Business chambers see tourism, agriculture driving 2023 recovery

BUSINESS GROUPS said they expect tourism and agriculture to drive the economic recovery in 2023, with remittances providing a cushion against any possible external shocks.

George T. Barcelon, Philippine Chamber of Commerce and Industry president, said his organization is "cautiously optimistic" of the country's economic performance this year.

"Our economy will sustain a healthy pace in the first half of the new year. There may still be interest hike(s) mirroring the US and EU actions to mitigate inflation (but) remittances and the rebounding domestic economy will allow the Philippines to weather it," Mr. Barcelon told reporters in a Viber message.

The Bangko Sentral ng Pilipinas increased interest rates by 350 basis points in 2022, bringing its benchmark rate to 5.5% in response to high inflation and the weakening peso.

Mr. Barcelon said that the government should address high food prices, which have added to the pressure to raise wages, raising the prospect of more inflation going forward.

"This is a vicious cycle that could stunt business and negatively impact the competitiveness of the export sector. As such, the outlook on both job creation and sustainability for the year may encounter headwinds," Mr. Barcelon said.

Mr. Barcelon said tourism and agriculture could be the economy's sources of strength, as will infrastructure.

"The government's plans to continue infrastructure spending and massive housing projects for the homeless will certainly give impetus to our economy. From worldwide trends, travel and leisure business are coming back on strong. The recent trip of President Ferdinand R. Marcos, Jr. has (secured) China's support for our tourism and agricultural sectors," Mr. Barcelon said.

Lily Lim, vice chair for media and public information affairs for the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc., said in a separate televised briefing on Monday that the group is projecting 6.5% to 7.5% gross domestic product (GDP) growth for 2023.

According to Ms. Lim, the forecast will come on the back of agriculture.

"We will hit 6.5% to 7.5% (GDP growth) for sure within the year with exports of our agricultural products to China. We have fruits such as durian, avocado, bananas, mangosteen, and others," Ms. Lim said.

"Following the trip of Mr. Marcos to China, we expect improvement in the agricultural sector. We should also expect improvements in development cooperation, infrastructure, maritime security, and tourism," she added.

GDP grew 7.6% in the third quarter. Fourth-quarter GDP is set to be released on Jan. 26.

The government projects GDP to have increased between 6.5% and 7.5% last year. For 2023, the government has set a target range of 6% to 7%.

Ms. Lim called for a further easing of coronavirus disease 2019 (COVID-19) related restrictions in order to boost economic growth.

"There are so many countries and also for us, the case count has dropped. (We should ease) restrictions... and also prepare ourselves to grow agriculture, tourism... (and) infrastructure — everything needed to support (the economy)," Ms. Lim said.

Mr. Marcos has said the Philippines will monitor the COVID-19 situation in China, which reopened its borders to international travelers on Jan. 8. — **Revin Mikhael D. Ochave**

PHL obtains $6M to fund rail feasibility studies

THE GOVERNMENT has obtained access to more than $6 million in loans to fund feasibility studies for three railway projects outside the capital region, the Transportation department said on Monday.

The three proposed projects are the planned Panay Railway, the Bataan Railway, and the North Long Haul Interregional Railway, which will connect provinces to the north of Metro Manila, Transportation Secretary Jaime J. Bautista said.

"The technical studies for these railway projects will commence in the next few months," he said during a ceremony to launch operations for the Metro Manila Subway Project (MMSP) tunnel boring machine in Valenzuela City.

Mr. Bautista said the government is also "on track" to secure funds for the feasibility studies for the San Mateo Railway Project, Northern Mindanao Railway Project, as well as the Philippine transport system master plan.

Mr. Bautista said the start of tunneling in Valenzuela City "signifies the point of no return" in the construction of the subway. "We are going full speed ahead to complete the country's first subway."

The subway project will cut across eight cities that between Valenzuela City and Parañaque City, with a spur line connecting to the Ninoy Aquino International Airport.

With a 33-kilometer route length and 17 stations, the subway targets travel time between Quezon City and NAIA in Pasay City to 35 minutes from over an hour. It is expected to accommodate up to 370,000 passengers daily.

"Many of big-ticket infrastructure projects require a lot of time to complete," Mr. Bautista said. "We ask for patience and understanding as we pursue permanent solutions to our transportation problems."

