‘Not yet possible’ to bring rice prices down to P20, Dar says

AGRICULTURE Secretary William D. Dar said on Wednesday that bringing down the price of rice to P20 per kilogram, as promised on campaign by President-elect Ferdinand R. Marcos, Jr., is not achievable unless the government brings down production costs.

Mr. Dar, who leaves office at the end of the month, estimated the production cost of palay, or unmilled rice, has soared to P14.80 per kilo from P11.50 per kilo after Russia’s invasion of Ukraine raised fertilizer and fuel prices.

“The farmgate price, or when you buy the palay at 14% moisture content, is at P19 per kilo,” he told ABS-CBN’s TeleRadyo. As a result, he said, P20 rice is “not yet possible.”

Mr. Dar, who served a previous term as Agriculture Secretary between 1998 and 1999, said the government’s P3-billion subsidy for fertilizer is also not enough.

During the campaign, Mr. Marcos made his promise on rice prices, which he later described as “aspirational.” Economists said such a program could swell the national debt if carried out. Farmer groups and other stakeholders said they were not consulted on that electoral promise.

Albay Rep. Jose Maria Clemente S. Salceda has said that P20 rice is only possible if the Philippines imports rice from Vietnam and removes all taxes.

Mr. Dar said that the production cost has to be lowered to achieve the ambitious goal.

The cost of palay production is currently at P8 per kilo in Thailand and P6 per kilo in Vietnam, he added.

“The aspiration of our President-elect is a good sign,” Mr. Dar said. “All of our endeavors should be planned so we can achieve that level of price for rice at P20.”

“One way to really reduce the price of rice is to reduce your cost of production,” he added.

The Philippine Confederation of Grains Associations earlier said Mr. Marcos’ promise, which analysts have described as populist, is only possible with subsidies. — **Kyle Aristophere T. Atienza**


FREEPIK

BPO sector surpasses revenue, employment targets set for 2022

THE business process outsourcing (BPO) industry has hit the employment and revenue growth targets it set for itself this year, the industry association said.

The IT and Business Process Association of the Philippines (IBPAP) said in a statement on Wednesday that it is ahead of schedule on its targets, having already exceeded the 2022 goals of 1.43 million full-time employees (FTEs) and $29.1 billion worth of revenues.

“The number of FTEs in the country increased by 120,000 in 2021, bringing the sector’s total headcount to 1.44 million and registering growth of 9.1% compared to 2020. The industry also recorded revenue of $29.49 billion in 2021 or a 10.6% jump from the previous year,” the IBPAP said.

“Not only did the 2021 figures exceed the forecasted growth for the year, but it also eclipsed the recalibrated 2022 targets of 1.43 million FTEs and $29.1 billion in revenue...The upsurge can be attributed to pent-up demand from global customers, higher confidence in work-from-home (WFH) setups by clients of contact centers and business process services, and growth in emerging sub-segments like e-commerce, financial technology, healthcare, and technology,” it added.

According to IBPAP President Jack Madrid, the industry’s performance in 2021 “marks a resurgence” for the industry.

“Preserving jobs, driving investment, stimulating countryside development, and creating demand for real estate — these are the unequivocal contributions of the industry,” Mr. Madrid said.

Mr. Madrid added that more organizations involved in global business services are also integrating offshoring and outsourcing into their strategic initiatives to optimize costs across various countries.

“This will spill over into 2022 and continue to boost demand for IT-BPM services across the world. We should not miss out on this opportunity to capture a bigger slice of the global market,” Mr. Madrid said.

According to the IBPAP, the industry needs to make the most out of the country’s growth potential and support its global competitiveness.

The association expects the integration of hybrid work models in business to be more prevalent, as companies leverage alternative locations and implement small-scale centers or microsites as part of their business continuity planning and ensure continued access to talent.

“Supply chain resilience from a talent standpoint will be critical amid the intensifying talent war that’s exacerbated by higher attrition rates and growing requirements for emerging and niche skills such as automation, cloud, data and analytics, and cybersecurity,” the IBPAP said.

Separately, the IBPAP announced that it is set to publish the Philippine IT-BPM Industry Roadmap 2028 this year, which will lay out the industry’s priorities in digitization, talent retention, policy shaping, infrastructure, and country branding over the next six years.

It said the roadmap will list legislative goals such as achieving mainstream acceptance of hybrid work, following its broad adoption by competitors like India, Poland, and Malaysia.

“Although more recent efforts have been on facilitating a smoother transition back to the office through the extension of work-from-home (WFH) arrangements until Sept. 12, 2022, crucial work has been put into ensuring that the new administration understands why work-from-anywhere is essential to the country’s enduring competitiveness and readiness for higher global market share,” the IBPAP said. — **Revin Mikhael D. Ochave**

Duterte signs EO implementing coconut industry dev’t plan

PRESIDENT Rodrigo R. Duterte has signed an executive order (EO) that will implement the Coconut Farmers and Industry Development Plan (CFIDP).

