Energy dep't sees fuel prices possibly retreating next week

FUEL PRICES could start retreating starting next week after the Dubai benchmark for crude oil sold to Asia receded from its highs, Energy Secretary Alfredo G. Cusi said.

"The good news now is that in the past two trading days of oil... Dubai Crude (averaged) $104.79 per barrel," Mr. Cusi said. "Last week it reached an average of $122.61."

He was speaking at a meeting of the Cabinet with President Rodrigo R. Duterte, which was taped and released to the public early on Wednesday.

"If this trend continues and will reach ($100-$105), we may experience a drop in domestic fuel prices next week; at least P5 per liter for gasoline and at least P12 per liter for diesel," he added.

Mr. Cusi said prices have been rising sharply since the start of the year due to fears over global supply, particularly since February with sanctions hanging over Russia threatening to take its oil and gas off the market. However, relief may be in sight if the US succeeds in bringing oil from sanctioned states like Venezuela or Iran back onstream, he added. The potential boost to global supply is 1 million barrels daily; if Russia and Ukraine conclude a ceasefire deal, the prospect of which caused crude benchmarks to drop this week, then fuel prices may continue to track lower.

Separately, Mr. Cusi added that power generation companies have appealed to loosen the 30-day minimum inventory requirement for their fuel stocks as coal prices are now double, and complying with the requirement will place greater demands on their capital.

However, the department is not open to easing the minimum inventory rule.

"I don't want to risk running out of supply in case we will have a problem in the shipments," he said in a text message.

The Manila Electric Co. (Meralco) has said that the impact of the Russia-Ukraine war on power rates will be felt in May as natural gas prices, which are affected by world crude oil prices, adjust quarterly for contract users like power plants.

Fuel prices increased for an eleventh consecutive week on Tuesday, rising P7.10 per liter for gasoline; P13.15 for diesel; and P10.50 for kerosene. This was the biggest price increase since the start of the year.

Since the start of the year gasoline, diesel, and kerosene prices per liter have risen by P20.35, P30.65 and P24.90, respectively. — **Marielle C. Lucenio**

DTI calls for fewer middlemen between supermarkets, suppliers

SUPERMARKETS and retailers need to eliminate intermediaries that come between them and their suppliers in the interest of keeping prices low, the Department of Trade and Industry (DTI) said.

Trade Secretary Ramon M. Lopez said during President Rodrigo R. Duterte's Talk to the People briefing aired on Wednesday that the elimination of middlemen will help keep basic goods affordable.

"To consider... continuous supply at lower affordable price (and) increase access to lower priced basic goods to consumers, it is important to reduce middlemen. If possible, link the supermarkets to the suppliers and producers," Mr. Lopez said at the briefing.

Mr. Lopez said the DTI's initiatives to address the threat of inflation include the Presyong Risonable Dapat program, which connects producers of rice, frozen pork, and chicken to 83 Robinsons supermarkets in the National Capital Region (NCR), 25 Puregold supermarkets in the NCR and Bulacan, and 8 Metro supermarkets in the NCR.

Mr. Lopez said the DTI's Diskwento Caravan and Bagsakan (wholesale) market initiatives allow manufacturers and producers to sell their products directly to consumers, in collaboration with barangays or local government units.

He added that the programs offer discounts ranging from 2% to 50% relative to prevailing market prices, with 189 manufacturers participating.

Philippine Amalgamated Supermarkets Association President Steven T. Cua has said that the prices of basic necessities have risen by around 3% to 6% while non-essential items have become 8% to 15% more expensive.

Mr. Cua attributed the increase to the surging fuel prices, which is affecting logistics and production costs.

Since the beginning of 2022, the prices of gasoline, diesel, and kerosene have increased by P20.35 per liter, P30.65 per liter, and P24.90 per liter, respectively.

Fuel prices increased for an 11th straight week on Tuesday, with gasoline rising P7.10 per liter, diesel P13.15 per liter, and kerosene P10.50 per liter. — **Revin Mikhael D. Ochave**

Pagadian port management deal bid out by PPA

THE Philippine Ports Authority (PPA) is inviting bids for the 15-year management contract for the Port of Pagadian, Zamboanga del Sur.

Potential bidders were asked to submit letters of intent to bid for the management and operation of the cargo handling, roll-on/roll-off (RORO) services, and other port-related services of the Port of Pagadian, the PPA said in its invitation to bid.

