

# CONTEMPORARY ISSUE \*

LESSON 5





# Contemporary issue



A contemporary issue refers to an issue that is currently affecting people or places and that is unresolved. A geographic issue refers to a topic, concern or problem, debate, or controversy related to a natural and/or cultural environment, which includes a spatial dimension.





# Contemporary issue



- Climate Change
  - Pollution
  - Violence
  - Security and Well Being
  - Lack of Education
  - Unemployment
  - Corruption
  - Hunger
  - Illegal Drugs
  - Terrorism
- 

# Entrepreneur

A person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

# Investment

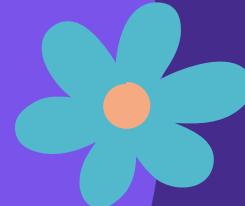
the action or process of investing money for profit or material result.

to invest means owning an asset or an item with the goal of generating income from the investment or the appreciation of your investment which is an increase in the value of the asset over a period of time.



# Investment

Investing for future by using outside capital to fund business can pave the way for a financially successful and personally rewarding long-term venture.



# Investment

In the Philippines, entrepreneurship is viewed as important to empowering the poor, enhancing production, and as an impetus to innovation. The 1987 Philippine Constitution recognizes entrepreneurship as an engine of economic growth.

Article XII Section 1 highlights the role of private enterprises in supporting equitable distribution of income and wealth, sustaining production of goods and services and expanding productivity, therefore raising the quality of life.

# Interest rate

The interest rate is the amount charged on top of the principal by a lender to a borrower for the use of assets.

An interest rate also applies to the amount earned at a bank or credit union from a deposit account. Most mortgages use simple interest.

# Interest rate

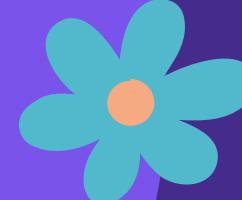
Today, the level of interest rates is determined by the interaction of the supply and demand for funds in the money market.

Interest rates, prior to their full liberalization in 1983, were fixed by the Central Bank of the Philippines (BSP).

## Interest rate

Ceiling on Interest Rates on Business Transactions. All lending institutions and financing companies shall charge an interest of not more than point five percent (. 5%) per month or six percent (6%) per annum on loans or any forbearance of money, goods or credit.

# Interest rate



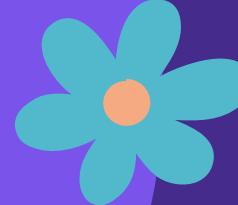
High interest rates affect small businesses who most likely operate with limited cash flow.

Small business owners must set aside more money to be able to repay any loans and debt which reduces the income available of the business.

High rates can also lower the cost of assets, make them harder to sell for capital



# Rentals

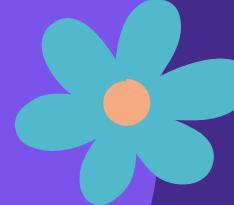


Also known as hiring or letting, is an agreement where a payment is made for the temporary use of a good, service or property owned by another.

A gross lease is a type of commercial lease where the tenant pays a flat rental amount, and the landlord pays for all operating expenses regularly incurred by the ownership, including taxes, electricity and water. Most apartment leases resemble gross leases.



# Rentals



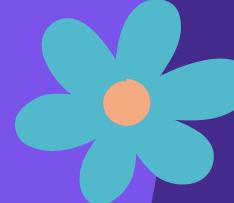
The main difference between a lease and rent agreement is the period of time they cover.

A rental agreement tends to cover a short term-usually 30 days-

while a lease contract is applied to long periods usually 12 months, although 6 and 18-month contracts are also common.



# Rentals



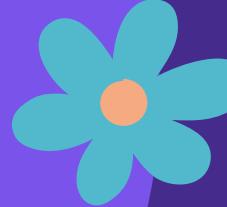
You pay for the asset over the fixed period of time that you use it, which helps you budget for the future.

As interest rates on monthly rental costs are usually fixed, it is easier to forecast cashflow.

You can spread the cost over a longer period of time and match payments to your income.



## Rentals

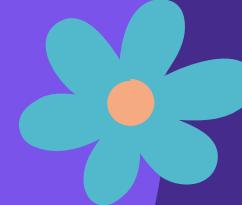


As high rents shutter longtime businesses, they also create an ever-higher barrier to entry for new entrepreneurs, stunting opportunity and leading to a scarcity of start-ups in cities once known for their business dynamism.

But so do cities and the people who live in them.



# Minimum wage

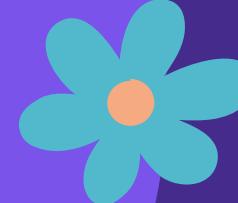


The minimum wage is the lowest wage that an employer is allowed to pay an employee, according to a law or agreement.

The Philippines has daily minimum wage rates that vary from region to region, ranging from PHP316 (US\$6.57) to P537 (US\$11.17) a day for 2021. The wages are set by tripartite regional wage boards located in every region.



