PHL energy security to hinge on emerging tech

THE PHILIPPINES will need to tap emerging technology like green hydrogen to shore up energy security during its transition to green sources of power, an Energy department official said.

Michael O. Sinocruz, director for Energy Policy and Planning at the Department of Energy (DoE), said during the BusinessWorld Economic Forum Forecast 2023 that diversifying the energy mix is a key step in achieving energy security.

As such, Mr. Sinocruz said that the government is "looking to harness" alternative fuels like green hydrogen and ammonia.

According to the DoE's Philippine Energy Plan for 2020 to 2040, the Philippines is focusing on increasing the share of renewables in the power mix.

Energy Secretary Raphael P.M. Lotilla has noted the Philippines' dependence on imported coal for its power needs.

"The perspective (that the Russia-Ukraine war) gives us is that curve balls like this happen. Specific to the Philippines, it magnifies our reliance, our dependence on many things that are not innate to the country," James A. Villaroman, chief renewable energy officer of Aboitiz Power Corp. said on the sidelines of the forum.

Mr. Villaroman said "the implications of increasing REs to 35%, (needs to be understood in terms of) system needs; how the system will behave and what infrastructure we need to manage in energy system which is 35% RE (and) largely variable and intermittent." — **Ashley Erika O. Jose**

PCCI says concerns about RCEP no bar to joining trade bloc

THE Philippine Chamber of Commerce and Industry (PCCI) said the issues raised against joining the Regional Comprehensive Economic Partnership (RCEP) should pose no obstacle to participating in the trade deal.

"Regarding the concerns of other sectors, I don't think it should stop us. If you look at the broader picture, many of our Association of Southeast Asian Nations (ASEAN) neighbors are on board with the RCEP. It will be a waste if we are not a part of it," PCCI President George T. Barcelon told *BusinessWorld*.

Mr. Barcelon was asked to comment on President Ferdinand R. Marcos, Jr.'s declaration of support for participating in RCEP after the palace concluded a review on the trade deal's potential impact on industries like agriculture.

"I am glad that the President backed (ratification). We have always taken the view that the RCEP should be ratified by the Senate," Mr. Barcelon said.

"If the Senate can ratify the RCEP before the year ends, why not? At least, the Philippines will be on equal footing with other countries," he added.

Trade Secretary Alfredo E. Pascual had announced that Mr. Marcos threw his backing behind joining RCEP.

Mr. Pascual also confirmed that the Cabinet has agreed to ask the Senate for its concurrence.

"When I asked President Marcos about the RCEP, he said that he has reviewed it and that it is okay with him. We had a Cabinet decision in October that the Cabinet, as a whole, (will) request the concurrence of the Senate," Mr. Pascual said.

Mr. Marcos called for the RCEP review to ensure that safeguards are in place for agriculture.

RCEP started taking effect in the various jurisdictions on Jan. 1. It is the largest free trade agreement (FTA) with participating countries including the 10 ASEAN members, Australia, China, Japan, South Korea, and New Zealand.

The Philippines Senate considered the FTA in the previous sitting of Congress but failed to come to a decision before the session adjourned.

The Philippines and Myanmar are the last two countries that have yet to confirm their participation in RCEP.

RCEP participation was approved by former President Rodrigo R. Duterte in September 2021 but must be ratified by the Senate to take effect. — **Revin Mikhael D. Ochave**

Farmers lobby against extension of lowered food import tariffs

FARMER organizations are asking the government not to extend a scheme of lowered tariffs on food imports, which expire at the end of the year.

Arguing the absence of benefit to consumers, the organizations said in a joint statement on Wednesday that President Ferdinand R. Marcos, Jr. should not extend Executive Order (EO) 171, and shift the government's focus to upgrading domestic production.

Mr. Marcos concurrently serves as the Agriculture Secretary, and sets policy on food imports. EO 171 was issued by the previous government in May as an anti-inflation measure.

"What President Marcos does with EO 171 will be a litmus test of his political will in prioritizing local food production over imports and his ability to rein in economic managers who are pursuing a different tack," the organizations said.

"Despite the huge import volumes engendered by EO 171, consumers continue to reel from high food prices. The surge in imports has not benefited the buying public, whereas it has depressed farmgate prices. The National Treasury has lost billions in revenue due to reduced customs duties," they added.

The Foundation for Economic Freedom (FEF) has called for the extension of EO 171's validity until the end of 2023 to address surging food prices.

The agricultural organizations said imports have discouraged farmers from increasing production.

