

## Government nonfinancial assets valued at P1.9 trillion

THE government's nonfinancial assets have been valued at P1.9 trillion at the end of 2021, growing by P361 billion, the Department of Finance (DoF) said.

The DoF, in a statement on Monday, said its registry contains 380,817 separate assets, including roads, bridges,

hospitals, power plants, and irrigation facilities.

These items are registered under the Bureau of the Treasury's (BTr) National Asset Registry System (NARS).

"We will continue to expand the coverage of the NARS to improve the oversight

and management of nonfinancial public assets," National Treasurer Rosalia V. de Leon said.

The additional P361 billion represents 5,819 assets, mostly listed under the Transportation department and its agencies. — **Jenina P. Ibañez**

### FULL STORY



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## Int'l air cargo, mail volume surged by over 70% in 2021

INTERNATIONAL CARGO and mail volume handled by air carriers servicing the Philippines grew over 70% by volume in 2021, mainly due to strong demand for goods needed to deal with the public health crisis, according to the Civil Aeronautics Board.

International cargo and mail traffic handled by air carriers in 2021, both outgoing and incoming, amounted to 372.7 million kilograms (kg), from 218.8 million kg in 2020.

Incoming cargo and mail flown in last year by air carriers was 191 million kg, up 70.5%.

Air carriers handled 181.9 million kg of outgoing cargo and mail in 2021, up 70.3%.

All Nippon Airways was the Philippines' leading air carrier for international cargo and mail with total traffic of 31.1 million kg, followed by Qatar Airways (28 million kg), Eva Air (27.7 million kg), Philippine Airlines (27.2 million kg), Air Hongkong Ltd. (26.7 million kg), Korean Air (25.1 million kg), and Federal Express (20.6 million kg).

The International Air Transport Association (IATA) said in its air cargo market analysis for December 2021 that airlines in Asia Pacific struggled with a "lack of capacity, down 17.1% in 2021 versus 2019," or before the pandemic.

"Demand for goods made in the region was nevertheless strong, including for PPE (personal protective equipment) in November and December," it noted.

The IATA also said that international CTks (cargo tonne-kilometres) in the Asia-Pacific region increased by 3.6% in 2021 compared with 2019, and by 8.8% in December.

Globally, the IATA said that "strong demand allowed world goods trade to increase by around 9.8%" year on year last year.

"Air cargo growth was twice as strong than the rebound in trade, exceeding this by 8.9 percentage points, a typical pattern during economic upturns," it added. — **Arjay L. Balinbin**

## Next admin urged to make major budget commitment to housing

SOCIALIZED HOUSING needs to be a budget priority for the next government after the current funding emphasis on transportation and public works projects, the head of a social policy institute said.

The average share of housing in the national budget between 2016 and 2022 was about 0.3%, Institute for Leadership, Empowerment, and Democracy Executive Director Zy-za Nadine Suzara said at a webinar on Thursday, while infrastructure projects usually account for nearly a quarter of the government's spending plan.

The last time the government gave the housing sector 1% of the national budget was in 2016, in response to shelter needs after

Typhoon Yolanda, she said. The housing budget as a share of government spending had since declined.

"*Malaki 'yung pangangailangan, so hindi pwede maging dahilan ng NHA at ng iba pang housing agencies na hindi nila kayang gumastos. Kasi kung ba-budget lang 'yung DBM ng sa kaya nilang gastusin, papaano nila mapupunan 'yung pagkukulang para dun sa urban poor communities?* (Demand is huge, so the National Housing Authority and other housing agencies cannot say that they cannot spend. If the Department of Budget and Management only gives them a budget based on what they can spend, how can they fill the needs of urban poor communities?)," she said.

According to her analysis, P292 billion of the 2022 national budget has still been allocated to local projects — such as roads and bridges — despite the planned devolution of local infrastructure projects this year.

To address the problem, she said socialized housing needs to be included in the government's broader infrastructure program and take a larger share of fiscal space.

