

Legislators consider new tax, privatization bills

**By Diego Gabriel C. Robles
and Alyssa Nicole O. Tan**
Reporter

MEMBERS of Congress are exploring untapped sources of potential funds, ranging from taxes on digital transactions, single-use plastics, and carbon emissions as signaled by economic managers, as well as privatizing government-owned and -controlled corporations (GOCCs) and public land.

Albay Rep. Jose Ma. Clemente S. Salceda backed legislation taxing online transactions, saying that digitization in business processes is outpacing government efforts to tax the activity.

"Digital transactions are getting cheaper by the year, as innovation leads to efficiencies. But our tax collections aren't keeping pace with the growth in digital sales," Mr. Salceda told *BusinessWorld* in a Viber message.

"As more of the bricks-and-mortar economy moves to the digital space, we could see revenue erosion—leading to depleted tax resources for basic services. So, we need to plug that gaping hole," he added.

"The top 1% of the population consumes 87% of paid digital services, so the effect on the general public will be extremely minimal."

The Marcos government is seeking new sources of revenue to shrink the fiscal deficit and pay down about P3.2 trillion in additional debt incurred during the pandemic. The Bureau of the Treasury (BT) has estimated that the government needs to raise P249 billion annually in incremental revenue to avoid new borrowing and reduce the debt load.

The House of Representatives approved in September 2021 a bill seeking to impose a 12% VAT on online advertisements, subscription services, and others. However, the Senate did not approve its counterpart measure.

Senator Sherwin T. Gatchalian said the lack of value-added tax (VAT) in online services makes such legislation necessary.

"*Ako sang-ayon ako diyan dahil for example 'pag bumibili ka sa Amazon, walang VAT. Pero 'pag bumili ka sa SM ng kaparehas na bagay, may VAT* (I am for taxing the industry because if you buy from Amazon, you won't be charged VAT, but if you buy the same thing from SM, you will)," he said in an interview with DWIZ radio on Saturday.

"So, *lugi naman 'yung mga nagbebenta dito sa atin. Kasi mas mura sa labas at di naman kumikita ang gobyerno* (Vendors here face unequal competition because goods sold online are cheaper, and the government earns nothing from their transactions)," he added.

ENVIRONMENTAL TAXES

Congress is also considering taxing activities that have a negative impact on the environment.

The Philippines is one of the world's largest polluters of single-use plastics because plastics are cheap, Mr. Salceda said.

"Along with the looming effectiveness of the Expanded Producer Responsibility Act which would make businesses more accountable for the plastic waste they produce, plastic taxation, the promotion of alternatives, and other non-tax measures are a basket of policy tools we want to enact to reduce our plastic waste," he said.

"Alternatives to single-use plastics are widely available. Encouraging consumers to bring reusable packaging would actually result in consumer savings of between P200 to P740 per year for the average consumer, since supermarkets and even vendors charge as much as P2 to P3 pesos per bag."

Mr. Gatchalian, whose family runs a major plastics business and represents Valenzuela, the hub of the industry, said taxes on single-use plastics could have implications on jobs.

"*Dapat pag-aralan na mabuti iyan dahil maraming plastic factory sa ating bansa at maraming umaasa dito sa trabaho. Ako aminin ko sa Valenzuela, marami kaming mga plastic factories na marami ang empleyado libo ang kinukuhang nila na empleyado* (That has to be studied carefully because there are many plastics factories that provide jobs. I will admit that in Valenzuela, we have many plastics factories that employ thousands)," Mr. Gatchalian said.

"*So dapat tingnan natin ang anggulo na 'yan, dahil baka naman na mawalan tayo ng trabaho at mataas ang unemployment rate natin ngayon pumapalo ng 6%* (We have to consider the employment angle, because the job losses could add to our 6% unemployment rate)," he added.

Mr. Salceda, however, said the developed world needs to do its share in reducing carbon footprints, and the Philippines should not be left to solve the problem using its own resources.

