Ecozones underutilized but more in pipeline, NEDA's Balisacan says

ECONOMIC ZONES are currently underutilized and must be planned with more of an eye towards their long-term attractiveness to locators, National Economic and Development Authority (NEDA) and Socioeconomic Planning Secretary Arsenio M. Balisacan said.

"So many are underutilized; the scope for improvement is vast. The point is that there is a good basis for the development of the zones but we need to make sure we have the resources to make it a viable destination for investors," Mr. Balisacan told the House committee on economic affairs on Monday.

He called on other agencies to take up a "whole-of-government approach" in ensuring a healthy industry consisting of "effective and cost-efficient zones," without leaving their development solely to the Philippine Economic Zone Authority (PEZA).

"We have received a lot of bills on the creation of zones in many areas, and our usual response is we (need) more details on such proposals, so that we can ensure the resources of the Republic are used most efficiently. We have many of those zones around the country; what might be needed is to consolidate all possible assistance so (they become) more attractive to investors," he added.

Earlier this month, PEZA announced a proposal to create 13 ecozones, which are expected to generate nearly P18 billion worth of investment.

Separately, Mr. Balisacan said that the Philippine Development Plan (PDP) for 2023 to 2027 will be presented to President Ferdinand R. Marcos, Jr. next week.

He said that this PDP focuses on digitalization and connectivity.

"The digital transformation of the government will result in a faster and more efficient delivery (of services) to the people. It can also help the government build better data systems (to improve the targeting of) social protections," he said.

"Digitalization is a high priority of this administration; we must push for this. It's the way of the future. The pandemic has shifted all economies in the world to that level, so we must not be left out. We must make sure our people, firms can compete with the global marketplace," he added. — **Luisa Maria Jacinta C. Jocson**

PIXABAY

Red, yellow alerts raised over Visayas grid after four power plant outages

THE National Grid Corp. of the Philippines (NGCP) said it declared red and yellow and over the Visayas grid on Monday, with the red alert subsequently canceled before it was due to begin after sufficient power was found to offset the loss of four power plants.

The Luzon grid was also placed on yellow alert for most of the afternoon and early evening, it said.

In a statement, the Department of Energy said that aside from the four plants that reported forced outages, three were running below capacity.

Yellow alerts were issued on the Visayas grid for 2 p.m. to 5 p.m., and 6 p.m. to 9 p.m.

The red alert was due to take hold for the 5 p.m. to 6 p.m. period, but was canceled beforehand.

Yellow alerts are declared when supply available to the grid falls below a designated safety threshold. If the supply-demand balance deteriorates further, a red alert is declared, warning consumers of rolling brownouts.

The Energy department said that power plants on the Visayas grid that went on forced outage were unit 1 of PB 101 in Iloilo; units 2 and 3 of Therma Power-Visayas, Inc.; and unit 3 of Panay Energy Development Corp.

On the Luzon grid, the NGCP said four power plants in Luzon experienced forced outages while three were operating on derated capacity, leaving 2,080 megawatts (MW) unavailable to the grid.

The yellow alerts on Luzon covered the periods 1 p.m. to 4 p.m. and 5 p.m. to 7 p.m. The NGCP said capacity was 11,572 MW while peak demand was 10,548 MW.

Power plants that went on forced outage in Luzon were Calaca 2 in Batangas; Masinloc 3 in Zambales; GNPower Mariveles Energy Center Ltd. Co. Unit 1, and GNPower Dinginin Ltd. Co. in Bataan, according to the Energy department.

Manila Electric Co. (Meralco) said it notified interruptible load program (ILP) participants of possible activation after the alerts were declared.

"As of 11:30 a.m., we have 229 MW of committed de-loading capacity under the ILP," Meralco said in a statement issued on Viber.

ILP participants are large power users that have their own generating facilities. These entities stop drawing power from the grid for a time, tapping their own power plants for their needs, reducing the overall load on the grid.

The power distributor said it is ready to implement manual load dropping or rotating power interruptions if needed.

The Luzon grid was also placed under yellow alert on Dec. 1 and Nov. 28. The Energy Regulatory Commission has said it will investigate the cause of the plant outages that triggered the alerts. — **Ashley Erika O. Jose**

House committee clears reform bill for real property valuation by LGUs

THE House committee on ways and means approved a substitute bill seeking to reform the real property valuation system to allow local government units (LGUs) to better sustain themselves via property taxes, with the bill calling for uniform valuation standards and an electronic database of all real property transactions.

The still-unnumbered substitute bill replaces legislation originally filed in June as House Bill (HB) No. 54 by the committee chairman, Rep. Jose Ma. Clemente S. Salceda of Albay, author of HB 54.

