Power outage leaves Panay, Guimaras in darkness

THE National Grid Corp. of the Philippines (NGCP) said an unscheduled power interruption completely blacked out the islands of Panay and Guimaras beginning early Wednesday.

The NGCP said in an advisory sent via Viber that the power interruption affected all distribution utilities in Panay and Guimaras starting 6:56 a.m. No further details were provided.

The outage in the Western Visayas comes on the heels of a three-day blackout in Occidental Mindoro starting June 25. The blackout was attributed to Occidental Mindoro Consolidated Power Corp.'s (OMCPC) decision to stop supplying electricity to Occidental Mindoro Electric Cooperative, Inc. (OMECO) after the expiration of their power supply agreement (PSA).

Senator Sherwin T. Gatchalian called for a Senate investigation after the Mindoro outage.

Mr. Gatchalian said in a statement that he plans to "file a resolution to have the Senate direct the appropriate committee to conduct an inquiry in aid of legislation on the matter, highlighting the need for a supply reliability and power quality and to protect consumers from losses attributed to power outages."

Power supply resumed on Monday after Energy Regulatory Commission provisionally approved a new PSA for OMECO and OMCPC.

Mr. Gatchalian said that if issues are not addressed, provinces like Occidental Mindoro will be left behind.

"Kung hindi sapat ang mga umiiral na batas para tugunan ang problema sa suplay at kalidad ng kuryente sa Occidental Mindoro *o kahit saan pa mang lugar o probinsiya, maaari tayong magbalangkas ng mga bagong batas o reporma sa mga kasalukuyang batas* (If the prevailing laws are not sufficient to address problems of power supply and quality in Occidental Mindoro or in any other places, we may draft new laws or reform current laws)," Mr. Gatchalian added.

OMECO's Occidental Mindoro franchise services 240,887 households. — **Justine Irish D. Tabile**

ADB says green recovery critical for Philippines amid climate challenges

THE Asian Development Bank (ADB) said the Philippines must ensure that its recovery is sufficiently green in light of the challenges posed by climate change and declining biodiversity.

The ADB, in a statement, noted that the Philippines is considered one of the top five countries most impacted by climate change, making the sustainability of its post-pandemic recovery measures crucial.

Specifically, the ADB cited issues with Philippine reefs, heavy reliance on marine ecosystems, and the large populations of smallholder fishermen depending on these resources for livelihood and sustenance.

The ADB took note of action taken by the Philippines to address such concerns, including a 2020 moratorium on the development of new coal-fired power plants, and a plan to incentivize private sector investment in renewables such as large-scale geothermal projects.

The ADB also noted the Philippines' work with the bank on a catalytic financing mechanism under the Green Climate Fund (GCF) to facilitate recovery from the pandemic.

The government's commitment to fast-tracking its transition to renewable energy from coal is reflected in its target to increase renewables' share of the energy mix to at least 30% by 2030, the ADB said.

And while some Philippine industries like food processing and construction have specific initiatives, the country still does not have an integrated circular economy plan governing the re-use of minerals, fossil fuels, metals, and biomass.

"While several countries in the region have begun to support a green recovery, more needs to be done. We must encourage additional green stimulus, design carbon pricing schemes, reduce dependence on fossil-fuel intensive power, and attract private sector investors to large-scale renewable energy, sustainable transport, and clean urban projects," ADB Director General for Southeast Asia Ramesh Subramaniam said in a webinar.

The ADB supports a green-recovery approach for Cambodia, Indonesia, Myanmar, Thailand, and the Philippines.

It estimates that if climate change issues are not addressed, it could cost ASEAN economies an estimated 11% of their combined GDP by 2100.

The ADB identified five focus areas with potential for effecting a green recovery: productive and regenerative agriculture, healthy and productive oceans, sustainable urban development and transport, circular economy models, and renewable and efficient energy.

The ADB said that "if leveraged fully, the five green growth opportunities would require approximately $172 billion in capital investment and can create 30 million jobs in Southeast Asia by 2030." — **Justine Irish D. Tabile**

ANDRE OUELLET/UNSPLASH

Tech upgrades seen required to close 40% yellow corn supply-demand gap

THE yellow corn industry is in need of technology upgrades in order to bridge the supply-demand gap, according to a roadmap for the industry issued by the Department of Agriculture (DA).

"Bridging the current 40% supply gap will need yield-increasing technologies particularly among small growers, adequate post harvest machinery and facilities, streamlined marketing systems, enhanced support services, and enabling policy environment," according to the plan.

Yellow corn is mainly used for animal feed, and has a follow-on effect on meat and poultry prices if corn is expensive.

