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PEZA, ECONOMISTS appeal anew for status quo on incentives for exporters, amid fears on closures due to world recession

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Taguig City – Philippine Economic Zone Authority (PEZA) Director General Charito "Ching" Plaza and 24 economists from the country's top universities are unanimous in their appeal to Congress to maintain the status quo on PEZA's tax incentives for export companies, and even enhance them through the Philippine Economic Stimulus Act to keep and benefit the 4,542 export-oriented companies in its 408 ecozones nationwide and the 6.5 million direct and indirectly employed Filipinos in the ecozones.

The PEZA Chief quips, "Due to the COVID-19 pandemic and world recession, export companies are now infusing and consolidating their operations and investments, transferring their production quota to more investor-friendly countries that offer lower cost of doing business and a generous incentive package. Definitely, the Philippines has been branded as a country with high cost of doing business and unstable economic and trade policies. That has always been the complaint of our investors who despite these uncertainties still brought their investments to the Philippines because the efficiency of PEZA and its globally-competitive incentive package compensated for the high cost of doing business in the country."

"This is why we are appealing for the status quo on the tried and tested incentives of PEZA, instead of entering into a new incentive regime under CREATE, as well as provide economic stimulus to improve the efficiency factors such as public works infrastructure, IT infrastructure, logistics and transportation hubs, low cost of utilities, a highly-skilled workforce, a vibrant and complete supply chain, and stable investment and trade policies," Plaza further added.

The 24 economists from the country's top universities, namely the University of the Philippines, the Ateneo de Manila University, the De La Salle University, and the National Academy of Science and Technology sent their petition to Congress supporting PEZA's appeal for status quo. Said economists expressed their opposition to the CREATE Bill in its current form on the grounds that "enterprises in export zones under the Philippine

Economic Zone Authority will suffer from CREATE since their privilege to pay the gross income tax of 5% will expire after 4 to 9 years. In addition, CREATE proposes a flexible special incentive scheme that replaces rules by discretion. PEZA enterprises and foreign investors do not welcome this change from rules to discretion which is fraught with risk and uncertainty. And we simply cannot afford to add more uncertainty during this fragile recovery period from the COVID-19 pandemic."

The economists further claim that CREATE "sends a message of uncertainty to existing locators in PEZA, aggravating their already tenuous financial situation due to COVID-19 and generating a real risk of reducing the country's export capacity and growth prospects in the years to come."

They therefore recommend in their petition the unbundling of the important segments of CREATE and deliberating each segment in separate bills: one for corporate tax reforms and another for special fiscal and investment incentives, and another for PEZA. Hence, reiterating that the status quo on PEZA incentives be maintained, pending the enactment of a consolidated incentive act.

According to the PEZA Chief, "Instead of tinkering with current provisions of the tax incentives which are effective and working, PEZA calls for its enhancement so that present investors already here will stay."

"Our government instead must give at least 5 years or more for our exporters to rehabilitate and recover from the effects of the COVID pandemic, and the status quo on PEZA's globally-competitive incentive package, and supported by the economic stimulus package, must address the improvement of the efficiency factors to lower the cost of doing business in the country," said Plaza.

In addition, as Director General Plaza puts it, "CREATE is perfect for the domestic enterprises and MSMEs, who deserve to be provided with lower CIT and rationalized incentives for them to complete the supply chain, to maximize the Filipino entrepreneurs' production, manufacturing and export capability, and to make the country export and production-driven, rather than being an import and consumption-dependent economy, therefore making the country self-reliant, self-sustaining, and resource-generating."

“We have to take care of the foreign direct investors and export companies because they infuse huge capital, create millions of jobs, bring in new technology, and develop our millions of hectares of idle lands. Likewise, exporters trigger and provide the economic stimulus, growth and development of MSMEs, our farmers and every Filipino, contributing to the overall development of the country,” Plaza adds.

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