Palace calls for more domestic travel to aid economic recovery

PRESIDENT Ferdinand R. Marcos, Jr. called for more domestic travel to help revive the tourism industry, which he called a critical component of the government's post-pandemic recovery plan.

In a video blog (vlog) released on Saturday, Mr. Marcos said domestic travel accounted for a large chunk of Philippine tourism receipts.

"I will continue encouraging all of you to visit our beautiful tourist spots," Mr. Marcos said, particularly during the four-day holiday next week.

Last week, Mr. Marcos issued a proclamation making the eve of All Saints' Day, Oct. 31, a special nonworking holiday. The Palace has said the President wants Filipinos to spend more time with their families, particularly if they need to travel to do so.

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"The reason why I declared Oct. 31 a special nonworking holiday is to give you more time with your families and plan your vacation," Mr. Marcos said.

"From the very beginning, we identified the tourism industry as one of key drivers to boost our economy in the country-side," he said.

The "no work, no pay" policy covers special non-working holidays unless there are company rules or agreements "granting payment on a special day," according to a Labor department order.

Employees asked to work on a special non-working day should be paid a 30% premium over their regular pay for the first eight hours of work. Overtime will trigger a further 30% premium.

Mr. Marcos promised to improve connectivity to the provinces.

Tourism is among the priority industries the government plans to focus on, alongside manufacturing, agriculture, IT-BPO, and creative industries, Socioeconomic Planning Secretary Arsenio S. Balisacan said at a briefing on Tuesday.

The tourism industry accounted for 12.8% of the Philippines' economic output in 2019, or about P2.48 trillion.

Tourism's contribution to gross domestic product fell to 5.2% last year due to international border restrictions that were erected during the coronavirus pandemic.

Domestic tourism expenditure increased by a record 38.7% year on year to P782.51 billion in 2021, according to preliminary data released by the PSA. This was still significantly lower than the P3.14 trillion posted in 2019.

On the other hand, tourism expenditure by non-residents declined by 79.2% to P27.62 billion in 2021.

The share of inbound tourism expenditure to total exports was at a record low of 0.6% in 2021, against a 2.9% share in 2020.

Mr. Balisacan said possible recessions in developed economies and the Philippines' economic partners would mean "weaker" travel demand. — **Kyle Aristophere T. Atienza**

Legal opinion on foreign ownership seen unlocking investment in renewables

By Alyssa Nicole O. Tan
Reporter

THE Philippines has the opportunity to open up its renewables market after a legal opinion issued by the Department of Justice, which found that the industry is not subject to foreign investment limits, Denmark's ambassador to the Philippines said.

Ambassador Franz-Michael S. Mellbin told reporters that Denmark, a major exporter of wind turbines and rated the world's most sustainable country by the 2022 Environmental Performance Index, stands ready to assist the Philippines in its transition to renewable energy (RE), he added.

"When I look at the Philippines (I see) you have better opportunities than Denmark to build such a system, but it doesn't happen (overnight). You need a long-term energy plan. It takes time and it needs investment," he said.

Mr. Mellbin said the infrastructure needed by the Philippines in its RE transition will include smart grids.

"We have Danish companies who are willing to make very large investments in renewable energy here, which can help bring down energy costs," he added.

He called the legal opinion, which paves the way for 100% foreign investment in RE, "a great step for the Philippines."

He added that the administration should follow up immediately on this potential market opening because "the truth is, the Philippines has an amazing opportunity in renewable energy."

The legal opinion states that "exploration, development, and utilization of inexhaustible RE sources are not subject to the 60:40 foreign equity limitation, as mandated by the Section 2, Article 12 of the 1987 Constitution."

President Ferdinand R. Marcos, Jr. has committed to developing RE in pursuit of energy security and volatile fuel prices.

He has said the government is revising the implementing rules and regulation of the Renewable Energy Act of 2008, which expressly limits foreign investment in the sector to 40%, with the objective of allowing more foreign investment.

"It is necessary that we make these changes because the technology for renewable energy has moved forward so quickly that we have to catch up with our regulations," Mr. Marcos added.

