

THE **FIRB** IMPRINT

THE QUARTERLY NEWSLETTER OF THE FIRB

THE CREATE IMPACT

APPROVED INVESTMENTS *page 6*



**APPROVAL OF THE 2022
STRATEGIC INVESTMENT
PRIORITY PLAN (SIPP)** *page 3*



**CREATE-ING IMPACT:
A YEAR SINCE THE ENACTMENT
OF THE CREATE ACT** *page 4*



**FIRB TOWN HALL MEETINGS:
FIRB SECRETARIAT ENGAGES
MORE STAKEHOLDERS IN ITS
TOWN HALL MEETINGS** *page 9*

ABOUT THE FIRB



The Fiscal Incentives Review Board (FIRB) is an inter-agency body whose powers and functions are enhanced and expanded pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises" or "CREATE" Act.

Advocating for the effective and smooth implementation of the CREATE Act, the FIRB upholds the establishment of a **performance-based, time-bound, targeted, and transparent** tax incentives regime in the country.

THE BOARD



CHAIR



CO-CHAIR



TECHNICAL COMMITTEE



SECRETARIAT



THE FIRB IMPRINT

THE QUARTERLY NEWSLETTER OF THE FIRB

FIRB Secretariat
Editorial Team

Asec. Juvy Danofrata
FIRB Secretariat Head

Atty. Mark Lester Aure
Ian Emmanuel Leuterio
Jossef Eleazar Lacson
Editorial Advisors

Leif Ivan Malvas
Editor & Content Lead

Angelica Porciuncula
Writer & Layout Artist

APPROVAL OF THE 2022 STRATEGIC INVESTMENT PRIORITY PLAN (SIPP)

THE PHILIPPINE GOVERNMENT'S BLUEPRINT OF PRIORITY ECONOMIC ACTIVITIES ELIGIBLE FOR FISCAL INCENTIVES

The Fiscal Incentives Review Board (FIRB) welcomed the approval of the proposed 2022 Strategic Investment Priority Plan (SIPP) by President Rodrigo Roa Duterte last May 24, 2022.

Developed by the Board of Investments (BOI) in coordination with the FIRB and other stakeholders, the 2022 SIPP serves as the primary basis for determining the priority industries, projects, and activities that can be granted fiscal incentives by the government under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. The Plan also catalyzes the national industrial revolution to invigorate industries and yield more diversified, sophisticated, and quality products and services in the Philippines.

According to Finance Secretary and FIRB Chairperson Carlos Dominguez III, "The issuance of the SIPP will support the government's COVID-19 recovery strategy as it will allow investors to qualify for longer tax incentives for more sophisticated activities. This allows us to attract even better quality investments."

As mandated under the CREATE Act, the priority projects and activities in the SIPP are categorized into three tiers. Tier 1 includes all activities under the 2020 Investment Priorities Plan (IPP), guided by the Revitalizing Businesses, Investments, Livelihoods and Domestic Demand (REBUILD) framework of the Department of Trade and Industry (DTI).

Tier 2 incentives may be granted to activities supportive of establishing a competitive and resilient economy, which specifically fill gaps in the value chain and are import-competing. Meanwhile, activities qualified for incentives under Tier 3 are those that support an accelerated transformation of the economy, which specifically promote innovation, research & development (R&D) that are critical to structural transformation.

THE 2022 SIPP LIST OF PRIORITY ACTIVITIES

TIER 1

This includes all activities listed in the 2020 IPP, as amended by Memorandum Circular No. 2021-005, unless listed herein under Tier II and Tier III



TIER 2

This includes, but not limited to, the following activities:



TIER 3

This includes, but not limited to, the following activities:



Other preferred activities include investments in activities, subject to the determination by the Board, supporting of programs that will generate employment opportunities outside of congested urban areas.





