

NEDA: Unsolicited proposals, dev't plans need to be aligned

THE National Economic and Development Authority (NEDA) said the infrastructure of the future needs to be “smart,” “sustainable,” and aligned with development planning to a degree not seen in the unsolicited proposal process.

“We want to have a master plan so that all our infrastructure is well thought out; that they connect transport with the urban planning, with the land use, with water use, with the issue of population demographics and congestion, and also, to make sure that all (infrastructure) is planned very well and not just accepting

unsolicited proposals that are totally out of the scope of our plans,” Socioeconomic Planning Secretary Karl Kendrick T. Chua said at a briefing on Monday.

Infrastructure spending as a percentage of gross domestic product was at 5.8% last year, and has been counted on by the current government to drive the economic recovery, a policy which the next government has signaled may continue.

At the briefing, Undersecretary Roderick M. Planta added that “smart and sustainable infrastructure development requires the adoption and innovative use

of smart solutions, technologies in different infrastructures, services, and urban facilities to achieve our societal goals in improving our overall quality of life.”

Such goals are to be considered when implementing the Philippine Development Plan (PDP) and in drafting the next one, he said.

“The Philippines faces various economic, environmental, and social problems due to increasing population, rapid urbanization, vulnerability to disasters, and huge infrastructure gaps that need to be addressed immediately,” he added.

NEDA has commissioned 13 sector-wide master plans in urban areas nationwide that were funded through the NEDA project development and other related studies fund, Mr. Planta said in his presentation. These will guide the preparation and implementation of sustainable infrastructure development.

In the drafting of the next PDP, Mr. Planta said further attention will be paid to transport, water resources, energy, social infrastructure, and information and communications technology infrastructure. — **Diego Gabriel C. Robles**



TOURISM Secretary-designate
Maria Esperanza Christina G. Frasco

PHILIPPINE STAR/KI ROSALES

Cabinet nominee Frasco calls for ‘balanced’ safety measures for tourism

THE next government’s nominee to head the Tourism department said health measures imposed on her industry must balance the need for safety and preserving livelihoods.

Tourism Secretary-designate Maria Esperanza Christina G. Frasco said during her welcoming ceremony at the Department of Tourism in Makati City on Monday that the pandemic has left tourism workers scarred by the loss of income when travel was restricted.

“When people lose their livelihoods and are left hungry and without opportunities for income, they may lose their lives as well. So, it’s very important to strike a balance between lives and livelihood. Therefore, it is important to (evaluate) the existing health and safety protocols and to examine whether or not there is a necessity to (relax them) in the interest of revitalizing the tourism industry,” Ms. Frasco said.

“We greatly appreciate all the efforts of the National Government in implementing the necessary health and safety protocols for the protection of life. But at the same time, from our experience in Cebu, we have also seen the importance of balancing the protection of life with the protection of livelihoods, because if we

continue to allow ourselves to be shackled by the fear of the pandemic rather than revising our perspective to learn how to live with this virus in a manner that is responsible and conscious of health protocols, then not only lives will be lost but livelihoods as well,” she added.

COVID-19 cases have been rising again recently. The weekly case bulletin of the Department of Health issued on Monday indicates that the Philippines logged 4,634 new COVID-19 cases between June 20 to 26, up 53% compared to the week earlier.

Ms. Frasco said she will push to promote other sites in the Philippines that are not yet widely known to tourists. She gave no details.

“It is very important for us to continue to harness the marketability of our already well-known tourism sites, but at the same time, shed light on the sites in the Philippines that have not yet had equal opportunity for promotion and product development,” Ms. Frasco said.

She said the promotion strategy on her watch will seek to “focus on our natural resources but also on the development and promotion of our people and our products.” — **Revin Mikhael D. Ochave**

Tulfo backs power subsidies targeting only the poorest

A SENATOR who is hoping to land the top job on the chamber’s Energy Committee in the 19th Congress said he supports power subsidies for a defined target population consisting of the poorest users, as officials scramble to find ways to cushion the blow of higher electricity prices.

Senator-elect Rafael T. Tulfo said more affluent consumers can afford to pay electricity rates and will not be aided.

“They can still afford it since they’re in the middle class,” he said in an online briefing. “They are receiving at least above minimum wage, so let’s help those earning minimum wages or below.”

The debate over how to ease the blow of rising energy prices has mainly centered on suspending the excise tax on fuel, which officials have said will hamper the economic recovery by diminishing the resources the government can deploy in stimulating the economy.

Mr. Tulfo said “further study” is needed before implementing an excise tax freeze.

“Some have said that it should be suspended but (the tax revenue has) been helpful as well. It has to be studied further.”

Other possible responses to the rise in power prices include reducing the industry’s system losses, which are passed on as costs to consumers, and reviving the 620-megawatt Bataan Nuclear Power Plant (BNPP), though Mr. Tulfo said the latter measure faces a number of hurdles.