MMSP's Contract Package 101 (CP101) is part of the project's seven civil works contracts, the Department of Transportation (DoTr) said in a statement. It involves the construction of three underground stations in Quezon City and an additional semi-underground station in the northern Valenzuela City, where the depot is located.

The agency said six tunnel boring machines will be deployed for CP101.

"Around 1,200,000 cubic meters of soil using cut-cover and the TBMs are to be excavated for the partial operability (PO) section of the project or the equivalent of 500 Olympic-size swimming pools," the DoTr said. "For the tunnels alone, the excavation will be around 711,000 cubic meters or an equivalent of 285 Olympic size swimming pools."

"The entire alignment will have a total excavated soil of about 7,419,940 cubic meters or the equivalent of 2,500 Olympic size swimming pools," it added.

The P488-billion subway project is supported by loans from the Japan International Cooperation Agency.

President Ferdinand R. Marcos, Jr. said he believes the Japanese government will "help us shape our railway infrastructure and keep them at par with the highest international standards," noting that the tunnel boring machine shows "Japan's expertise in technology and trailblazing contributions in the modern world."

"The launching of this tunnel boring machine became a testament to this administration's commitment to continue the projects of the previous administration and more importantly build better more," he said at Monday's event.

"We will continue to invest and improve on our transportation system as well as pursue more projects in the years to come so that Filipinos can gain greater access to places of work, commerce, recreation and other vital areas," he added.

The contract package is expected to be finished by the end of 2027.

Mr. Marcos asked for more patience as "big-ticket projects such as this take years to be completed."

"So, I ask not only for your continued patience but also for your continued trust and support for the government."
— **Kyle Aristophere T. Atienza**

PHL current account deficit forecast raised to 4.7% of GDP in 2023

THE current account deficit as a proportion of gross domestic product (GDP) is now projected at 4.7% this year from 4.5% previously, with easing commodity prices offset by strong imports of capital goods, Fitch Solutions Country Risk & Industry Research said in a report.

The 2023 projection is lower than the expected percentage in 2022 due to cheaper oil, it said.

"As a net importer of energy, the Philippines will benefit from lower energy prices in 2023, and we expect remittance inflows to remain resilient," Fitch Solutions said.

"That said, strong capital goods imports and a slowdown in export growth will keep the trade deficit elevated relatively to historical levels," it added.

Fitch Solutions' current account deficit forecast for 2022 is 5% of GDP, due to the continuing threat of weakening global demand.

The current account deficit was at $5.8 billion in the third quarter, against the $974-million year-earlier deficit, as the deficit in the trade in goods widened.

The third quarter 2022 deficit was equivalent to 6.2% of GDP, against a deficit of 1.1% a year earlier, the Bangko Sentral ng Pilipinas said last month.

The current account balance, a gauge of the balance of payments due over the short term, was in deficit by $17.8 billion in the nine months to September, much higher than the year-earlier deficit of $2.3 billion. — **Keisha B. Ta-asan**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link **<bit.ly/Deficit011023>**

Pork supply exceeds demand, Senate panel finds, casting doubt on gov't import policy

By Alyssa Nicole O. Tan
Reporter

THE Senate Agriculture, Food and Agrarian Reform Committee was told that the supply of pork exceeded demand in each of the years since 2019, raising questions about the government's pork import policy.

Senator Cynthia A. Villar, who chairs the committee hearing, on Monday cited data indicating a pork surplus since 2019, suggesting a disconnect between the decision to import and the available pork inventory.

"We should know our local production (and) demand; the difference is what we should import," she said.

According to Ms. Villar's data, pork demand was 1.7 million tons in the 2019-2022 period, well below the estimated supply of 2.6 million tons.

"Why is it that production is larger than demand yet we import?," she added.

One of the resource persons at the committee hearing, who represents the poultry industry, told the panel that the government's policy over the last few years was to freely allow meat imports to all seeking permits.

"All these years, the private sector's understanding of the DA's (Department of Agriculture's policy) is that imports can come in because we are fully liberalized. The importer just has to click on his computer and the permit will be issued electronically," United Broiler Raisers Association President Elias Jose M. Inciong said.

"Pork and chicken are the products that don't need a certificate of necessity to import. Our understanding is that all the rest need the certificate of necessity to import," he added.

