Germany to hire 600 nurses from PHL

THE Department of Migrant Workers said it has started taking applications to fill a German requirement for 600 registered nurses, for deployment to hospitals and elderly care centers, the German Embassy in Manila said in a statement on Monday.

Applicants must hold a German language proficiency of B1 or B2, or may undergo language training to be paid for and organized by the German government.

Eligible applicants must also have at least one year of experience in hospitals, rehabilitation centers or care institutions.

Under the government-to-government arrangement, benefits for selected applicants including free translation of recognition documents and certifications, paid travel expenses, including visa and airfare, assistance in finding accommodation in Germany, and a bonus of €250 for obtaining A2 and B1 certification after a first examination.

Trainee nurses will receive between €1,040 and €1,200 a month, while fully qualified nurses will receive €2,500.

The Philippines has an annual cap of 7,000 nurses for overseas deployment. There are currently around 6,000 Filipino nurses in Germany.

The Philippines and Germany are partners in the Triple Win Project, which began in 2013. Some workers under the program have since risen to higher positions, while others have elected to pursue further academic studies.

The German Embassy has said that demand for nursing staff may rise to 200,000 over the next 10 years. In 2021, the German Hospital Association reported 14,000 vacant positions for registered nurses in clinics and 8,000 in intensive care units.

The embassy has posted more information on the qualifications and documentary requirements for applicants on its Facebook page and website.

Applicants must meet a Sept. 30 deadline to submit their requirements to Philippine Overseas Employment Administration Central Office in the Ortigas district. — **Alyssa Nicole O. Tan**

Export 'clusters' planned for industry, technology, health

THE Department of Trade and Industry (DTI) said it hopes to organize exporters into three "clusters" to create vibrant ecosystems among industries to raise their international competitiveness.

Trade Secretary Alfredo E. Pascual told the Philippine Exporters Confederation, Inc. (PhilExport) on Aug. 31 that the three clusters are Industrial, Manufacturing, and Transport; Technology, Media, and Telecommunication; and Health and Life Sciences.

"(The) DTI's strategic priority (is) to reconfigure the Philippine export sectors into industry clusters... Export activities are Industry Tier I. They are considered... fundamental to our country's development," Mr. Pascual said.

"Export activities hold high potential to create jobs. They optimize value creation, and provide key support to sectors that drive industrial development, among others," he added.

Mr. Pascual expressed the hope that micro, small, and medium enterprises (MSMEs) integrate themselves into the value chains of exporters to scale up their operations.

"MSMEs are the backbone of our economy. They comprise 99.5% of about a million registered businesses in the Philippines. As MSMEs bring about a virtuous cycle of livelihood, they help make communities more prosperous and inclusive," Mr. Pascual said.

"We look forward to working with you, our exporters, in building dynamic industry ecosystems as our foundation," Mr. Pascual added.

PhilExport President Sergio R. Ortiz-Luis, Jr. said he welcomes "whole-of-government" support in creating a "conducive policy environment" for exporters.

Mr. Pascual has said that the government has started drafting the Philippine Development Plan for 2023-2028, which seeks to upgrade the Philippines' role from an exporter of commodities and intermediate goods to an exporter of high-value products and services.

The Philippine Statistics Authority estimates that merchandise exports rose over 14% to $74.6 billion in 2021.

The top export markets in 2021 were the US, China, Japan, Hong Kong, and Singapore, the DTI said. — **Revin Mikhael D. Ochave**

LANDBANK approves P3.2B in loans for hog repopulation

THE Land Bank of the Philippines (LANDBANK) said it approved loans worth P3.2 billion as of the end of July to support the hog repopulation effort.

Under the program, commercial hog raisers registered as cooperatives or farmers' associations, small and medium enterprises, and large enterprises or corporations can avail of loans to aid in building up their hog production and herd populations.

"The challenge is to educate, teach, and get all farmers to commit and accept the new normal of swine farming. We must learn to live with the virus and protect our farms by strengthening our biosecurity and facilities," National Federation of Hog Farmers, Inc. Chairman Chester Warren Y. Tan said in a statement.

Mr. Tan said that the livestock industry remains resilient despite various challenges caused by climate change, high production costs, global animal diseases, and market slowdown.

"Many pig farmers, for instance, have already succeeded in their repopulation efforts amid threats from the African Swine Fever (ASF) by adopting strict and globally accepted biosecurity standards," he added.

RDF Feed, Livestock & Foods, Inc. Chief Executive Robert H. Lo said that "embracing innovation" is key to overcoming the present challenges faced by the livestock industry.

"The best time to repopulate is now because of the insufficient supply in the market. And if we repopulate, we need to do it right by applying a science-based approach to increase production. With bigger farms and good biosecurity, we can achieve this," he added.

Apart from the hog sector, LANDBANK also provides credit programs for dairy production, processing, marketing, and other dairy-based activities.