CREATE-ING IM

A YEAR SINCE THE ENACTMENT OF THE C

“There are a number of significant reasons why the CREATE law is such an impactful legislation to our fiscal incentives system in terms of institutionalizing fiscal discipline and order. But the biggest challenge is how to ensure that the principles of granting and administering incentives are diligently upheld and followed, especially on properly evaluating the incentives and monitoring the outcome and benefits. This requires commitment and selfless consideration of the various incentives-giving bodies on what’s best for the public or the majority.”

ASEC. JUVY DANOFRATA

Finance Assistant Secretary and Fiscal Incentives Review Board (FIRB) Secretariat Head Juvy Danofrata shared in a meeting an overview of what the inter-agency government body has achieved since the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021.

Pursuant to the CREATE Act, the FIRB is mandated to oversee the grant and administration of incentives of investment promotion agencies (IPAs). It also authorizes the FIRB to determine target performance metrics as conditions to avail of incentives and the power to grant incentives while the approval or disapproval of projects or activities with investment capital of P1 billion and below is delegated to the IPAs.

The CREATE Act’s requirement of stringent evaluation and impact analysis before the grant of tax incentives is consistent with the mandate of the FIRB to ensure that the potential benefits from the incentivized activities outweigh the costs to the government. This steers away from the old tax incentives regime which incurred an estimated average of P403 billion revenue foregone from 2015 to 2019 despite having little to no stringent tracking of performance commitments of the registered business enterprises (RBEs). The strict monitoring of set targets of companies receiving tax privileges is important to ensure that they are able to deliver the promised economic benefits such as job creation, upskilling of workers and adoption of advanced technology.

Moreover, the inter-agency body has been developing databases to monitor the enterprises’ performance commitments such as jobs and investments, and to establish an efficient and effective form of governance that utilizes the power of complete, refined and accurate data.

**THE POWER OF
COMPLETE
REFINED
ACCURATE
DATA FOR
EFFICIENCY &
EFFECTIVENESS**

PACT

CREATE ACT

As part of the FIRB's mandate under CREATE, it launched the Fiscal Incentives Registration and Monitoring System (FIRMS) as one of the major milestones of the FIRB in over a year since the groundbreaking law was signed into law by President Rodrigo Roa Duterte. Danofrata said that the development of FIRMS is "a representation of the Cabinet-level board's efforts to ensure uniformity and organization in the FIRB processes, specifically to attain a more transparent, automated and easier tax incentive application, approval, and monitoring for the stakeholders."

FIRMS, which was officially rolled out last June 14, 2021, is the FIRB's online registration and incentives application portal accessible on its website. Developed and managed by the FIRB Secretariat, the portal was designed to fast-track and streamline the application and registration process of projects or activities by serving as a single-entry point for investors or enterprises should they submit or monitor their applications for tax incentives with any of the IPAs.

Through the continued development of FIRMS, the Secretariat and the IPAs can systematically collect finer data that will be used as policy inputs in the grant of fiscal incentives. Additionally, the use of an online system conforms with the government's thrust of embracing the use of electronic technology and promoting innovation for the efficient delivery of public services.

To date, the FIRB has approved and granted incentives to 14 big-ticket projects with a combined investment capital of P405 billion. Expected to generate about 4,000 direct jobs, these projects involve cement manufacturing activities, construction of mass housing units, shipbuilding, rail operations of a subway, and communications infrastructures, most of which are

located outside the National Capital Region (NCR) boosting rural development in the country.

In 2021, the biggest project granted tax incentives by the FIRB is the construction and operations of the railway of the Makati subway project, which has a project investment amounting to P81 billion. The project is set to begin operations in 2026, and is expected to contribute to the development of Metro Manila's transport system.

Meanwhile, for this year, the biggest project thus far that was approved and granted tax perks was for the establishment of connectivity facilities for high-speed broadband services of Converge ICT Solutions, Inc. The investment value of the multi-phased project is P151 billion.