"Without equity from the developed world, who caused and continue to exacerbate climate change, it could be detrimental to

our national development," Mr. Salceda said.

"Even if we curtail our already low per-capita emissions, the global needle will not move (while) our energy and industrialization will get more expensive," he explained.

Finance Secretary Benjamin E. Diokno last week said the economic team is considering the taxes on digital or online transactions, single-use plastics, and carbon emissions.

Under the previous administration's fiscal consolidation plan, a P20 excise tax per kilogram of single-use plastics was estimated to generate P1 billion in revenue annually.

On the other hand, a 12% VAT on online advertisement services and other digital and online services was projected to generate P13.2 billion annually.

Antonio A. Ligon, a law and business professor at De La Salle University, said that given the government's fiscal bind and debt load, "it's not easy to say whether (we) will avoid new taxes."

"We cannot avoid new taxes because of the need to pay back our huge debt incurred during the pandemic. Economic growth alone will not be sufficient to raise the necessary revenue," added economist Bernardo M. Villegas of the University of Asia and the Pacific.

"I support the suggestions about taxing single-use plastic products and digital transactions. The government can also increase sales taxes on luxurious consumption of the wealthy," he said in an e-mail.

Terry L. Ridon, a public investment analyst and convener of think tank InfraWatch PH, said that "new taxes should only be

limited to segments which do not cover a wide swath of the population, such as sin taxes, gambling, (and) luxury goods."

PRIVATIZATION

Aside from imposing new taxes, the government should also consider privatizing GOCCs and public land, Mr. Gatchalian said.

"I think privatization was frowned upon in the past. But I think this is an area to raise revenue, considering that the government is probably the biggest landowner in the Philippines," Mr. Gatchalian said in an interview with the ABS CBN News Channel on Tuesday.

"There are a lot of GOCCs that are inefficient. My concept here is that government should not be in the business of business, government should be in the business of governance. There's so many GOCCs that can be privatized; let the private sector run it," he added.

When asked about a specific government asset that is being considered, Mr. Gatchalian singled out the Philippine Amusement and Gaming Corp. (PAGCOR).

"I think PAGCOR is a good company or a good GOCC but the private sector can unlock the value and unlock the potential even further. I think that's one area that the private sector can participate in."

"Land is also another privatization opportunity. There's a lot of land. For example, the old domestic airport. If we move to Bulacan, then the old domestic airport can be privatized for developers to come in," he added.

The Privatization Council of the Department of Finance declined to comment, telling *BusinessWorld* the office is still in the

process of transition after the new government took over.

Mr. Ligon added: "government should not be doing business because the primary intent of business is to make profit."

"If we want government asset(s) and corporations to engage in profit-making, then let's leave it to (the) private sector. Conflicts of interest will be avoided because profitability sometimes is not consistent with social concern," Mr. Ligon said in a Viber message.

"If privatized, these new private enterprises can also contribute to raising revenue from income and business taxes."

"In principle, it is better to privatize government corporations that have a business mission. Government should stick as much as possible to regulating monopolies and oligopolies and public utilities, as well as delivering public services such as public education and public health," Mr. Villegas said.

However, there are only about 70 GOCCs that can be surrendered as most GOCCs "run special economic zones, airports, large infrastructure projects, or regulate critical sectors such as housing, food and tourism," Mr. Ridon said.

"These types of GOCC activities cannot be surrendered to the private sector, even at a high premium, because there is a clear public purpose being served by these entities which may conflict with the objectives of private enterprise," he said.

With PAGCOR in particular, while privatization can raise revenue, its role as a regulator is more important, Mr. Ridon added.

DTI's Pascual calls RCEP a Marcos priority

PARTICIPATION in the Regional Comprehensive Economic Partnership (RCEP) is a government priority, Trade Secretary Alfredo E. Pascual said on Thursday.

"RCEP is a priority of the administration. We have clarified this in one of our Cabinet meetings," Mr. Pascual said during the general membership meeting of the Management Association of the Philippines (MAP) in Taguig City.