The Philippines can generate a lot of energy simply by combining its wealth of options, the ambassador said, noting possibilities in juggling solar, biomass, hydro, geothermal, on-shore wind, and off-shore wind.

However, he noted the introduction of challenges into the system amid this transition.

"In the night the sun doesn't shine, and some days the wind doesn't blow as much, ... sometimes the hydropower dams are not quite full, so there are some variables, but what you do then is you build a smart grid which is better able to manage the total electricity load," he said.

"This is where Denmark has super expertise," he added, "and we have helped big countries like China and India manage their net load, this is Danish specialty."

Denmark had gone through China's entire power system. Copenhagen did not introduce new technologies to Beijing, instead it calculated how and when the energy flow in power plants should be increased or decreased to ensure efficiency, as well as save more carbon dioxide.

"You need to invest not just in renewable power plants, but also into net loading. If you mix various sources, you get a much better utilization of your grid," he said, "but financially, it's very important that you have this mix because otherwise you pay a lot."

"If you do that right, you can have abundant energy, and we're not just talking about a lot of energy, we're talking about a better, healthier economy, we're talking about hundreds and thousands of jobs," he added.

The ambassador also expected that many of the renewable power plants will be placed in less concentrated areas, which could boost the local economy and help the Philippines achieve strategic independence.

"It's not long ago that the capital reserves, actually as we speak, they are under pressure, and this is also because you spend a lot of money importing energy," he said. "You're buying coal and that costs money. Instead, you could be producing on your own."

The goal, he added, is affordable, high-quality energy for all.

"You can have a much better energy future," Mr. Mellbin said. "You can do it in about 10 years if you get the policies right," noting the need for an accompanying legislation and framework.

Denmark seeks to have improved bilateral relations with the Philippines in six priority areas — agriculture, energy, maritime, digitization, security, and sustainability.

"Those are the six areas where I see a very good match between the Philippines and Denmark," the ambassador said.

Green Energy rules to be revised following low participation levels

THE Department of Energy (DoE) said it will revise the rules of Green Energy Option Program (GEOP) to encourage more participants to buy power from renewable energy sources.

"On this matter, we are planning to release a draft policy subject for focus group discussion by the first quarter of next year," Jordan M. Ballaran, senior science research specialist of the DoE's Renewable Energy Management Bureau, said in a virtual briefing last week facilitated by the Clean Energy Investment Accelerator.

The GEOP is authorized by the Renewable Energy Act of 2008, open to end-users with monthly average peak demand of 100 kilowatts or more over the past 12 months.

Mr. Ballaran said that to date, uptake has been weaker than expected, with 158 end-users currently enrolled under GEOP.

"There are some provisions under the Energy Regulatory Commission rules that are not harmonized with the DoE rules," Mr. Ballaran said.

According to the DoE, retail electricity suppliers only need a permit from the DoE to enroll to the program, but the ERC requires end-users to secure permits from both agencies.

Mr. Ballaran said that the department will discuss harmonizing the rules with the ERC.

"We can always resort to amendments to rules or supplemental policies in the future. We will solicit comments from the public and industry stakeholders by conducting public consultations," he said. — **Ashley Erika O. Jose**

Transport dep't to set up road safety office

THE Transportation department said it will create a road safety management office which will undertake initiatives such as roadworthiness vehicle testing and raising the standards for issuing drivers' licenses.

"We will be issuing a department order creating the road safety project management office," Transportation Secretary Jaime J. Bautista said during a consultation session organized by Metro Pacific Tollways Corp. last week.

He said the Department of Transportation has committed to the United Nations' decade of action for road safety, which calls for improved road safety management, safer roads, safer vehicles, safer road users, and improved trauma care and rehabilitation.