“The Bataan nuclear plant already has a problem with structural defects and debt,” Mr. Tulfo said. In addition, “Bataan is always hit by typhoons,” and it was unclear whether adequate safeguards are in place to ensure the plant is not damaged by a natural calamity. He cited Japan’s move away from nuclear power after Fukushima.

“On the other hand, there are many benefits in terms of supply. I’ve also heard that there’s new technology (available), maybe that’s another point we’ll study,” Mr. Tulfo said. — **Alyssa Nicole O. Tan**

Coconut industry development plan launched

THE Coconut Farmers and Industry Development Plan (CFIDP) was launched in Lucena City on June 24, outlining the steps the government plans to take in upgrading social protections, raising productivity, and organizing coconut farmers to help them arrive at more viable business plans.

The Department of Agriculture (DA) said in a statement on Monday that the plan, which it launched with the Philippine Coconut Authority, hopes to also address the development of hybrids suitable for Philippine conditions, farm rehabilitation and improvement, integrated coconut processing and the development of downstream products, research, and support services.

The CFIDP is authorized by Republic Act No. 11524 or the Coconut Farmers and Industry Fund Act, signed on Feb. 26, 2021 by President Rodrigo R. Duterte. The plan was approved on June 2 via Executive Order No. 172.

The development plan will receive funding from the P75-billion Coconut Farmers

and Industry Trust Fund, which had been created under the law.

“(The) CFIDP aims to increase the income and productivity of the 2.5 million coconut farmers in the country; promote poverty alleviation, education, and social equity; and rehabilitate and modernize the Philippine coconut industry,” the DA said.

Agriculture Secretary William D. Dar said modern farming methods, better varieties, and a science-based approach has the potential to improve yields drastically to 150 nuts per tree annually from the current 40 to 45.

Coconut farmers can avail of the various CFIDP programs if they join the National Coconut Farmers’ Registry.

“Eligible members include: farm owners and/or owner-tillers, coconut growers who own not less than 0.5 hectares of land with at least 20 coconut trees; tenants or tenant-workers; and farm workers or laborers,” the DA said. — **Revin Mikhael D. Ochave**

NGO seeks urgent status for bill creating fisheries department

A FOOD security advocacy called on the incoming Marcos administration to certify as urgent a measure establishing the Department of Fisheries and Aquatic Resources (DFAR), billing such a move as in aid of containing rising food prices and reverse faltering productivity.

In a virtual briefing on Monday, Tugon Kabuhayan Convenor Roberto A. Ballon said he is asking the next government to make a major effort towards achieving “seafood security.”

“Everyone is in agreement, the municipal, commercial, business, aquaculture, post-harvest (subsectors), that a

DFAR is needed. We want an office with a desk. Just build DFAR; there will be seafood security,” Mr. Ballon, a Ramon Magsaysay Award recipient, said.

President-elect Ferdinand R. Marcos, Jr. will be sworn into office on June 30.

Asis G. Perez, also a Tugon Kabuhayan convenor, said that the administrative infrastructure for such a department is already in place, in the form of the Bureau of Fisheries and Aquatic Resources (BFAR).

He estimated the cost of establishing the DFAR at P12 billion. The BFAR had a budget of P4.57 billion in 2022.

“No DFAR bill in previous Congresses have reached second reading,” Mr. Perez said, arguing that such a department will have broader reach than the DA, the BFAR’s parent department.

“The DA is organized only at the regional level, while the BFAR reaches into the provinces,” Mr. Perez, a former BFAR director, said.

Mr. Perez, who is a former BFAR director, said a DFAR would have to serve as regulator and promoter of industry development.

“Both the developmental aspect and also the regulatory aspect will have to be

put into one. It should be synchronized,” Mr. Perez said.

“With the fifth largest coastline in the world, we have a total of 233 million hectares of water resources, which is 7.7 times bigger than the country’s land area. We need to have a separate DFAR to manage it,” he added.

The Philippine Statistics Authority estimated the value of fisheries production at constant 2018 prices to have contracted 5.8% in the first quarter. It accounted for 12.9% of overall Philippine agricultural output. Overall agricultural production of the Philippines dropped 0.3% during the period. — **Revin Mikhael D. Ochave**

OPINION

The right answers come to those who ask the right questions

Due to the COVID-19 pandemic, schools were prohibited from conducting face-to-face classes and subsequently shifted to other means, such as online classes or modular distance learning. Early this year, the Department of Education (DepEd) shifted to the progressive expansion phase of online education, in which selected public and private schools were allowed to conduct limited face-to-face classes. Considering the decline in the case count in recent weeks, the authorities are now targeting the resumption of full face-to-face classes for School Year 2022-23.