RCEP, a trade deal which started coming into force on Jan. 1, involves Australia, China, Japan, South Korea, New Zealand and the 10 members of the Association of Southeast Asian

Nations (ASEAN). It is billed as the world's largest trade agreement as it represents about 30% of global gross domestic product.

However, the entry of Philippines into RCEP failed to obtain Senate in the 18th Congress after some senators expressed concern over the lack of protections for the agriculture industry. It is now up to the 19th Congress to decide on ratification. The first day of the new session is July 25.

"(The) Department of Trade and Industry (DTI) will continue to push for the immediate ratification of the RCEP and other trade agreements. With only 10

FTAs, the Philippines has the least number of FTAs among the ASEAN six countries," Mr. Pascual said.

"Singapore signed 27 FTAs, Malaysia 17, Thailand 15, Indonesia 15, and Vietnam 15. These agreements will diversify the country's exports in terms of products and services and destinations and enhance the country's attractiveness to foreign investment," he added.

Mr. Pascual added that the Philippines will not become an attractive location for export-oriented enterprises without RCEP and FTAs.

"Most foreign investments in China, for instance, are export-oriented industries. They are from big multinationals having transferred their production facilities to China and using China as a production place. Without these FTAs and RCEP, the Philippines would not be an attractive location for such types of export-oriented enterprises," Mr. Pascual said.

President Ferdinand R. Marcos, Jr. has said he wants an assessment of the RCEP to ensure the protections for the agriculture sector. — **Revin Mikhael D. Ochave**

PEZA announces appointment of OIC

THE Philippine Economic Zone Authority (PEZA) said Tereso O. Panga has been named officer-in-charge (OIC) director general, with effect from July 1, succeeding former chief Charito B. Plaza.

In a Facebook post on Thursday, PEZA said Mr. Panga's designation as OIC is outlined in Memorandum Circular (MC) No. 1, issued by the Office of the President over the signature of Executive Secretary Victor D. Rodriguez on June 30.

Mr. Panga was formerly deputy director-general for policy and planning. "Mr. Panga will head the (agency) until July 31, 2022 or until a replacement is appointed/designated, which-

ever comes first," the PEZA said.

"In view thereof, all applications, requests, concerns, and matters needing action or approval by the Head of the Authority following the guidelines of MC No. 1 shall be addressed to the duly assigned OIC," it added.

Asked to comment, Ms. Plaza said in a Viber message that the position is coterminous with the appointing administration.

Ms. Plaza was appointed director-general in September 2016.

"PEZA director general is (a) Presidential appointee (and is) coterminous," Ms. Plaza said. — **Revin Mikhael D. Ochave**

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Salary Range: PHP 400,000 - 450,000 monthly

Bill proposes 30-year timeline for infrastructure projects

A BILL seeking to create a 30-year planning horizon for infrastructure and establishing a National Infrastructure Program has been filed at the Senate, Senator Mark A. Villar said in a statement.

"It is important that we advance the Build, Build, Build program in the Senate, because having a long-term plan for our infrastructure program can grow the economy... It will (make it easier to improve) roads, bridges, and other structures, (generating) thousands of jobs," he added.

Build, Build, Build was the former government's P8.4-trillion flagship program designed to address the Philippines' lack of competitiveness due to gaps in its infrastructure.

Mr. Villar is being tipped as a possible chairman of the Senate Trade, Commerce and Entrepreneurship Committee.

The bill focuses on the process for identifying the core infrastructure projects the government plans to pursue in transport, energy, water resources, information and communications technology, social infrastructure systems, and others.

"I am certain that with the passage of this bill, we will encourage investors, facilitate job creation, boost economic growth, and most importantly, improve the quality of life in both urban and rural areas," Mr. Villar said.

The Department of Public Works and Highways (DPWH), which Mr. Villar used to head, estimates that in

the 2016-2020 period, Build, Build, Build generated 6.5 million jobs. It also tallied 1.6 million hires between March 2020 and the end of 2021.

