

Profile and Taxation of the Integrated Resort Industry in the Philippines^{*}

I. INTRODUCTION

Nowadays, the number of tourists looking for high quality leisure which go beyond the traditional stand-alone casino or malls is rapidly growing. This ushered in the establishment of the so-called integrated resort (IR) industry which possesses the same offerings as the malls but with the added bonus of a casino, hotel, ambience, and entertainment to reach out to a broader demographic as possible, including the international market. For this reason, the IR is getting more and more attention from governments in both developed and developing countries because of its ability to pump prime the economy. Presently, the center of IR is in Asia where future developments are currently focused.

In 2008, the Philippine government decided to open up the gaming market to international bidders, thus, facilitated the entry of IRs in the country. This paper presents the profile of the IR industry in the country as well as the taxes imposed thereon. It will also look into the tax incentives available to the IR industry in the Philippines to serve as inputs to fiscal policy makers.

II. PROFILE OF PHILIPPINE IRs

The basic theory behind an IR can be traced back as early as 1990s with the development of the MGM Grand in Las Vegas, Nevada, United States of America. In general, an IR is composed of the gaming (casinos, slot machines, table games) and the non-gaming (hotels, food and beverage, shopping mall, convention center, and entertainment shows) components. (Ahn & Ki-Joon, 2018) Essentially, it is designed to meet all the needs of local and foreign tourists under an all-in-one comprehensive entertainment center.

The Philippine IR industry, although relatively new, is well regulated. The Philippine Amusement and Gaming Corporation (PAGCOR) monitors and regulates the gaming component of the IR. On the other hand, for the non-gaming component, the Department of

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Tourism (DOT) is mandated to enforce a comprehensive system of mandatory accreditation for primary tourism enterprises and voluntary accreditation for secondary tourism enterprises¹ for the issuance of a license or permit to operate in accordance with Republic Act (RA) No. 9593² or otherwise known as “The Tourism Act of 2009”. Only hotels are mandated to get an accreditation from the DOT while casino complexes, which fall under secondary tourism establishments, are not required to seek accreditation under DOT’s regulations.

Currently, there are four IRs operating in the Philippines, three of which are located in Entertainment City³ and one in Newport City, Pasay. Resorts World Manila, situated in Newport City, Pasay, is the first IR in the country established in 2009 and is owned by Travellers International Hotel Group, Inc. It had a four year head start when Solaire Resort and Casino was launched in 2013 operated by Bloomberry Resorts Corporation. Almost a year after, City of Dreams was established and became the second mega casino in Entertainment City, owned and developed by Melco Resorts and Entertainment Limited and a joint venture with the country’s Belle Corporation. Okada Manila is the most recent IR in the country which opened in 2017 operated by Tiger Resort Leisure and Entertainment Incorporated. Meanwhile, Resorts World Westside City, the fifth IR in Manila and the last of the four in Entertainment City complex, will start operating in 2021. It is also the second IR in Manila of Travellers International Hotel Group, Inc. (See Table 1.)

Table 1.
IRs in the Philippines

Developer/Operator	IR Name	Year
1. Travellers International Hotel Group, Inc.	Resorts World Manila	2009
2. Bloomberry Resorts Corporation	Solaire Resort and Casino	2013
3. Melco Crown Resorts Corporation	City of Dreams	2014
4. Tiger Resorts, Leisure and Entertainment Inc.	Okada Manila	2017
5. Travellers International Hotel Group, Inc.	Resorts World Westside City	2021

¹ Primary tourism enterprises include hotels, resorts, and other accommodation establishments, MICE (meetings, incentives, conferences and exhibitions) facilities, and tourism estate management services. Secondary tourism enterprises refer to facilities and services that may be related to tourism such as, but not limited to, restaurants, specialty shops and department stores, sports facilities, recreational centers (museums and galleries, theme parks, zoos), and health and wellness facilities.

² Section 39 of RA 9593 entitled “An Act Declaring a National Policy for Tourism as an Engine of Investment Employment, Growth and National Development, and Strengthening the Department of Tourism and its Attached Agencies to Effectively and Efficiently Implement that Policy, and Appropriating Funds Therefor”, approved May 12, 2009.

³ Entertainment City (also known as Bagong Nayong Pilipino Entertainment City) or previously PAGCOR City, is Asia’s Las Vegas-like gaming and entertainment complex owned by PAGCOR on 8 sq. km². of land on the reclamation area of Manila Bay.