BIGGEST PROJECTS



2021

₱ 81 BILLION
INVESTMENT VALUE



2022

₱ 151 BILLION
INVESTMENT VALUE

Danofrata emphasized that the FIRB Secretariat is committed to continue initiatives to assist stakeholders, especially the IPAs and their RBES.

She shared about the success of the IPA workshop series that trained 152 IPA staff in doing cost-benefit analysis (CBA) and in navigating FIRMS. Assistant Secretary Danofrata said that the FIRB holds regular town hall meetings and releases monthly e-newsletters to update IPAs on FIRB resolutions, policies, and activities.

"The various engagements led by the Secretariat are aligned with our commitment to assist our stakeholders on the implementation of the CREATE Act and its IRR," Danofrata said.

Through its constructive implementation of the CREATE Act, the FIRB envisions an even more compelling and promising fiscal incentives regime that would bring in quality investment opportunities into the country and allow the economy to flourish and recover.

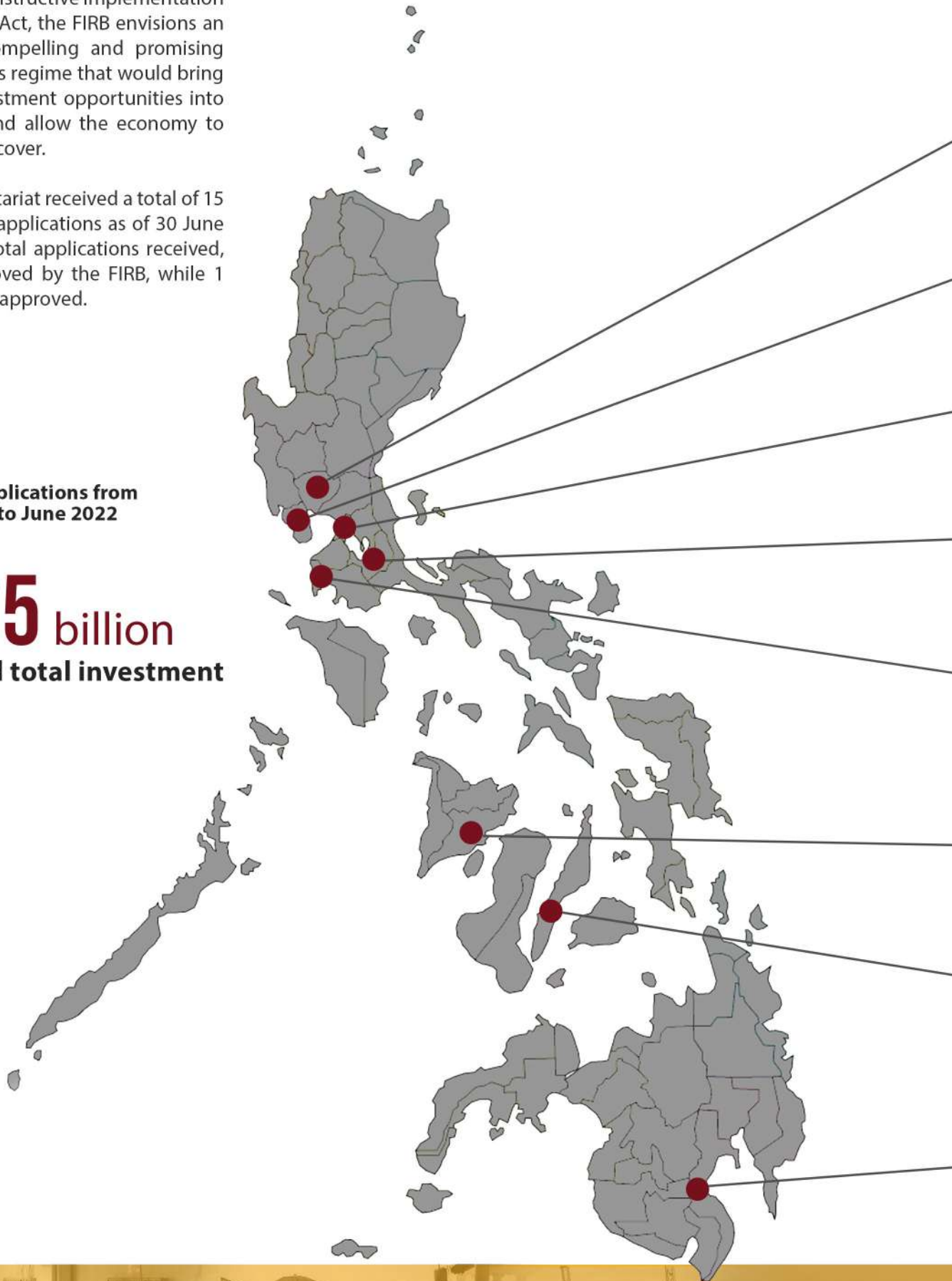
The FIRB Secretariat received a total of 15 tax incentives applications as of 30 June 2022. Of the total applications received, 14 were approved by the FIRB, while 1 project was disapproved.

