Green Energy Auction called feed-in tariff scheme in disguise

A CONSUMER organization has asked the Department of Energy (DoE) to defer the Green Energy Auction Program (GEAP), which it described as a disguised feed-in tariff (FIT) and FIT-allowance (FIT-ALL), which consumers ultimately pay for.

"While it bears a different name, the GEAP is an obvious disguise (for) FIT-ALL and would still result in additional burden for electricity consumers who would eventually have to pay the charges to be remitted to the renewable energy (RE) developers (participating in the program)," Laban Konsyumer, Inc. President Victorio Mario A. Dimagiba said in its Feb. 5 letter addressed to Energy Secretary Alfonso G. Cusi.

Asked to comment, Mr. Cusi told *BusinessWorld* in a text message that he has yet to receive the letter.

Mr. Dimagiba said that unlike with renewable portfolio standards (RPS), the DoE program which requires power distribution utilities (DU), electric cooperatives, and retail electricity suppliers to source a portion of their energy mix from RE sources, the GEAP does not shield consumers from higher power prices.

"There is no assurance that the resulting Green Energy Tariff (GET) would be lower than recently approved RE-based Power Supply Agreements (PSA) of distribution utilities," he said.

GET is a feature of the GEAP which influences the commercial value of power generated from qualified RE facilities and sets a benchmark price for DUs under an Opt-in Mechanism.

With the Opt-in Mechanism, the DU can procure power from the GEAP pool of winning bidders to reduce Feed-in Tariff-All charges to the end-users.

The GEAP aims to boost the RE share of the power mix, incentivizing eligible RE generators participating in the bid. The target is for RE to comprise 35% RE of al power sources mix by 2030.

On Jan. 25, the DoE called on RE companies to supply a total of 2,000 megawatts in the first round of the GEAP. — **Marielle C. Lucenio**

Survey shows plurality expecting end of pandemic in 'over a year'

ABOUT 45% of respondents to a Social Welfare Stations (SWS) survey expect the pandemic to end in "over a year," with four out of five taking the position that "the worst is behind us."

The results of the survey, conducted in December with 1,500 participants, were disclosed on Monday at an Asian Institute of Management webinar.

SWS President and Chief Executive Officer Linda Luz B. Guerrero presented the survey findings, which also indicated that 51% of the sample expect better economic conditions this year.

Of the other respondents providing an estimate of the pandemic's duration, 29% expect it to end in the first half of 2022, and 23% believe the end will come by the end of the year.

Ms. Guerrero, citing data from Stratbase ADR Institute, said government collaboration with the private sector to accelerate growth is supported by 82% of that study's participants. They specified areas of cooperation such as job creation, expanding livelihood opportunities, and poverty reduction.

Security Bank Corp. Chief Economist and Assistant Vice-President Robert Dan J. Roces said that first-quarter growth may be dampened by the surge in the Omicron variant of COVID-19, leading to regression in mobility, but a quick recovery is still expected.

"We're expecting the government to keep the economy as open as possible as long as the hospital situation allows it," he said during the forum.

"A quick growth turnaround is expected, and we're expecting several industries to recover with it, based on how they behaved after Delta. You have utilities, manufacturing, construction, wholesale and retail, and transportation and storage," he added, noting that such industries exhibited capital expansion after the Delta surge died down.

"Another industry that could recover with it is tourism and accommodation," he added, "that's going to recover from revenge travel spending."

The Philippine economy is set to be boosted by "normalizing activity," Mr. Roces said. Based on his bank's projections, 2022 growth is expected to come in at 6.5%, with gross domestic product (GDP)of P19.6 trillion.

The economic modeling for such projections incorporate data as of the third quarter of 2021, though Mr. Roces said fourth quarter data later validated the trajectory the bank's growth estimates.

"It seems the rebound in household consumption will be the key driver," Mr. Roces said. This will be influenced by the pace at which the country can reach herd immunity, which he believes may be reached by March at the earliest, as well as increased domestic activity, improved sentiment, and higher remittances.

Investment, he added, will also help, supported by domestic consumption, manufacturing activity, business optimism, and election spending to some degree. Government expenditure is expected to grow by 4.5% as revenue collection should rise with the opening of more businesses, while pandemic spending is expected to decline.

On the other hand, Mr. Roces said the primary worry for households is likely inflation. The demand-pull effect will become more pronounced with the rebound in consumption.

"The BSP (Bangko Sentral ng Pilipinas) would likely remain accommodative in the first half to massage the recovery, but if demand-pull becomes more pronounced in the second half, they will likely review policy and institute a policy rate hike at a minimum of 25 basis points up to 50 basis points as a start of a normalization path," he added.

Meanwhile, the SWS also found that net satisfaction with President Rodrigo R. Duterte remained "very good" as of December.

Ms. Guerrero said the President benefits from a strong base of support, his perceived decisiveness, and his administration's actions in addressing poverty and the drug war.

However, only 32% of respondents showed approval for his China policy, most of them from Mindanao.

