# Industries bat for bigger role for private sector in new gov't

THE incoming Marcos administration needs to expand the role of the private sector in identifying outstanding issues facing the economy, to the point of allowing more private investment, business leaders said.

At a minimum, according to the Philippine Chamber of Commerce and Industry (PCCI) President George T. Barcelon, the government and industry must reach broad agreement on which initiatives to pursue in order to better coordinate their efforts.

"What is really needed is for the government to open up and have more collaboration with the private sector. The PCCI was a co-convenor in the Sulong Pilipinas that started in May 2016. Every year, we had that. I think it's a very good format where there is an exchange of information and the private sector is given the chance to air some of the issues that are of immediate concern," Mr. Barcelon said in a television interview.

"I hope this would continue because it is important for both ends to share report cards on what has been accomplished, what are the gaps, and how to move forward," he added.

Former Senator Ferdinand R. Marcos, Jr. is currently leading the unofficial Presidential tally released by the Commission on Elections, with over 31 million votes.

Management Association of the Philippines Alfredo E. Pascual said the private sector can provide its expertise in selected industries to accelerate the recovery from the pandemic.

"The private sector... can provide solutions in health, in education, (and) in infrastructure development through public-private partnerships (PPP) or outright private investment," Mr. Pascual said.

"The need will dictate the behavior of the leadership. Given the debt burden and constraints on the fiscal space, there is a need to attract private sector investment, there is a need to partner with the private sector to continue the high levels of investment in infrastructure," he added.

According to Mr. Pascual, the immediate priorities for Mr. Marcos are food security and inflation.

"He will be facing major problems (such as) food supply, inflation, the debt burden, the lingering coronavirus disease 2019 (COVID-19) pandemic, the need to bring in investments, and the Ukraine war," Mr. Pascual said.

"The other important priority that he (should) pay attention to is the issue of jobs. An immediate boost to the economy (is needed)... Inflation will have to be addressed (as well as) the longer-term crises of health and education," he added.

Mr. Barcelon said the economic team to be formed by Mr. Marcos will need to be credible.

"What we would like is to see people who are appointed that are really competent... We really need people who have hands-on experience in running those key cabinet positions namely, the Department of Finance, the Department of Trade and Industry, the National Economic and Development Authority, the Department of Agriculture, and the Department of Labor and Employment. Those are key agencies," he added. — **Revin Mikhael D. Ochave**

PHILIPPINE STAR/RUSSELL PALMA

**THE REPORT issued by Verisk Maplecroft described the Philippines as "high risk" in terms of food and energy security.**

# UK risk advisory group puts PHL on watchlist due to inflation impact

THE PHILIPPINES is on a British risk advisory firm's watchlist for inflation impact, including possible civil unrest as prices continue to rise, putting it on a similar path to Sri Lanka or Kazakhstan.

In a report issued by Verisk Maplecroft on Tuesday, analyst Hamish Kinnear and Americas Head of politics Jimena Blanco said the Philippines is among the countries it is watching because of its heavy dependence on imported food and energy.

"The rising cost of living will make life hard for the likely victor of the Philippines' presidential election, Ferdinand R. Marcos Jr.," the report said.

The report described the Philippines as "high risk" in terms of food and energy security. In a graphic, the firm said unrest has thus far been kept in check because of subsidies and aid packages implemented during the pandemic.

Verisk Maplecroft said that middle-income countries, including the Philippines, are more at risk because they will struggle to maintain social safety nets going forward.

"Unlike low-income countries, they were rich enough to offer social protection during the pandemic, but now struggle to maintain high social spending that is vital to the living standards of large sections of their populations," the report said.

"The middle-income countries of Sri Lanka and Kazakhstan have already experienced destabilizing unrest this year. In Sri Lanka's case rising food and fuel prices were a key factor; while Kazakhstan's attempt to cut fuel subsidies was the spark."

"We've flagged both high inflation and elevated levels of debt as the two major issues that an incoming president would face even ahead of the elections," ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in an e-mail when asked for his views on the advisory. "We believe these challenges pose both near term and medium-term headwinds to growth and development."

"As such, inflation at these levels will sap some momentum from household consumption, the main component to our growth story," he added.

The Philippines has been providing subsidies on fuel and food to the transport and agricultural sectors. Headline inflation for April came in at 4.9%, the highest level in over three years. The national debt at the end of that month was at a record P12.68 trillion.

The list of other at-risk countries included Argentina, Brazil, Egypt, Tunisia, Lebanon, Senegal, Kenya, Pakistan, and Bangladesh.

Argentina, Brazil, Lebanon, and Pakistan have recently experienced civil unrest due to subsidy cuts or proposed cuts.

