Senate flags discrepancies in DA, Customs food import data

THE DATA on farm imports compiled by the Bureau of Customs (BoC) and the Department of Agriculture (DA) do not tally in the absence of an integrated data platform, officials told a Senate panel on Monday, though some Senators characterized this mismatch as "looking the other way" in a manner that facilitates smuggling.

At a Senate committee of the whole's hearing on agricultural smuggling, representatives from the two agencies said their estimates are based on two separate data sets — the DA relies on import permit statistics to estimate the volume of commodities expected to arrive, while the BoC tallies data like volume of actual arrivals and taxes paid on entry.

BoC Assistant Commissioner Vincent Philip C. Maronilla said the DA's import permits would be a more authoritative indicator on the actual volume of food imports entering the Philippines. However, Agriculture Assistant Secretary Federico E. Laciste, Jr. of the department's Field Inspectorate, said there was no "real time" record of the volume of import arrivals, noting that "even if we have issued import permits, not the whole (amount) issued arrives."

"This is because it (the process) is not yet automated," he added. "The ideal is if it is automated, (then) in real time, we will be able to see everything."

Senator Cynthia A. Villar, who chairs the Agriculture, Food, and Agrarian Reform committee, said at the hearing that the DA can always require importers to report on shipments as they arrive.

"You can enforce that because you are issuing import permits. If they don't want to follow then don't issue them the permits in the future," she said. "It is not an excuse. It seems like you don't want to know what has arrived and has not arrived."

"If you do not know (the data) in real time, then you also do not know if the number of imports has already exceeded the permit volumes," Senator Francis Pancratius N. Pangilinan said at the hearing.

He called for future permits to be denied if importers fail to disclose actual arrivals.

"They really don't want to know what's coming in because they need to look the other way while undocumented imported products keep coming in," he added.

Senator Panfilo M. Lacson, Sr. noted the onerous process of being accredited with the BoC and complying with food safety rules, which has not curbed smuggling over decades.

"It is so hard for importers to comply with requirements, but it is so easy for smugglers to get past the authorities," he said.

Mr. Pangilinan said some smugglers may have become "untouchable" over the years because of their influence on certain agencies.

"Just like other crimes and other groups... they evolve even if we guard against them and make plans, they will be creative and create more ways to get around," Mr. Laciste said, reiterating the need for automation.

Mr. Maronilla said the BoC is currently working on full automation of its current processes.

"One of our recommendations is to have fully automated trade transactions and monitoring," he said. "Once we have automation, not only in centralized databases but also in the import and export processes and requests for inspection, we will be able to monitor."

He noted that major automation projects include the Philippine Customs Modernization Project funded by the World Bank.

"At this point, initial procurement of the initial stage of the Philippine Customs Modernization Project which is the procurement of the (quality assurance systems) or advisers is already on the way," he said.

"Hopefully after that, we will be able to start with the procurement process of the customs processing system which will replace our current system and will modernize it to be on par with international standards," he added.

"We hope and pray that it happens because your automation is already very delayed," Senate President Vicente C. Sotto III said. "We should not let the smugglers keep up with any improvements "in the BoC's systems, he added. — **Alyssa Nicole O. Tan**

PHILIPPINE STAR/ MIGUEL ANTONIO DE GUZMAN

MRT-3 free-ride program designed to restore public confidence after rehab

THE Metro Rail Transit Line 3 (MRT-3) launched a month-long free-ride offering on Monday with the goal of restoring confidence in the key commuter train line after an extensive overhaul.

"The deployment of trains with four cars each set helps augment the line's capacity, as they can carry up to a total of 1,576 passengers per train set," the Department of Transportation said in a statement.

"The 18-22 trains, including the four-car train sets, that the MRT-3 can now deploy during peak hours is a far cry from the previous 10-15 trains only that it could deploy before its massive rehabilitation," it noted.

The department said the government wants to show off these developments to the commuting public by offering rides free of charge.

"The free-ride program of MRT-3 is launched with this objective of showcasing the improved services of the rail line, in order to gain back the public confidence in our mass transportation system," it noted.

The program also aims to ease the financial burden on passengers amid rising prices of fuel and commodities, as well as the return to on-site work, the department added.

"The MRT-3 recorded the all-time lowest number of operational trains on May 24, 2015, when it was able to deploy only six running train sets on the main line due to poor maintenance of its previous provider," it said.

"Today, passengers enjoy cooler, aside from faster, MRT-3 rides as all train cars have also been (equipped) with new and 100% functioning air conditioning units." — **Arjay L. Balinbin**

GOCC dividends in 2021 exceed pre-pandemic levels

DIVIDENDS remitted to the Treasury by government-owned or -controlled corporations (GOCCs) totaled P57.55 billion in 2021, exceeding the pre-pandemic performance of P52.59 billion posted in 2019, the Department of Finance (DoF) said in a statement on Monday.