Mr. Salceda said the substitute bill also grants LGUs more authority to set property tax rates, though they must adhere to the standard valuation to be developed by the Bureau of Local Government Finance.

The committee also cleared HB 2385, which extends the validity of the Agricultural Competitiveness Enhancement Fund (ACEF) to 2028.

ACEF, which currently holds P4.4 billion in assets, finances enhancement projects for small farms. Its effectivity had previously been extended to 2022 by Republic Act No. 10848.

The committee also approved HB 23, a measure setting limits on passport fees, granting a 50% discount to senior citizens and persons with disabilities on passport processing and renewal fees. HB 23 also barred the Department of Foreign Affairs from charging more than 50% of the current service fees for the processing of passports requiring special consideration, waiver, or issuance outside office hours.

The bill also proposes stricter penalties for forgery and improper use of passports and travel documents, as well as possession of multiple passports. — **Beatriz Marie D. Cruz**

Target for training tourism workers set at 100,000

THE Department of Tourism (DoT) hopes to train 100,000 tourism workers in 2023 to improve the visitor experience, Secretary Maria Esperanza Christina G. Frasco said.

Speaking at the recent 22nd World Travel and Tourism Council Global Summit, Ms. Frasco said:

"Next year, our goal is to train 100,000 tourism workers harnessing the seven values of Filipino hospitality... (We will continue to train) our people to be purveyors of happiness and... hope. And to build upon all of that the sense of community... the Bayanihan spirit," she added.

In June, the DoT, citing data from the Philippine Statistics Authority (PSA), said that jobs in the tourism industry numbered 4.9 million in 2021, up 4.1% from a year earlier.

The PSA data estimated tourism direct gross value added (TDGVA) at P1.30 trillion in 2021, up 9.2%.

The 2021 TDGVA is equivalent to a 5.2% share of gross domestic product, up from 5.1% in 2020.

Separately, the DoT said it broke ground on a rest area for visitors near the Lion's Head along Kennon Road, the mountain highway to Baguio City.

The rest area will be built in collaboration with the Tourism Infrastructure Enterprise Zone Authority, and Baguio City.

The rest area will have "clean and decent restrooms," a gift shop, and a tourist information center, Ms. Frasco said.

Baguio City will take over operations and maintenance of the facility after construction.

"The pandemic hampered the usually vibrant tourism environment of Baguio, with the city only recording over 267,000 visitors in 2021 and 268,000 in 2020, as compared to the over 1.5 million in 2019. The first 10 months of 2022 posted growing traffic to the city, with more than 474,000 visitor arrivals recorded," the DoT said.

In October, the DoT broke ground on other rest areas — two in the Visayas, one in Bukidnon, and one on Samal Island.

"The Baguio tourist rest area is the first ever in Luzon, with others scheduled to be put up soon in the provinces of Bohol, Ilocos Norte, and Palawan," the DoT said. — **Revin Mikhael D. Ochave**

Union proposes P100 minimum wage hike for Metro Manila

BW FILE PHOTO

A TRADE UNION has filed a petition seeking a P100 increase in the daily minimum wage in the National Capital Region (NCR) to help workers deal with inflation.

The Kapatiran ng mga Unyon at Samahang Manggagawa (Kapatiran) filed its petition on Monday before the NCR wage board.

"The minimum wage laborer in NCR is not being paid enough to keep up with the average expenses of the individual in their income class," it said.

Citing 2018 data, Kapatiran said minimum wage workers in Metro Manila who work five days a week earn P11,400 monthly, significantly lower than their average monthly expenses of P15,666.

"The average inflation rate in the Philippines during that time was 5.2% for the entire 12 months, which was surpassed (in the first 10 months of) 2022, averaging 5.4%," it said. Such levels of inflation, it added, make it difficult to live on the current minimum wage rate of P570.00 per day.

Headline inflation rose to 7.7% in October from 6.9% a month earlier. November inflation likely hit 7.8%, according to a *BusinessWorld* poll of economists conducted last week.

"The P570 minimum wage in NCR lost P76.00 of its value when adjusted for the current CPI (consumer price index) and shall diminish further due to untamed inflation," Kapatiran said.

"Moreover, even prior to this year's supervening events, minimum wage rates have long been at starvation levels."

In 2021, at least P12,030 was needed to meet a household's "barest" food and nonfood requirements, the group said.

"Evidently, minimum wages fall below this poverty threshold and are way too far from achieving a living wage as provided under the Constitution."

Earlier this month, the Labor Education and Research Network said P76 has been eroded from the P570 minimum wage in the capital region due to price gains. Daily pay was worth P494 as of October, it noted.