The project will also require contracts for ancillary and other related services, stevedoring services, bagging services, storage management, waste and shore reception facility management, water distribution services, and the operation of a weighbridge facility, among others.

The PPA noted that the minimum concession fee for the project for 15 years is around P66.04 million, "exclusive of all taxes."

Meanwhile, the minimum concession fee for the first year of the port terminal management contract is around P3.06 million.

The PPA said interested bidders should have experience in cargo handling and RORO operations of at least two years.

A bidder "must not be engaged in any business activity, whether primarily or otherwise, which will prevent it from properly and sufficiently discharging its contractual obligations under any port terminal management contract to be awarded," it added.

"This prohibition shall cover entities engaged in maritime transportation."

The auction will be conducted using open competitive bidding procedures with non-discretionary pass/fail criterion, according to the PPA.

Bid documents will be made available on March 14. A pre-bid conference is scheduled for March 28 at the PPA Corporate Building in Manila. Bids must be submitted by April 11. — **Arjay L. Balinbin**

Fuel marking program generates P384.79 billion as of March 10

TAXES collected from marked fuel products totaled P384.79 billion as of March 10, counting back to the start of the program in late 2019, according to the Department of Finance.

The total included P354.98 billion from customs duties and P29.81 billion from excise taxes.

The volume of marked fuel was 38 billion liters since Sept. 4, 2019, according to data provided by Secretary of Finance Carlos G. Dominguez III via Viber on Wednesday.

Luzon accounted for nearly 28 billion liters of the total, or over 73%, with 8 and 2 billion liters marked in Mindanao and the Visayas, respectively.

Diesel accounted for 60.65% of all marked fuel, while gasoline had a 38.82% share. Kerosene took up the remainder with 0.52%.

Fuel marking is authorized under Republic Act 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) law, as a measure to curb smuggling.

It involves the addition of a chemical dye into petroleum products imported into the Philippines to signify tax compliance.

The Bureau of Customs (BoC) has marked 9.19 billion liters fuel this year, as of mid-March. Last year, 17 billion liters were marked.

Mr. Dominguez said government revenue agencies expect to collect 147.1 billion pesos in fuel excise tax and VAT in 2022.

In its 2021 Annual Report, the BoC said it seized P6.7 billion worth of smuggled fuel and oil. — **Tobias Jared Tomas**

Truckers win up to 30% rate increases as fuel prices rise

PHILIPPINE STAR/MICHAEL VARCAS

AN ATTENDANT seen at a gas pump at a gas station in Cubao, Quezon City, Oct. 26, 2021.

By Arjay L. Balinbin *Senior Reporter*

THE Confederation of Truckers Association of the Philippines (CTAP) said on Wednesday that some of its members' clients have agreed to up to 30% increases in freight rates following the rise in fuel prices.

CTAP President Maria B. Zapata said individual members communicated a request for higher rates to their clients on March 7.

"There are reports from some of our members that some of their requests have been granted," she told *BusinessWorld* by phone.

"For the record, the diesel price in January 2021 was P31 (more or less) compared with the current P70 (more or less) as of March 8, 2022 with P39," according to a notice issued by Ms. Zapata earlier announcing the request for higher rates made to trucking clients.

"In line with this, CTAP member operators will negotiate and make the necessary and corresponding 30% adjustment or increase in their respective truck rates to enable them to continuously provide exceptional and quality service to their respective clients," it added.

Ms. Zapata said by phone that the outcome of the negotiations will very depending on each trucker's history and bargaining power with the client, typically an importer or exporter.

"With the economic situation, we can't be insistent on the 30%, so others accept less than 30%. It's a matter of consideration."

She said the negotiations are purely business-to-business, with no government agencies involved.

Pump prices rose for an 11th straight week on Tuesday. Fuel retailers raised gasoline and diesel prices by P7.10 and P13.15 per liter, respectively.

Ms. Zapata said CTAP will be standing by to determine whether its members will need to seek additional charges for the fuel cost.

"*Ngayon, meron na namang* increase *dito na* P13 per liter of diesel (There has been a further P13 increase per liter of diesel), so we will be observing within two weeks to see if there will be a rollback or if it will increase further," she said.

OPINION

Streamlining the procedures for tax sparing and tax treaty relief applications

TAXWISE OR OTHERWISE
ELIZABETH K. ADAOAG-BELARMINO

The mechanism of tax sparing allows a state to grant tax relief (hence, taxes are *spared*) to nonresident foreign corporations (NRFC) to attract capital inflows that contribute to economic growth. Under our Tax Code, an NRFC may avail of the reduced 15% tax rate on dividend income coming from the Philippines if its country of domicile allows a credit against the 15% tax that was spared or fictionally paid at the source. On the other hand, various tax treaties entered into by the Philippines also grant reduced rates to foreign shareholders residing in those treaty countries.