"Cheap imports have further discouraged our farmers from sustaining and expanding their production, thus causing even more supply shortages and increasing our dependence on imports. This vicious cycle will persist — for as long as we do not rationalize and align our trade policy with our sustainable food self-sufficiency objective," the groups said.

Signed by former President Rodrigo R. Duterte, EO 171 allowed lower tariffs for rice, corn, coal, and pork to continue until Dec. 31.

The EO set the tariff on rice imports within the minimum access volume (MAV) quota at 35%, with out-of-quota imports charged 50%. The tariffs for pork within the MAV quota were reduced to 15% from 30%, while out-of-quota pork import tariffs were reset to 25% from 40%.

It also lowered the tariffs on corn imports within the quota to 5% from 35% and set rates for shipments beyond the quota to 15% from 50%.

The order also reduced the duty on coal imports to zero from 7%.

Signatories to the statement include the Agricultural Sector Alliance of the Philippines, Federation of Free Farmers, United Broiler Raisers Association, Pork Producers Federation of the Philippines, Inc., Philippine Maize Federation, Alyansa Agrikultura, Kilusang Magbubukid ng Pilipinas, Pambansang Kilusan ng mga Samahang Magsasaka, and Philippine Egg Board Association.

Other signatories were the Confederation of Coconut Farmers Organizations of the Philippines, Pambansang Kaisahan ng mga Magbubukid sa Pilipinas, Kalipunan ng mga Maliliit na Magniniyog ng Pilipinas, Tugon Kabuhayan, Integrated Rural Development Foundation, and Philippine Rural Reconstruction Movement. — **Revin Mikhael D. Ochave**

FREEPIK

Heightened cybersecurity seen as necessary accompaniment to broader tech adoption

UPGRADED CYBER-DEFENSES need to accompany greater adoption of the blockchain, artificial intelligence, and financial technology, extending the blanket of security to other entities that a company deals with, an association of technology security officers said.

"Before, we only protected our castle. Now, we have to go beyond that and protect even those even outside of it," according to Archieval B. Tolentino, president of the Information Security Officers Group, speaking on Tuesday at the BusinessWorld Economic Forum.

Mr. Tolentino added that companies need to be wise to the risks associated with social media use.

"The ugly truth about social media is that it can make or break a company, based on information and misinformation online," he said.

Nevertheless, companies must press on with technology adoption because of the new generations' comfort level with the new ways of doing things.

"These are opportunities for us to see where things are going for the next generation. They are digital natives. As banks, it challenges us to see how we can participate in this development," Fitzgerald S. Chee, vice-president and head of consumer platforms at Bank of the Philippine Islands said at the forum.

Mr. Chee said that while investing in cybersecurity is important, digital literacy is just as critical.

Marvin P. Germo, Stock Smarts chief executive officer, noted that the pandemic accelerated the adoption of technology, including online banking applications.

"These opportunities continue to play today," he said.

Mr. Germo, who has been investing in the crypto market, also said interest in digital assets will continue.

"Bitcoin is a decentralized asset. When you store it can never be shut down. When you have something that is decentralized, no one can put it down, and you'll have something perpetually," he said.

"It's easy to lump cryptocurrency as one thing. The failure of one exchange is not a failure of crypto. It does not change the use cases of bitcoin, ethereum, etc.," he added.

Kristoffer Eduard M. Rada, head of public policy at TikTok Philippines, said social media platforms like TikTok have been creating opportunities for online businesses.

He said that TikTok has evolved from an entertainment platform to an informational and now entrepreneurial one, with many users now engaging in "live selling."

According to a recent report by Google, Temasek, and Bain & Co., the Philippines' digital economy is expected to hit a gross merchandise value of $35 billion by 2025, posting a 20% compound annual growth rate (CAGR) from $20 billion currently. The main driver will be the e-commerce sector, which is expected to grow to $22 billion by 2025, suggesting a CAGR of 17%.

"(Digital media now) gives you the freedom to pursue your passions and form communities based on those passions," Mr. Rada said, adding that social media platforms now also contribute to economic growth by supporting and enabling e-commerce.

Mr. Rada proposed a multisectoral approach to misinformation or disinformation. He said that TikTok Philippines is partnering with media organizations and the academic community to address the problem. He added that the presence of credible sources of information, such as media organizations on TikTok, will help counter and eliminate the spread of false information. — **Arjay L. Balinbin**

OPINION

The carrot and the stick

TAXWISE OR OTHERWISE
MARVIN JOSEPH MANUEL

The social and economic effects of the pandemic were on a scale so massive that many did not see an end in sight. However, with the development and rollout of the vaccines, restrictions were slowly lifted which allowed our economy to gradually recover. This did not come without a cost. As a result of the COVID-19 response, the government was forced to borrow, which significantly increased the national debt.