At present, Resorts World Manila has the highest accommodation capacity with 1,454 hotel rooms to offer, followed by Okada Manila (993), then City of Dreams (946), and Solaire Resort and Casino with 800 hotel rooms. In terms of occupancy rate in 2018, Resorts World Manila's 79 percent came second only to Okada Manila's 98 percent, the highest among all IRs in the country. In terms of gaming activities, City of Dreams has the highest number of casino tables at 521, while Okada Manila has the highest number of gaming machines at 2,725. The other entertainment activities of IRs include retail outlets, cinemas, art theaters, and theme parks. (See Table 2.)

Table 2
IR business profile

Activity	Resorts World Manila ¹	Solaire and Hotel ²	City of Dreams ³	Okada Manila ⁴
Gaming	a. 301 casino tables b. 1,902 slot machines	a. 449 casino tables (including electronic) b. 1,833 slot machines	a. 521 casino tables (including electronic) b. 1,708 slot machines	a. 383 casino tables b. 2,725 gaming machines
Hotel	a. 6 hotels b. 2,201 rooms c. 79% occupancy rate	a. 1 hotel (two phases) b. 800 rooms c. 92.6% occupancy rate	a. 3 hotels b. 946 rooms c. 98.1% occupancy rate	a. 993 rooms b. 98.3% occupancy rate
Retail	a. 11,534 sqm retail space at Newport outlets b. 95 outlets	a. 15 retail stores	a. No data available	a. More than 50 retail brands
Recreation	a. 1,500-seat performing arts theater (featuring local and international shows) b. 4 cinemas c. Theme park (Gamezoo) d. Nightclubs e. Spas	a. 1,740-seat art theater b. Theme park c. Spas d. Nightclub	a. Four theme parks (Dreamplay, Centerplay, K-Golf, and the Garage VR Zone) b. Spas	a. The Fountain (Water Show) b. Okada Entertainment Group c. Spas

Notes. 1/ Based on 2018 annual report and Investor Presentation First and Second Quarters 2019
 2/ Based on 2018 annual report and its website.
 3/ Based on 2018 annual report and its website.
 4/ Based on the monthly results of Tiger Resorts, Leisure and Entertainment Inc. and its website.

Economic contribution of IRs

Although the concept of IR is fairly new in the country, it has already made a significant contribution to the economy.

Total number of employees generated by the four IRs increased from 20,700 in 2017 to 23,170 in 2018 or by 12 percent. For 2018, Okada Manila hired the highest number of employees at 6,865, followed by City of Dreams (5,638), Solaire Resort and Casino (5,583), and Resorts World Manila (5,084). From the total number of employed persons in the country in 2017 and 2018, 0.05 percent and 0.06 percent, respectively, were hired by the four IRs. (See Table 3.)

Table 3

Employment generated by the IRs in the Philippines, 2017-2018

IR	Actual Number of Employees		% Increase
	December 31, 2017	December 31, 2018	
Resorts World Manila	4,785	5,084	6.25
Solaire Resort and Casino	5,506	5,583	1.40
City of Dreams	4,365	5,638	29.16
Okada Manila	6,044	6,865	13.58
Total employees	20,700	23,170	11.93
No. of employed persons*	40,334,000	41,160,000	2.05
% share of IR	0.05	0.06	20.00

Notes. * Data from the Philippine Statistics Authority.

Data on IR employees were gathered from their financial and annual reports.

Total gross revenues of the four IRs increased from P91 billion in 2016 to P138 billion in 2018, wherein 89 percent came from their gaming segment and the rest from non-gaming. From their non-gaming business, hotel, food and beverages shared eight percent of total gross revenues while retail and others shared the remaining three percent. The significant increase in 2018 was due to the full business operation of Okada Manila wherein it contributed 22 percent or P27 billion of the P121.22 billion total gross gaming revenue (GGR) of IRs. (See Table 4.)

Table 4

Integrated resorts gross revenue by type of activity (in billion pesos)

Type of activity	2016	2017	2018 ¹	Average	Average % share to total
1. Gaming	83.29	92.10	121.22	98.87	89.53
2. Non-Gaming:	8.09	9.32	19.01		
a. Hotel, Food & Beverages	6.01	6.84	12.65	8.50	7.70
b. Retail & Others	2.08	2.48	4.61	3.06	2.77
Total	91.38	101.41	138.49	110.43	100.00

Notes. ^{1/} GGR of Okada Manila totalled P27 billion in 2018, while non-gaming revenue was P1.75 billion. However, no available breakdown for its non-gaming revenue. Data gathered from the annual reports of IR operators.

