NIA seeking to make irrigation attractive for PPP

THE National Irrigation Administration (NIA) said many irrigation projects are currently unattractive for public-private partnership (PPP) financing because of the low likelihood of earning commercial returns, but added that it is considering ways to raise the return on investment (RoI) for private partners.

It described irrigation projects as being of "low economic viability" because their primary purpose is to provide irrigation to farmers for a nominal fee.

"NIA is thus currently exploring the addition of investment opportunities that may improve the financial aspect of NIA projects potentially to be applied in PPP projects to provide a reasonable RoI to the partner-investors," it added.

It said the potential market for irrigation PPPs is about 964,000 hectares of agricultural land currently lacking irrigation, on which it estimates about P1 trillion worth of facilities can be built. The NIA said it has received expressions of interest to build projects on the unirrigated land.

It said President Ferdinand R. Marcos, Jr. has issued instructions to explore the PPP mode of financing for irrigation.

According to the NIA, if irrigation is provided to unserved land, it expects 95% of it to be planted to rice.

"At present, our irrigated lands of 2.49 million hectares are able to produce only a total of 11.28 billion kg of palay or 6.77 billion kg of rice per year, an annual shortage of about 550 million kg of rice," the agency said.

The NIA is considering 50 irrigation projects alongside other infrastructure.

"NIA has in its pipeline… a 'menu' (of) potential investment opportunities, including aquaculture farming, hydro-electric power generation, floating solar panels in the dams, covering the irrigation canals with solar panels to both generate power and at the same time minimize water evaporation, and the possibility of bulk water distribution that may be integrated in each NIA project," it added. — **Luisa Maria Jacinta C. Jocson**

OPINION

How taxation and sustainable development intertwine

Over the past couple of years, much attention has been given to sustainability, which the United Nations Brundtland Commission defines as "meeting the needs of the present without compromising the ability of future generations to meet their own needs." Even though sustainability is often associated by most people with environmentalism and conservation, it actually encompasses many dimensions.

Sustainable development recognizes that environmental health and social equity should be consciously considered along with economic development if we aim for prosperity that will not negatively affect the future generations. In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development, which lays down 17 Sustainable Development Goals (SDGs) and 169 targets covering the economic, social and environmental dimensions of sustainable development.

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The 17 SDGs are: (1) no poverty, (2) zero hunger, (3) good health and well-being, (4) quality education, (5) gender equality, (6) clean water and sanitation, (7) affordable and clean energy, (8) decent work and economic growth, (9) industry, innovation and infrastructure, (10) reduced inequalities, (11) sustainable cities and communities, (12) responsible consumption and production, (13) climate action, (14) life below water, (15) life on land, (16) peace, justice, and strong institutions, (17) partnerships for the goals.

Many international organizations have recognized the role that taxation could play in achieving the SDGs.

According to a UN Secretariat Paper, taxation can help finance the achievement of the SDGs. As SDGs are part of a global agenda, all countries should ensure they are able to generate the resources needed to meet the SDGs. Governments may achieve this if they strengthen and increase the effectiveness of their tax systems on a national level and increase coordination with other states on an international level.

As such there is increased pressure on businesses to adopt responsible tax policies, while governments are continuously finding ways to combat tax avoidance, particularly the practice of base erosion and profit shifting (BEPS). As defined by the Organization for Economic Co-operation and Development (OECD), BEPS is what happens when multinational enterprises exploit gaps and mismatches or loopholes in the international tax rules to artificially shift profits to reduce the tax they pay, by artificially shifting profits to low-tax or no-tax jurisdictions. Capturing taxes on digital goods and services is also crucial in improving tax revenue collection and minimizing tax avoidance and evasion.

In 2015, the OECD, along with the G20 countries, created a package of 15 proposed action plans and related solutions to tackle BEPS. In 2021, OECD proposed a two-pillar solution to address the tax challenges arising from digitalization and globalization. Pillar Two introduces a global minimum corporate tax rate of 15%.

