

Sugar industry says import plan depressed prices

SUGAR FARMERS urged the government to drop plans to import 200,000 metric tons (MT) of sugar after the domestic price for raw sugar dropped by nearly 10% in some markets.

On Feb. 4, the Sugar Regulatory Administration (SRA) issued Sugar Order No. 3, which authorized the import of those quantities, citing the need to maintain a buffer stock between milling seasons.

“Two days (after the order), week-ending sugar bids closed (lower),”

planters said in a statement, noting that mill prices per 50-kilogram bag (Lkg) ranged from P99.12 to P230.”

“(It) is evident that the ill-timed announcement of SRA to import led to a price drop,” former SRA Board Member Emilio Bernardino L. Yulo said.

He said that the 10% drop will impact the livelihoods of small sugar farmers, which account for more than 80% of sugar producers.

“These small farmers are barely surviving due to the high cost of farm

inputs, particularly fertilizer and fuel, (whose prices are) increasing steadily each week and will now suffer more because of this drop in sugar prices,” he added.

Mr. Yulo attributed the drop to “the premature announcement” of SRA Administrator Hermenigildo R. Serafica.

“He knew that this will have an immediate effect on sugar pricing,” he added.

Asociacion de Agricultores de la Carlota y Pontevedra, Inc., an organi-

zation of producers in those two Negros Occidental towns, reiterated their appeal for a price freeze on farm inputs to reduce the burden on farmers.

“Since last year, we have appealed to the SRA, the Department of Agriculture (DA) and the Department of Trade and Industry (DTI) yet there has been no action. Instead, SRA released Sugar Order No. 3 knowing that we are in the peak of the milling season and this led to the drop of prices,” the group said. — **Luisa Maria Jacinta C. Jocson**

Over 7,000 visitor arrivals logged since Feb. 10 border reopening

MORE THAN 7,000 international visitors landed in the Philippines since the borders reopened on Feb. 10 to fully vaccinated nationals who are not required to obtain visas to enter the Philippines, the Department of Tourism said.

Tourism Secretary Bernadette Romulo-Puyat said many of the visitors are *balikbayans* (returning Filipinos holding foreign nationality), though many other foreigners are here on business or are reuniting with their Filipino spouses and families after a long separation due to the pandemic.

“I was quite surprised when we reopened Feb. 10. I thought that only a few would come. But then... a lot came. In fact, if you count the four days from Thursday to Sunday, we’ve already had about 7,051 tourist arrivals. But of course, 45% are *balikbayans* (who are) considered tourists because they have foreign passports,” Ms. Puyat said in a television interview on Monday.

According to Ms. Puyat, the foreign nationals are American, Canadian, Australian, British, Japanese, and Korean.

Ms. Puyat said feedback from tour operators indicates that foreign visitors place a high value on ease of entry requirements.

“Some just really want to travel. That’s it. What they are looking at are travel restrictions. If it’s complicated to visit the country, they won’t. That’s it,” Ms. Puyat said.

On Feb. 10, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF-EID) allowed quarantine-free entry of fully vaccinated foreign nationals

who do not require a visa to enter the Philippines.

Other requirements include a negative reverse transcription polymerase chain reaction (RT-PCR) test taken 48 hours before departure from the country of origin, a passport valid for at least six months, an outbound ticket, and travel insurance that includes coronavirus coverage with a minimum payout of \$35,000.

The Philippines has also been admitting returning Filipinos quarantine-free since Feb. 1. — **Revin Mikhael D. Ochoa**

Repeal movement gathers steam as review period nears for tariffication law

FARMER organizations said the Rice Tariffication Law, or Republic Act No. 11203, has failed to make farmers more prosperous three years after it was enacted, and called on the government to repeal it and focus on supporting rice cultivators.

“We call on the government to understand that these last three years are enough to judge the effectiveness of this program. First off, it did not improve the lives of farmers. Let’s not add to this during the review, let’s just accept that it failed so we can move on and can enhance agriculture,” National Spokesperson of the Pambansang Katipunan ng Makabayang Magbubukid (PKMM) Jhun P. Pascua said at a virtual press conference.

On March 5, the law is subject to automatic review, a process which the farmers said they hope to participate in.

“Three years of the law is three years of deepening structural hunger — three years of setting up the stage for yet again faux corporate-led solution such as Golden Rice. It will never address food insecurity in the country; rather it will further advance the problems (with) our country’s already fragile biodiversity by yet again implementing lopsided trade agreements and letting in corporate solutions in the form of policies and environment-contaminating creations,” Magsasaka at Siyentipiko para sa Pag-unlad ng Agrikultura (MASIPAG) said in a statement.