The four IRs substantially shared an annual average of 62 percent of the P474.15 billion total casino GGR of PAGCOR in the last three years. For 2018, the country's total casino GGR reached P187.54 billion where it grew by 40 percent from P134.06 billion in 2016. (See Table 5.)

Table 5

Total casino and integrated resorts gross gaming revenues 2016 – 2018 (in billion pesos)

Year	IRs GGR	Total Casino GGR	% Share to Total
2016	83.29	134.06	62.13
2017	92.10	152.55	60.37
2018	121.22	187.54	64.64
Total	296.61	474.15	62.56
Average	98.87	158.05	62.38

Note. Total Casino GGR was gathered from the PAGCOR.

In terms of investment, latest data gathered from the Philippine Economic Zone Authority (PEZA) show that IRs recorded a combined approved investment of P30.84 billion as of November 30, 2017. (See Table 6.)

Table 6

Approved investment by IRs, as of November 30, 2017 (in billion pesos)

IR	Approved Investments
1. Bagong Nayong Pilipino – Entertainment City Manila	7.50
2. Belle Grande Manila Bay (City of Dreams Manila)*	5.14
3. Newport City CyberTourism Zone	2.20
4. Okada Resorts	16.00
Total	30.84

Notes. *Presently known as Belle Corporation

Data gathered from the PEZA website.

III. TAXATION AND TAX INCENTIVES OF IR

As PAGCOR's licensees, the income of an IR from its gaming operations is subject to the five percent franchise tax while its income from other related services is subject to the 30 percent regular corporate income tax (RCIT).

Meanwhile, investors setting up an IR in the Philippines are entitled to fiscal incentives upon registration from either the PEZA or the Tourism Infrastructure and Enterprise Zone Authority (TIEZA). Although it may seem that both investment promotion agencies (IPAs) are marketing two services with the same target market, it is to be cleared that PEZA's jurisdiction is on those enterprises located in an economic zone as well as those seeking to register a new economic zone. However, as prescribed under Section 59 of the Tourism Act of 2009, TIEZA's jurisdiction over the establishment of tourism enterprise zones may be in any geographic area conforming to the following criteria:

- a. The area is capable of being defined into one contiguous territory;
- b. It has historical and cultural significance, environmental beauty, or existing or potential integrated leisure facilities within its bounds or within reasonable distances from it;
- c. It has, or it may have, strategic access through transportation infrastructure, and reasonable connection with utilities infrastructure systems;
- d. It is sufficient in size, such that it may be further utilized for bringing in new investments in tourism establishments and services; and
- e. It is in a strategic location such as to catalyze the socio-economic development of neighboring communities.

In recognition of TIEZA's mandate, PEZA issued Board Resolution (BR) No. 12-610 on November 13, 2012 that prospectively revoked fiscal incentives given to developers and locators of tourism economic zones in Metro Manila, Cebu City, Mactan and Boracay Islands while for existing and future tourism economic zone developers and locator enterprises outside the four areas shall continue to avail of the incentives granted by PEZA, subject to existing guidelines. Since PEZA has long been in existence before TIEZA was created, all IRs are registered under PEZA. Resorts World Manila is registered as a PEZA-tourism enterprise zone locator since Newport City is registered as a tourism economic zone. The same goes with the three IRs located at Entertainment City which is also declared as PEZA-approved tourism economic zone, i.e. Traveller's International Hotel Group, Inc., the developer/operator of Resorts World Manila, registered with PEZA on December 2, 2008 as a tourism economic enterprise. (Travellers International Group Inc., 2018), Bloomberry Resorts Corporation, the developer/operator of Solaire Resort and Casino, with subsidiaries, the Sureste Properties, Inc., and Bloomberry Resorts and Hotels Inc. (BRHI), among others.

Sureste is registered with PEZA as developer of a hotel project in Entertainment City and enjoys tax incentives in relation to the hotel component of Solaire Resorts and Casino. On December 6, 2013, it decided to waive its ITH incentive and be subjected instead to the five percent tax on gross income earned (GIE) tax (Bloomberry Resorts Corporation and Subsidiaries, 2017). Based on an interview with an official of PEZA, as a matter of policy, a registered entity has the option to either avail the ITH incentive or to waive its right and be subjected to the five percent GIE. For certain situations, opting for the five percent GIE may be simpler for the enterprise since the special tax is perpetual and it is in lieu of all national and local taxes as against the ITH which is time-bounded and exemption is only limited to corporate income tax. As to the BRHI, it was incorporated for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with hotel, retail, amusement areas, and themed development components. In 2009, BRHI was granted a provisional license by the PAGCOR to operate an integrated casino, hotel and entertainment complex at the Entertainment City. In 2015, a regular casino gaming license was issued by the PAGCOR to BHRI upon the completion of Solaire Resorts and Casino.