"In the past six years, the Filipino people have seen and experienced the impact of the Philippines' Golden Age of Infrastructure. The Build, Build, Build program resulted in the creation of hundreds of ports, thousands of roads and bridges, and millions of jobs," he said.

Separately, Albay Rep. Jose Ma. Clemente S. Salceda, who is expected to retain the chairmanship of the House Ways and Means Committee, filed a joint resolution on Thursday adopting Build, Build, Build as a national infrastructure development framework with a set minimum annual spending target.

According to House Joint Resolution 6, between 2023 and 2028, at least 5% of gross domestic product (GDP) must be spent on infrastructure, with an eventual target of 6% of GDP.

Mr. Salceda, in the resolution, said that "proper planning and design, adequate funding, efficient implementation, and timely and effective completion of infrastructure projects will be crucial to economic recovery from the scarring effects of the COVID-19 pandemic and the attendant global economic slowdown."

If passed, the government will be required to complete infrastructure projects in the pipeline and promote locally funded infrastructure development. — **Alyssa Nicole O. Tan**

No sugar shortage, industry says; high prices blamed on 'hoarding'

SUGAR producers said on Thursday that the supply of sugar is ample and blamed the prevailing high prices on "manipulation and hoarding."

United Sugar Producers Federation President Manuel R. Lamata blamed the manipulation on some traders he did not identify.

"Definitely, there is manipulation and hoarding going on," Mr. Lamata said in a Viber message.

The average retail price of refined sugar in wet markets was P87.50 per kilo on July 8, according to a report by the Department of Agriculture (DA). The price was as high as P90 in some markets.

The average price of raw sugar in wet markets, meanwhile, was P66.86 per kilo.

Mr. Lamata projects a possible shortage "in the long run."

Philippine Chamber of Commerce and Industry President George T. Barcelon said the increase in sugar prices is the result of various factors, including surging prices of fertilizer and the impact of previous typhoons on sugar-producing provinces.

"(We should) consider the devastation that was brought about by Typhoon Odette in mid-2021, which hit the Visayas and Northern Mindanao, where sugar is grown extensively," he said in a Viber message. "This affected production for the first half of 2022."

"There is limited supply coupled with high cost of fertilizers. Farmers fertilized less of their farms, thus affecting productivity," he said. "That is what is happening now."

He noted that the DA's plan to import 500,000 metric tons of sugar did not materialize, affecting supply.

"So, I think, only 200,000 metric tons was allowed for import and this was fully absorbed by industrial users," he said. "No imports

reached the retail side; thus, high prices are now being felt."

Mr. Barcelon said the "only recourse" now for the short term is to import from Thailand and other Southeast Asian countries.

Mr. Lamata, who said the greed of some sugar traders triggered surging prices, urged the government to impose a suggested retail price of P60 per kilo of raw/brown sugar and P75 for refined sugar.

He said traders should "immediately" import 100,000 metric tons of refined sugar and "bring the imports to the DA and Sugar Regulatory Administration's rolling stores with suggested retail prices and sell them directly to (consumers) and bakers."

"(The government) should ensure that it will be exclusive to the *palengke* (wet markets) and housewives, not to the industrials and bottlers."

Negros Oriental is one of the Philippines' largest sugar producers. Its Vice Governor Jeffrey P. Ferrer said he will consult with sugar refineries to gauge their willingness to "restart their operations as soon as possible" ahead of a possible shortage.

"There have been reports that low sugar stocks are due to hoarding, but this is an allegation that needs to be verified first," he said in a statement. "On the other hand, if indeed true, I will reach out to various refineries in the province if they are willing to open their mills to refine raw sugar in order to address the perceived shortage in the market."

Mr. Ferrer said while some officials, including those that will serve under the Department of Agriculture, have yet to be named by President Ferdinand R. Marcos, Jr., "we have to hit the ground running and prepare for the coming crop year by ensuring that we will have sufficient sugar supply in the coming months." — **Kyle Aristophere T. Atienza**