The state-run bank said it distributed a total of P183 million to borrowers under the program. — **Alyssa Nicole O. Tan**

KENNETH SCHIPPER VERA-UNSPLASH

Skills mismatch, not graduate influx, better explains rising joblessness, economists say

By Diego Gabriel C. Robles

THE RISE in unemployment baked into the government's economic assumptions for next year points to a skills mismatch within the labor pool, with many unfilled positions in the construction industry alone, economists said, after the government claimed that joblessness will swell largely because of the influx of graduates from the Kinder to Grade 12 (K to 12) program.

"It is predominantly a case of (skills) mismatch. There are thousands of jobs unfilled in the construction industry with the 'Build, Build, Build' program of the government and real estate boom in some sectors of housing. But there are not enough carpenters, masons, electricians, plumbers, etc. because of the obsession with college diplomas of both parents and students," University of Asia and the Pacific Economist Bernardo M. Villegas said in an e-mail.

"We have to give a higher budget to TESDA (Technical Education and Skills Development Authority) so that more and more technical vocational schools can be put up."

The 2023 Budget of Expenditures and Sources of Financing projects an unemployment rate of between 5.7 and 6.8% next year, against this year's expected range of 5.1-6.5%.

"The reason for that is a large number of our population is expected to enter the labor force, especially those who are in K to 12. Many of them will join the labor force when they graduate next year. That's the major pattern that we are seeing," Socioeconomic Planning Secretary Arsenio M. Balisacan told a House Committee on Appropriations hearing on Aug. 26.

In a television interview with *BusinessWorld Live* on Monday, National Economic and Development Authority (NEDA) Undersecretary Rosemarie G. Edillon added that this might be the case for the next two years.

"It's really because of the K to 12 program and the free tuition fee in the SUCs (state universities and colleges); they were encouraged to first go to school and now they will be in the labor market," she said, noting that an estimated 1.5 million new entrants will enter the labor force next year, against the 600,000 in typical years.

Despite a growth assumption of 6.5-8% in 2023 which will involve significant job creation, Mr. Balisacan said the sheer number of new entrants will offset this, even with a greater labor force participation rate as the economy enters a "sustained growth path."

Ms. Edillon said NEDA has proposed the expansion of the government's reskilling and retooling programs under TESDA, the Department of Trade and Industry (DTI), and the Commission on Higher Education.

"We have been encouraging the new graduates to acquire micro credentials. This is a way of addressing the fact that they were undergoing online or blended learning these past two years, so it will actually be to their advantage to enroll in these micro credential programs being offered by the TESDA," Ms. Edillon added.

In the 2023 proposed National Expenditure Program, the allocation for the TESDA declined by 2.24% to P13.71 billion. The proposed budgets for the DTI and SUCs were also reduced by 6.6% and 6.2% respectively.

"The new projections in our country on unemployment are partly based on the assumption that inflation and debt issues will continue to hamper the prospects of the economy. But these can all be traced to the government's poor COVID-19 response," said Leonardo A. Lanzona, professor of economics at the Ateneo De Manila University.

Inflation accelerated to 6.4% in July, the fourth consecutive month that the indicator has exceeded the central bank's 2-4% target band. The seven-month average stood at 4.7%, reflecting the impact of rising transport, fuel, and food expenses.

At the same time, the government's debt-to-gross domestic product ratio stood at 62.1% in end-June, with expectations that it will ease to 61.3% by next year. Both are beyond the 60% threshold prescribed by multilateral lenders for developing markets.

"On the part of the economic management team, it was really wishful thinking to say that the country has already recovered. In fact, while the infections may have subsided, the negative economic effects continue to linger," said Mr. Lanzona in an e-mail.

On the supply side, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that higher inflation and higher interest rates globally, as well as the risks of a US recession, are slowing down economic growth vis-à-vis job creation.

"In view of the constantly changing economy and work setting amid increased digitalization of business transactions and processes, the education system needs to also constantly adapt to the requirements of the job market or better matching the skills required for new graduates," Mr. Ricafort added in a Viber message.

"Increased priority of the new administration in boosting the productivity of the agricultural and industrial sectors, both of which account for more than 40% of total employment and also more than 40% of the economy, would also lead to the creation of more employment opportunities, including for new graduates, especially for both sectors," he said.

There is also the problem of attracting both domestic and foreign investors, according to economist John Paolo R. Rivera of the Asian Institute of Management.

"This is an issue of the capacity of the Philippines to attract investors to put money (and) establish enterprises that will generate jobs," he said in a Viber message, noting that recent reforms, such as the amendments to the Public Service Act and the Foreign Investment Act, will take time before their full impact is felt.

"Employment rates can be improved by making the economy conducive for investment that will generate jobs. Development should also reach industries that were neglected, like agriculture," he added, while also citing the potential of the tourism sector for job creation.