In addition, Melco Resorts Leisure, which owns the City of Dreams, was registered with the PEZA as a tourism enterprise in 2013. Okada Manila, a project of Universal Entertainment Group (Japan) in the Philippines, was granted as a PEZA economic tourism zone on March 22, 2010, while its subsidiary, Tiger Resorts, Leisure and Entertainment, Inc., was declared as an economic locator enterprise on December 16, 2011 (Universal Entertainment Corporation, 2013).

The fiscal incentives under PEZA consist of a four year-income tax holiday (ITH). Upon the expiry of the ITH, the tourism economic zone locator enterprise is entitled to a five percent GIE, in lieu of all national and local taxes. In addition, there is also the tax- and duty-free importation of capital equipment, and VAT zero-rating on local purchases of goods and services including land-based telecommunications, electric power, and water bills.

On the part of TIEZA, IRs can avail of the tax incentives under RA 9593, as amended by RA 11262⁴, and be entitled to six year-ITH from start of business operations, which may be extended up to a maximum of six years if the IR undertakes a substantial expansion or upgrade prior to the expiration of its first six years of ITH. Upon the expiry of the ITH period, the IR shall be subjected to a five percent GIE, in lieu of all national and local taxes, except real estate tax and fees as may be imposed by the TIEZA. Also, they are entitled to tax- and duty-free importation of goods actually consumed in the course of services rendered by the IR and a tax credit equivalent to all national internal revenue taxes paid on all locally-sourced goods and services.

Table 7 presents the comparative fiscal incentives under PEZA and TIEZA.

Table 7

Comparative fiscal incentives under PEZA and TIEZA

Particulars	PEZA	TIEZA
1. ITH	4 years	6 years (extendable for another 6 years)
2. GIE	5% in lieu of all national and local taxes.	5% in lieu of all national and local taxes, license fees, imposts and assessments, except real estate taxes and fees as may be imposed by TIEZA.
3. VAT on local purchases of goods and services	Zero-rated VAT on local purchases of goods and services, including land-based telecommunications, electric power, and water bills.	
4. Net loss carryover (NOLCO)		6 consecutive years immediately following the year of the loss.
5. Tax and duty on Importation on capital equipment	100% exempt on importation of capital equipment, spare parts, raw materials and supplies which are needed in the registered activity.	100% exempt on importation of goods actually consumed in the course of services actually rendered by or through the registered IR.
6. Others	Exemption from expanded withholding tax	50% deduction of the cost of environmental protection or cultural heritage preservation activities, sustainable livelihood programs for local communities, and other similar services as approved by the TIEZA Board. Tax credit equivalent to all national taxes paid on all locally sourced goods and services directly or indirectly used by the IR within the TEZ.

⁴ Entitled "An Act Amending Sections 85 and 103 of Republic Act No. 9593, Otherwise Known as "The Tourism Act of 2009", approved April 10, 2019.

As shown in Table 8, total tax collections from the 30 percent CIT, five percent GIE, and five percent franchise tax increased from P2.9 billion in 2016 to P7.2 billion in 2018. On the average, P10.7 billion was paid as GIE, P36.6 million as CIT, and P5.2 billion as franchise tax.

Table 8

Taxes collected from IRs in the Philippines (in million pesos)

Year	Amount				% Share			
	CIT	5% GIE	5% FT	Total	CIT	5% GIE	5% FT	Total
2016	23.14	14.81	2,887.03	2,924.98	0.79	0.51	98.70	100
2017	23.81	13.23	5,500.47	5,537.50	0.81	0.24	99.33	100
2018	63.01	4.09	7,094.82	7,161.92	2.15	0.06	99.06	100
Average	36.65	10.71	5,160.77	5,208.14	0.70	0.21	99.09	100

Note. Amounts of CIT and 5% GIE gathered from the BIR; 5% franchise tax (FT) gathered from PAGCOR.

III. PACKAGE 2 OF THE COMPREHENSIVE TAX REFORM PROGRAM

Presently, the government is prioritizing the passage of the second tranche of its tax reform packages known as the “Corporate Income Tax and Incentives Rationalization Act” (CITIRA) under House Bill (HB) No. 4157. Package 2 of the Comprehensive Tax Reform Program (CTRP) seeks to make the Philippine taxes more competitive, simpler, and level the tax playing field for businesses through the reduction of the CIT rate and the rationalization and improvement of the fiscal incentives system.

