Palace approves P20-billion fertilizer subsidy

PRESIDENT Rodrigo R. Duterte has approved a P20-billion fertilizer subsidy as part of a broader food security program, the Department of Agriculture (DA) said.

The overall food security program also provides for P1 billion in funding for urban and peri-urban agriculture, P1 billion to support local production of animal feed, P1 billion for aquaculture and mariculture, and P1 billion to "food mobilization." The DA provided no further details to explain food mobilization.

Agriculture Secretary William D. Dar said the funds will be raised by realigning the DA's 2022 budget, as well as additional financing through the Land Bank of the Philippines and Development Bank of the Philippines. The financing will take the form of concessional loans extended to provincial governments to procure palay (unmilled rice) from farmers within their jurisdiction, in order to create a buffer stock of the staple grain.

Other approved recommendations include the transfer of control over the National Irrigation Authority back to the DA, to facilitate better coordination with the agriculture sector.

Mr. Duterte also approved the distribution of a P500-million fuel subsidy to corn farmers and fisherfolk, as authorized by law.

Rice farmers were excluded because they are due to receive another P5,000 tranche from the Rice Farmers Financial Assistance program, which is funded from rice tariff collections in 2021 in excess of P10 billion. The excess funds amounted to P8.9 billion. — **Luisa Maria Jacinta C. Jocson**


J.COMP-FREEPIK

Customs seizures as of Feb. 11 valued at nearly P770M

THE Bureau of Customs (BoC) seized nearly P770 million in illicit shipments of cars, illegal drugs, and tobacco products over the first six weeks of the year, the Department of Finance (DoF) said.

As of Feb. 11, the Bureau seized P420 million worth of vehicles and their accessories, while cigarette and other tobacco product seizures accounted for P221.4 million. Illegal drug seizures amounted to P46 million, the DoF said in a statement on Monday.

Customs Commissioner Rey Leonardo Guerrero said that the bureau also seized P44.8 million in currency, and confiscated over P30 million in personal protective equipment and medical supplies. He reported the apprehension of P6 million in agricultural products.

Other seized items including general merchandise, firearms, and wildlife worth P1.5 million.

The bureau over that period also filed 11 criminal cases against 30 respondents suspected of smuggling. It filed another three administrative cases against customs brokers before the Professional Regulation Commission.

"The BoC has also completed the inspection and investigation of Customs warehouses," the DoF said.

Of 383 warehouses, 75 were issued closure orders.

The BoC in 2021 seized smuggled goods worth P28.43 billion, which included farm goods, general merchandise, vehicles, counterfeit goods and illegal drugs.

This was almost triple the P10.63 billion worth of goods seized in 2020.

The 2020 total was about half the P20.6 billion total in 2019 as the coronavirus pandemic disrupted operations.

Customs revenue collections in 2021 totaled P645.77 billion, up 20%. — **Jenina P. Ibañez**

BoI approves P9.6-M face mask production project in Caloocan

THE Board of Investments (BoI) said it approved for incentives a P9.6-million face mask production project run by Ipolymer Solutions Corp.

In a statement on Monday, the BoI said that the project is located in Caloocan City with annual capacity of 13.2 million KN95 face masks and 26.4 million surgical masks.

It added that the project will import 100% of the raw materials needed for production.

"The increasing production of medical-grade face masks entails additional imports of raw materials (non-woven fabric), which might help the National Government to promote investment in the production of these raw materials in the country," the BoI said.

According to Trade Secretary Ramon M. Lopez, the project will help meet rising local demand for face masks due to the COVID-19 pandemic.

"During these difficult times — be it natural calamities or global health crises — the local capability to supply critical and strategic products such as medical-grade face masks is crucial and serves as a reminder of the importance of developing our domestic manufacturing industry," he added.

The BoI said the project was approved under the "All Qualified Activities Relating to the Fight against the COVID-19 Pandemic – Essential Goods" category of the 2020 Investment Priorities Plan, which serves as the transitional Strategic Investment Priorities Plan. The plan covers personal protective equipment (PPE) as authorized by Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) law.