Although the Philippines is not a member of the OECD, it adopted certain BEPS action plans such as transfer pricing guidelines. The Philippine transfer pricing regulations require certain taxpayers to submit an Information Return on Related Party Transactions (BIR Form 1709) which can be used by the Bureau of Internal Revenue (BIR) for transfer pricing risk assessment. Certain taxpayers are also required to prepare transfer pricing documentation for their related party transactions in accordance with the arm's-length principle. This should help deter potentially harmful tax practices by taxpayers operating in multiple jurisdictions.

In the previous Congress, bills were also proposed to tax the digital economy in the Philippines. The current administration's legislative program points to continuing tax reform which appears to include adjustments that will bring the tax system up to speed relative to the rapidly-developing digital economy.

Beyond funding, taxation can also contribute to promoting sustainable development through targeted fiscal policy. Tax laws and regulations can be employed by the government to influence behaviors of businesses and even the general population towards achieving the SDGs.

In the Philippines, several laws offer tax incentives for sustainability initiatives and projects. For example, Revenue Regulations No. 05-2019, which implements the tax incentives provisions of Republic Act (RA) No. 10771 (Philippine Green Jobs Act of 2016), grants incentives to qualified business enterprises to encourage them to generate and sustain green jobs. The incentives provided include a special deduction equivalent to 50% of the total expenses for skills training and research development expenses of the qualified business enterprises and tax- and duty-free imports of capital equipment actually, directly, and exclusively used in the promotion of green jobs of the business enterprise. Green jobs, as defined under RA No. 10771, refer to employment that contributes to preserving or restoring the quality of the environment, in the agriculture, industry, or services sector.

Also, the 2022 Strategic Investment Priority Plan (SIPP) specifically lists green ecosystems as part of Tier II priority activities. Under the 2022 SIPP, green ecosystems include electric vehicle (EV) assembly (e.g., pure EV, plug-in hybrid EVs, hybrid EVs, and fuel cell EVs), the manufacture of EV parts, components and systems, the establishment and operation of EV infrastructure; the manufacture of energy-efficient maritime vessels and equipment; electronic devices and circuits for smart grid and renewable energy (including wearable solar devices); bioplastics and biopolymers; renewable energy; energy efficiency and conservation projects; energy storage technologies; and integrated waste management, disposal, and recycling. As such, business enterprises engaging in these activities may be qualified to avail of the fiscal incentives provided under RA No. 11534 (Corporate Recovery and Tax Incentives for Enterprises Act or CREATE Act). Income tax incentives that may be availed of for the above activities, depending on the location of the projects, are 5 to 7 years of Income Tax Holiday plus 5 or 10 years of 5% Special Corporate Income Tax based on gross income earned or Regular Corporate Income Tax with enhanced deductions, as applicable. This is in addition to other fiscal incentives like tax- and duty-free imports and value-added tax (VAT) zero-rating on local purchases, also as applicable.

In June, the BIR also issued updated policies and guidelines for the availment of tax incentives provided under RA No. 9513 (the Renewable Energy Act of 2008).

While granting tax incentives will surely encourage businesses to invest in sustainable projects, they should always be thoroughly studied because they will result in foregone tax revenue which may otherwise be used to support other SDGs. Instead of giving away tax incentives, tax regulations may also impose penalties or additional taxes on products or behaviors that may be harmful to the environment or human health which pose challenges in achieving the SDGs.

In the Philippines, for example, excise taxes are imposed on tobacco products, vapor products, cigarettes, and sweetened beverages in order to positively influence the health choices of the general public. The slapping of additional taxes or duties on single-use plastics, which contribute to plastic pollution, is also being pushed in the Congress, with the support of the Department of Finance (DoF). It was also reported that the DoF is studying the viability of imposing a carbon tax in a bid to generate additional revenue and address environmental concerns.

Environmentally-related taxes are indeed one of the ways where taxation can impact sustainable development. According to an article published by the OECD, in addition to encouraging the adoption of known pollution abatement measures, environmentally-related taxes can spur innovation, as businesses and consumers tend to seek new and cleaner solutions in response to the additional taxes and the price put on pollution.

