$700-million data center being planned for Cainta

A HYPERSCALER data center which promises to be the country's largest is being planned for Cainta, Rizal by a Singapore data company, SpaceDC, involving the investment of more than $700 million, the Department of Trade and Industry (DTI) said.

In a statement on Wednesday, the DTI said Trade Secretary Ramon M. Lopez met with SpaceDC Chief Executive Officer Darren Hawkins and Chief Investment Officer Joshua Robinson on Feb. 28 to discuss the project, to be known as MNL1 Data Center.

"Hyperscalers are global technology companies providing cloud and internet-based services, which require huge amounts of space, power, and connectivity because of their massive customer base and user demand surges," the DTI said.

The SpaceDC is investing over $700 million in its proposed 72-megawatt hyperscale data center in Cainta, Rizal. The center is projected to begin by the end of 2022 and expand by 2023. It will be powered by renewable energy.

The facility will have power demand of about 72 megawatts, servicing the growing demand for data as the Philippine digital transition gathers momentum.

Board of Investments Managing Head Ceferino S. Rodolfo said the project can spark the development of renewable energy in the Philippines.

"This project by the SpaceDC to establish the Philippines' biggest hyperscale data center is... a leap forward toward our goal for the country to be the next hyperscaler hub in the Asia-Pacific region. We are on the right track...," Mr. Rodolfo said.

Mr. Lopez said the investment environment is currently favorable following the passage of amendments to the Foreign Investments Act, the Retail Trade Liberalization Act, and the Public Service Act, as well as the reform of the tax incentive system under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

"The hyperscaler industry cultivates the developer community and startup ecosystem and increases digital adoption of consumers and enterprises; it will also bring in faster and more reliable access to hyperscaler-hosted platforms and content for users in the Philippines," the DTI said.

Citing Global Data estimates, the DTI said Philippine enterprise spending on cloud services is expected to grow from $1.8 billion to $2.6 billion by 2024." — **Revin Mikhael D. Ochave**

India, Philippines seen as good fit for healthcare tieups

INDIA and the Philippines stand to mutually gain from collaborating in healthcare and health technology (healthtech), the Indian ambassador to the Philippines said.

Shambhu S. Kumaran, Indian ambassador to the Philippines, said during the India-Philippines Business Conference on Healthcare and Medical Cooperation on Wednesday that Philippine firms should view their Indian counterparts as potential partners in healthcare investments.

"Why should the Philippines look at India? As two democracies, we recognize that our people need accessible healthcare. They need affordable healthcare and they need healthcare to be available. This is only possible if we look at (the) value of partnerships looking beyond the immediate value from the transaction," Mr. Kumaran said.

"There (are) enormous untapped requirements and capabilities on both sides," he added.

Mr. Kumaran added that India can offer advances in healthtech.

"India is a growing technological hub. (It) is manifesting in healthtech, educational technology (edutech)...," Mr. Kumaran said.

"I urge all our Filipino friends. I don't want you to look away from where you've been looking in the past. But I want you also to look, at least also look, at India as a strong front," Mr. Kumaran said.

Lakshminarayana Neti, chief operating officer of biotech company Biological E. Ltd., said the Philippines stands to benefit from improving its regulatory regime to ease the entry of Indian drug companies.

Mr. Neti said the Philippines can accelerate the approval process to help Indian pharmaceutical firms expand in the country, noting the current long approval process.

He added that the Philippines can enter into collaborations with Indian regulators to accelerate the approvals, by gaining a prior understanding of the drugs they will evaluate for Philippine use.

"If there are accelerated pathways that we can find, then that would help us. If the countries can respect each other's regulators and then if they can accelerate the pathways for approvals, that would help us to serve the market of the Philippines," Mr. Neti said.

MV Ramana, Dr. Reddy's Laboratories Ltd. chief executive officer for India & Branded Markets, said the drug industries of Russia and China are opting to localize production of pharmaceuticals in order to achieve self-sufficiency, suggesting that India can help the Philippines do the same.

"Indian companies have done a significant number of such projects and many of them are complex in nature. If this is something that is in line with the expectations of the Philippine government, (we) have 100 or 200 molecules that we would want to localize in the Philippines that would bring in self-sufficiency in critical medications," Mr. Ramana said. — **Revin Mikhael D. Ochave**

Remote work possible for BPOs that surrender perks

THERE IS NOTHING to prevent the Information Technology and Business Process Management (IT-BPM) industry from continuing with remote work arrangements, but must give up their tax incentives, the Department of Finance said.

IT-BPM companies, also known as business process outsourcing (BPO) organizations, "are allowed to adopt work-from-home (WFH) arrangements," Finance Secretary Carlos G. Dominguez III said in a statement on Tuesday. "No one is prohibiting them or impinging on their management prerogative to continue implementing their WFH setups. However, they must give up the tax incentives they currently enjoy because the law is clear on this."