Bureau of Animal Industry Officer-in-Charge Director Paul C. Limson confirmed the lack of controls over imports. "The import application is lodged by the client, so we don't have direct control over how frequently they do so," he said.

Ms. Villar asked why the importer had the power to determine appropriate shipment volumes, adding that the government must impose "common sense" limits on permitted quantities.

"Imports are fine with me if there's a shortage, to solve temporary short-term problems," she added. "Those giving the permits want imports because they benefit from it."

Agricultural Sector Alliance of the Philippines Party-list Representative Nicanor M. Briones said that it was the DA's responsibility to ensure that farmers do not face unfair competition from imports.

"We are agreeing to import to the extent that farmers lose out," he said. "It's the consumer who suffers because of what we are doing."

He said the government needs to make import decisions with reference to the direction of farmgate prices, by which they can gauge the balance of supply and demand and plan for appropriate import volumes.

"It seems we no longer care about our farmers and consumers," he added.

"Any industry in this situation will die," Ms. Villar said, noting that farmers will eventually abandon agriculture because they cannot make a living competing with imports.

Ms. Villar said the Palace must take the initiative in balancing supply, demand, and imports.

Mr. Briones also said that temporary solutions should not be made permanent, such as a recent executive order extending the lower tariff regime for imports of pork, rice, corn and coal, which originally took effect as a measure to contain inflation in 2021.

Signed by Mr. Marcos on Dec. 29 and released on Wednesday, Executive Order No. 10 extended until the end of 2023 the reduced tariffs for pork at 15% (for imports within the minimum access volume quota) and 25% (for those exceeding the quota). The corresponding tariffs were 5% for corn (within the quota) and 15% (beyond the quota), and 35% for rice from all sources, not just Southeast Asian grain.

Coal will remain at zero duty beyond the end of the year, subject to review every six months.

Reynaldo R. Cancio, the National Economic and Development Authority Policy and Planning Group supervising officer, said the extension of the reduced tariffs was meant to be a temporary measure to contain inflation.

"The recommendation to extend was only temporary... so it's only up to the end of 2023," he said.

"But then we assessed based on a petition from the public, from the private sector, that it needed to be extended in order to reduce inflation," he said. "The forecast of the BSP (Bangko Sentral ng Pilipinas), at the time we were assessing, was that the target of 4% maximum inflation for 2022 would be exceeded again in 2023, so we needed to look for ways to manage inflation further."

Ms. Villar noted however that prices have not fallen even with ample supply due to imports.

"That means (prices are) being controlled by the cartel, (which is) very powerful in the Philippines," she said.

President Ferdinand R. Marcos, Jr., who is also Secretary of Agriculture, has called the extension of reduced tariffs necessary to "maintain affordable prices for the purpose of ensuring food security, help augment the supply of basic agricultural commodities, reduce the cost of electricity, and diversify the country's market sources."

OPINION

Tax assessments: What to do and what can still be done

LET'S TALK TAX
MA. LOURDES POLITADO-ACLAN

The Feast of the Epiphany and the celebration of the Baptism of the Lord ended the Christmas season on Jan. 8. This day also marked the end of the Bureau of Internal Revenue's suspension of audit and field operations. Taxpayers must now face the sad reality of once more dealing with tax assessments.

Even with the hangover of the holidays, it is a good time to be reminded of the BIR's tax assessment process, what taxpayers should do, and what can still be done to improve it.

The BIR's tax assessment process starts with the issuance of a Letter of Authority (LoA). Revenue Memorandum Circular (RMC) No. 075-18 requires an LoA for a tax assessment to be valid. No assessments can be issued, and no assessment functions or proceedings can be carried out without the prior approval and authorization of the Commissioner of Internal Revenue (CIR) or his duly authorized representative, through an LoA. Any tax assessment issued without an LoA is a violation of the taxpayer's right to due process, and is therefore, "inescapably void." Thus, taxpayers must always ensure that a valid LoA has been duly issued and received before the BIR can proceed with its tax assessment. If only a Letter Notice (LN) was received, the revenue officer cannot proceed with further examination and assessment of taxpayer unless an LoA is also obtained.