On the side of tax administration, a push for a "paperless" tax filing system is very much welcome. The BIR has always encouraged taxpayers to make use of the electronic filing and payment of tax return and it has actually ramped up its digital transformation efforts through its on-going Digital Transformation (DX) Program. Recently, the BIR issued regulations on the removal of the 5-year validity of receipts and invoices and the use of electronic invoicing/receipting system. In addition to these, the BIR may also consider that submission of documentary requirements be made in soft copies during tax audits, VAT refund claims, and other applications with the BIR.

It's true — taxation and sustainable development intertwine. But the true positive impact of taxation on the achievement of SDGs can only be felt if businesses, governments, and every individual make the right choices. A sustainable future is in our hands.

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.

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Budget opened to plenary debate today

THE House appropriations committee said the chamber will begin plenary debate today, Sept. 20, after meeting its internal deadline of Sept. 16 for the budget briefings on the 2023 National Expenditure Program, a senior legislator said.

Marikina Rep. Stella Luz A. Quimbo said in a Laging Handa briefing on Monday that with plenary debates on hand, the House is on track with its budget timetable.

Ms. Quimbo said deliberations were facilitated by simultaneous briefings and alternative arrangements for communicating with the various agencies.

"In our budget hearings, we also became strict on time management," she added. "Congressmen asking questions were limited to only five minutes and this has been followed most of the time."

She said plenary debate will continue until Sept. 28.

"There is still a chance to review concerns," she added. "After the plenary debate, we will have a period of amendments." — **Kyanna Angela Bulan**

Sardine shortage projected as migration patterns disrupted by changing climate

THE fishing industry is projecting sardine shortages, with catches currently a fraction of their previous levels due to the changing climate.

"There is an anticipated shortage. We're not saying there's a shortage now but it's going to that direction," Francisco J. Buencamino, executive director of the Tuna Canners Association of the Philippines, said in an online forum.

"The fishing boats only catch from 20-40% now compared to previous years. What we're saying is that migratory movements of epipelagic fish are (changing) with climate change… they're finding safer areas to survive," he added.

Association of Fresh Fish Traders of the Philippines President Roderic C. Santos said that the current *habagat* (southwest monsoon) is also affecting the movement of fish.

Epipelagic fish are "not highly migratory like tuna" and live in shallow coastal waters, he said.

"Now that it's *habagat*, the plankton will be brought (away) by the wind, so all small epipelagic fish will go there because the food is there," he added.

Roberto Ballon, representing a Zamboanga fisherfolk association, said that municipal fishermen can supply canneries if they are provided upgraded boats and post-harvest facilities.

"We would need logistics support and facilities both in the production and harvest stages," he said.

Mr. Buencamino recommended allowing commercial fishing operations a harvest area of 10.1 kilometers from shore and outward, which are classified as municipal waters.

"LGUs should allow us to fish near the shore where there are more fish. We will make sure that it will does affect municipal fishermen. We need to fish closer to build up our inventory before Dec. 1. There will be a shortage if the issue is not addressed," he said.

There is a scheduled ban on commercial fishing between Dec. 1 and Feb. 28. Commercial fishing boats are also confined to fishing 15 kilometers from shore and beyond.

Food advocacy group Tugon Kabuhayan convenor Asis G. Perez said that the Philippines is one of the biggest producers of canned sardines.

"The canned sardine industry yielded an average volume of 355,000 MT a year, generating an average annual value of P10.45 billion over the last five years. Sardine production is largely situated in the Zamboanga Peninsula, which accounts for up to 60% of total production. Other sardine-producing areas are Palawan, Bicol, the Visayan Sea, Samar, Iloilo, Cebu, and Masbate," he said.

"The Philippines is rich in sardines. We have six major species of sardines in our territorial waters. Sardines are vital sources of healthy and affordable protein. Over 70% of Filipinos eat seafood, especially sardines, at least five times per month. It is not only part of our everyday meal, but is also integral to our culture. Any claims of shortage should be resolved with tangible plans and action, because the effects are massive," he added. **— Luisa Maria Jacinta C. Jocson**