Incentives granted to IT-BPM companies located in economic zones are tied to how much work they perform onsite. The onsite work rules were eased during the pandemic, but the relaxed regime is expiring on March 31.

Under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law, companies registered with investment promotion agencies (IPAs) are eligible for perks like an option to pay a 5% special corporate income tax in lieu of other taxes, an income tax holiday, and enhanced deductions.

These incentives are subject to compliance with Section 309 of the Tax Code, which requires that the company's business must be conducted "within the geographical boundaries of the zone or freeport" in which the project or activity is registered.

Mr. Dominguez noted that extending the WFH concession would be unfair to companies outside ecozones that pay regular taxes. "Other companies such as micro, small and medium enterprises (MSMEs) pay the regular corporate income tax (CIT) rate of 20%, while big corporations pay 25%."

Resolution No. 19-21, dated Aug. 2, 2021 issued by the Foreign Investment Review Board, which regulates incentives granted to foreign investors, allowed IT-BPM companies to perform 90% of their operations remotely while remaining eligible for incentives. This is the resolution expiring on March 31, with appeals for an extension not granted.

The Philippine Economic Zone Authority, one of the IPAs, had sought to extend the relaxed enforcement of on-site work rules to September.

Increased vaccination rates now allow companies to safely resume onsite work, Mr. Dominguez said.

As of Sunday, 65 million of the target population of 90 million is fully vaccinated, Health Secretary Francisco T. Duque III said, for a vaccination rate is 72%.

Mr. Dominguez said that under the relaxed Alert Level 1 quarantine setting, all government agencies are required to have 100% of their staff working onsite.

A return to office work for IT-BPM companies will also help the economy recover by increasing foot traffic for restaurants, services, and transportation.

"We hope that IT-BPM companies registered with the IPAs can support us in this whole-of-nation effort of helping Filipinos recover from the pandemic and easing the impact on them of the current crisis," he added.

The IT-BPM industry generated revenue of $28.8 billion in 2021, and employed 1.4 million workers. — **Tobias Jared Tomas**

Solar developer sees possible tipping point for PHL this year

SINGAPORE's Trina Solar Energy Development Pte. Ltd. said it expects the Philippine market for solar power to boom this year, declaring the industry capable of taking over the role played by more conventional energy sources.

"(The solar power industry) can really take over (from) traditional energy sources," according to Todd Li, president of Trina Solar Asia Pacific, at a virtual briefing on Wednesday, citing the declining cost of generating electricity from solar.

"When I joined this industry around 2009-2010, the modules cost more than $3 a watt, and if we look at the price today, it has dramatically decreased over the last 10 years. But raw supply issues may affect (the rate at which costs decline). But if supply can be sustained, the cost of not only the solar modules, but of (the power generated) will continuously decline," he said.

Mr. Li said that global installations of solar power last year amounted to 170-180 gigawatts (GW), with the supply chain capable of supporting around 250 GW-300 GW.

"Next year, we see (sufficient) supply," he said.

Trina Solar launched on Wednesday its latest Vertex 670-watt module, which promises output enhancement of up to 34% compared with older systems, resulting in about 1.2% additional savings for residential solar users.

Mr. Li said over the next five years, it aims to focus on large-scale commercial and industrial projects, which it called the main driver of growth in the solar market.

Trina is also open to collaborating with more Philippine solar companies, following a current tieup with Solar Philippines Power Project Holdings, Inc.

Trina has a goal of installing 1.5 GW of solar power a year in the Philippines over the next 10-20 years. — **Marielle C. Lucenio**

British chamber pitching more UK companies to invest after legislation opens PHL markets

THE British Chamber of Commerce Philippines (BCCP) said it is encouraging UK companies to invest in the Philippines following the easing of foreign ownership limits on industries like telecommunications and retail.

BCCP Executive Director Chris Nelson said in a statement on Wednesday that the chamber "actively continues to encourage more British companies to look at business and long-term opportunities in the country."

"The Philippines has a high potential to attract more foreign direct investment (FDI); if it increases the openness of the economy further, the right business environment (will be) in place," he said, adding that the chamber looks forward to "the promotion of fair competition in key industries."

On March 21, President Rodrigo R. Duterte signed Republic Act (RA) No. 11659 which amended the 85-year-old Public Service Act (PSA). The amended law now allows foreigners to fully own companies in the telecommunications, airlines, railways, and shipping businesses. Previously, these sectors were subject to a 40% foreign ownership limit.

The amended PSA completes the program of three economic liberalization measures being promoted by the government in aid of the economic recovery.

Earlier, Mr. Duterte signed RA 11595, which amended the Retail Trade Liberalization Act (RTLA), and RA 11647, which amended the Foreign Investments Act (FIA).