# Minimum wage



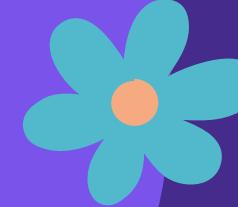
The purpose of minimum wages is to protect workers against unduly low pay.

They help ensure a just and equitable share of the fruits of progress to all, and a minimum living wage to all who are employed and in need of such protection.

The minimum wage was designed to create a minimum standard of living to protect the health and well-being of employees.



# Minimum wage



It causes small firms to reduce their production workers.

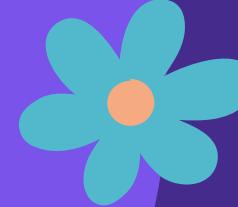
The negative impact of minimum wages emanates from scale effects.

Because of greater marginal costs, it is difficult for small firms to mature into larger-scale firms.

In the process, the production and the demand for production workers decline.



# TAX

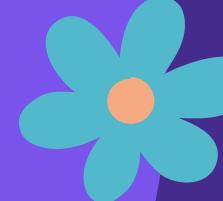


A tax is a compulsory financial charge or some other type of levy imposed on a taxpayer (an individual or legal entity) by a governmental organization in order to fund government spending and various public expenditures.

A failure to pay, along with evasion of or resistance to taxation, is punishable by law.



# TAX



## Estate Tax

- Estate tax is charged to your estate or properties when the titleholder meets their demise. At a rate of the hett apparent or the rightful beneficiary of the estate should settle this tax before transferring heir or beneficiary's nume the title to the

## Documentary Stamp Tax

- This refers to the teax imposed on contracts, loan agreements, certificates, and other legal papers that serve as poof of transfer/sale of an ownership/obligation of a property or assets



# TAX

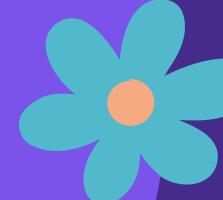
## Percentage Tax

- Percentage tax is a business tax impound on merchants or businesses that lease/sell products, services, and properties. They are not VAT-registered, with a yearly gross sale at a maximum of P750,000

## Capital Gains Tax

- Capital Gains tax refers to what an individual or a business pays upon making profits out of selling a valuable asset. These sold assets subjected to capital gains are pieces of jewelry, stocks, properties, and other good appraised with high value

# TAX



## **Income Tax**

- This refers to the tax that is imposed on an individual's earnings, salary or profits, from his/her profession, business, trade, or properties at rates ranging from 5% to 32% depending on their income

## **Withholding Tax**

- It is the amount from an employee's wage deducted by the employer and directly put to the government for the employee's partial income tax.



# TAX

## **Value-Added Tax or VAT**

- Value Added Tax serves as a consumption fee that is placed on a product when there is an additional value to its manufacturing and final scale. Since it is considered an indirect tax, the customers pay for VAT

## **Excise Tax**

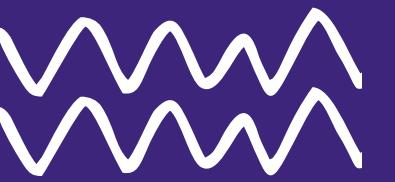
- Excise Tax is placed on products sold in the country and considered an indirect type of tax because this can be recovered by the seller/producer by increasing the price of these products. Example placement of an excise tax can be cited from the products with health risks such us liquors and tobacco

## **Donor's Tax**

- Donor's tax is placed on a gift, donation, or willful free-of charge transfer of property between the benefactor to recipients on their lifetime

# TAX

To foster economic growth and development governments need sustainable sources of funding for social programs and public investments. Taxation not only pays for public goods and services; it is also a key ingredient in the social contract between citizens and the economy.



# TAX

Tax cuts increase household demand by increasing workers' take-home pay. Tax cuts can boost business demand by increasing firms' after-tax cash flow, which can be used to pay dividends and expand activity, and by making hiring and investing more attractive.



Primarily through their impact on demand.

Tax cuts boost demand by increasing disposable income and by encouraging businesses to hire and invest more. Tax increases do the reverse. These demand effects can be substantial when the economy is weak but smaller when it is operating near capacity.



# TAX

The corporate tax system reform bill was passed into law on September 16, 2019. The Bill, which takes effect 2020, will affect both domestic and foreign businesses in the Philippines.

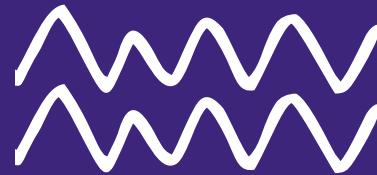


The most notable clause of the Corporate Income Tax and Incentives Rationalization Act (CITIRA) is the reduction of corporate income taxes from 30% to 20% over a span of 10 years. The current rate will see a 2% reduction every two years starting in 2021 until it hits a rate of 20% by 2029



# TAX

More and more Filipinos today are starting their own businesses. These new entrepreneurs come from diverse backgrounds and a wide range of ages-from college students to retirees, and everyone in between.



No matter their background or the kind of business they put up, new entrepreneurs are likely to face similar challenges. If you're about to start your own venture, you need to be prepared for these challenges and create a plan to address them.



# Kamsamnida

Presentation by Group 2

