the arm's length principle, implementing transfer pricing rules, and allowing for agreement procedures and advance pricing agreements between treaty countries. The Philippines should **formalize in the amendment of Sec. 50 the adoption of the arm's length principle** (as mentioned in Revenue Regulations No. 2-2013) and follow the best practices and developments in international taxation.

Under the proposed amendment of Section 50, the Commissioner is authorized to make an adjustment or reconstruct a transaction as he or she wishes when the transaction is effected for bona fide business reasons as long as there is a

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tax impact. This section can be interpreted to mean that only transactions which the Commissioner will not adjust are those that result in tax increases. However, it is "tax evasion" that has been held to be illegal. In the Supreme Court case of ***CIR vs. The Estate of Benigno P. Toda (G.R. No. 147188 September 14, 2004)***, tax evasion is aptly differentiated from tax avoidance as follows:

> "Tax avoidance and tax evasion are the two most common ways used by taxpayers in escaping from taxation. <u>Tax avoidance is the tax saving device within the means sanctioned by law.</u> This method should be used by the taxpayer in good faith and at arm's length. Tax evasion, on the other hand, is a scheme used outside of those lawful means and, when availed of, usually subjects the taxpayer to further or additional civil or criminal liabilities.
>
> Tax evasion connotes the integration of three factors: (1) the end to be achieved, i.e., the payment of less than that known by the taxpayer to be legally due or the non-payment of tax when it is shown that a tax is due; (2) an accompanying state of mind which is described as being "evil," in "bad faith," "willful," or "deliberate and not accidental"; and (3) a course of action or failure of action which is unlawful." [Underscoring ours.]

We believe that, if the intention is to adopt general anti-avoidance rules (GAAR) similar to what other jurisdictions have, it should be embodied in a detailed manner through a special law for that purpose and not in some nebulously worded amendatory provision in the Tax Code. Otherwise, the lack of clarity of this provision will give the Bureau of Internal Revenue (BIR) a very wide latitude and unbridled discretion to question virtually any transaction that it feels is primarily tax-driven, thereby putting uncertainty to transactions and allowing potential harassment of taxpayers.

For example, under the last paragraph (letter C) of the proposed Section 50, theoretically, the BIR can prevent a taxpayer from corporatizing his assets being used in his business as a sole proprietor when the latter realizes that he is subject to higher tax of 35% as an individual than as a body corporate (only 30% which may go down to 20% later on). As the intent to corporatize the said assets is primarily for tax purposes, it appears that it can be prohibited by the BIR because it now falls squarely within the proposed amendments to Section 50. We believe that this is not the intent, hence, our suggestion that a separate and more detailed legislation should be crafted to institutionalize a general anti-avoidance rules in the country.

Section 13 of amending Section 112 (A) and 112 (B) of the NIRC

We propose that the amendment of Section 112 (B) include a statement that **"A taxpayer is only required to prove the accuracy and veracity of his unused input tax outstanding during the last three years of its operations including the year when it obtained its cancellation of its BIR registration.**

Any input tax carried-over from the year prior to the last three years preceding the cancellation of VAT registration shall be conclusively presumed correct."

This will provide clarity regarding the quantum of evidence that should be required from a taxpayer (claiming for refund of its unused input taxes on ground of dissolution) as the tax court requires that a taxpayer prove entitlement to refund by producing source documents of input taxes even beyond the 3-year period when the unused input taxes involve input taxes accumulated from prior years of operations.

We also strongly recommend that a separate provision be inserted to amend Section 113 (Invoicing Requirements) of the Tax Code to state that the only details required for the valid recognition of input taxes from an official receipt or invoice shall be limited to: 1) registered name of the seller and buyer and 2) tax identification number of seller and buyer, and nothing more. The current law now requires too many unnecessary details (including address of seller and buyer, trade name of seller, etc.) such that even if only one minor detail is missed by the seller, the buyer will not be able to validly recognize the input tax from his purchase.

Section 16 amending Section 222 of the NIRC

We strongly disagree with the proposal that the waiver of Statute of Limitations by the taxpayer can be done by simply writing a letter of application to the Commissioner of International Revenue. The benefit of the Statute of Limitations is all too important for taxpayers that strict rules against its waiver should not be relaxed.