BoI Managing Head Ceferino S. Rodolfo urged mask-producing firms to invest in the Philippines.

"This goes to show that we can make it happen in the Philippines, as the BoI has been the catalyst for a modern economy as we recover from the pandemic. Thus, we invite other mask-producing companies to invest here in the Philippines to further fill the gaps in providing more affordable critical PPE," Mr. Rodolfo said.

To date, the BoI said it has registered two projects in 2020 for face mask production: Sunwest Construction and Development Corp. in Marilao, Bulacan with an annual capacity of 15.6 million and Nagaland Development Corp. in Naga City, Camarines Sur, with a yearly capacity of 2.4 million. — **Revin Mikhael D. Ochave**

Trade dep't says not many requests to adjust SRP following Ukraine invasion

THE Department of Trade and Industry (DTI) said it has not received many requests to raise prices of goods subject to the suggested retail price (SRP) scheme in the wake of the Russian invasion of Ukraine on Feb. 24.

"*Sa ngayon*, because we have not received a lot of requests *naman... may isa lang* that we received after the Ukraine-Russia conflict, *hindi pa natin nakikita na mag-a*-adjust *tayo ng presyo sa ngayon* (We have received only one request to raise prices after the Ukraine-Russia conflict, so there is reason to adjust prices as yet). We'll communicate also with the manufacturers *na medyo hinay-hinay lang din sa pag*-request *dahil kailangan nating magtulong-tulong* (We have also told manufacturers to ease of price increase requests because we need to help each other)," Trade Undersecretary Ruth B. Castelo said in a Laging Handa briefing on Monday.

"We calibrate *talaga 'yung* releases *ng* SRP bulletin *kasi 'pag nag*-publish *tayo ng panibago, ibig sabihin i*-increase *ang presyo. Bihira 'yung nangyayari na nag*-adjust *tayo ng* bulletin *dahil binaba ng* manufacturers *ang presyo* (We try to calibrate SRP bulletin releases because every time they come out, prices will rise. It almost never happens that price caps need to be adjusted because manufacturers are charging less)" she added.

Ms. Castelo said surging fuel prices should not affect the prices because much of the current goods inventories and fuel products were manufactured or ordered before the war broke out.

"*Hindi po 'yan* immediate. *Hindi pa 'yan sa ngayon*. We're looking at the next three months *bago mag-epekto 'yung nangyayari sa* Europe *dito sa ating bansa*. We have enough supply. *Hindi kailangan mag*-panic *ng mga tao* (Price reactions should not be immediate. We're looking at the next three months before the impact of the war in Europe shows up here. We have enough supply. There is no need to panic)," she added.

On Jan. 27, the DTI released a new SRP list for basic and prime commodities. Under the new SRP list, 73 stock keeping units (SKUs) out of 216 SKUs recorded price increases. Some of the products whose SRPs rose were bottled water, processed canned meat and canned beef, instant noodles, salt, and canned sardines. According to the DTI, the increase was caused by the surge in the global prices of raw materials and packaging used for the products. — **Revin Mikhael D. Ochave**

OPINION

Amendments to the Foreign Investments and Retail Trade Liberalization laws

LET'S TALK TAX
GEMMALU MOLLENO-PLACIDO

One of the most common inquiries we receive from foreign investors pertains to questions involving setting up subsidiaries in the Philippines and their concerns about minimum capital requirements relevant to the nature of their business or industry. The restrictions on foreign ownership to some industries surely affect the flow of foreign investment into the country, the Philippines being notably one of the strictest within the Asia-Pacific in terms of foreign investment policy. For some time now, the law easing these restrictions has been long anticipated to stimulate investment from foreign enterprises.