Golden Rice is an enriched variety intended to address Vitamin A Deficiency, co-developed by the International Rice Research Institute.

“The government (insists on) retaining a law that virtually obliterated the local rice market, buried rice farmers neck deep into debt, and basically intensified the food security problem both in the peasant and consumer sector,” it added.

They said the law, which liberalized rice imports but required importers to pay a 35% tariff on Southeast Asian grain, has discouraged young people from going into agriculture.

“We know that the liberalization of agriculture has had a big effect on the youth... We have many universities that teach about agriculture but our education system is all about agribusiness and liberalization. They should change the orientation and direction of our education towards developing local products. We need subsidies and the fixing of farm to market roads and (lower) the cost of production in farming,” PKMM Spokesperson Sara D. Espiritu said. — **Luisa Maria Jacinta C. Jocson**

FULL STORY



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Caraga mining output up 8.9% by value on higher metals prices

THE Mines and Geosciences Bureau (MGB) said the Caraga mining industry, which extracts much of the country’s nickel, posted growth of 8.93% by value in 2021 due to higher metal prices.

Gross sales of Caraga shipments of mining products increased to P78.86 billion in 2021 from P72.39 billion a year earlier, the MGB said in a statement.

“The increase of the mineral sales for 2021 was mainly due to the increase of metal prices in the world market. The nickel producing mines in the region have been consistent in gaining considerable earnings even in the previous years,” the MGB said.

“The Caraga mining industry has significantly contributed to the country’s economic development as well as the foreign-exchange earnings through mineral exports,” it added.

The value of the region’s gross sales rose 21.19% to P52.75 billion in 2021.

The mining season for the majority of nickel and iron mines in the region ends in the fourth quarter every year.

Caraga in northeastern Mindanao, also supplies gold, copper, chrome, nickel, iron and limestone. — **Luisa Maria Jacinta C. Jocson**

Fuel marking program revenue tops P367B; volume 36B liters

TAXES collected from marked fuel products amounted to P367.26 billion as of last week, dating back to 2019 when the program started, according to the Department of Finance.

The volume of marked fuel topped 36 billion liters since Sept. 4, 2019, according to data sent by Finance Secretary Carlos G. Dominguez III to reporters on Viber Monday.

As of Feb. 11, revenue collected included P337.44 billion in Customs duties, along with P29.81 billion in excise tax.

Almost three-quarters of the fuel was marked in Luzon, with more than a fifth in Mindanao and 5% in the Visayas.

Diesel accounted for more than 60%, while gasoline had a 39% share, and kerosene the remainder.

The program seeks to deter fuel smuggling by injecting a special dye into the products to signify tax compliance. The absence of the dye is an indication the fuel was smuggled.

In 2021, the Bureau of Customs (BoC) collected nearly P166 billion in duties from the fuel marking program.

The BoC last year marked over 17 billion liters of gasoline, diesel, and kerosene.

It also intercepted nearly 87,000 liters of smuggled diesel and kerosene worth P5.16 million last year, along with two tanker trucks containing unmarked fuel valued at P7.4 million.

Customs collections in 2021 hit P645.77 billion, or 20% higher than the previous year and 4.7% above the bureau’s target as international trade rebounded after the pandemic-driven economic downturn. — **Jenina P. Ibañez**

OPINION

Clarifications and guidance on tax-free exchanges of property

Over the years, government agencies have been continuously innovating to simplify government services and reduce the time to complete transactions. Constant improvements also build trust and confidence on the part of taxpayers.

The Bureau of Internal Revenue (BIR) recently issued Revenue Memorandum Circular (RMC) No. 19-2022 which provides clarification and guidance to Revenue District Officers (RDOs), other internal revenue officers, and others involved in the issuance of the Certificate Authorizing Registration (CAR) without a prior confirmation or tax ruling on tax-free exchanges

of property, while at the same time ensuring that the proper taxes due to the BIR on their subsequent sale or disposition are protected and collected.

Revenue Regulations (RR) No. 5-2021 state that “No gain or loss shall be recognized on a corporation or on its stock or securities if such corporation is a party to a reorganization and if it exchanges property in pursuance of a plan of reorganization solely for stock or securities in another corporation that is a party to the reorganization as defined under Section 2 hereof.”