As much as we are excited to bring back face-to-face classes, this won’t mean that things will be the same as before. The safety of students, teachers, and all school personnel must still be the priority. Numerous questions must be addressed to convince everyone that we are now ready for this new normal.

One particular aspect of school operations that relates to our field of specialization — taxes — is how educational institutions will be taxed once the emergency passes. The Bureau of Internal Revenue (BIR) recently issued Revenue Memorandum Circular No. 78-2022 to clarify the various classifications of educational institutions under the National Internal Revenue Code of 1997, as amended (Tax Code), the income tax treatment under each classification, and the tax exemptions and tax liabilities that apply to specified classes of educational institution.

PROPRIETARY EDUCATIONAL INSTITUTIONS

A proprietary educational institution refers to a private school maintained and administered by private individuals or groups that strictly adhere to the rules and regulations applicable to educational institutions based on the permit to operate duly issued by the DepEd, Commission on Higher Education (CHED), or the Technical Education and Skills Development Authority (TESDA). To simplify, the term proprietary means private.

1. Domestic corporation — If the institution is considered a domestic corporation, the income is subject to a 10% preferential income tax rate. The same rate will apply to all domestic nonstock, nonprofit (NSNP) educational institutions whose net income or assets benefit any specific person.

Pursuant to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, however, the tax rate imposed was reduced to 1% from July 1, 2020 to June 30, 2023, after which the tax rate reverts to 10%.

On the other hand, if the gross income from “unrelated trade, business or other activity” of the institution exceeds 50% of the total gross income derived from all sources, the entire taxable income will be subjected to regular corporate income tax. A similar rule applies to the income of nonstock nonprofit (NSNP) educational institutions that are not actually, directly, and exclusively operated as educational purposes.

2. Others — The rules on income tax for individuals shall apply to the income of an individual, trust, or estate that owns a proprietary educational institution as a sole proprietor. If the institution is classified as a resident foreign corporation, the income derived will be taxed under Section 28(A) of the Tax Code, as amended.

GOVERNMENT EDUCATIONAL INSTITUTIONS

A government educational institution (GEI) refers to a public university or college that is fully owned and subsidized by the government. This may be created through a charter, or a law passed by the Congress of the Philippines.

The GEI is exempt from income tax on the income received as such under Section 30(I) of the Tax Code. However, if the GEI’s charter does not expressly provide that it is exempt from tax, the institution may only be exempt from income tax and be subjected to other applicable taxes.

NONSTOCK, NONPROFIT EDUCATIONAL INSTITUTIONS

All revenue and assets are exempt from taxes and duties if the NSNP complies with two requisites: (1) the school is nonstock and nonprofit; and (2) the income is actually, directly, and exclusively used for educational purposes.

To avail of the exemption, NSNPs must file their application for tax exemption with the Office of the Assistant Commissioner for Legal Services by submitting the following documents pursu-

ant to Revenue Memorandum Order No. 44-2016:

1. Original application letter for issuance of tax exemption ruling;
2. Certified true copy of a Certificate of Good Standing issued by the Securities and Exchange Commission;
3. Original Certification under Oath of the Treasurer as to the amount of the income, compensation, salaries or any emoluments paid to its trustees, officers and other executive officers;
4. Certified true copy of the Financial Statements for the last three years;
5. Certified true copy of government recognition/permit/accreditation to operate as an educational institution issued by CHED, DepEd, or TESDA; and
6. Original Certificate of utilization of annual revenue and assets by the Treasurer or his equivalent.

The one-time certificate of income tax exemption or exemption ruling from the BIR remains valid and effective, unless recalled for valid grounds. Failure to secure the certificate or revocation of such will make the income of the institution subject to applicable taxes under the Tax Code.

OTHER ISSUES

The Circular also clarified other applicable taxes on educational institutions such as deductions from gross income of donors, exemption from donor’s tax and withholding tax obligations. It also reiterated the relevant compliance requirements such as the registration, issuance of receipts and invoices, and filing of tax returns, among others.

WERE ALL QUESTIONS ADDRESSED?

One of the questions left hanging is the clarification of the term “unrelated trade, business or other activity.” The Circular reiterated that the term unrelated trade, business or other activity means any trade, business or other activity, the conduct of which is not substantially related to the exercise or performance by such educational institution of its primary purpose or function.

However, such is still debatable and may create confusion and uncertainty. Hence, it would be best if the Bureau discusses this further, especially the question on what constitutes “not substantially” related to the exercise or performance of its primary purpose.

Remember how our teachers told us to ask questions when something is unclear? With the help of modern technology, let us seek information by asking the right questions. This way, we can help the Bureau determine what matters need to be further clarified. After all, it is our taxes that will be affected.

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.

RAYMART F. CINCO is an in-charge from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagranthornton@pt.gto.com

