



April 14, 2021

FOREIGN CHAMBERS AND EXPORT INDUSTRY ASSOCIATIONS SUPPORT CREATE

Republic Act 11534, the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), signed by President Rodrigo Duterte on March 26, 2021, is one of the most important fiscal bills enacted in the Philippines in the last three decades. The foreign chambers of commerce and export business associations listed below welcome CREATE.

We live in difficult times; CREATE strongly complements other programs for the economy to recover and grow faster.

CREATE has two main reforms: (1) it reduces corporate income taxes immediately and significantly, and (2) it rationalizes fiscal incentives awarded by 14 investment promotion agencies and establishes a powerful Fiscal Incentives Review Board.

CREATE makes the Philippines more competitive. Instead of a corporate income tax (CIT) of 30% (50% higher than the country’s main competitors in Southeast Asia) the new rate of 25% (for larger corporations) is 25% higher. For smaller firms the new rate is 20%. The original government proposal to reduce CIT for all corporations to 20% remains a priority for the next Congress and president to consider. CREATE also reduces the minimum income tax (MIT) rate from 2% to 1% until mid-2023.

CREATE helps firms maintain solvency, avoid closing, and preserve and create jobs. As the economy recovers, corporations should have more funds available to maintain employment until revenue grows and to hire more during future growth. Export firms currently receiving fiscal incentives will have much longer transition periods, thus avoiding investor exodus and job losses expected from earlier versions of the legislation.

CREATE rationalizes fiscal incentives. Eligibility for fiscal incentives will be determined by the Strategic Investment Priority Plan and the incentives granted will be uniform among the multiple investment agencies for location anywhere in the country.

CREATE ends investor uncertainty. For over three years domestic and foreign investors delayed or reduced investments because they did not know how the country’s tax regime would change. This was especially true for incentivized exporters, mostly foreign-owned, who reacted that the proposed changes removed a fixed, indefinite tax rate governments had told them would not be changed. Many of these firms delayed expansions and considered reducing their operations in the country. The final version of the law should avoid employment





losses and result in job creation, with some exceptions for a group of foreign-owned service export firms whose CIT has been increased from 10% to 25%.

Going forward, we will increase our advocacies and programs to increase foreign investment in the Philippines and bilateral trade. We will continue our long-standing close work with government in its programs and reforms to improve country competitiveness by reducing the cost and ease of doing business.



Among priority reforms currently in advanced stages in the 18th Congress are Foreign Investment Act amendments, Public Service Act amendments, the Open Access to Data Transmission Act, and Retail Trade Liberalization Act amendments. We again call on Congress to complete legislative approvals of these reforms, among others, including the Creative Industries Act and the e-Vehicle and Charging Stations Act.



In addition, RBH2 proposes to approve proposed amendments to the Philippine Constitution to allow Congress in the future to pass laws to allow increased foreign investment in advertising, education, media, and public utilities.



Passage of all of these reforms this year will substantially contribute to recovery from the pandemic and returning the Philippine economy to its high economic growth path.



Approved by the following business organizations:



- American Chamber of Commerce of the Philippines, Inc.
- Australian-New Zealand Chamber of Commerce of the Philippines
- Canadian Chamber of Commerce of the Philippines
- Confederation of Wearable Exporters of the Philippines
- European Chamber of Commerce of the Philippines
- IT and Business Process Association of the Philippines
- Japanese Chamber of Commerce and Industry of the Philippines, Inc.
- Korean Chamber of Commerce Philippines, Inc.
- Philippine Association of Multinational Companies Regional Headquarters, Inc.
- Semiconductor and Electronics Industries in the Philippines, Inc.