To manage the debt, the government sought ways to raise revenue, improve tax administration, and cut unnecessary spending, which resulted in several draft tax bills such as the Ease of Paying Taxes bill to improve tax administration and an Act Imposing Value-Added Tax on Digital Transactions to broaden the tax base. While an expanded tax base is one way to raise revenue, I believe that a reduction may also result in an increase in overall tax collections in the long run. One such example is the Barangay Micro Business Enterprises (BMBE) Act of 2002.

The BMBE Act of 2022 is one of the lesser-known laws enacted to hasten the country's economic development by encouraging the formation and growth of barangay micro-business enterprises. One of the law's goals is to integrate those in the informal sector into the mainstream economy by the granting of incentives and other benefits.

TAX INCENTIVES

Barangay Micro Business Enterprises (BMBEs) refer to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose activities are barangay-based and micro in nature and scope. Its total assets must not exceed P3 million.

The "services" covered by the law exclude those rendered by natural persons who are duly licensed by the government in connection with their profession and juridical persons whose services are carried out through licensed professionals (e.g., accountancy services rendered by Certified Public Accountants). As for the P3 million threshold on total assets, this includes those financed by loans but excludes the land on which the particular business entity's office and equipment are situated.

The key incentives granted under the BMBE Act include exemption from income tax, exemption from the coverage of the minimum wage law, and access to a special credit window for its financing needs. LGUs are also encouraged either to reduce or to exempt the BMBE from local taxes, fees, and charges imposed.

Other tax incentives include exemption from gross receipts tax on interest, commissions, and discounts arising from the loans granted by the Land Bank of the Philippines, Development Bank of the Philippines, People's Credit and Finance Corp. and Small Business Guarantee and Finance Corp. to duly-registered BMBEs, as well as loans extended by the Government Service Insurance System and Social Security System to their respective member-employees for the purpose of establishing BMBEs.

The income tax exemption of a BMBE shall cover income arising from its operations as a BMBE. It does not apply to passive income such as interest, royalties, prizes and other winnings, dividends, capital gains from the sale of shares or real property, the share of an individual in the net income after tax of an association, a joint account, a joint venture or consortium, or a taxable partnership of which he is a partner, income from the practice of a profession received directly from clients or from the professional partnership of which the individual is a partner, compensation, and all other forms of passive income and income from revenue not effectively connected with or arising from operations of the BMBEs as such.

To avail of the income tax incentive, the BMBE must register with the BIR Regional District Office where the principal place of business is located. In case the BMBE's income is subject to withholding tax (i.e., income earned from top withholding agents), the BMBE may be exempt upon furnishing its customers with a certified true copy of its BIR registration certificate.

It should be noted, however, that no BMBE is allowed double or multiple availment of income tax exemption privileges. As such, a BMBE cannot simultaneously avail of both BMBE status (exempt from income tax, but liable for other internal revenue tax) and the 8% income tax rate option available to individuals earning business income (in lieu of the graduated income tax rates and percentage tax).

BMBEs are required to file an Annual Information Return, together with an Account Information Form, containing data lifted from the audited financial statements and a sworn statement of assets owned and/or used in business on or before the fifteenth (15th) day of the fourth month following the close of the taxable year. The BIR has also ruled that while BMBEs are exempt from income tax, they are required to file income tax returns.

REGISTRATION

Any person, natural or juridical, may apply for registration as a BMBE. This includes business entities or enterprises, whether operated as a sole proprietorship or a corporation, partnership, cooperative or association, organized under Philippine law.

Initially, the applicant must be registered as a business enterprise with the appropriate government agency (i.e., Securities and Exchange Commission, Department of Trade and Industry, etc.), the BIR, and the appropriate LGU. The applicant's registration as a BMBE may then be made with the Office of the Treasurer of the concerned city or municipality, who shall then issue a Certificate of Authority.

The Certificate of Authority is effective for a period of two years and renewable for a period of two years at every renewal.

CONCLUSION

Often, registration with the BIR is equated with the payment of taxes. This assumption has discouraged small businesses from formally registering their businesses.

Typically, the standard approach of tax authorities to encourage registration with the BIR is to remind businesses of their obligation to pay taxes and the potential penalties for non-compliance which unnecessarily increases the cost of doing business.

Perhaps instead of the "penalties" approach, incentives such as those under the BMBE Act may instead be promoted to encourage registration coupled with simplifying tax administration, and updating the tax rules to address the concerns of small businesses. As in most cases, the carrot may be better than the stick.

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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