The development plan sets the direction for national programs establishing community-based enterprises and providing social protections for coconut farmers, farm workers, and their families.

According to the EO, the government must “consolidate the benefits due to coconut farmers, especially the poor and marginalized, under various statutes, and expedite the delivery thereof, to attain increased incomes for coconut farmers, alleviate poverty, and achieve social equality.”

“The Philippine Coconut Authority (PCA) consulted concerned government agencies, coconut farmers, including their organizations, industry associations, civil society groups, the academe, and other stakeholders in the formulation of the plan,” according to the order, signed on June 2 and made public on June 8.

In a separate statement, the Department of Agriculture (DA) said that the approval of the plan represents the “next step” in the coconut industry’s rehabilitation, modernization, and industrialization.

“Overall, the CFIDP is expected to alleviate poverty and achieve the twin goals of rehabilitating and modernizing the coconut industry to attain social equity,” the DA said.

The EO sets in motion future disbursements to the Coconut Farmers and Industry Trust Fund. The fund consists of coconut levy assets, which were declared state property by the Supreme Court.

The trust fund will receive P75 billion over the next five years and will be distributed in accordance with the CFIDP. The initial allocation to the trust fund is set at P10 billion.

“After more than four decades of waiting, the law for the management and utilization of the coco levy fund that was enacted last year will now be finally implemented in fulfillment of Mr. Duterte’s campaign promise to our coconut farmers,” PCA Administrator Benjamin R. Madrigal, Jr. added. — **Luisa Maria Jacinta C. Jocson**

PHL, Israel sign investment promotion deal

THE PHILIPPINES and Israel signed an investment promotion and protection agreement (IPPA) on June 7, the Department of Trade and Industry (DTI) said.

In a statement on Wednesday, the DTI said Trade Secretary Ramon M. Lopez and Israeli Finance Minister Avigdor Lieberman signed the IPPA in Jerusalem.

“The IPPA with Israel provides a key opportunity to tap into the industries of agro-tech, life sciences and healthcare, water technologies, high-technology and semiconductors, cybersecurity, financial technology, defense industry, smart transportation, clean technology, smart manufacturing, and the diamond industry,” the DTI said.

Philippine Ambassador to Israel Macairog S. Alberto said the deal sets the framework for a closer investment relationship between the two countries.

Mr. Lopez said: “The Philippines eyes Israel’s expertise on innovation, especially in new and smart technologies that will bring about more competitive and efficient products. On the other hand, Israeli investors expressed interest in investing in the infrastructure, agriculture and water, and business process outsourcing (BPO) sectors in the Philippines,” Mr. Lopez said.

According to the DTI, Israel is the Philippines’ 34th largest trading partner, 39th largest export market, and the 31st largest source of imports in 2020. — **Revin Mikhael D. Ochave**

DoLE June 12 job fair to offer over 120,000 jobs

THE Department of Labor and Employment (DoLE) said that 999 employers will be offering over 120,000 positions at its job fair on June 12, Independence Day.

In an online briefing on Wednesday, DoLE’s Information and Publication Service Director IV Raul M. Francia said there will be 25 job fair sites nationwide, with the Philippine Arena in Bulacan set as the main venue.

“Even if you fail to apply for a job at the June 12 job fair, you can still check vacancies online, so we appeal to our job seekers to check our websites regularly,” Mr. Francia said.

DoLE said as of midday Wednesday, there be 95,476 local job openings and 27,509 openings overseas. The top five participating industries are manufacturing, business process outsourcing, the finance industry, and construction.

The Middle East topped the list of overseas destinations for jobseekers.

Mr. Francia added that vaccination for applicants will be available at the various job fair locations, though details have yet to be finalized.

Separately, the Philippines signed two labor cooperation agreements with Germany covering the deployment of Filipino professionals and skilled workers.

The DoLE said in a statement that the German Federal Employment Agency will assist in the recruitment, deployment, and employment of electrical mechanics, hotel receptionists, waiters, and plumbers from the Philippines. — **John Victor D. Ordoñez**

OPINION

Issues with retroactive PhilHealth premium rate adjustment

TAXWISE OR OTHERWISE
MARVIN L. MADRIGALEJO

In 2019, Republic Act No. 11223, or the Universal Health Care (UHC) Act, was signed into law, with the aim of protecting and promoting the right to health of all Filipinos, and instilling health consciousness among them. This landmark legislation seeks to progressively realize universal healthcare through a systematic approach and by clearly delineating the roles of key agencies and stakeholders to ensure that all Filipinos get equitable access to quality and affordable healthcare services, and that they are protected against any financial risk. Every Filipino gets immediate eligibility and access to preventive, promotive, curative, rehabilitative, and palliative care for medical, dental, mental, and emergency health services, delivered either as population-based or individual-based health services. The UHC policy entails substantial investment, depending on available funds for the program’s maintenance; hence, the government must ensure that it has sufficient funding to provide everyone medical benefits regardless of whether or not the membership is contributory.