HB 4157 encourages investment by lowering the current 30 percent CIT by one percentage point until it reaches 20 percent. It also repeals special laws which give exemptions and preferential tax treatment such as the five percent franchise tax in lieu of all taxes of certain gaming franchises, and all the incentive packages granted under the special laws of IPAs in the country. Package 2 will not absolutely remove the existing tax incentives but give superior incentives for the creation of jobs, investment in research and development, and expansion in the countryside, among others. It will also consolidate the fiscal incentives of the different IPAs in the country to a single menu and provides a transition period for the existing locators depending on certain factors.

Package 2 proposes the transferring of approval and disapproval of tax incentives applications from the boards of each IPA, including the PEZA and TIEZA, to the Fiscal Incentives Review Board (FIRB). The FIRB will have the oversight function over all IPAs, and approve all tax incentives, as recommended by the IPAs, in accordance with the Strategic Investment Priority Program (SIPP). The SIPP will be determined by the Board of Investments (BOI). However, all IPAs will retain their one-stop shop function. Thus, new IRs will have to

comply with these procedures before they can avail of the tax incentives. Also the activity must be determined as priority program under the SIPP.

Once Package 2 is passed into law, new IRs will enjoy the ITH of up to four years if they locate within the National Capital Region (NCR); five years if they locate within areas adjacent to Metro-Manila such as Laguna, Bulacan, Cavite and Rizal; and six years if they locate in areas outside NCR, Laguna, Bulacan, Cavite and Rizal. In the case of existing ITH enjoyed by IRs, they will be allowed to continue the remaining period of their ITH or a transition period of five years, whichever comes first. For the five percent GIE, IRs enjoying it for more than 10 years have two years transition period; three years for those enjoying it between five and 10 years; and five years for those enjoying it below five years.

Also, under Package 2, the preferential tax treatment of five percent GIE will be removed and will be replaced by a reduced CIT rate of 18 percent. It will be reduced gradually every two years until it becomes 13 percent in 2030. Like the five percent GIE, local government units will get a share from the reduced CIT, i.e., 1.5 percent each for provincial and municipal government in lieu of local business taxes.

Alternative to the reduced CIT rate, IRs may avail from a menu of enhanced deductions under Package 2. (See Table 9.)

Table 9

Proposed reforms under Package 2 of the CTRP

Particulars	Present	Proposed
1. Approval of tax incentives application	IPAs board	FIRB board, as recommended by the IPAs
2. ITH	PEZA – 4 years TIEZA – 6 years	1. NCR – Up to 3 years 2. Laguna, Bulacan, Cavite and Rizal – 4 years 3. Otherwise – 6 years
4. Gross income taxation	5% GIE	Reduced CIT rate 1. January 1, 2020 – 18% 2. January 1, 2022 – 17% 3. January 1, 2024 – 16% 4. January 1, 2026 – 15% 5. January 1, 2028 – 14% 6. January 1, 2030 – 13%
5. Local business tax	Exempt	Exempt (provincial and municipal governments will get separately 1.5% of the reduced CIT rate)

Particulars	Present	Proposed
6. Treatment of expense		
a. Direct labor expense	Up to 150% deduction ^a	Up to 150% deduction
b. Training expense	Up to 150% deduction ^b	Up to 200% deduction
c. Domestic inputs purchased	Up to 100% deduction	Up to 150% deduction
d. R&D costs	Up to 100% deduction	Up to 200% deduction
e. Depreciation allowance	—	10% for buildings, 20% for machinery
f. Reinvestment allowance for manufacturing	—	Up to 50% of reinvested profit (within 5 years from time of reinvestment)
g. Infrastructure development	Up to 100% deduction ^c	Up to 200% deduction
h. Net operating loss carry-over	Carried over for the next 3 years	Incurred during first 3 years carried over next 5 years

Notes. a. This cannot be availed together with the ITH, among other conditions. The additional deduction shall be 100% if the activity is located in less developed areas. (Does not include TIEZA, SBMA, CDC, and APECO)

b. Additional deduction of 50% of the value of training expenses incurred may be deducted from the 5% final tax due (not to exceed the national governments share of 3%). (Does not include BOI, TIEZA, SBMA, CDC, APECO, PIA, and PRA)

c. The enterprise may deduct from taxable income an amount equivalent to 100% of necessary and major infrastructure works (infrastructure, public utilities, and other facilities, such as irrigation, drainage or other similar waterworks infrastructure) with the prior approval and provided that the title to all such infrastructure works shall upon completion, be transferred to the Philippine Government. (For BOI only)

d. Some information gathered from the DOF website.