The department is studying recommendations from Southeast Asian neighbors to address issues and gaps in road safety policy. — **Arjay L. Balinbin**

OPINION

Transformative tax compliance requirements

SUITS THE C-SUITE
MARIVIC M. REBULANAN

In the last two years, the world has witnessed how an unforeseen event can bring about a major shift in the business environment, forcing governments and business leaders to make drastic changes. Accountants and tax practitioners became economic frontliners for a struggling economy during the pandemic. Fast-forward to 2022. Businesses are slowly reopening and their operations are recovering. Offices are transitioning to either 100% face-to-face or hybrid set-ups. Simultaneously, the Bureau of Internal Revenue (BIR) is also keen to implement transformative changes to adapt to these developments to ease the process of paying taxes and comply with the BIR's compliance requirements. By streamlining these processes, the government is effectively helping taxpayers meet the social responsibility of paying their tax obligations. These can pave the way for changes in policy that are sustainable and, at the same time, environment-friendly, resilient against unforeseen events, with the potential for reducing the financial burden on taxpayers.

In this regard, the BIR issued Revenue Regulations (RR) No. 6-2022 to remove the five-year validity of receipts and invoices. This RR covers manual receipts and invoices with Authority to Print, those that are generated by Computerized Accounting Systems (CAS) and related components, and those issued from Cash Register Machines (CRM) and Point of Sale (POS) Machines with Permit to Use. This removal took effect on July 16, 2022. The implementation of this RR will reduce the burden on taxpayers to comply with the BIR's administrative requirements when the receipts and invoices expire. This may also reduce the cost of doing business, allowing taxpayers to improve their financial performance.

This initiative is also in line with the BIR's adoption of the Electronic Invoicing/Receipting System (EIS). This requires certain taxpayers to electronically report their sales data to the BIR, which should be implemented within five years from the effectivity of the TRAIN Law, and upon establishment of a system capable of storing and processing the required data used by electronic point of sale systems. This will be mandatory for taxpayers engaged in the export of goods and services, those engaged in e-commerce, and taxpayers under the jurisdiction of the Large Taxpayers Service. The EIS is capable of storing and processing the data that taxpayers must transmit using the taxpayers' Sales Data Transmission System (SDTS).

Now, taxpayers are required to issue electronic receipts and invoices, and the related sales data should be transmitted to the BIR within three calendar days from the date of transaction, which is almost real time. With this, taxpayers are no longer required to issue hard copies of receipts and invoices with ATP, or print those that are generated from the CAS, CRM, and POS machines. The soft copies of these documents are considered valid for tax purposes. Relative to sales data transmission, taxpayers are required to develop a BIR-certified SDTS. Moreover, taxpayers are required to submit an application for the issuance of the Permit to Transmit to allow transmission of sales data to the EIS. The SDTS will effectively link the taxpayers' accounting system with the BIR's EIS.

The implementation of the EIS may result in long-term cost savings in doing away with the cost of paper and supplies, mailing, handling, archiving, storage, and labor, among others. While refining the administrative aspect of the business processes, this may also result in improved financial performance for taxpayers. To add, this change is environment-friendly and more sustainable in the long run. However, taxpayers will have to incur costs at the start, particularly the cost of developing the SDTS. Nonetheless, this is a forward-looking investment and the benefits from implementation may eventually outweigh the related costs.

Another important change implemented by the BIR is the removal of the 25% surcharge in amending tax returns. This is to ensure consistency with the rules applicable when paying deficiency taxes and penalties during a BIR audit. To provide context, in 2018, the BIR set the rule that a 25% surcharge will be imposed on additional tax payments arising from the amendment of tax returns. However, no 25% surcharge is imposed if the additional tax payments are made in the course of a tax assessment. In effect, taxpayers are being unduly penalized for voluntarily amending their tax returns to pay their taxes correctly. Under this recent RMC, the 25% surcharge for amending tax returns will be removed, provided that the original tax returns were filed on time. With this new rule, taxpayers may be encouraged to voluntary amend their tax returns to address any errors or corrections in their original filings.

Given the economic agenda of the new administration, investors and business owners would do well to closely monitor the government's efforts to rationalize tax policies to ensure not only compliance, but to also take advantage of any beneficial changes to the tax filing and payment process. Prudent business entities would be wise to consult experienced tax professionals as early as possible to better transform their tax compliance efforts, and by doing so, more effectively support the resurgence of our country's economy.

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