Under the amended FIA, foreigners are now allowed to invest 100% equity in domestic market enterprises and set up and own 100% of small and medium enterprises.

On the other hand, the amended RTLA lowered the required minimum paid-up capital of foreign retailers to P25 million from $2.5 million, while the minimum investment per store was lowered to P10 million.

The BCCP reiterated its call for the Philippines to ratify the Regional Comprehensive Economic Partnership (RCEP) treaty. The Philippines has yet to join RCEP with the Senate unable to sign on to the treaty before adjourning on Feb. 3 for the election break.

The RCEP trade agreement's members are Australia, China, Japan, South Korea, New Zealand, and the 10 members of the Association of Southeast Asian Nations. The trade deal starting coming into force on Jan. 1 in 11 countries. — **Revin Mikhael D. Ochave**

OPINION

Easing back into the pre-pandemic world, tax-wise

TAXWISE OR OTHERWISE
MARIA JONAS YAP

With the COVID-19 cases in the country continuing to decline and the restrictions relaxing, we are now slowly returning to our pre-pandemic lives.

And while there may still be a lot of uncertainty about the Philippines' post-pandemic future, there are a few tax-related certainties we know so far.

TAXATION OF PROPRIETARY EDUCATIONAL INSTITUTIONS

Schools nationwide are now urged to allow limited face-to-face classes. For students who have missed out on classroom activities and interacting with school friends and teachers, the possibility of going back to school brings hope and confidence in reverting to the status quo.

Amidst the ongoing preparations for the anticipated face-to-face classes, there's another reason private schools are especially delighted these days. In January, Republic Act No. 11635 amended Section 27(B) of the National Internal Revenue Code of 1997 to finally end the long-standing issue on the proper income tax treatment of proprietary educational institutions.

RA 11635 confirms that the strict interpretation of the original provisions of Section 27(B) of the Tax Code and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) amendments under Revenue Regulations No. 5-2021 do not align with the objective of lawmakers to grant consideration to the education sector given the many challenges it faced during the pandemic — suspended operations and decline in enrolment, among others. With the amendment, it is now clear that for-profit educational institutions are eligible for the 10% preferential income tax rate and the 1% temporarily reduced rate between July 1, 2020 and June 30, 2023. Nonprofit educational institutions remain exempt from income tax under the Constitution.

The education sector can now breathe a sigh of relief and focus its efforts on the upcoming reopening of classes.

UPDATED LIST OF TOP WITHHOLDING AGENTS

With the relaxed health restrictions, most business establishments are now allowed to operate at full capacity as long as they comply with the minimum health protocols set forth by the Department of Health. As more establishments open, taxpayers are expected to have increased dealings with current suppliers and perhaps even gain new suppliers. Taxpayers should be mindful of withholding tax obligations on their purchases.

On that note, the Bureau of Internal Revenue issued Revenue Memorandum Circular No. 27-2022 announcing the recently updated list of withholding agents for inclusion to the list of top withholding agents (TWAs). Under the Circular, newly-added TWAs are required to deduct and remit either the 1% or 2% creditable withholding tax (CWT) from income payments to their suppliers of goods and services, respectively, starting April 1, 2022. Failure to withhold and remit the CWT on income payments is grounds for the disallowance of expenses for income tax purposes.

NO SUSPENSION OF EXCISE TAXES ON FUEL PRODUCTS

For some of us, returning to pre-pandemic life involves the daily commute as we slowly transition back from working at home to physically reporting to the office. While teleconferencing is still encouraged, some may already find themselves conducting join face-to-face meetings.

Reporting to the office comes at a critical time, when prices of fuel products continue to rise. And while pump prices are mainly dictated by the global price of crude, the excise taxes imposed on fuel products also significantly contribute to the burden on commuters.

Under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the current excise tax rates are P10 per liter for gasoline, P6 per liter for diesel, P5 per liter for kerosene, P4 per liter for aviation fuel, and P3 per liter for liquefied petroleum gas.

The considerable increases in fuel prices have understandably made basic commodities more expensive. As such, the clamor for the suspension of excise taxes on fuel products has been resounding.

Unfortunately, no temporary relief will be provided this time. The government has rejected calls to suspend the excise tax on fuel, with the Department of Finance citing the potential hit to government revenue. Instead, the President approved a proposal to provide P200 in monthly direct aid or unconditional cash transfers to the most vulnerable sectors.

But while immediate relief for the recent price hikes may not be in sight, and we are not safely out of the woods yet with this pandemic, it is still encouraging to know that we are making progress in rediscovering our old lives. The reopening of businesses, the bustle of city life, and even the traffic are encouraging signs that we are recovering from the two-year pandemic.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

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