IV. IRs IN OTHER COUNTRIES

The IR industry is becoming a trend not only in the Philippines, but in other countries as well, given that casino gaming has proven to be a source of good revenue for the government. Although predominantly Muslim countries do not allow their citizens to gamble, some still allow their foreign tourists to engage in gambling activities.

a. Malaysia

Resorts World Genting (originally known as the Genting Highlands Resort) is the only IR in Malaysia. It is perched at the peak of Mount Ulu Kali, 1,800 meters high and nestled near the border between the states of Pahang and Selangor, Malaysia. It comprises seven hotels (Crockfords, Genting Grand, Maxims, Resorts World Awana, Resort Hotel,

First World Hotel, and Theme Park Hotel), a shopping mall, restaurants, theme parks, and casino outlets.

Gambling is generally forbidden in Malaysia since majority of the population practice the Islamic religion. However, for non-Islamic residents, casino gambling is legal. (Nemeth, n.d.) Gambling in Malaysia is regulated by Common Gaming House Act from 1953, together with changes introduced on January 1, 2006.

There are two main casino outlets in Resorts World Genting; Sky Casino and Genting Casino. The SkyCasino is a modern gaming space featuring one of the biggest selections of games in Asia. Genting Casino is the first gaming space to open at the resort. In spite of its sizable non-Muslim population, no further casinos have been allowed by the authorities to be opened in Malaysia partly because of the influence of Islam and its increasing impact on public policy in said country.

The operation of Resorts World Genting is subject to a gaming tax of 25 percent of its GGR, on top of the 24 percent CIT on its pre-tax profit. (CGR Asia, 2016) According to some investment analysts, Goods and Services Tax (GST) at Resorts World Genting is levied at an effective tax rate of 4.25 percent rather than the national rate of six percent because it is allowed to offset some of the GST liability against its gaming tax liability. (CGR Asia, 2017)

b. Singapore

There are two IRs currently established in Singapore, the Las Vegas Sands which is being run by the Marina Bay Sands (MBS), and the Genting Singapore's Resorts World Sentosa (RWS). In February 2011, the MBS celebrated its grand opening while RWS opened in the latter part of 2012.

On their initial operation, the IRs played a substantial part in the growth of Singapore's tourism industry. Along with the recovery of the global economy and new tourism offerings, Singapore welcomed 13.2 million visitor arrivals and SGD22.3 billion (P752.2 billion)⁵ in tourism receipts in 2011. Moreover, the IRs supported more than 40,000 jobs throughout the economy including a wide number of sectors such as retail and transportation. About 22,000 employees, mostly locals, are hired by the IRs. Further, majority of the IRs' outsourcing or procurement contracts were secured by their local small and medium enterprises (SMEs) in areas such as floral services, show set and prop design, laundry, catering, transportation and security. (Ministry of Trade and Industry Singapore, 2012) Both IRs have added a wide array of attractions and amenities to Singapore's tourism landscape which include the Skypark and Universal Studios, celebrity chef restaurants and museums, to name a few.

To date, the two IRs have committed around SGD9 billion (P342.2 billion) in non-gaming investments to build new world class tourism and MICE facilities, as well as

⁵ Conversion rate: SGD1.00 = PHP33.73 (as of December 2011-period averages, and gathered from BSP).

attractions, many of which will be first-in-Singapore (Ministry of Trade and Industry Singapore, 2019). Said investments will enhance Singapore's vibrancy and tourism appeal so as to remain competitive with other destinations in the region, and bring in more than half a million additional visitors annually. The IRs expansion will likewise create around 5,000 new jobs and benefit local businesses, including SMEs. Because of this, the government has agreed to extend the exclusivity period of the two IRs until 2030. Hence, no casino will be established during said period.

Both IRs in Singapore are subject to a casino tax of either five percent for premium gaming or 15 percent for mass gaming, on top of the 17 percent CIT and 7 percent GST (Huang, 2010). After the expiry of the casino tax increase moratorium in February 2022, the government will introduce a two-tiered casino tax structure with higher tax rates, along with a new 10-year moratorium. Upon the increase in the tax rates by March 2022, if the IR fails to meet its investment commitment, a 12 percent tax will be applied to the IR's entire GGR from premium gaming, and 22 percent to its entire GGR from mass gaming. (See Table 9.)