Under the UHC Act, the premium contributions are to be increased yearly, starting in 2020 at 3%, followed by 3.5% in 2021, 4% in 2022, 4.5% in 2023, until it hits a 5% maximum rate by 2024 to 2025. It may be recalled that PhilHealth postponed the premium hike last year from 3% to 3.5%, effective for an interim period, unless Congress passes a new law allowing further deferment.

After last year’s deferment, the Philippine Health Insurance Corporation (PhilHealth) announced the implementation of the scheduled premium contribution for all direct contributors beginning 2022. As prescribed in Section 10 of the UHC Act and by PhilHealth Circular No. 2020-0005 on the Premium Contribution Schedule in the National Health Insurance Program (Revision 1), the premium rate for CY 2022 is 4% for all Direct Contributors with an income floor of P10,000 and income ceiling of P80,000 effective January 2022.

Based on PhilHealth Circular No. 2020-0005, the basis for the contributions shall be the Monthly Basic Pay (MBS) or the fixed basic rate of an employee, which excludes sales commissions, overtime pay, allowances, 13th month pay, bonuses, or other gratuity payments. Furthermore, deductions from the employee’s wages, arising from undertime, tardiness, leave without pay, absences, or other similar circumstances, are also excluded from the computation. For monthly-paid and daily-paid employees, their MBS is to be computed based on the estimated Equivalent Monthly Rate (EMR) formula posted in the latest edition of the Department of Labor and Employment (DoLE)-Bureau of Working Condition’s Handbook on Worker’s Statutory Monetary Benefits.

Under the recent PhilHealth Advisory (2022-0010), the adjusted premium contribution rate of 4% took effect in January this year for employers and self-paying members. It takes effect in the Electronic Premium Reporting System (EPRS) and PhilHealth Member Portal (PMP) starting June 2022.

RETROACTIVE ADJUSTMENT

For January to May 2022, members and employers who have already paid their contributions are further advised to generate the corresponding Statement of Premium Account (SPA) for the paid periods to allow them to settle the 1% differential payments or remittances until Dec. 31. Since the payrolls for these periods had already been disbursed to the employees, the 1% differential payments or remittances can only be deducted prospectively in the coming payroll periods.

Employers will have to contend with additional administrative work in handling the amortization of the 1% differential payments or remittances from their employees’ payroll until these are fully paid within the timeframe prescribed by PhilHealth. To manage the employees’ expectations of their cash flows, the employers may offer a staggered deduction of the 1% differential payments or remittances for the remaining period of the calendar year, which is July to December 2022, instead of a lump sum deduction.

TAX IMPLICATION

Since PhilHealth premiums are statutory contributions classified as “Non-Taxable/Exempt Compensation Income,” the additional remittances deducted from the salary will reduce the employees’ taxable income and the withholding tax on compensation. Once the changes in the premium contributions have been implemented in the payroll systems, employers should check whether the calculated withholding taxes are correctly captured during their regular payroll processing.

But what about the period from January to May 2022, when payroll processing had been completed, and net pay had already been disbursed to employees? To correctly calculate the employees’ total tax due for the year and the amount of the tax to be withheld from the payroll at year-end, the employers have the option to include the employees’ share in the 1% differential payments or remittances in the current payroll process, where it will be deducted, or include the aggregate 1% differential payments as a year-end adjustment. Monitoring the additional premium contribution for payroll purposes and capturing the correct tax due and tax still due at year-end can be challenging, but the employers are obliged to conduct such additional administrative activities for payroll tax compliance purposes.

SEPARATED EMPLOYEES

The adjustment for the 1% differential payments or remittances seems to be straightforward and clearer in the case of active employees than for separated or resigned employees, where gray areas need clarification. If the adjustment in premium rate applies retroactively to January 2022, are former employees required to shoulder the 1% differential in remittances for separated employees? Do employers remit only their share of the remittance, or must they also remit the share of the separated employees? As of this writing, PhilHealth is expected to issue further guidance to address these matters.

While some direct contributors may not welcome the increase in PhilHealth premium contributions at this time of rising fuel and commodity prices, the policy objective of the UHC Act should give PhilHealth members the consolation of staying committed to the program. The ultimate goal is for every Filipino to enjoy universal health coverage — an achievable end through a robust and sustainable fund. As author, Rhonda Byrne said, “By all means ask for abundance and health for you, but also ask for it to be given to everyone.”

The views or opinions presented 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.

MARVIN L. MADRIGALEJO
senior manager at the Client Accounting Services Department of Isla Lipana & Co., the Philippine member firm of PwC network.
marvin.l.madrigalejo@pwc.com