14

Approved applications from August 2021 to June 2022

₱405 billion

Estimated total investment capital





₱78.2 billion*
Multiple locations
Telecommunications infrastructure
*Combined project cost of three telco companies



₱151 billion
Multiple locations
High Speed Broadband Services



₱3.1 billion
Porac, Pampanga
Cement manufacturing company¹



₱10.3 billion
San Simon, Pampanga
Manufacture of steel rebars⁷



₱17 billion
Subic, Zambales
Industrial zone operator with activities in support of exporters²



₱81 billion
Makati City, NCR
Rail operations of a subway³



₱3.2 billion
Santa Rosa City, Laguna
Motor vehicle manufacturing company



₱24.9 billion
Calatagan, Batangas
Cement manufacturing company⁴



₱24.3 billion
Batangas City, Batangas
Hybrid liquified natural gas (LNG) import facility/ terminal⁸



₱1.3 billion
Leganes, Iloilo
Mass housing developer⁵



₱1.5 billion
Cebu City, Cebu
Water transport vessel company⁶



₱10 billion
Davao del Sur
Cement manufacturing company

Description of activity

- 1 Expanding producer of cement
- 2 Purchase, development, and subsequent lease of two shipyards, one for the Philippine Navy, and the other, reserved exclusively for export enterprises
- 3 Construction, operation, management, and maintenance of the rail project
- 4 New producer of cement
- 5 New developer of economic and low-cost housing project
- 6 Water transport vessel with Cebu-Cagayan de Oro-Cebu route or operation
- 7 Integrated stand-alone line for the manufacture of reinforcing steel bars
- 8 New operator of storage and regasification facility for imported LNG



WHEN PUBLIC DISCOURSE ON TAX POLICY GOES HAYWIRE

By: Asec. Juvy Danofrata

Taxation is one of the most difficult subjects to tackle. The lifeblood of the nation can also be its demise. But when the situation calls for changes in the tax system, at the minimum, one should arm himself with facts and reliable research lest he be swayed by various opinions and opposing interests.

The discussion on tax incentives as an investment policy tool in the country has oftentimes turn into a tug of war between utilizing the incentives with fiscal prudence or going all out in order to entice investors to put up their businesses here. To know which end to pull, we should be guided by logical answers to some of the basic questions on fiscal policy. When misinformation and lack of knowledge permeate the communication platform in order to influence policy, the public ultimately often finds themselves on the losing end.