Included in the LoA is a Checklist of Required Documents. To avoid issuance of subpoena duces tecum (SDT), taxpayers should ensure that they comply with the notices on the submission of required documents. Close coordination with the BIR examiner is needed to ensure that the correct documents are made available when the examination is conducted in the taxpayer's business premises.

Once the BIR is done with its examination, the bureau will issue a Notice of Discrepancy (ND) if needed. Under RR No. 22-2020, a Notice of Discrepancy must be issued to the taxpayer upon a finding of liability for deficiency taxes during an investigation conducted by a revenue office. Based on the prescribed template for the ND, the taxpayer must be able to present and explain his side on the discrepancies noted by the BIR within five days from receipt of the ND. In case the taxpayer needs more time to present documents, he may submit such documents and explanations after the discussion but within 30 days from receipt of the ND.

If the taxpayer is still found to liable for deficiency taxes, the investigating officer may endorse the case for review and approval for the issuance of a Preliminary Assessment Notice (PAN). Upon receipt of the PAN, the taxpayer has 15 days to reply. Based on the BIR's evaluation of the reply to the PAN, it may proceed to issue a Final Assessment Notice (FAN)/Formal Letter of Demand (FLD) if the taxpayer is still found to be liable for deficiency taxes. From the receipt of FAN/FLD, the taxpayer has a non-extendible 30-day period to submit a protest letter. Otherwise, the assessment becomes final and executory.

The protest letter must not be a pro-forma protest and should include the taxpayer's argument and supporting legal arguments. The protest letter may be in the form of request for reinvestigation or request for reconsideration. A request for reinvestigation is recommended if there are still supporting documents which cannot be submitted within the 30-day period for the protest letter. For requests for reinvestigation, additional supporting documents may be submitted within 60 days from submission of protest letter.

Note that the PAN stage is specifically provided under the Tax Code. Under Section 228 of the Tax Code, when the Commissioner or his duly authorized representative finds that proper taxes should be assessed, he must first notify the taxpayer of his findings.

Arguments and evidence submitted in the reply to the PAN must be carefully evaluated by the BIR. An explanation of how the bureau considered or appreciated the taxpayer's arguments and evidence must be included in the FAN/FLD. Thus, in several court cases, it has been ruled that the issuance of the FAN, without consideration and evaluation of the defenses contained in the reply to the PAN, violates the taxpayer's right to due process. Also, in the recent CTA Case No. 10063, dated Nov. 29, 2022, the court ruled that an assessment which merely reiterated in the preliminary collection letter notices the deficiency taxes due as found in the PAN and the FAN/FLD is considered void.

While the current BIR tax assessment process provides due process, there are areas which I think can still be improved to make the assessment more efficient and effective for both the taxpayer and the BIR.

First, at the LoA stage, it is every taxpayer's wish that copies of the documents which were previously submitted to the BIR, such as copies of tax returns, books of account, will no longer be requested in case of tax assessment. While we understand the BIR's manpower limitations, an automated archiving system may certainly help in retrieving such documents. This will save time both for the taxpayer and the BIR.

Second, I wish that our Tax Code specifically prohibits the issuance of FANs with findings that are exactly the same as those in the PAN, except when the taxpayer fails to provide a reply to the PAN, or when the PAN fails to properly address the findings, or when the reply to the PAN lacks legal basis. While there are court rulings voiding assessments which merely reiterate the deficiency taxes due as found in the PAN and the FAN/FLD, there are still cases of complete disregard of the reply to the PAN or the issuance of the FAN without clearly explaining the basis for denial of arguments in the reply. The FAN must explain clearly why the BIR is rejecting the documents/explanations in the PAN and not just by giving very general statements of denial. This will ensure that every taxpayer is accorded due process in tax assessments.

I also wish for a maximum period for the applicability of the penalty deficiency interest. This will avoid situations where taxpayers are put in a position of having to settle to avoid the interest charge. Also, having a maximum period for penalty interest may encourage the BIR to expedite the evaluation of cases.

The BIR's current tax assessment process, together with the above proposals, will certainly help in improving the tax assessment experience. Taxpayers, on the other hand, must ensure compliance with the required submissions and replies to assessment notices for the speedy disposition of assessment cases. We also hope our tax bureau and legislators heed the call for an efficient and effective tax assessment process.

With all these in mind, here's to a blessed and a prosperous 2023!

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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