The government, which funds housing for the police and the military, should be able to fund support for informal settlers in dangerous areas, Ms. Suzara added.

"There is a need to prioritize the most marginalized in the pipeline of programs."

Terry L. Ridon, convener of infrastructure think tank InfraWatchPH, said via messenger that funding for social housing in the past two administration plateaued at a rate that cannot address the backlog adequately.

"A new administration should decisively resolve this by exponentially raising the funding for the housing sector," he said on Monday. "Correspondingly, the absorptive capacity of agencies to implement this increased funding should be improved to ensure no wastage of funds."

The Department of Human Settlements and Urban Development last week reported that the government produced and financed over a million housing units from 2016 to 2021. — **Jenina P. Ibañez**

## Rice tariffication repeal campaign tops farmers' agenda as review nears

FARMERS will press the next government to repeal the Rice Tariffication Law, claiming that it has made little to no progress in meeting its objective of improving farmer prosperity after three years.

"We are ready to discuss with the future administration to look at the problems and work on what needs to be done... None of (the law's) promises were fulfilled. There was a drastic and recurrent drop in farmers' incomes and farmgate prices," National Manager of the Federation of Free Farmers Raul Q. Montemayor said in a virtual briefing.

"There were only minimal gains for consumers, no significant improvement in farmers' productivity, cost of production, and competitiveness, as well as flawed packaging and poor implementation of adjustment and relief measures for farmers," he added.

The law, which is in the books as Republic Act No. 11203, liberalizes rice imports, which used to be heavily regulated, with most foreign rice brought in via government-to-government deals. Instead, the law allowed private parties to import with fewer restrictions, though importers needed to pay a tariff of 35% on grain brought in from Southeast Asia.

The tariffs supplied P10 billion a year to the Rice Competitiveness Enhancement Fund, which was designed to kickstart the industry's modernization.

Tugon Kabuhayan convener and former Bureau of Fisheries and Aquatic Resources Chief Asis G. Perez said the law is approaching its three-year review period.

"With its automatic review (coming up), we want to know if the annual P10-billion rice fund is being spent, ac-

ording to the law, which says that 50% should go to rice farm machinery and equipment; 30% to rice seed development, propagation, and promotion; 10% for expanded rice credit assistance; and another 10% to rice extension services. Specifically, we want to know if this allocation should be revised based on what our rice producers really need," Mr. Perez said.

Mr. Montemayor said that the law did not provide enough cash assistance and instead drove up production costs.

"We estimate that for the first three years, the total loss for farmers was at P66 billion. The cost of producing palay (unmilled rice) went up... Cash assistance is only a band-aid solution to the problem. The government gives P5,000 per hectare and free seed, but it doesn't fix the broken system that we

have. There is a disconnect between the disease and the remedy," Mr. Montemayor said.

The groups want the new government to reduce reliance on imports and focus on supporting farmers.

"We have to aim for self-sufficiency and stop relying on imports. Our country's food security depends on our farmers but our government allows our farmers to be harmed first before they do anything about it," the Magsasaka at Siyentipiko para sa Pag-unlad ng Agrikultura Regional Coordinator Rowena A. Buena said.

The farmers also sought an online database to track fund use from the tariffs generated by the law.

"We don't know where all that money is going, or if it is being used properly. (The law) didn't improve the

lives of our farmers. We already know that this law failed. Future implementation... will not help. Give our rice farms the proper support and technology. Stop ignoring the problems," Ms. Buena said.

Mr. Montemayor said the government should also invest in post-harvest facilities, establish alternative marketing systems, promote crop and income diversification, strengthen crop insurance and climate and price risk mitigation, and encourage participation and support of local government units.

"Three years ago, our position towards the law was to review the policy first. Now, looking at how it affected our farmers, we want this law to be (repealed). It did not fulfill any of the promises made. Not all farmers received assistance... The money is not being distributed to everyone. It went to the

pockets of government officials. It went to a small minority of farmers who belong to organized groups. Individual farmers received nothing," said Rene Cerilla, Legal and Policy Advocacy Officer of Pambansang Kilusan ng Samahan ng Magsasaka.