We submit that the current rules consistently upheld by jurisprudence governing execution of waivers must be retained.

As so aptly stated by the Supreme Court in many cases:

> "Rules derogating taxpayers' right against prolonged and unscrupulous investigations are strictly construed against the government."

> "The law on prescription should be interpreted in a way conducive to bringing about the beneficent purpose of affording protection to the taxpayer within the contemplation of the Commission which recommended the approval of the law. To the Government, its tax officers are obliged to act promptly in the making of assessment so that taxpayers, after the lapse of the period of prescription, would have a feeling of security against unscrupulous tax agents who will always try to find an excuse to inspect the books of taxpayers, not to determine the latter's real liability, but to take advantage of a possible opportunity to harass even law-abiding businessmen. Without such legal defense,

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taxpayers would be open season to harassment by unscrupulous tax agents."

(SMI-ED Phil. Technology, Inc. v. Commissioner of Internal Revenue, G.R. No. 175410, November 12, 2014, citing Commissioner of Internal Revenue v. FMF Development Corporation, 579 Phil. 174 (2008).

Therefore, the current stringent requirements regarding waiver of the statute of limitations should be maintained. Otherwise it will all be too easy for the BIR to extend the period of its tax audit of taxpayers and subject them to unnecessary harassment.

Section 17 amending Section 237 on E-invoicing

We commend the government's plan to address the difficulties faced by taxpayers in using manual invoices and receipts through the introduction of e-invoicing. However, we **highly suggest for the government to further simplify the e-invoicing process by adopting the best practice in our region on e-invoicing, that is, the experience of Korea.** We have compared the Korean practices and found that we only need to consider the following:

(1) **Clarity on receipt of e-invoice**. We **suggest the addition of the clause below** that will recognize e-invoice upload to a portal by supplier as "deemed receipt" by customer to avoid uncertainty on timing of receipt of e-invoice by customer. This will also enable transparency in the tax base that is readily available in the portal thereby allowing quicker and efficient combating of fraudulent transactions.

> "When an electronic receipt or commercial invoice has been sent to the electronic channel by a person supplied with goods or services, the person supplied with goods or services shall be deemed to have received the electronic tax invoice."

(2) **Standard/simplified format of invoices** – Removing the requirement for official receipts will avoid complexity in designing the e-invoice system, as the official receipt is unique to the Philippines. Other countries issue "invoice or tax invoice" only for simplification. Having the invoice as a standard document will also result in removing confusion of taxpayers on what to use for each transaction that only has resulted in input VAT disallowance during audits.

<u>**FISCAL INCENTIVES**</u>

Section 30 introducing new Section 294 of the Tax Code

Limiting the incentives to 3, 4, or 6 years of ITH and only 2 to 4 years of reduced CIT of 18%, depending on location of a registrant, will definitely **make the Philippines less attractive** as an investment destination than its Asian counterparts, who not only offer better incentives but have better infrastructure, market size, and population with higher income levels. **We understand DTI has submitted a proposal with a more competitive menu with longer availment periods, which we support.**

The JFC, together with PEZA, IBPAP, SEIPI, CONWEP, and other stakeholders have already submitted data and studies that refute the DOF's proposition that this drastic reduction of incentives will be beneficial to the country. We trust that this information will be carefully considered by your committee and by the esteemed senators in deciding the final outcome of this important piece of legislation.

We also recommend the retention of the phrase "in lieu of all national and local taxes" whether the registered exporter will be under the 18% reduced CIT or the regular CIT with enhanced deductions, to protect the foreign investors from the arbitrary and whimsical tax assessments and regulatory requirements of LGUs.

We note that the reason why many foreign investors prefer to be registered under PEZA is because of the relative peace they enjoy from LGUs given the protection afforded to them by the existing provisions of the PEZA Law that exempts them from local business taxes.

We also strongly recommend the retention of taxation based on GIE but on the higher rate of 7% "in lieu of all national and local taxes" to show our desire to contribute more to nation building. We ask that the increased 7% GIE be extended for a period of at least 15 years from the time of the enactment of the law to allow existing investors to adjust to the increased business cost.