The Metro Manila wage board imposed a P33 minimum wage hike in June 2022. Wage boards cannot act on wage petitions until after the anniversary of the last wage order.

"The present NCR rate... constitutes a measly 10% of the Filipinos' dream for a 'simple and comfortable life' defined by [the] NEDA (National Economic and Development Authority) in 2015," Kapatiran said. — **Kyle Aristophere T. Atienza**

OPINION

Mark your calendars for the LGU permit renewal

LET'S TALK TAX
TONEE ROSE M. PALOMENO

It is 19 days before Christmas, 25 days before the New Year. The holiday season is a time of countdowns. We look forward to the moment when the clock strikes midnight. However, for businesses, the countdown does not stop on New Year. From there, the 20-day countdown to the deadline for renewing local government unit (LGU) business registration starts to run. LGU permit renewal kick starts your business year right since without it, your operations could be suspended.

The Local Government Code requires businesses to renew their registration annually with the LGU. The renewal of business registration includes payment of the local business tax (LBT), mayor's permit fee, sanitary inspection fee, garbage fee, building inspection fee, zoning fee, and other charges. These taxes, fees, and charges are due annually, on or before Jan. 20, or quarterly, within the first 20 days of January and of each subsequent quarter. Extensions are usually granted for justifiable cause depending on the LGU involved.

Failure to pay the LBT, fees, or charges within the prescribed period will subject the taxpayer to a surcharge not exceeding 25% of the amount of taxes, fees, or charges not paid on time and an interest at a rate not exceeding 2% per month of the unpaid taxes, fees, or charges including surcharges until such amount is fully paid, but in no case shall the total interest exceed 36 months.

Different LGUs have their own specific requirements for the renewal of business registration. As preliminaries, LGUs usually require securing updated barangay clearance, locational clearance, and comprehensive general insurance policy, and paying the BIR annual registration fee. Note that failure to pay the BIR annual registration fee of P500 on time will subject the taxpayer to a surcharge of 25% and interest of 12% per annum in addition to the registration fee.

For the purpose of securing a new mayor's permit and paying the LBT, the basic requirements are the old mayor's permit and a filled-up application form. Considering that the latest Audited Financial Statements or Income Tax Returns may not be available by the time of the renewal period, a sworn declaration or certification of gross sales or receipts by the taxpayer are usually accepted. Some LGUs also require VAT returns or Percentage Tax returns to verify the declaration made by the taxpayer.

As a rule, the LBT is based on the taxpayer's prior year's gross sales or receipts. In relation to this, under BLGF Memorandum Circular (MC) No. 001-20, the following items of income do not form part of gross sales or receipts:

(a) Receipts from the sale of real properties or realty assets, unless one is engaged in the business of buying or selling real estate;

(b) Determinable discounts at the time of sales, sales returns, excise tax, and value-added tax (VAT);

(c) Passive income, i.e., interest, dividends, and gains from sale of shares; and

(d) Receipts from the printing and/or publishing of books or other reading materials prescribed by Department of Education as school text and reference, for those engaged in the business of printing and publication.

If the taxpayer is unable to provide proof of its gross sales or receipts, the LGU may use the so-called Presumptive Income Level Assessment Approach (PILAA) provided in a duly enacted local ordinance in computing the LBT. PILAA is a tax collection tool which allows the LGU to set a certain income level standard for business entities based on industry factors. The use of PILAA is not automatic as it is limited to situations where the taxpayer is unable to provide proof of income. Note that major cities may have this PILAA provision in their local ordinances.

The LBT rate to be used varies depending on the business activity an entity is engaged in. The LGU may prescribe the schedule of graduated tax rates but in no case may the rates exceed those provided in the Local Government Code. There are instances when an entity may be subject to several rates if it is engaged in different lines of business.

Note also that there are entities exempt from paying LBT such as enterprises registered with the Board of Investments, the Philippine Economic Zone Authority, or other special economic zones and cooperatives registered with the Cooperative Development Authority, among others. Although these entities, in general, are exempt from LBT, they may be subject to other regulatory fees and charges.

The other regulatory fees and charges are usually imposed at a fixed amount as provided in a duly enacted local ordinance by the LGU.

Twenty days from year-end is a short period in which to complete all documentary requirements, processing the manager's check (the usual mode of payment), and addressing issues on the computation of taxes or fees, among others. While deadline extensions are given by some LGUs, it is prudent for companies to start preparing requirements in December. We all want to avoid late registration and payment which could mean millions in surcharges and interest. As William Shakespeare once said, better three hours too soon than a minute too late.

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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