"Our government should be alarmed by the current situation. Majority of our farmers are old. There are no more young farmers to replace them because they see no future in farming. It won't be long until these farmers start selling their lands. These lands will not be used for agricultural purposes. This is a threat to our nation's food security. We cannot rely on Vietnam or Thailand for our food. If there is a shortage in these countries, we will be in trouble. We have to produce our own," Mr. Cerilla added. — **Luisa Maria Jacinta C. Jocsion**

### OPINION

## General guidelines on annual corporate income tax filings

To file or not to file the annual income tax return? This is *not* a question for corporations, as the answer will always be to file. For corporations following calendar year as their taxable period, there are only 52 calendar days left until the April 15 deadline for filing of annual income tax returns. For diligent corporate taxpayers preparing their income tax returns, the following are the general guidelines and reminders for an easy and stress-free tax return preparation.

### GROSS INCOME

As a general rule, domestic corporations are taxable on all their gross income derived from whatever source unless expressly exempted from corporate income tax.

There are items of income that have already been subjected to final withholding taxes or are exempt from income tax which are not included in the gross taxable income. Examples are interest income earned on bank savings, time deposits, deposit substitutes, and money market placements already subjected to final tax and so need not be included in the gross taxable income. Dividend income received from another domestic corporation is not subject to income tax. For income which was subjected to final income tax, the taxpayer must ensure that it keeps the proper withholding tax certificate or BIR Form 2306.

### DEDUCTIONS FROM GROSS INCOME

To arrive at the net taxable income, the taxpayer is allowed to claim deductions pertaining to business expenses and other allowable deductions. Before claiming the deductions, the taxpayer must ensure that the deductions comply with the requirements of the BIR.

A business expense must be ordinary and necessary for the trade, business, or profession. It must be paid or incurred during the taxable year. It must also be directly attributable to the development, management, operation and/or conduct of the trade, business, or exercise of profession. In one case, the expense was disallowed by the BIR upon showing that

it was incurred in a different taxable year. In another case, it was held that advertising expense is not an ordinary expense but rather an expense which must be amortized over a number of years.

The expense claimed must be substantiated with sufficient evidence, such as official receipts or other adequate records. Hence, the taxpayer must be meticulous in its record keeping to ensure that all deductions have supporting documents. As in all accounting records, the supporting documents must be kept in accordance with the retention policy of the BIR. Hard copies must be retained during the first five years, while from the sixth to the tenth year, the taxpayer may keep them as soft copies under certain conditions.

Likewise, the expense must not be contrary to law, morals, public policy, or public order. Hence, bribes, kickbacks, and other similar payments are not deductible. More importantly, if the expense is covered by the withholding tax regulations, the tax required to be deducted and withheld therefrom must have been paid to the BIR.

Recent years may have been especially hard for some clients or customers. They may be unable to pay their debts to the corporation. However, before writing off the debts for tax purposes, the rules require that:

- There is a valid and subsisting debt due which must be valid and legally demandable;
- The same must be connected with the trade, business, or practice of profession;
- The same must not be sustained in a transaction between related parties under Section 36 (B) of the Tax Code;
- The same must be actually charged off the books as of the end of the taxable year; and
- The same must be actually ascertained to be worthless and uncollectible as of the end of the taxable year.

Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only. Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating loss

of a business or enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss. However, the rules require that the NOLCO for taxable years 2020 and 2021 are presented in the Notes to Financial Statements separately from the NOLCO for other taxable years. Failure to comply with this requirement disqualifies the corporation from claiming the NOLCO.

If the expenses cannot be accurately accounted for or some documents are missing, the corporate taxpayer may elect to use the optional standard deduction (OSD) in lieu of the itemized deductions discussed above. OSD is equivalent to 40% of the corporation's gross income. Gross income means gross sales/receipts less sales returns, allowances, discounts, and cost of goods sold/cost of services. However, the option to use the standard deduction must have been indicated in the first quarterly income tax return. Such election is irrevocable for the taxable year for which the return is made. A corporate taxpayer cannot use both the itemized and OSD as deductions in the same taxable year.

