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May 28, 2020

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

Dear Senator Cayetano:

The IT and Business Process Association of the Philippines (IBPAP), together with its subsectors, would like to express our sincere appreciation to the executive and legislative arms of the government for making the necessary adjustments to the second tranche of the Comprehensive Tax Reform Program.

As we are currently facing the global economic fallout caused by COVID-19, what is now known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act will be instrumental in jumpstarting the Philippine economy and getting us on the road to recovery and growth.

During these uncertain times, it is doubly important for us to improve and highlight our competitiveness so that we may also leverage off the shifting investment landscape and attract more foreign direct investments to the country.

In this light, we fully support the decision to immediately reduce the Corporate Income Tax (CIT) to 25% starting July 2020 and accelerate reduction to 20% within 5 years. We also laud the effort to extend tax deductibility of losses incurred during the taxable year 2020 (NOLCO) for an additional 2 years for all affected taxpayers. We believe both amendments will help cushion the impact of the pandemic and reinvigorate businesses.

With the abovementioned, we encourage Congress to urgently convene, deliberate on, and pass the CREATE Act while taking into account the following requests:

- Grant existing investors and locators with a 5-year deferment of any changes to current incentives to counterbalance serious uncertainties brought about by the health crisis and give them ample time to recoup losses. After this much-needed deferment, we can then proceed with the sunset provisions;

- Encourage new investors and locators to set up shop and expand operations in the Philippines by offering them a minimum of 10 years of incentives, and enable the country to compete with other nations that are aggressively vying to be the premier investment destination;

- Allow the Fiscal Incentives Review Board (FIRB) to have jurisdiction over very large investments (for example, $1B and up) while Investment Promotion Agencies (IPAs) can continue to cover anything below that threshold; and

- Keep the one-stop-shop nature of the Philippine Economic Zone Authority (PEZA) as they have been an effective proponent of the country as a premier investment destination.

Very truly yours,

Rey E. Untal
President & CEO
IT & Business Process Association of the Philippines