Meanwhile, Bangladesh is the only country on the watchlist rated at "extreme risk" on energy security, with Brazil facing "medium risk" on both food and energy. — **Tobias Jared Tomas**

# ICTSI pursuing IT-driven efficiencies at Manila terminal

INTERNATIONAL CONTAINER Terminal Services, Inc. (ICTSI) said on Wednesday that it is hoping to invest further in information technology (IT) at its main port in Manila, with the goal of expanding the facility's productivity.

ICTSI said in a statement that it has invested more than P900 million in IT for its flagship Manila International Container Terminal (MICT) in the last 10 years and hopes to "continue to take advantage of new technologies to push... efficiencies for the benefit of our customers."

According to ICTSI Executive Vice-President Christian R. Gonzalez, the MICT investments are meant to crisis-proof the terminal, safeguard shipments and system processes, and maximize operational efficiency.

ICTSI recently partnered with PLDT, Inc. to roll out fifth-generation (5G) wireless technology at the MICT.

"The MICT is currently utilizing the technology to automatically weigh containers using spreader load cells in rubber-tired gantries (RTG). Having this feature helps shorten truck drivers' stay at the port as they no longer need to queue to use the terminal's weigh bridges," the company said.

"5G technology is an important cornerstone of MICT's journey towards becoming the first smart port in the Philippines. Other 5G-integrated projects in the pipeline include truck driver messaging, remote safety monitoring using intelligent surveillance systems and remote crane monitoring using Internet of Things devices and sensors — all of which are aimed at improving safety and efficiency of port operations while reducing foot traffic inside the terminal," it added.

— **Arjay L. Balinbin**

**FULL STORY**

Read the full story by scanning the QR code with your smartphone or by typing the link <bit.ly/ICTSI051222>

# Expanded NFA budget required to boost palay procurement

AGRICULTURE Secretary William D. Dar said he recommends a P30-billion budget for the National Food Authority (NFA), up from the current P7 billion, to boost procurement of palay, or unmilled rice, in order to enable the sale of more rice to consumers at below-market prices.

"The NFA used to have a lot of buffer stock in its warehouses. It would sell this P27 per kilo. Having that as a benchmark, as long as there is political will and additional budget given to the NFA, you can increase its ability to procure more," he said during a virtual webinar.

The NFA has a current budget of P7 billion, according to Mr. Dar.

"We need additionally P23 billion to the NFA's budget so it becomes P30 billion a year," he said.

"Using that benchmark, you can now extend that to 30 days' (demand) for buffer stock. Once that is rolled over, it should be sold to the markets, using the network of the NFA. From P27, it can be increased by P3 to become P30 per kilo," he added.

Mr. Dar said that President Rodrigo R. Duterte approved a proposal that would allow local government units (LGUs) in the provinces to procure their own palay and maintain local inventories.

"We are aiming for the top 20 rice-producing provinces. After these elections, we will have a dialogue with (them)," he added.

He said his ultimate goal after the LGU talks is to raise the buffer stock to 60 days.

"Did you know India and China have a one-year buffer stock of rice? That is how important buffer stocking is to roll over so that there is affordable rice to sell on the markets," Mr. Dar said.

"I would like to also mention that the rice being sold by the NFA to the markets is for the poorest of the poor," he added.

The Rice Tariffication Law removed the NFA's import functions, leaving it to procure rice from farmers at a support price that is typically higher than what commercial traders are willing to pay, though in practice procurement is limited in the absence of funding.

Mr. Dar said an important component of the DA's mission is to ensure the affordability of food and the competitiveness of agriculture.

He added that the affordability of rice is a powerful tool for managing inflation, and that the DA is looking to ship surpluses from productive provinces to areas facing shortages. — **Luisa Maria Jacinta C. Jocson**



OPINION

# The tax landscape: Where we are and what is ahead

**TAXWISE OR OTHERWISE**
**MARION D. CASTAÑEDA**

*"Out with the old, in with the new"* seems to be the prevailing mood. With the government's term expiring, the Philippines will soon usher in a new President and install a new set of administrators. The Bureau of Internal Revenue (BIR) is naturally one of the government agencies affected by the turnover of leadership, with the Commissioner of Internal Revenue (CIR), who heads the BIR, being a presidential appointee.

Turning the page may also be in the air for BIR regulations and issuances. Looking back to the July 2016 edition of this column, I would like to revisit some of the significant changes in our tax landscape and look ahead at developments that we can anticipate.

**SUSPENSION OF JUNE 2016 ISSUANCES**

Upon appointment of the then new CIR, Revenue Memorandum Circular (RMC) No. 69-2016, dated July 1, 2016, suspended the implementation of BIR issuances from June 2016. Upon review, many of these issuances were subsequently reinstated by RMC Nos. 80-2016, 88-2016, and 127-2016.