"The domestic corn sector has grown four-fold since the mid-1990s serving the markets for feed, food, other industries, as well as home consumption. In 2020, the country achieved only 57% sufficiency in yellow corn for feed use; thus, is a net importer of yellow corn, feed wheat, and soya meal from Indonesia, Myanmar, the United States, and Ukraine, among others," according to the report.

To increase the harvest, the DA said the government must invest in technology upgrades, postharvest infrastructure and information and R&D support systems. It must also intervene to head off market inefficiencies in the corn market.

The roadmap contemplates the expansion of corn farming in Cagayan, Isabela, Tarlac, Quezon, Rizal, Occidental Mindoro, Zamboanga Sibugay, Misamis Oriental, Sarangani and Agusan del Sur.

According to the report, corn is the number two Philippine staple and accounts for 9.67% of the land planted to crops.

"It is widely grown by small farmers in resource-poor environments; thus, contributing to food and nutrient security, and (is critical for) community resilience. With such significance and value to offer to the country, the corn sector remains a strategic commodity that requires a detailed roadmap and plan to fully realize the potential benefits the sector has to offer," the DA said.

Former Agriculture Secretary William D. Dar said policymakers must consider the forces driving performance in the corn industry.

"The corn industry has been challenged not only by natural causes but by a host of factors such as low farm technology adoption, poor or absence of mechanization and postharvest facilities, failings in market and support services, and inadequacies in governance," he added. — **Luisa Maria Jacinta C. Jocson**

PHL lags ASEAN in solar, wind energy generation — think tank

THE PHILIPPINES lags regional peers in terms of the share taken up by solar and wind energy in its power mix, energy think tank Ember said in a report on Thursday.

The Philippines accounts for 10% of power generated in the region, but solar and wind made up only 2.6% of its power mix in 2021, it said.

This is below the 4% average across the Association of Southeast Asian Nations (ASEAN) and the 10% global average, Ember said.

Despite having the second-highest demand growth in the region, only 12% of total electricity demand in the Philippines was serviced by clean sources, it said.

Electricity demand between 2015 and 2021 rose 31%, of which 88% was serviced with fossil fuels, the report added.

While clean electricity generation nearly doubled, power generated from coal power rose 75%.

The share of solar and wind grew from 1.1% to 2.6% during the period, but this was offset by the growth in the share of coal from 27% to 47%, it said.

According to Ember, the Philippine power sector's CO_2 emissions rose accordingly by 42%.

Ember projects the Philippines to increase the share of power generated from solar and wind energy to 16.5% by 2030.

According to the Philippine Energy Plan (2020-2040), the Philippines plans to install an additional 0.76 gigawatts of wind and 18.5 gigawatts of solar power.

Ember said even with these augmentations, solar and wind will only satisfy 38% of the Philippines' demand in the upcoming decade.

"Solar and wind need to grow rapidly in ASEAN nations, especially considering that they are currently the most economical and fastest way to replace coal," Ember said. — **Diego Gabriel C. Robles**

Philippines working with Italy on minerals needed by EV industry

THE PHILIPPINES is exploring collaboration with Italy in strategic minerals required by the electric vehicle industry, the Department of Trade and Industry said.

Trade Secretary Alfredo E. Pascual said in a speech delivered at the Association of Southeast Asian Nations (ASEAN)-Italy economic dialogue on Wednesday that the Philippines can be Italy's source of "green" metals such as nickel, cobalt, and copper.

"Our country can be Italy's strategic partner in supplying critical minerals needed for Italian electric vehicles (EVs) and battery production," Mr. Pascual said.

"We have nickel, cobalt, and copper in abundance. The Philippines is also a dominant supplier of nickel ore, not only in Asia but in the world. It accounts for 31% of global exports. But, of course, we now want to have greater value addition locally for our mineral resources," he added.

Mr. Pascual said Italian EV manufacturers can take advantage of the zero tariffs on imported EVs in the Philippines. The Tariff Commission recommended zero tariffs to encourage greater take up of EVs.

He added that the Philippines is opening up its EV market to develop an ecosystem that can support local production.

"Our Tariff Commission has recommended eliminating tariffs on EVs. Approval of this recommendation will put Italian EV makers on a level playing field alongside our free trade agreement partners," Mr. Pascual said.

Mr. Pascual also said that the Philippines can collaborate with Italy on energy technology, specifically "digitally supported grids for dealing with intermittent power. We need such solutions for our small island grids, our off-grid communities, and our priorities on a national scale."