The 2021 dividends were however much lower than the 2020 performance of P135.08 billion, with the government leaning heavily on GOCCs to remit more of their profits to help fund the pandemic response.

The P135.08 billion in 2020 includes dividends the government chose to forego from the two major state-owned banks which needed to build up their capital, the DoF Corporate Affairs Group (CAG) said in its report to Finance Secretary Carlos G. Dominguez III.

Excluding the dividends that would have been paid by Land Bank of the Philippines and the Development Bank of the Philippines, GOCC remittances were P84.72 billion in 2021.

The Dividends Law, or Republic Act No. 7656, requires GOCCs to remit at least 50% of their net earnings to the National Government.

CAG projects further collections of P32 billion from GOCCs by the end of June, Assistant Secretary Soledad Emilia F. Cruz of CAG said.

"The CAG, headed by Finance Undersecretary Antonette C. Tionko, used the web-based GOCC Liabilities and Monitoring System (GLAMS) to check on the financial status of GOCCs," the DoF said.

"Formerly known as the GOCC Debt Reporting and Monitoring System (GDRAMS), the GLAMS was transferred by the Governance Commission for GOCCs (GCG) to the DoF in July 2021, and relaunched with enhanced features in August 2021."

Ms. Cruz said that the CAG in 2021 was successful in implementing globally accepted insurance accounting standards, the Philippine Financial Reporting Standards, at government insurance institutions, which include the Social Security System (SSS), the Government Service Insurance System (GSIS), and the Philippine Health Insurance Corp. (PhilHealth).

Mr. Dominguez called reforms pushed by CAG to be continued into the next administration.

"Continuity is the important thing in these programs that we all started to ensure that they are not just going to fall by the wayside, but will be institutionalized, because you guys have done a terrific job," Mr. Dominguez said. — **Tobias Jared Tomas**

PPA sees 31 more port projects done before Duterte leaves

THE Philippine Ports Authority (PPA) said on Monday that it hopes to complete and inaugurate 31 more port projects before President Rodrigo R. Duterte's term ends on June 30.

"*Katulong ng* Department of Transportation (DoTr), so far, since 2016, *nakatapos na ang* PPA *at* DoTr *ng* 585 port projects, *malaki at maliit* (With the aid of the DoTr, so far since 2016, we have completed 585 port projects, large and small)," PPA General Manager Jay Daniel R. Santiago said at a televised news briefing.

"*Meron pa tayong hinahandang pasisinayaan at matatapos bago matapos ang termino ng ating Pangulo sa* June 30 *na nasa* 31 port projects (We expect to complete and launch before the President ends his term on June 30, 31 more port projects)," he added.

These port projects, according to the agency, include Currimao Port in Ilocos Norte.

The Currimao Port is "more than ready to handle bigger, more sophisticated cruise ships," the PPA said in a statement.

Another project to be inaugurated is Bulan Port in Sorsogon, which will provide an alternative jump-off point to Masbate and Cebu.

Also to be inaugurated before June 30 are Banago Port in Negros Occidental, the Ports of Baybay and Palompon in Leyte, and the completion of the passenger terminal buildings in Batangas and Calapan ports, "which will be... two of the biggest terminals in the country."

"The projects that were completed also prepared the country to take in the shipping and logistical demand both from local and international players in the short- to mid-term as the world transitions to the (new) normal," Mr. Santiago said.

Between 2016 and 2021, the PPA transferred P43.98 billion to the Treasury from taxes collected, paid and dividends remitted.

"The amount is P12.93 billion or 41.64% higher compared to the total contribution paid to the government from 2010 to 2015," it said.

It said it incurred P19.87 billion in expenses to complete 240 port projects between 2016 and 2021. These 240 are part of the 585 port projects completed under the administration's infrastructure program.

"We... increased the percentage of the dividend remittance from 57% in 2020 to 60% in 2021 to help the government in its (coronavirus) response," Mr. Santiago said, adding that the ports were sufficiently flexible in delivering services as the recovery from the pandemic gained momentum, Mr. Santiago noted. — **Arjay L. Balinbin**

PSA liberalization seen stunting domestic firms

A GROUP of scientists said on Monday that the loosening of foreign investment restrictions resulting from the amendment of the Public Service Act (PSA) will hamper the development of some domestic industries and make the economy more reliant on imports.