Notably, one issuance that remained suspended was Revenue Memorandum Order (RMO) No. 27-2016, dated June 23. 2016. This RMO was to set the guidelines for availing of tax treaty relief on dividends, interest, and royalties. Instead, the coverage of this RMO was tackled in newer issuances in 2017, 2020, and 2021, as discussed below.

**REINSTATEMENT OF WITHHOLDING TAX RULES ON DEDUCTIBILITY OF EXPENSES**

Under Revenue Regulations (RR) No. 12-2013, no deduction for income tax purposes was allowed in case of failure to withhold tax, notwithstanding subsequent payment of such withholding tax at the time of audit investigation or reinvestigation/reconsideration. This RR was revoked in 2018 with the issuance of RR No. 6-2018, reverting to the previous rule allowing expenses as a deduction, provided that the required withholding tax is remitted to the BIR during a tax audit/investigation, with the concurrent penalties from under-withholding or non-withholding.

It is noteworthy, though, that in tax cases, the Court of Tax Appeals has held that payment of deficiency withholding tax after the issuance of a Final Decision on Disputed Assessment is not considered a remittance during a tax audit/investigation; hence the tax court upheld the disallowance of expenses and sustained the assessment of deficiency income tax thereon.

**REGULATIONS IMPLEMENTING TRAIN AND CREATE**

Republic Acts 10963 and 11534, also known as the Tax Reform for Acceleration and Inclusion (TRAIN) and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) laws, were signed in 2017 and 2021, respectively. These laws are two of the major tax reform packages, which primarily tackled personal (TRAIN) and corporate (CREATE) income tax.

Numerous regulations were issued to implement the Tax Code amendments from these tax reforms, including the amended RR Nos. 11-2018 and 5-2021, primarily touching upon the personal and corporate income tax changes under the respective tax reform laws. Other important issuances include: RR No. 12-2018 (donor's and estate taxes); RR Nos. 13-2018, 4-2021 and 21-2021 (value-added tax); RMC No. 19-2022 (tax-free exchange); and the CREATE Implementing Rules and Regulations covering Title XIII of the Tax Code.

**TRANSFER PRICING AUDIT AND COMPLIANCE**

While the transfer pricing guidelines were promulgated in RR No. 2-2013, which required the maintenance of contemporaneous transfer pricing documentation to support the pricing of intercompany transactions, more transfer pricing rules and guidance were introduced starting in 2019. Revenue Audit Memorandum Order No. 1-2019 prescribes the procedures and audit guidelines to be followed in the event of a transfer pricing audit. Moreover, the Related Party Transaction Form (or BIR Form No. 1709) now forms part of annual income tax compliance, as mandated for certain taxpayers pursuant to RR No. 19-2020, as amended by RR No. 34-2020.

**TAX TREATY RELIEF AND TAX SPARING**

In a welcome development, tax treaty relief for dividends, interests, and royalties was initially simplified with the issuance of RMO No. 8-2017, under which accomplishment and submission of a Certificate of Residency for Tax Treaty Relief (CORTT) Form by the Philippine tax resident-payee and the foreign income recipient domiciled in a treaty country would be considered sufficient compliance. However, the 2017 RMO was superseded by RMO No. 14-2021, which provides updated procedures for availing of tax treaty benefits covering all types of income payments, including dividends, interest, and royalties. While the 2021 RMO was issued in compliance with the Ease of Doing Business Act in mind, its requirements are arguably less simple than the CORTT Form requirement under the 2017 RMO.

Meanwhile, RMO No. 46-2020 provides for the guidelines and procedures for availing of the reduced 15% dividends tax paid to a nonresident foreign corporation under Section 28(B)(5)(b) of the Tax Code, also known as the tax sparing rule. While arguably the Tax Code provision is self-executing, this 2020 RMO nonetheless provides more consistent guidance to taxpayers, who previously sought BIR rulings as a conservative measure when using such reduced dividends tax rate.

**FUTURE TAX DEVELOPMENTS**

There are still two pending major tax reform proposals in Congress, covering real property valuation and taxation of passive income and financial intermediaries. There is also a pending proposal to include non-resident digital service providers within the 12% value-added tax coverage, being deliberated currently at the Senate Committee on Ways and Means level, as of this writing. It remains to be seen whether the incoming administration will prioritize these tax measures, but if passed into law before the new administration takes over, we can expect the promulgation of implementing regulations covering the same, perhaps soon.

The changes in the tax landscape these last six years were unprecedented, and more changes could be coming soon. Dutifully keeping on top of tax updates is a must for taxpayers and tax experts alike.

*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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