Table 9
Casino Tax Rate Structure in Singapore

Premium gaming		Mass gaming	
IR GGR	Tax Rate	IR GGR	Tax Rate
<i>Current tax rates (Moratorium until February 2022)</i>			
Entire Amount	5%	entire amount	15%
<i>Revised tax rates (effective from March 2022, with a new 10-year moratorium) subject to the IR meeting its investment commitments</i>			
<i>Tier 1</i>	8%	<i>Tier 1</i>	18%
First SGD2.4 billion (P91.24 billion) of GGR		First SGD3.1 billion (P117.85 billion)	
<i>Tier 2</i>	12%	<i>Tier 2</i>	22%
In excess of SGD2.4 billion (P91.24 billion)		In excess of SGD3.1 billion (P117.85 billion)	

c. Vietnam

In 2013, Vietnam opened its door to The Grand Ho Tram Strip, tagged as the first ever world class IR in the country. It is a luxurious beachfront IR featuring Vietnam's biggest casino, seven restaurants, night clubs, an outdoor swimming pool, and a golf course.

Applicable tax on IR is currently set at 35 percent (GGRasia, 2016) with an additional 10 percent CIT, and five percent VAT on casino management service. (PWC, 2018) There is also the Special Sales Tax (SST), a form of excise tax imposed on the production or importation of certain taxable goods and services, including casino services at 35 percent.

d. Macau

Macau has developed rapidly since 2002 primarily due to the liberalization of casino gambling. For years, Macau's gaming industry was operating under a monopoly based system dominated by Sociedade de Turismo e Diversões de Macao (STDM). In 2001, two years after Macau was returned to China's sovereignty and became a Chinese special administrative region (SAR), the government issued Law 16/2001, otherwise known as the Gaming Law (GL). Under the GL, the government approved a maximum of three concessions which will last for 20 years through open bidding. (Ascencao, 2017) The Macau SAR granted the new concessions to Sociedade de Jogos de Macau (SJM), Galaxy Casino, S.A. (Galaxy), and Wynn Resorts (Macao) S.A. (Wynn) the following year via the Order of the Chief Executive No. 26/2002, dated February 8, 2002. On December 19, 2002, Galaxy signed a sub-concession agreement with Venetian Macau, S.A. which gave the latter the right to operate casino games in Macau SAR. Similarly, a sub-concession agreement was also signed by SJM with MGM Grand Paradise, S.A. in 2005, and by Wynn with Melco PBL Jogos (Macao), S.A. in 2006.

In May 2004, the first casino of Venetian, Casino Sands, was opened. It was the first ever gaming investment project developed by an American company in Asia. In the same year, the Galaxy's first project, Casino Waldo, also commenced operations. For the Wynn, its first casino hotel had the stone-laying ceremony in June 2004 and celebrated its grand opening in September 2006.

At present, the leading IRs in Macau are City of Dreams Macau, MGM Macau, Sheraton Grand Macao Hotel, StarWorld Hotel, The Venetian Macao Resort Hotel, and Wynn Macau. The Macau authorities collected more than MOP39.42 billion (P245.7 billion)⁶ in tax revenue from the gaming industry in the first four months of 2019 (CGR Asia, 2019).

The casino operations in Macau are subject to a special gaming tax of 35 percent of their GGR. Also, pursuant to Article 20 of the Macau GL, concession and sub-concession agreements provide for the obligation of payment of an annual premium which is comprised of a fixed amount of MOP30 million (P190.7 million) and by a flexible amount which will mostly vary according to the number of table games and electronic gaming machines operated, including slot machines: a) MOP300,000 (P1.9 million) for each VIP table; b) MOP150,000 (P950,000) for every table game allocated for the mass market; and c) MOP1,000 (P6,300) for every gaming machine. Moreover, casinos are required to withhold five percent tax on commissions earned by gaming promoters.

⁶ MOP1.00 = PhP6.2319 as of April 30, 2019.

Macau has also an Income Complementary Tax (ICT) which is levied on a progressive rate scale ranging from three percent to nine percent for the taxable profit below or equal to MOP300,000 (P1.9 million) and 12 percent for taxable profits over MOP 300,000 (P1.91 million). Taxable profits below MOP32,000 (P203,507) are exempt from tax. According to its budget for the financial year 2019 approved by the Legislative Assembly, the tax free income threshold for ICT has been increased from MOP32,000 (P203,507) to MOP600,000 (P3.8 million) for income derived in taxable year 2018; thus, the taxable income in excess of MOP600,000 (P3.8 million) is taxed at 12 percent. The changes in the tax-free income threshold and the tax brackets are subject to approval by the Legislative Assembly on an annual basis unless such amendments are written into the relevant tax laws. (PWC, 2019) However, casino operators have the privilege to apply for a temporary ICT exemption for a period of five years, which can be renewed successively, subject to the approval of the Macau Financial Services Bureau under specific exemptions granted by the Chief Executive.

