

# Marcos orders 2-month buffer stock for sugar

THE GOVERNMENT will maintain a two-month buffer stock of sugar to contain price volatility in the commodity, Malacañang said in a statement on Monday, citing a briefing President Ferdinand R. Marcos, Jr. delivered en route to the Davos conference in Switzerland.

"We will maintain from now on, in sugar, a two-month buffer stock," Mr. Marcos was quoted as saying. "People will know we won't have a shortage because

we will always (have) a two-month buffer stock, which I will maintain."

The Palace gave no details on which agency will oversee the buffer stock scheme or what its procurement budget will be.

The government, through the National Food Authority (NFA), also maintains a buffer stock equivalent to at least 15 days' consumption for rice.

The NFA builds up an inventory of rice purchased from domestic farmers and

releases stock to local governments or non-government organizations during disasters. To do so the NFA maintains a network of buying stations, mills, and warehouses in rice-growing provinces.

The NFA rice buffer stock operation was granted a budget of P12 billion in 2023, including procurement.

The NFA does not engage in market intervention but releases a quantity of cheap rice for purchase by low-income consumers.

Mr. Marcos, who serves as his own Agriculture Secretary, promised when he took office in June to limit food imports "as much as possible."

Early in his term, a spike in sugar prices allegedly caused by tight supply forced him to authorize sugar imports of 150,000 metric tons in September.

Sugar prices in supermarkets hit a record P134 per kilogram in October.

In December, Mr. Marcos also ap-

proved refined sugar imports of a further 64,050 metric tons.

Mr. Marcos said digitalizing the Bureau of Customs will be a key measure in dealing with smuggling.

Addressing domestic production of food, Mr. Marcos said: "We have to go back to the sugar industry ... We have to go back to the onion growers and help them... so we do not need to import." —

**Kyle Aristophere T. Atienza**

## Conditions imposed on onion importers deemed too restrictive

THE government's onion import plan is not likely to attract importers because of the "tight window" to apply for an import permit, the United States Department of Agriculture (USDA) said in a report.

"The extreme conditions attached to the unscheduled quota all but guarantee that it will not be filled and likely will not come close to filling," USDA said.

"Regardless of the limited volume and tight window of opportunity to apply for import permits, several other conditions also apply and reduce the likelihood that the quota will be realized or achieve its intended result of providing price relief to consumers," it said.

The Department of Agriculture (DA) recently authorized imports of 21,060 metric tons (MT) of onions — including 17,100 MT of the red variety and 3,960 MT of the yellow — to stabilize onion prices.

In a letter to the Bureau of Plant Industry dated Jan. 6, the DA said applications for sanitary and phytosanitary import clearances were open

to importers between Jan. 9 and Jan. 13.

Importers were only given until Jan. 27 to bring in their shipments in order not to disrupt the domestic onion harvest.

The retail price of onions, observed in markets at up to P600 per kilo, has far exceeded the suggested retail price of P250.

"Meanwhile, the Philippines has no scheduled or notified exception for a quota or quantitative restriction on onions in the WTO (World Trade Organization)," the USDA said.

The restriction on the shipments, including the ports to be used to land the cargoes as well as the timeline, will limit the number of licensed importers able to import fresh onion, the USDA said, adding that cold storage capacity may not be up to the task of storing the imports.

"This combination of factors will further impede the ability of imported onions to access and flow through the local supply chain," the USDA said. — **Ashley Erika O. Jose**

## Senators say onion prices disproportionate to size of domestic shortfall

THE high price of onions is disproportionate to the small shortfall in domestic production, which could have easily been addressed by well-timed imports, Senators said.

Senator Cynthia A. Villar, who chairs the Senate committee on Agriculture and Food, cited data from the Philippine Statistics Authority pointing to a 2021 onion surplus if domestic production and imports are added up, raising the question of why prices rose so sharply late in 2022.

In 2021, she said, domestic production amounted to 218,047 metric tons (MT) of onion, against demand of 266,526 MT.

"If you look at the 2021 figure... there was a shortage of 38,000 MT but DA imported 101,000 MT, so there was a surplus during 2021 of 53,000 MT," she said.

"They said that prices went up during 2022 because there was a shortage, but there was an oversupply in 2021 of 53,000 MT, so even if there is a deficiency of 30,000 MT, (it should have been) more than covered by the oversupply in 2021," she added.

Demand in 2022 amounted to 270,410 MT against domestic production of 238,561 MT. The Department of Agriculture (DA) said it authorized imports of 29,707 MT to address the deficiency.

At the hearing, Senator Maria Imelda Josefa R. Marcos said market prices as high as P750 per kilogram reflect an "abject lack of planning."

"Minimal importation would have solved this if it had been timely and well projected. However, there seems to be as well a level of treachery and manipulation involved," she added.

Ms. Villar said market prices are completely out of line with the estimated supply shortfall. The 2022 deficit of around 2,140 MT "does not justify the price of P550 to P700."

She noted that prices did not rise to the same extent in 2019, when the shortfall was 12,663 MT, but the price during that year's holiday season topped out at P180.

DA Policy, Planning and Regulations Undersecretary Mercedesita A. Sombilla, speaking at the hearing, said that the figures she received from the Bureau of Plant Industry is not consistent with data being cited by the DA.

Ms. Villar said such inconsistencies undermine trust in official data.

"You guys are changing the figures to justify the wrongdoings performed by some of those in the DA," she said.

According to Ms. Sombilla's presentation, at the end of 2022, the onion supply was in deficit by 3,859 MT, with total supply at 313,542 MT and total demand at 317,401 MT.