Mr. Rivera said the business process outsourcing (BPO) industry holds the potential for more job growth if the Philippines cements its position as a BPO hub.

"The BPO sector has been a bright spot since the pandemic, continuing to generate new jobs, as the pandemic partly led to more outsourcing by global companies in able to cut costs and remain competitive, made more urgent by economic downturns," Mr. Ricafort added.

OPINION

Zooming in on per diem, prohibited inurements

LET'S TALK TAX
EDWARD L. ROGUEL

Non-profit organizations play a vital role in building healthy communities by providing critical services that contribute to economic stability and mobility. They serve to supplement the programs offered by the government. They may be considered the heart of the community, working across multiple sectors to meet the vital needs and enhance the quality of life of the community. They have the unique ability to serve as a bridge in the community by leveraging resources and expertise to build collaborations between private and public entities, professionals, and volunteers working together towards the common good.

The government recognizes the importance of non-profit organizations. Hence, they are given income tax exemptions under Section 30 of the 1997 Tax Code, as amended. To avail of the tax exemption, however, certain requirements should be complied with. Among these requirements is the inurement prohibition.

Revenue Memorandum Circular No. 051-14 provides that for an entity to qualify as a non-stock and/or non-profit institution exempt from income tax under Section 30 of the 1997 Tax Code, as amended, its earnings or assets must not inure to the benefit of any of its trustees, organizers, officers, members or any specific person. The following are considered "inurements" of such nature:

- The payment of compensation, salaries, or honorarium to its trustees or organizers;
- The payment of exorbitant or unreasonable compensation to its employees;
- The provision of welfare aid and financial assistance to its members;
- Donation to any person or entity (except donations made to other entities formed for the purpose/purposes similar to its own);
- The purchase of goods or services for amounts in excess of the fair market value of such goods or value of such services from an entity in which one or more of its trustees, officers or fiduciaries has an interest; and
- When upon dissolution and satisfaction of all liabilities, its remaining assets are distributed to its trustees, organizers, officers, or members. Its assets must be dedicated to its exempt purpose.

The purpose of inurement prohibitions is to prevent those in control of the organization from siphoning off the assets of the exempt institutions.

Accordingly, in various rulings, the Bureau of Internal Revenue (BIR) denied the request for tax exemption of non-stock non-profit organizations as it deemed that such institutions' earnings or assets inure to the benefit of their trustees, officers, or members. It was noted, however, that a significant number of requests for tax exemption were denied because the non-stock non-profit organizations' Board of Trustees are entitled to receive per diem or honorarium. The BIR deemed that giving such per diem or honorarium is considered distribution of equity (including net income) and is a form of private inurement.

In connection with the foregoing, I encountered questions from companies and organizations on whether the mere act of giving per diem to BoT, regardless of the amount, is considered private inurement to warrant the disqualification for tax exemption. Should it be considered an inurement prohibited under Section 30 of the Tax Code, as amended, only if the amount is exorbitant or unreasonable? Note that per diem is normally given to somehow compensate the BoT in performing his duties and responsibilities, which will redound to the benefit and welfare of the organization.

These questions have finally been addressed by the Department of Finance (DoF) in DoF Opinion No. 011.2022. In the opinion, the DoF clarified that the inurement prohibition under Section 30 of the NIRC, as amended, was specifically incorporated as a tool to ascertain that non-stock non-profit organizations are not used as tax shelters through tax exemptions granted thereto or for their officers or organizers to gain or benefit from the income or assets of such organizations, which should appropriately be devoted to the furtherance of the purpose for which they were organized.

Accordingly, the giving of reasonable per diem is not automatically an inurement in violation of the provisions provided for by law. All relevant facts and surrounding circumstances should be taken into account before these can be considered prohibited inurements. Moreover, the DoF opines that the exigencies of the operations of non-profit organizations also require them to incur reasonable expenses. However, such per diem to be granted must cover legitimate expenses arising from the performance of duties that will lead to the organization achieving its purposes.

Hence, in the opinion, the DoF reversed BIR Ruling No. 466-2014 (S3OF-0181-2020), which found that the provision for reasonable per diems in the Articles of Incorporation of the organization is an outright violation of the inurement prohibitions.

We are hoping that the DoF opinion can provide some clarity on per diem granted to board members. Such a policy should not result in outright denial of tax exemptions to non-stock non-profit organizations, especially if such organizations are able to prove that such amounts are reasonable and cover legitimate expenses incurred in the performance of duties that will lead to the achievement of the organization's purpose. It would be much appreciated by these organizations if the BIR would further provide guidelines in determining whether the per diem given or to be given to the board members constitutes prohibited inurements. Such clarity would allow these organizations to focus on what is most important to them, i.e., promoting the welfare of the communities they serve.

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EDWARD L. ROGUEL is a partner of Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton@ph.gt.com