Table 10 presents the comparative tax treatment of IRs in the countries identified above.

Table 10

Cross-Country comparison of taxes imposed on integrated resorts

COUNTRY	TYPE OF TAX		
	CIT	Franchise tax/Gaming tax/ Casino tax	VAT/GST/Business tax
Philippines	30% of non-gaming revenue	Franchise Tax – 5% of GGR	Gaming Revenue – Exempt Non-gaming revenue – 12%
Malaysia	24%	25% of GGR	Effective tax rate of 4.25% GST
Singapore	17%	Casino tax: a. For premium gaming – 5% of the GGR b. For mass gaming – 15% of the GGR (Revised tax rate for Casino tax will be implemented by March 2022)	7%
Vietnam	10%	35% of GGR	a. 5% VAT on casino management services b. 35% special sales tax for the provision of casino services.

COUNTRY	TYPE OF TAX		
	CIT	Franchise tax/Gaming tax/ Casino tax	VAT/GST/Business tax
Macau	ICT at the rate of 12% on profits from gaming and non-gaming operations. Profits less than MOP600,000 (P3.8 million) is exempt.	a. Special gaming tax – 35% of GGR; b. Payment of annual premium based on concession and sub-concession agreements: ➤ MOP30 million (P190.7 million) and a flexible amount depending on the number of table games and electronic gaming machines operated including slot machines, as follows: - MOP300,000 (P1.9 million)/VIP table; - MOP150,000 (P950,000)/table game allocated to the mass market; and - c. MOP1,000 (P6,300)/gaming machine	Exempt

V. CHALLENGES OF IRs

Just like all types of business, the IR industry is not immune to challenges. Competition can be the primary obstacle that affects IR business especially all four IRs in the country are located close to each other. With increased competition in the industry, various economic reports have indicated that the greater Manila market is showing signs of maturation with Resorts World Manila showing a decline in revenue due to competition from newer resorts. It is observed that there was a decline in the market share of GGR from Resorts World Manila from 28 percent in 2016 down to 16 percent in 2018.

The IR business is also susceptible to booms and slumps of the country's economy. Other economic factors that affect the business include changes in interest rate, foreign exchange, and inflation rate. Businesses will be more encouraged to expand and take risks when economic conditions are right. Also, changes in the business environment, revisions to

regulations, and tax laws may likewise affect IRs' operations. Political instability in the country is another external factor that may affect IR cash flows.

Lastly, the IR industry is vulnerable to global and regional economic downturns since it caters not only to local patrons, but also foreign tourists. Any global economic disruption or contraction could impact the number of foreign customers who visit and patronize IRs in the country. Likewise, fear of war and future acts of terrorism may severely disrupt international travel as travel bans against the country may be issued by foreign countries. Global epidemic may also result to a decline in foreign tourism receipts as evident during the widespread of the severe acute respiratory syndrome (SARS) in 2003 and the ebola virus outbreak in 2014. All instances reduce demand for hotels, trade shows, conventions, and other entertainment activities that the IR industry offers.

VI. CONCLUSION

For a country like the Philippines, where tourism is considered as a vital industry, the establishment of IRs is considered a larger spectrum of tourism product that is viewed to enhance the country's destination appeal. The boost in tourism generated by the establishment of IRs in the country is no doubt helping the economy in terms of investments, revenues, and job creation. Given this, it is important that the country's business environment remains attractive with all the fundamental economic and regulatory policies in place to increase business momentum. On the other hand, there is a need for all the business components of the IRs, most especially their casinos, to be mandatorily accredited with the DOT and PAGCOR before they can continue operating. This is to ensure that they comply with the minimum standards in the operation of the establishment to ensure the safety, comfort, and convenience of every tourist.

There is the current policy of the Philippine government to improve the competitiveness of the country's tax system by rationalizing tax incentives. Thus, there is a need to put in order the cluttered and unceasing grant of tax incentives via the passage of Package 2 of the CTRP which aims to put all tax incentives provisions under one guiding law to make it more organized. The grant of fiscal incentives should be performance-based, targeted, time-bound and transparent to improve the country's tax system. The long-time practice of IPAs of unlimited grant of tax incentives has substantially reduced government's revenue over the years and narrowed the taxable base of the CIT which resulted to higher CIT rate that negatively affected the small businesses. Hence, the immediate passage of Package 2 of CTRP is endorsed.



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