No gain or loss shall also be recognized if property is transferred to a corporation by a person, alone or together with others, not exceeding four persons, in exchange for stock or unit of participation in such a corporation, of which as a result of such exchange, the transferor or transferors, collectively, gains or maintains control of said corporation, provided, that stocks issued for services shall not be considered as issued in return for property. Sale or exchange of property used for business for shares of stock covered under this subsection shall not be subject to value-added tax (VAT).

In all of these instances of exchange of property, a prior BIR confirmation or tax ruling are not required to avail of the tax exemption. The concerned parties can implement the transaction covered by, but not limited to, the issuance of the CAR by the RDO where the property is located, in case of real property, or by the RDO where the business is registered, in case of shares of stock, subject to post-transaction audit by the Bureau.

Under Section 40(C) (2) of the 1997 Tax Code, as amended by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the following transactions are covered by the tax-free exchanges

of property, which are (i) reorganization and (ii) transfer to a controlled corporation. In reorganization, these include the usual corporate transactions involving mergers or consolidations and other transactions involving the sale or exchange of voting shares of a corporation resulting in the acquisition of control of the buying corporation as well as recapitalization. On the other hand, transfer to a controlled corporation pertains to the transfer of property to a corporation by a person, alone or together with others, not exceeding four persons, in exchange for stock or unit of participation in such a corporation of which as a result of such change, the transferor or transferors, collectively, gains or maintains control of said corporation.

The substituted basis of the properties transferred shall be the original basis of the property, stock, or securities to be transferred less money received, if any, and the fair market value of the other property received, if any, plus the amount treated as dividend of the shareholder, if any, and the amount of any gain that was recognized on the exchange, if any, for stock or securities. However, for property in the hands of the transferee, the substituted basis shall be the original basis in the hands of the transferor plus the amount of the gain recognized to the transferor on the transfer.

Illustrations and further explanations on the determination of the substituted basis of the properties transferred and stocks received in the exchange are found in existing revenue issuances as follows: RR No. 18-2001, RMR No. 1-2001, RMR No. 1-2002, RMR No. 2-2002, RMO No. 32-2001, and RMO No. 17-2016.

The substituted basis shall be the basis for determining gain or loss on a subsequent sale or disposition of properties subject of the tax-free exchange transactions under Section 40(C)(2) of the 1997 Tax Code, as amended, by the CREATE Act. The recent BIR issuance explicitly laid out the requirements set forth under RR No. 18-2001 for the proper monitoring of the substituted basis. The transfer of properties in exchange for shares of stock made pursuant to Section 40(C)(2) shall be exempt from capital gains tax, creditable withholding tax, income tax, donor’s tax, value-added tax, and documentary stamp tax on conveyances of real property and shares of stock, except original issuance of shares in exchange of real property transferred.

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For purposes of the issuance of the CAR for the transferred properties pursuant to the tax-free exchange, the parties to the transaction shall submit the documentary requirements listed in Annex “B” of RMC No. 19-2022 to the RDO having jurisdiction over the place where the property is located, in case of a real property, or in case of shares of stock, the RDO where the issuing corporation is registered.

In case the transaction involves the transfer of multiple real properties and/or shares of stock situated in various locations covered by different RDOs, the CAR shall be processed with the RDO having jurisdiction over the place where the transferee corporation is registered. The CAR should specify, among others, that the transaction is a tax-free exchange under Section 40(C)(2) of the Tax Code of 1997, as amended by CREATE, the date of transaction, and the substituted basis of the properties subject thereof.

Taxpayers are not prohibited from seeking legal opinions or ruling to resolve legal issues and taxability affecting the transactions made pursuant to Section 40(C)(2) of the Tax Code. The Law and Legislative Division of the BIR National Office shall evaluate whether the request involves question/s of law that would merit the issuance of a ruling. Otherwise, it shall endorse the request to the concerned RDO for appropriate action.

With the recent BIR issuance, corporate taxpayers will no longer suffer the ordeal of complying with previous intricate procedures issued by the tax authority just for them to avail of tax-free exchange transactions. The recent guidelines are appropriate to the current situation and will definitely benefit many corporate taxpayers in their transactions involving exchange of property.

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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CAREER OPPORTUNITIES

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Mandarin Speaking Marketing Officer
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Mandarin Speaking HR Manager
Mandarin Speaking Operation Manager

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- Willing to work under supervision and under pressure

JOB DESCRIPTION

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