In a statement, the Advocates of Science and Technology for the People (AGHAM) said Republic Act (RA) No. 11659, which amends the 85-year-old PSA, heralds "the incessant erosion of our economic and industrial capacities and will only deepen our dependence on an import-driven economy."

AGHAM said the amendments are not expected to effect a sustainable economic recovery, noting that trade and investment liberalization have prevented the Philippines from developing its own industries.

AGHAM said manufacturing has not posted any significant growth since tariffs were lowered on imports to 5% from 70% starting in the 1980s. "This was also the case in the 1990s to 2000 with a slow pace of growth (of between) 2.5% to 3.5%."

The agriculture sector's contribution to the economy has dwindled from 21% in 1980 to 19% in 2000 due to the tariff reform program and other trade liberalization policies, it added.

RA No. 11647 excludes telecommunications, domestic shipping, railways and subways, airlines, expressways and tollways, and airports from the public utility category. This means they will no longer be subject to the 40% foreign ownership cap for public utilities under the Constitution.

The law also bars foreign nationals from owning more than 50% of public services engaged in the operation and management of critical infrastructure, unless the foreign nationals' government accords reciprocal rights to Filipino nationals.

Foreign state-owned enterprises are also prohibited from investing in any public service classified as a public utility or critical infrastructure.

The government is hoping the measure will help the economy recover from the pandemic by attracting foreign direct investment that creates new jobs. — **Kyle Aristophere T. Atienza**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/PSA032922>

OPINION

PEZA: Raise the white flag

LET'S TALK TAX
GRACE L. TURQUEZA

The pressures companies have had to confront during the pandemic highlighted the importance of keeping the workforce happy and productive. When employees are trusted and engaged, yields rise. Conversely, when people feel unmotivated or undervalued, the company suffers. Studies show that employees deeply invested in their work commit fewer mistakes, do better, and are more eager to embrace change.

Keeping employees happy is hard work in light of the changes imposed on the workplace by COVID-19. Studies have found that up to 82% of respondents prefer working from home to onsite work, which managers must come to grips with as employees begin to trickle back to the office after two years of remote work.

On March 10, 2022, the Fiscal Incentives Review Board (FIRB) issued Memorandum Circular 2022- 018, denying a request by the Philippine Economic Zone Authority (PEZA) to extend the government's authorization of remote work for Information Technology-Business Process Management (IT-BPM) companies. Incentives enjoyed by IT-BPM companies located in economic zones are conditional on a proportion of the workforce carrying out their duties onsite. These rules were relaxed for safety reasons during the pandemic, when companies were allowed to have up to 90% of staff on remote-work arrangements. However, the offsite-work amnesty will not be extended beyond March 31.

Economic managers and business leaders believe that more onsite work will help revive the economy by boosting the prospects of businesses that depend on foot traffic from office workers, though some IT-BPM workers have also cited the need to shield them from high fuel prices, which they will have to absorb if they must commute to work.

Failure to observe the new onsite work rules puts companies at risk of losing their tax perks, a consideration which must be balanced against the need to retain staff who have grown accustomed to working from home.

IN-SITU

PEZA-registered IT-BPM companies, also known as the business process outsourcing (BPO) industry, are required to revert to onsite work at the start of April. No further work-from-home (WFH) arrangements are authorized by PEZA, be they hybrid, staggered, or phased return-to-office); companies that defy the return-to-work rules run the risk of losing their tax breaks.

Moreover, no WFH arrangement in whatever form (hybrid, staggered, temporary or phased-in RTO) shall be authorized by PEZA pursuant to Section 30 of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

REGISTERED ACTIVITIES

Section 309 of the CREATE Law regulates registered activities; it stipulates that a qualified project or activity registered with an Investment Promotion Agency (IPA) administering an economic zone or Freeport must be exclusively conducted or operated within the geographical boundaries of the zone or Freeport.

A registered business, however, may conduct or operate more than one qualified registered project or activity within the same zone or Freeport under the same IPA. However, any project or activity conducted or performed outside the geographical boundaries of the zone or Freeport is not entitled to tax incentives, unless the project or activity is registered with another IPA.

WHITE FLAG

High employee turnover is costly for any business. Sometimes, when employees choose to resign, their reasons for quitting stem from internal factors at work. Therefore, it is important for management to consider employee welfare in making any decision. After all, people are a company's greatest asset. We can only hope that the government and PEZA-registered entities can untangle the WFH dilemma in a manner that is beneficial to both parties.

Legislators and the IT-BPM industry must work hand-in-hand to give due weight to each other's views on how to bring about a recovery. The various measures required to revive the economy are not always obvious, but they certainly are connected.

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.

GRACE L. TURQUEZA is an associate from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton@ph.gt.com