### COMPUTATION OF INCOME TAX DUE

Domestic corporations are subject to either the 20% or 25% regular income tax on their net taxable income within and outside the Philippines.

The 20% corporate income tax applies to corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000 excluding land on which the business's office, plant, and equipment are situated. Otherwise, the regular rate of 25% will apply.

A minimum corporate income tax (MCIT) of 1% on gross income shall be imposed until June 30, 2023.

The income tax due for the taxable year shall be that which is higher between the regular corporate income tax and minimum corporate income. The computed income tax due shall be reduced by income taxes paid in the first three quarters, tax credits supported by BIR Form No. 2307, prior year excess credits, and foreign tax credits, if any.

### FILING OF AITR

After computing the income tax payable, the corporate taxpayer can now proceed to file an AITR. The AITR can be filed manually, or through the eBIRForms or eFPS. Note that there are certain taxpayers required to adopt a specific method for filing the AITR under the regulations.

For example, taxpayers mandated to file through the eFPS include large taxpayers, government bidders, corporations with computerized accounting system, and corporations enjoying fiscal incentives. Those required to file under the eBIRForms include top withholding agents, those who are required to file "no payment returns," and accredited tax agents.

For those required to file electronically, filing through other means may be subject to penalties for filing at the wrong venue.

Payment of taxes will depend on the required mode of filing the AITR. Available payment modes include payment through authorized agent banks (AABs), revenue collection officers (RCOs), or the ePayment portal of the BIR.

### SUBMISSION OF REQUIRED ATTACHMENTS TO THE AITR

Note that aside from filing and paying taxes, corporate taxpayers are required to submit to the BIR the following attachments to their annual income tax return:

- Duly filed BIR Form No. 1702RT/MX signed by an authorized officer or signatory with filing reference number or tax return receipt confirmation;
- Certificate of independent CPA duly accredited by the BIR;
- Audited financial statements;
- Statement of management responsibility for annual income tax return;
- BIR Form Nos. 2304 and 2307, if applicable;
- Proof of prior year tax credits or foreign tax credits, if any;
- Validation report of Summary Alphabet of Withholding Agents of Income Payments submitted to Withholding Tax at Source (SAWT) submitted to [esubmission@bir.gov.ph](mailto:esubmission@bir.gov.ph); and
- BIR Form No. 1709 (Information Return on Transactions with Related Party), if applicable.

The taxpayer has the option to submit the required attachments manually or online (i.e., upload in eAFS). Hard copies of the documents submitted through the eAFS should be kept. These may be required by the BIR in the event of audit/investigation.

For taxpayers with tax payable and who have opted to submit manually, the attachments must be submitted to AAB on or before April 15. If without tax payable, the attachments must be submitted to the Large Taxpayers (LT) Division/RDO where the corporation is registered within 15 days from April 15 or the date of filing of the AITR, whichever comes later.

For electronic filers who opt to submit manually, the attachments shall be submitted to the LT Division/RDO where the corporation is registered within 15 days from April 15 or the date of filing of AITR, whichever comes later. For corporations who opt to submit through the eAFS, regardless if manual or electronic filers, attachments shall be uploaded to the eAFS within 15 days from April 15 or the date of filing of AITR, whichever comes later.

There are numerous items to consider in preparing or computing annual income tax due. It is important that these guidelines in preparing and filing corporate income tax are followed. As corporate citizens, paying the correct taxes on time is a sacred duty and a moral imperative. Now more than ever, the government is hard pressed to finance various expenditures related to the COVID-19 pandemic. For this gargantuan task, we need the contribution of each and every taxpayer.

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SHARMAINE LOUISE P. SANCHEZ is a senior in charge from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd. [pagranthornton@ph.gt.com](mailto:pagranthornton@ph.gt.com)