Ms. Guerrero noted that 47% of respondents believe the government is not doing enough to assert its sovereignty in the South China Sea, while 69% said that the country should form an alliance with other countries in defending the territorial and economic rights of the Philippines. They also proposed that the government build structures on vacant islands in the disputed sea.

Richard J. Heydarian, professorial chair on geopolitics at the Polytechnic University of the Philippines, said during the forum that surveys and research show that the country moving towards authoritarianism.

Citing the World Values Survey, he said that only 10% to 15% of Filipinos are committed to institutional checks and balances as a "vast majority of Filipinos expressed openness to authoritarian leaders."

"It's not so much Duterte alone himself, it's also people wanting someone like Duterte, it's just that he perfectly fits that kind of image, and if you look who's the frontrunner right now in the presidential race and what that person represents... again we see that it's a strongman," he said.

"It's a very powerful element in Philippine politics," he added. — **Alyssa Nicole O. Tan**

Farmers seek more input in any study of RCEP impact

THE GOVERNMENT needs to carry out an in-depth study on the effects of the Regional Comprehensive Economic Partnership (RCEP), incorporating proper input from the agriculture sector, farmers' organizations said at a virtual forum.

"We were only informed of RCEP benefits that our country will receive if we ratify this agreement, but they didn't mention any expected threats or disadvantages. They didn't give us any assurance that there are safety nets in place to protect our industries. If you don't identify the threats, you don't come out with safety nets. We hope that honest-to-goodness assurance from the Senate will be given," Federation of Free Farmers Chairman Leonardo Q. Montemayor said.

"There was a resolution transmitted from the Committee of Foreign Affairs, but there is no report. This is an unusual committee resolution endorsed to the Senate for concurrence. The senators don't even know the arguments of the Department of Trade and Industry (DTI) and the Department of Agriculture (DA), because there are different studies with different conclusions. Which of these studies should be closely looked into by the Senate?" Mr. Montemayor said.

"While they are claiming all the advantages of RCEP, from the start they did not cite any threats or disadvantages," National Federation of Hog Farmers, Inc. President Chester Warren Y. Tan added.

On Feb. 2, the Senate decided not to concur to the ratification of RCEP and adjourned session for the election break.

RCEP is a free trade agreement involving Australia, China, Japan, South Korea, New Zealand and the 10 members of ASEAN.

The farm industry expects to struggle under RCEP, judging by the Philippine experience with the World Trade Organization (WTO).

"RCEP is a more liberalized version of WTO. When we joined WTO, we were not prepared. Other countries make good use of their data to anticipate future problems, so they are able to avert it from happening. Here, it is the opposite. We always wait for it harm our local producers first before our government steps in. RCEP will further damage our industries," United Broiler Raisers Association President Elias Jose M. Inciong said.

"This agreement favors importers, not our local producers. The mentality of our economists is that we can always import. As far as I'm concerned, we are on dangerous ground," he added.

Association of Fresh Fish Traders of the Philippines President Roderic C. Santos said that the fishing and aquaculture sector were not consulted on the trade agreement.

"It came as a surprise. We didn't get to monitor the passage of this agreement. RCEP does not favor local production, it favors products from other countries," Mr. Santos said.

He said that counterpart industries in other RCEP countries are subsidized, which he does not expect the Philippines to match.

"They receive billions of dollars in support. They are supplied with free water, machines, fuel, boats, and the like. India allocates $50 billion for its farmers. They protect their local industries. Here, it is only cash and food distribution... If we want to be part of RCEP, we have to prepare. We have to know what we're getting into. This is how we can protect local producers," he added.

The groups urged the Senate to reject RCEP, claiming that the country is ill-equipped and will likely suffer from the arrangement.

"We are unprepared. We have been appealing to government to prioritize our local producers. It is hard for us to compete against foreign imports. It's all one-sided and our industries are struggling. We have to strive for self-sufficiency when it comes to food. It is dangerous to rely on imported products. If there is a shortage, what will happen to us?" Mr. Tan of the hog farmers' association said. — **Luisa Maria Jacinta C. Jocson**

Restaurant found to be noncompliant with protocols after Alert Level 2 declaration

AN INSPECTION of various establishments after the return to the Alert Level 2 quarantine setting this month resulted in a restaurant in Metro Manila being cited for failure to observe health protocols, the Department of Trade and Industry (DTI) said.

In a statement issued on Monday, the DTI said it inspected five establishments in Mandaluyong City on Feb. 3 and found a restaurant to be noncompliant with the standards set for on-premises dining.

After the inspection, the DTI issued a request for corrective action (RCA) to the restaurant for non-observance of the guidelines set out in Joint Memorandum Circular (JMC) No. 21-02.

The other establishments inspected were in the personal care, cinema, recreational, and fitness industries.

Trade Undersecretary Ruth B. Castelo said the restaurant is expected to submit its response to the RCA, together with evidence that it corrected the issue, within 48 hours from the receipt of the document.

"Otherwise, DTI will recommend to the local government unit (LGU) concerned the suspension of the Safety Seal issued in favor of the establishment or the suspension of the operation thereof if it continues to not observe the DTI-Department of Tourism JMC No. 21-02," Ms. Castelo said.