From 2015 to 2019, the estimated average revenue foregone from the grant of tax holiday, special tax rate, duty and import VAT exemption averaged to around P403 billion. On the other hand, the amount of actual investments which came in because of tax incentives remains to be a *mystery*. It is an unfortunate fact that the disconnect exists because we fail to recognize the importance of **proper incentives administration that includes monitoring and evaluation** in order to measure the effectiveness of incentives in terms of achieving its goals. The reforms in the fiscal incentives system under the CREATE law aim to reverse this perverse practice. At the very least, the government should be able to attach accountability and responsibility for every tax exemption given as the cost might prove to be in excess of the actual benefits. Every government is obliged to account for its policy actions and letting go of valuable fiscal resource for supposedly a higher economic gain should be clearly established within the taxpaying community.

The issue of fairness is also a significant consideration. In 2019, around 5,000 business enterprises were tax-favored, which was 1.3% of the total number of active stock corporations in the country or, in other words, around 99% of corporate entities are supposedly paying the required taxes.

If we account for the tax incentives the exempt corporations availed, the government has spent 2% of our GDP to just 1% of these entities.

Is that a good deal? Again, we are barred from knowing the reply due to lack of or incomplete information.

The year 2020 ushered in one of the most challenging periods in the world economy. We are greeted with the woes of pandemic which did not spare any country or bypass anybody. Naturally, the different governments continue to respond. It became a test of fiscal resiliency, strategy, and foresight. Those with greater resources and reserves are able to provide the much-needed and anticipated assistance to allow their citizens to live decently by augmenting their disrupted livelihood. The financial burden to a country where majority of the population falls under the low-income and middle-income class groups, according to the Philippine Statistics Authority (PSA). This becomes even more problematic for Filipinos who are prone to spend rather than save. In 2018, the average household saves only around 24% of their annual earnings. This socio-economic profile serves to fuel the government's need to beef up its resources as it takes over the health and medical needs of those affected and infected by the disease. In short, every centavo counts.

For 2022, the government has allotted a total of P279.5 billion for health, which included our coronavirus disease (COVID-19) response such as procurement of vaccine (boosters), emergency hiring of health personnel, and benefits for COVID-19 health workers. Understandably, the Department of Health (DOH) received the third largest allocation in the national budget. The budget is just two-thirds of the estimated total revenues we gave out in the form of tax incentives.

I think all of us will agree that the budget is *necessary* to address one of the most immediate concerns of the government as of this time. On the other hand, as to the amount of revenues we lost due to the tax incentives we gave, I don't think anybody can say with absolute certainty that this is required.



FIRB TOWN HALL MEETINGS



FIRB SECRETARIAT ENGAGES MORE STAKEHOLDERS IN ITS TOWN HALL MEETINGS

The Fiscal Incentives Review Board (FIRB) Secretariat has successfully conducted 16 virtual town hall meetings attended by 2,500 participants, in its effort to assist its stakeholders on tax incentives application and other FIRB processes under the provisions of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. Participants in the said town hall meetings involved representatives from investment promotion agencies (IPAs), registered business enterprises (RBEs), micro, small, and medium enterprises (MSMEs), and local government units (LGUs).

“The FIRB Secretariat has always been firm with its intention to assist the IPAs, their existing locators and investors, and our other stakeholders to fully maximize what the CREATE Act has to offer,” said Finance Assistant Secretary and FIRB Secretariat Head Juvy Danofrata.

In the recently conducted meetings, the Secretariat tackled topics on the Fiscal Incentives Registration and Monitoring System (FIRMS), the ex-ante cost and benefit analysis (CBA), the Annual Tax Incentives Report (ATIR) and Annual Benefits Report (ABR), and the status of report submissions of the different IPAs.

For some sessions, the Secretariat also invited resource speakers from other national government agencies to discuss topics relevant to the provisions of the CREATE Act and the IPAs’ investment promotion efforts.

“We recognize the crucial role of our stakeholders in our effective implementation of the CREATE Act, and their active participation only signifies our shared responsibility for the country’s inclusive economic growth,” said the assistant finance secretary. “Our stakeholders can be assured that the FIRB will continue to conduct more learning sessions like the town hall meetings to help them best understand the processes for availing tax incentives.”