New Section 294 (B) – Exemption from Customs Duty

We believe that the duty exemption should not be limited to importation of capital equipment and raw materials but **should be extended to spare parts and the supplies of the capital equipment.**

It is also not clear to us as regards the rationale for the proposal to apply the 5-year limit on customs duty exemption (on importation of capital equipment and raw materials) **to other non-Freeport Zone enterprises**, when other ecozones like PEZA zones are also treated as separate customs territory. Is there substantial distinction between ecozones and freeport zones as far as customs duties are concerned? If there is none, why should ecozone enterprises be discriminated against?

Expansion Projects

Also **worrisome is the proposal** under the new Section 294 (B) **to limit the incentives of expansion projects** to duty exemption only of imported capital equipment and nothing else. What will then encourage foreign investors to expand their operations in the country? We believe this will be counterproductive and will lead to investors expanding their operations in other countries and generating employment there.

In this regard, **we are proposing that additional Section 294 (D) be introduced devoted entirely to Expansion Projects and Renewal of Applications** to provide clarity and predictability for foreign investments regarding their expansion plans and continued operations in the country. Our suggested wording for the new Section 294 (D) reads as follows:

> "Section 294 Incentives. - xxx xxx xxx
>
> (D) Expansion Projects and Renewal of Applications.
>
> Expansion of registered activities or renewal of existing registered activities shall be entitled to all incentives under Section 294 (A)(1) or 294-A, as the case may be. Incentives of all registered activities may be renewed after the expiration of their respective incentives provided that they comply with the conditions set by relevant IPA for their renewal, e.g., compliant with export revenue commitment, minimum annual local spending, minimum number of employees within the period set by IPA."

New Section 294 (C) – Value Added Tax

We believe that the 90% export requirement for ecozone and freeport zone enterprises is very high before their importation can be exempt from VAT as well as their local purchases of capital equipment and raw materials, particularly during this time when the export market is very volatile due to ongoing tariff disputes between developed countries.

We propose to maintain the current 70% export requirement. Also, an exemption must be provided, that is the 70% export requirement must be relaxed in cases of force majeure or unforeseen events that are beyond the control of registered export enterprises.

We also propose to maintain the VAT exemption of all PEZA and Freeport Zone enterprises for all local purchases of goods and services as they normally do not have any use for input taxes passed on to them, instead of requiring them to go through the cumbersome and expensive process of filing claims for refund.

There is frustration over the Philippine government's assurance to implement an effective VAT refund system as it has failed to do so in the last 30 years. Hence, it will be an administrative nightmare for the government to have to process the claims for refund of more than 4,000 PEZA-registered enterprises alone.

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Needless to state, this **system of refund will only result to trapped cash for many foreign investors, another cost of money they cannot afford**, not to mention the actual and real costs of having to hire tax counsels and/or accountants to process their claims for refund. Also, it goes against the intent of RA 11032 or "Ease of Doing Business Law," as experience has shown us that **processing of claims for refund in this country has never been easy but is in fact tedious and costly**.

New Section 294 (C) (3)

This provision, in relation to new Section 307 being proposed, **needs further clarification** as it seems to imply that all export enterprises (regardless of location) who fail to meet the 90% export requirement will be subject to VAT on their importation and local purchases of goods and services.

Fiscal Incentives Review Board

New Sec. 298 – Expanding the Function of Fiscal Incentives Review Board

We submit that the introduction of the **enhanced Fiscal Incentives Review Board (FRIB) as a new Section in the NIRC is unconstitutional** as it violates the "one-bill, one subject rule" required under Article 6 Section 26 (1) of the Philippine Constitution which provides, thus:

> "Sec. 26(1). Every bill passed by the Congress shall embrace only one subject which shall be expressed in the title thereof."

We note that the FRIB was created by PD 776, hence, the amendment of said law cannot be done by introducing an amendment to the National Internal Revenue Code. The introduction of the expanded power and functions of the FIRB is simply not germane to any of the existing provisions or subject matter being dealt with by the NIRC.

In this respect, we submit that all the amendments being introduced by the CITIRA bill pertaining to fiscal and tax incentives are unconstitutional as they do not introduce any new national internal revenue taxes (the reason why it is called National Internal Revenue Code) but rather merely amend many special laws pertaining to the grant of tax incentives. Hence, we could not see any rhyme or reason why the amendments to various incentive laws have to be introduced as new sections of the NIRC. This simply means that these portions (pertaining to tax incentives and FRIB) of the CITIRA Bill are not germane to the purposes of the NIRC.