Ms. Castelo said at a Laging Handa briefing that at least 100,000 workers are projected to return to work after the quarantine setting for Metro Manila and other areas was relaxed to Alert Level 2.

She said the 30% indoor operating capacity and 50% outdoor operating capacity allowed under Alert Level 3 have increased following the downgrade to Alert Level 2.

Under Alert Level 2, businesses are allowed to operate at 50% indoor capacity and at 70% for outdoor venues.

"According to DTI estimates, we have around 100 (thousand) to 200,000 jobs that will return," Ms. Castelo said.

The government placed Metro Manila, Bulacan, Cavite, Rizal, Batanes, Biliran, Southern Leyte, and Basilan under Alert Level 2 from Feb. 1 to Feb. 15 following a decline in COVID-19 cases. — **Revin Mikhael D. Ochave**

OPINION

Request for BIR confirmation due in April

LET'S TALK TAX
AZANITH ANN B. PAYAD

For most businesses in the Philippines, the first quarter of the year demands compliance: annual registration renewals, filing of tax returns, submission of financial statements, and payment of taxes. Corporate and tax practitioners have infamously tagged this period as the busy season in which they find themselves working round the clock, often fueled with multiple doses of caffeine.

Businesses operating on a calendar year basis are required to file their annual Income Tax Returns (ITR) on or before April 15. Apart from the usual filing of the ITR, taxpayers must also be reminded that there is another BIR Form that needs to be filed on or before the last day of April — the request for confirmation (RFC) on the propriety of the tax treaty rates applied by withholding agents covering the latter's pertinent transactions during taxable year 2021. The RFC is to be filed with the Bureau of Internal Revenue — International Tax Affairs Division (BIR-ITAD).

When a Philippine taxpayer transacts with a nonresident foreign corporation or a nonresident alien not engaged in trade or business, the taxpayer acts as a withholding agent and is required to withhold taxes due on the income payments derived by the nonresident from all sources within the Philippines. The withholding agent is responsible for determining whether to apply the regular tax rates, tax exemptions, reduced rates, or the relevant provision of the applicable tax treaty when dealing with residents of a foreign country that has a double tax agreement with the Philippines.

In Revenue Memorandum Order (RMO) No. 14-2021, the BIR provided that if the withholding agent applied the tax treaty rates on the income earned by the nonresident, the withholding agent must file with ITAD a request for confirmation on the propriety of the withholding tax rates applied on that item of income. Thus, a request for confirmation applies to all income derived by nonresidents from Philippine sources that may be entitled to relief from double taxation under relevant tax treaties.

Revenue Memorandum Circular (RMC) No. 77-2021 highlighted that the RFC with complete documentary requirements is to be filed by the withholding agent depending on the type of income. For capital gains, the date of filing is at any time after the transaction but not later than the last day of the fourth month following the close of the taxable year when income is paid or when the transaction is consummated. If the taxpayer observes a calendar year, then the fourth month falls on April 2022 for 2021 transactions.

For other types of income, the date of filing is any time after the close of the taxable year but not later than the last day of the fourth month following the close of such taxable year. These other types of income include business profits, dividends, interest, royalties, and other income not expressly mentioned in the tax treaty. Consequently, if the taxpayer observes a calendar year, then the fourth month will fall in April 2022 for 2021 transactions.

In RMC 77-2021, the BIR declared that applications with incomplete documents will no longer be accepted. Accordingly, it is imperative upon the withholding agent to ensure that all documents in support of the RFC are complete. Hence, for 2021 transactions, withholding agents should already be preparing during this time for the upcoming April 2022 deadline.

It should be noted that documents issued, signed, and executed abroad are required to be authenticated. Considering that the Philippines is a party to the Hague Convention, a foreign public document will only need to be apostilled by the competent authority in the foreign state in order to be recognized and used in the Philippines. However, the apostille only applies if both the country where the public document was issued and the country where the public document is to be used are parties to the Convention. Otherwise, the document is required to be notarized abroad and further authenticated by the Philippine consul in the foreign country signing and affixing a red ribbon to the document. In addition, if the documents are in a foreign language, they are required to be translated in English by a certified translator.

Another documentary requirement which may take some time to secure is the Certificate of Non-Registration of the foreign company duly issued by the Securities and Exchange Commission (SEC). Since the SEC receives numerous requests, the certificate may be obtained weeks or even a month after request and payment of the certification fees.

The documents that the BIR-ITAD requires are important to prove the entitlement to the benefits of a tax treaty. Indeed, the procurement and authentication of documents may be challenging and may take extra effort and time. Thus, withholding agents should start collating the required documents as early as possible to ensure that complete documents are filed with the BIR on time.

The list of documents required to be prepared for the upcoming April 2022 deadline for RFCs is found in the annexes of RMC 77-2021. Failure to file the RFC within the prescribed deadline will result to penalties.

As we bustle our way into the tax season with tight deadlines in mind, let us be reminded that being prepared is half the battle.

Let's Talk Tax is a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.

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