"In the case of the Philippines, we are on the verge of massive adoption of renewables for energy security. But renewable energy is characterized by an intermittent power supply. Thus, our legacy baseload grid needs to adapt to more intermittent power sources," he added.

Mr. Pascual said that Italy and ASEAN can collaborate on manufacturing, and also encourage smart farming and agricultural technology to boost food security. — **Revin Mikhael D. Ochave**

OPINION

Beauty and taxes

TAXWISE OR OTHERWISE
RENZ DANIEL ERMITANIO

Beauty is a concept Filipinos are intimately familiar with, because it's all around us in our landscape, culture, and people. The origin story of our people, *Si Malakas at Si Maganda* (the Strong Man and the Beautiful Woman) suggest how much we take pride in beautiful things. Our tourism industry is especially proud of our pristine blue waters and unspoiled beaches. Our passion for beauty pageants is such that being crowned is deemed the equivalent of boxer Manny Pacquiao's championship belts.

But the obsession with physical beauty does not stop there. A small V-shaped face, tantalizing large eyes, pouty lips, white skin, and a slim body are only a few of the beauty standards prevalent in our society. Some of us are gifted with natural personal beauty. Thanks to science, the general public can now aspire to these standards through cosmetic medical procedures. With the growing popularity of such procedures, increasing market demand, and the proliferation of service providers, the government cannot simply ignore the revenue potential of this industry.

TAX ON COSMETIC PROCEDURES

Section 150-A of the Tax Code imposes a tax of 5% on the gross receipts derived from the performance of services, net of excise tax and value-added tax (VAT), covering invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient's appearance and do not meaningfully promote the proper function of the body or prevent or treat illness or disease.

POSSIBLE GRAY AREAS

Based on Section 2.4 of Revenue Regulations (RR) 2-2019, an invasive cosmetic procedure refers to a "cosmetic surgery that is carried out by entering the body through the skin or through a body cavity or anatomical opening, but with the smallest damage possible to these structures." These include, but are not limited to, the following: liposuction, mammoplasty, breast lift, buccal fat removal, buttocks augmentation, chin augmentation, facelift and neck lift, thread lift, embedded protein threads, hair restoration/transplantation, eyelid surgery, vaginal plastic surgery, abdominoplasty or tummy tuck, auto grafting, rhinoplasty/alar trimming, and otoplasty.

However, the 5% excise tax does not apply to actual medical procedures, specifically, those necessary "to ameliorate a deformity arising from, or directly related to, a congenital or developmental defect or abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease, tumor, virus, or infection." In addition, cases and treatments covered by the National Health Insurance Program or PhilHealth are not subject to this tax. Non-invasive cosmetic procedures (e.g., facial, peeling, laser treatment, etc.) are likewise exempt.

Do bear in mind that the list is not exclusive. Thus, though instructive, the RR does not address the issue of who should determine whether or not an invasive procedure is excisable. What should be the evaluator's professional qualifications, and what are the acceptable valid supporting documents to prove such claims? With the reopening of aesthetic clinics post-pandemic, the Bureau of Internal Revenue (BIR) should clarify these matters soon.

THE VAT BASE

As clearly stated in the law and in the implementing RR, the 5% excise tax is based on the gross receipts derived from the performance of services, *net of excise tax and VAT.*

In determining the VAT base, however, the government's position is that the gross receipts are *inclusive* of the 5% excise tax.

I beg to disagree.

The VAT base for the sale of *services* is gross receipts. Under Section 108 (A) of the Tax Code, it is defined as "the total amount of money, actually or constructively received for services performed." Given this definition, only amounts received for services rendered are subject to VAT. The law does not specify that excise tax forms part of gross receipts.

The value charged to the patient for an invasive cosmetic procedure does not include the 5% excise tax. It is thus only collected by the service provider and remitted to the government and recorded as a balance sheet item.

This is in contrast to the VAT base for the sale of *goods or properties* where gross selling price is inclusive of excise tax. Under Section 106 (A) of the Tax Code, gross selling price means the total amount of money which the purchaser pays to the seller in consideration of the sale of the goods. The law specifically states that "Excise tax, if any, on such goods shall form part of the gross selling price." Similarly, the VAT base for imports of goods includes excise tax.

The TRAIN Law did not adjust the definition of "gross receipts" for the sale of services; thus, it cannot be amended unilaterally through the issuance of an administrative regulation.

Although taxes are the lifeblood of the nation, the government should not only focus on raising collections but also promoting promising industries. With the opening of borders for travel, for example, tourism is set to register growth. Because medical tourism to countries where medical procedures cost less is becoming more mainstream, the government should also consider the potential of medical services to help drive the recovery.

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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