Last week, President Rodrigo Duterte signed into law Republic Act (RA) 11647, "An Act Promoting Foreign Investments, Thereby Amending Republic Act 7042 Otherwise Known as the Foreign Investments Act of 1991, as Amended and For Other Purposes." This was signed by the President almost three months after signing RA 11595, a law which amended the Retail Trade Liberalization Act of 2000 (RTLA). Both laws aim to attract foreign investors to the Philippines to make its industries more competitive with those of the ASEAN neighbors.

SALIENT FEATURES OF THE AMENDED RTLA

The recently amended RTLA removed the categorization of enterprises and reduced the minimum paid-up capital of foreign retailers from $2.5 million to P25 million. For foreign retailers engaged in retail trade through more than one physical store, the minimum investment per store must be at least P10,000,000.

While the pre-qualification requirement with the Board of Investments (BoI) was removed as well, foreign retailers must maintain the required minimum paid-up capital. Compliance with this requirement will be subject to review by the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), and National Economic and Development Authority (NEDA) every three years.

Another notable requirement under this law is the submission of a certificate from the Bangko Sentral ng Pilipinas (BSP) of the inward remittance of the capital investment. While the law also allows other proofs certifying that the foreign retailer's capital investment is deposited and maintained in a bank in the Philippines, it is better to secure a Bangko Sentral Registration Document (BSRD) to facilitate the ease in repatriation of foreign investment.

The relaxation of the RTLA is expected to generate foreign investment to help the economy recuperate from the devastating effects of the COVID-19 pandemic. I have personally experienced the influx of inquiries from foreign retailers showing clear interest in setting up companies here.

SALIENT FEATURES OF THE AMENDED FIA

Relevant to the lowered minimum paid up capital under RTLA, Section 8 of the amended Foreign Investment Act (FIA) provides that, among others, micro and small domestic market enterprises with paid-in capital less than the equivalent of $200,000.00 are reserved to Philippine nationals. However, under certain conditions, foreign nationals are allowed a minimum paid-up capital of $100,000.00 provided that the enterprises: (1) utilize advanced technology as determined by the Department of Science and Technology (DoST); (2) are endorsed as startup or startup enablers by the lead host agencies in accordance with RA No. 11337 (Innovative Startup Act); or (3) are composed of a majority of Filipino employees, the number of which shall in no case be less than 15, a reduction from the previous requirement of at least 50 direct Filipino employees. Further, registered foreign enterprises employing foreign nationals and enjoying fiscal incentives are required to implement an understudy or skills development program to ensure the transfer of technology or skills to Filipinos.

The latest amendments to the FIA are expected to generate more foreign investment to boost the economy for the long term. RA 11647 recognizes that increased capital and technology benefits the Philippines, and that global and regional economies affect the Philippine economy. Fittingly, the law allows foreign investors to invest up to 100% in a domestic enterprise unless participation of foreigners is limited or prohibited to a smaller percentage. Similarly, foreign investment in export enterprises is allowed up to 100%, provided the products and services do not fall within the Foreign Investment Negative List (FINL). Notably, the law mandates that amendments to the FINL be made at least once every two years. But then, foreign export enterprises are required to register with the BoI and submit reports to ensure compliance with the BoI's export requirements. Failure to comply with these requirements may result in a reduction of the entity's sales to the domestic market to not more than 40% as may be ordered by the BoI or DTI.

To integrate all the promotion and facilitation efforts to encourage foreign investment, the Inter-Agency Investment Promotion Coordination Committee (IIPCC) was also created which will be chaired by the Secretary of Trade and Industry. The IIPCC was created mainly to establish both medium- and long-term Foreign Investment Promotion and Marketing Plans (FIPMP), among other functions.

Considering the increase in the national debt due to the pandemic and the government's effort to stimulate economic growth, legislation easing the requirements and relaxing the limitations on foreign investors will help the Philippines recover and sustain economic development. We are one with the government in working towards attracting and welcoming productive foreign investment for economic growth to provide more opportunity to our fellow Filipinos.

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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