Apart from the virtual learning sessions, the Secretariat successfully rolled out in March 2022 its on-site IPA workshop series, which was also aimed at capacitating the IPAs’ representatives with the necessary skill set to accomplish the FIRB’s requirements. The workshop series ran for more than a month and was attended by a total of 152 participants, catering to all 14 IPAs located across the country.



16

Virtual town hall meetings

2,500

Total number of participants

*From October 2021-June 2022

HIGHLIGHTS

IPA WORKSHOP SERIES

6 batches **14** Investment promotion agencies **152** Total number of participants



Divided into six batches, the workshop series was attended by a total of 152 participants from the different participating IPAs, which included department heads, technical consultants, accountants, and specialists whose roles involve processing tax incentive applications for the IPAs' registered projects and activities.



*Workshop series conducted from March to April 2022



Aligned with the Secretariat's commitment to assist the IPAs on the implementation of the CREATE Act and its IRR, the workshop series trained the participants in doing **cost-benefit analyses (CBA)** for tax incentive applications and in using the **Fiscal Incentives Registration and Monitoring System (FIRMS)**.



Led by FIRB Secretariat Head and Finance Assistant Secretary Juvy Danofrata, the deputy executive directors, and the speakers; the Secretariat was also able to address and clarify all of the concerns and queries raised by the participants during the presentations.

ANNOUNCEMENTS

ADVISORIES

001-2022 AVAILABILITY OF NEW TIMTA TEMPLATES

Templates containing the guidelines and definition of terms to assist the IPAs and RBEs in filling out the reports

003-2022 FREQUENTLY ASKED QUESTIONS ON THE FISCAL INCENTIVES REGISTRATION AND MONITORING SYSTEM (FIRMS), ANNUAL TAX INCENTIVES REPORT (ATIR) AND ANNUAL BENEFITS REPORTS (ABR)

Answers to the questions raised during the various virtual town hall meetings on FIRMS and the ATIR and ABR

002-2022 DEADLINES AND REMINDERS ON THE SUBMISSION OF THE ANNUAL TAX INCENTIVES REPORT (ATIR) AND ANNUAL BENEFITS REPORTS (ABR)

005-2022 Memorandum on the deadlines and reminders for the submission of ATIR and ABR for RBEs on 15 July 2022, and IPAs and other government agencies on 15 August 2022.
006-2022

Visit <https://bit.ly/FIRBAdvisories> to download the latest FIRB advisories!


DIRECTORY

Have questions? Email us!

 **FIRB Secretariat**
firbsecretariat@ntrc.gov.ph


 **Fiscal Incentives Registration and Monitoring System**
firms@ntrc.gov.ph

 **Tax Incentives**
firbincentives@ntrc.gov.ph

 **Tax Subsidy**
firbsubsidy@ntrc.gov.ph

 **Monitoring and Evaluation Group**
firbmeg@ntrc.gov.ph

 **Legal Group**
legal@ntrc.gov.ph

 **Contact Numbers:** (+63-2) 5317-6363 loc. 8854 / 4506

 **Website:** <https://firb.gov.ph/>

Fiscal Incentives Registration and Monitoring System



FIRMS is an online registration and incentives application portal for investors or enterprises to submit and monitor applications for incentives in any of the investment promotion agencies.

Create a FIRMS user account in 4 easy steps!

- 1 Visit www.firb.gov.ph and click the "FIRMS" side panel.
- 2 Once redirected to the FIRMS website, click the "Register" button.
- 3 Fill in the required details of the user account holder.
- 4 Verify the account by clicking the user verification link sent to the registered email address.



FISCAL INCENTIVES REVIEW BOARD (FIRB) SECRETARIAT
4/F DOF BUILDING, ROXAS BOULEVARD, MANILA 1004
TEL. (+63-2) 5317-6363 LOC. 8854 / 4506
WWW.FIRB.GOV.PH