In 2020, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Order (RMO) No. 46-2020, which lays down the guidelines and procedures for tax sparing applications (TSAs). A few months later, RMO No. 14-2021, on availing of treaty benefits, laid down updated procedures for tax treaty relief applications (TTRAs) and introduced requests for confirmation (RFC) for those who outright apply the exemption or preferential rate. Recently, the BIR issued Revenue Memorandum Circular (RMC) No. 77-2021, clarifying certain provisions of RMO 14-2021.

To be candid, while these issuances purport to streamline the process and documentary requirements, they have in fact made the documentary requirements more comprehensive, and have just reformatted the certification/ruling that the taxpayer would get in response to the application/ruling request. There are a couple of things that I think benefit taxpayers in the updated guidelines. For one, they have made the documentary requirements uniform and clear from the start, and this should make the processing more efficient since it helps avoid a lot of back and forth when case officers impose different requirements and much later on in the process. Further, the BIR has committed to process TTRAs within four months from submission of complete documents or as soon as practicable, provided the backlog is addressed at the International Tax Affairs Division (ITAD) where the applications (TSAs, TTRAs, and RFCs) are lodged. It is my hope that this comes true sooner rather than later.

Now comes RMC 20-2022, a collective guideline simplifying certain matters as regards the filing of RFCs/TTRAs, and TSAs. Perhaps to alleviate the volume of applications filed with ITAD, the BIR clarified that the need to file separate applications for subsequent or future income payments would depend on the tenor of the COE if one has already been issued.

For recurring transactions, the COE would indicate the requirements for compliance if continuous entitlement to reduced tax rates is warranted using the same COE. Thus, if no such requisites are stated in the COE, a separate RFC/TTRA, or TSA must be filed with ITAD for subsequent similar transactions.

RMC 20-2022 has also brought to light the importance of the COE if one is already issued. During tax audits by the BIR, the taxpayer should present the COE to shield the income payments from any tax issues that may arise and show proof that the requisites cited in the COE had been satisfied. On its part, the BIR examiner is duty-bound to ensure that the documents submitted are authentic, for which ITAD may assist in case there is doubt.

For long-term contract of services where annual updating is required, RMC 20-2022 has provided the specific documents which must be submitted to the BIR as follows: (1) tax residency certificate of the nonresident income recipient for the relevant year; (2) sworn certification (a sample was annexed to the issuance) stating the services provided by the foreign enterprise, the place where the services are performed, individuals who rendered the services on behalf of the foreign enterprise, their positions or designations and professional background and duration of stay of such individuals in the Philippines; and, (3) certified true copy of the passports of such personnel or a certification duly issued by the Bureau of Immigration stating the dates of arrival in and departure from the Philippines.

The following documents must also be submitted, if applicable: (a) Certificate of Completion of the project duly executed by the income recipient and duly accepted by the domestic income payor; (b) invoice/s duly issued by the income recipient in accordance with the invoicing requirements of the country of its residence; and (c) evidence of payment or remittance of income such as bank documents or certificates of deposit or telegraphic transfer/telex/money transfer.

RMC 20-2022 puts both the BIR and the filers of RFCs, TTRAs, and TSAs in a win-win situation. On one end, the BIR may have realized that it is in the government's interest to preclude repetitive applications for transactions involving the same parties and circumstances. In this way, the tax office can expedite TTRAs and TSAs which have been pending over the years. To me, this is where the streamlining has actually, finally, come in. Consequently, the BIR may be able to achieve the promise of RMO 14-2021 to dispose of RFCs and TTRAs within four months from the date of submission of complete requirements. On this note, I hope that the BIR would also commit to a specific processing period for TSAs.

And on the other end of the stick are the filers of RFCs, TTRAs, and TSAs who could very well consider that waiting time defeats cost efficiency. Issuances such as RMO 20-2022 with all its noble intentions are very attractive to those who believe that our country is worth investing in, but only if the mechanisms on which our government operates are practical, reasonable, and efficient.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co.

ELIZABETH K. ADAOAG-BELARMINO is a manager at the Tax Services Department of Isla Lipana & Co., the Philippine member firm of the PwC network.
elizabeth.k.adaoag@pwc.com