We submit that **amendments to all existing investment laws should have been done by amending the Omnibus Investments Code (EO 226) or codifying all investment laws into a new omnibus investments code to be able to comply with the Constitution's requirement of "one subject, one bill."**

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New Section 299 – Composition of the FIRB

There is great wisdom in the saying that "why fix it, if it isn't broken." PEZA, which has consistently been tried and tested, is intended to be put under the FIRB. However, we believe that the integrity and efficiency of PEZA are beyond reproach with a reputation worldwide of being the most reliable government agency in the Philippines making this proposal unnecessary. **We strongly recommend that PEZA should be allowed to remain with its existing powers and responsibilities given its strong track record as an efficient and corruption-free investment promotion agency.**

New Section 306 – Customs Duty Exemption on Capital Equipment

We suggest that a new paragraph be included in this provision to provide that transfers of machinery or equipment to TESDA or to DECS or CHED-accredited schools due to technical obsolescence should be **exempt from all duties and taxes** like donor's tax and VAT even if done within 5 years but not less than 3 years. We believe that this will facilitate the augmentation of the learning tools particularly for public schools, state colleges, and universities.

New Section 307

This provision should be clarified in relation to the new Section 294 (C) (3). This provision should specify that exporters within ecozones and freeport zones are still exempt from VAT on local purchases of capital equipment and raw materials even if they fail to meet the 90% export requirement for as long as they comply with the e-invoicing requirement under Sections 237 and 237-A.

Also, this section must be revised to lower the export requirement to 70% to be consistent with the policy that an applicant can be registered as an export-oriented enterprise so long as it meets the 70% export revenue requirement.

New Section 310 (Transitory Provision) Investments Prior to Effectivity of this Act

We strongly recommend the revision of this new Section 310 to **allow the grandfathering of existing registered activities, and ROHQ firms registered under RA 8752**. **Accordingly, we propose to delete the transitory provision of two years in Section 28(A)(5)(b).** Incentives of existing registrants and ROHQ firms must be respected as the Philippines has both legal and moral obligation to do so.

Article 3 Section 10 of the Philippine Constitution provides that "No law impairing the obligations of contracts shall be passed."

The taxing power of the state has always been recognized as inferior to the non-impairment clause of the Constitution where the grant of tax exemption is

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contractual in nature and is a material consideration for the taxpayer's decision to invest in the country and sign its agreement with the Philippine government as represented by PEZA (Manila Electric Co. v. Province of Laguna, 306 SCRA 750).

Equally important is the country's moral obligation to provide a consistent tax policy to taxpayers and not to change the rules midstream. For this reason alone, any change in the rules must be given prospective application only. Hence, **at the very least, a reasonable transition period of fifteen (15) years should be provided for existing investments** to show our capacity and sincerity to honor the contracts and rules we have set for foreign investors.

New Section 312, Paragraph 3 – Structural Adjustment Fund

We propose to revise paragraph 3 of this section, as follows:

> "The amount of five billion pesos (Php5,000,000,000.00) shall be allocated annually for the skills upgrade programs of the IT-BPO industry in coordination with key government agencies, CHED, DICT, DTI/BOI and TESDA.
>
> The fund shall be solely used to pay for formal academic and/or training programs delivered by accredited private or public institutions providing industry-relevant skills training programs, such as but not limited to, massive open online courses (MOOC), e-channel, onsite training by industry experts, blended learning platforms and immersions abroad and locally ensuring speed and flexibility in deployment.
>
> The Industry accredited programs will be on top of the trainings done outside formal public and private institutions.
>
> Guidelines for Industry accreditation of Training Programs for both public and private institutions shall be provided for in the IRR."

The above rewording of paragraph 3 Section 312 is being proposed to provide further clarity to the subject provision.

We hope and trust that our comments, suggestions, and questions will merit your considerations in the deliberations of this bill.

We sincerely appreciate your consideration of our comments, and look forward to any questions you may have on our proposals.

Sincerely yours,

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