"While we were reviewing the data, we also unearthed that there was over 10,000 MT... that did not come out, so there should be 6,000 MT available," Ms. Sombilla said.

"So, we could say that we really don't have a shortage to (justify the extent of the price increase)," Ms. Villar said. "That is why we're calling this hearing for the people to be able to explain what is happening... they have to explain to us what is happening in the DA and, of course, in the Bureau of Customs (BoC)."

Senator Joseph Victor G. Ejercito, speaking at the hearing, said smugglers remain unchecked, and the volumes they are bringing in far outweigh the highly-publicized retail shipments brought in by Philippine Airlines (PAL) crew members.

"The PAL crew were bringing gifts for personal consumption. Previously (it was) apples, grapes, perfume, shoes. But now, they (bring) their families onions," he said.

"We choose to punish (air-crew), but what about the big-time cartels, smugglers, protectors, who get past?"

The crew members caught by customs will be charged with violating the Customs Modernization and Tariff Act and the Plant Quarantine Decree of 1978.

Senator Mary Grace Natividad S. Poe-Llamanzares noted that the price of one kilo of onions has now exceeded the daily minimum wage.

She said that P700 per kilo of onion is "about three times as expensive as chicken and 25-50% more expensive than pork or beef."

The BoC has made some arrests, BoC Assistant Commissioner Vincent Philip C. Maronilla said during the hearing.

"Of those that docked, we apprehended 86 containers recently. There are onions which passed through the Port of Mindanao Container Terminal, Subic, and Davao," he added.

Ms. Villar dismissed the 987 MT of agricultural products seized as "irrelevant."

"The amount we imported in 2021 is more than 100,000 MT. What you apprehended seems very small," she said. "In figures, that amount is just (a rounding error)... That is worthless."

President Ferdinand R. Marcos, Jr. also serves as his own Secretary of Agriculture, making any disruptions in the food supply his responsibility to a great extent.

"I think it is important that the President take that portfolio so that not only to make it clear to everyone what a high priority we put on the agricultural sector, but also as a practical matter so that things move quickly because the events of the global economy are moving very quickly," Mr. Marcos has said.

"We have to be able to be agile, we have to be able to respond properly in a measured way as soon as there is a situation that needs to be addressed," he added. — **Alyssa Nicole O. Tan**

## Low-cost housing industry grapples with issues of affordability, efficiency

THE bottom line in providing low-cost housing is affordability, with Habitat for Humanity Philippines citing the wide gap between the pricing of affordable units and what the typical buyer can afford.

"The national and local governments, private, non-governmental organizations and contractors (must collaborate)" to produce an outcome where, "instead of one family covering the P855,000 for the house and a lot... it could just be P250,000," Mardi Mapa-Suplido, chief executive officer of Habitat for Humanity Philippines, said at an industry forum on Monday. The key to true affordability, she added, is "knowing (the buyer's) income."

Ms. Mapa-Suplido was among the presenters at a conference for the "sheltertech," industry, in which participants were exploring ways to make housing "vibrant and investible," according to the conference's organizers.

Marcelino C. Mendoza, president and chairman of the Organization of Socialized

and Economic Housing Developers of the Philippines, Inc., said one other approach to chip away at costs in low-cost housing is to ensure the process of building and buying houses is made more efficient via digitalization.

"Digitalization in the Philippines is still at a very low level. There's a lot more upside and what is important is it could benefit the homeowners through efficiency and more cash for them," Mr. Mendoza said.

Roberto Batungbacal, the Dow Chemical Co. Philippines country manager, said one other way to make housing more efficient is to recycling waste to produce building materials.

"Apart from addressing pollution in the environment, it will enable us to (add to the) domestic supply of construction materials," Mr. Batungbacal said.

He cited Green Antz Builders as an example of a company that recycles waste into construction materials. — **Justine Irish D. Tabile**

## Infrastructure upgrades urgently needed to address rising air travel demand, study finds

RISING air travel demand will require more investment in the supporting infrastructure, according to a study issued by the Philippine Institute for Development Studies (PIDS), a government think tank.

"While the government recognizes the need to improve the air transport infrastructure by building new airports and improving existing facilities and technical capabilities, huge investments are needed to catch up with the burgeoning demand for air travel," the authors of the study said in a statement on Monday.

PIDS researchers Kris A. Francisco and Valerie L. Lim noted that the current challenges confronting Philippine airports are capacity, technical capability, quality, and institutional environment.

"The Ninoy Aquino International Airport (NAIA), being the country's premiere airport

is faced with problems related to congestion because the current capacity is unable to adjust to the increasing demand of air travelers and aircraft," the study noted.

"Aside from passenger congestion, NAIA also suffers from runway congestion due to the layout and configuration of the runway and taxiway."

The study found that many regional airports are not rated for night flights, restricting flight operations to the daylight hours.

PIDS also concluded that airport quality is not up to par with regional airports.

As for the policy environment, PIDS cited the need for coherent policy and alignment among the government agencies responsible for airport development.

"Like other sub-sectors of the transport sector in the Philippines, the institutional

environment for the air transport sector is in need of an overhaul," the researchers concluded.

Among the measure that could address these issues is the updated Philippine Development Plan, which hopes to improve the operational efficiency of airports and address constraints capacity to bring expansion in line with growing demand. The plan also hopes to position airports as a means of spurring tourism development and develop new growth centers.

The Department of Transportation is currently undertaking procurement on various airport projects, including renovation and new construction.

The department is also fast-tracking the privatization of NAIA, according to Transport Secretary Jaime J. Bautista. — **Arjay L. Balinbin**

### OPINION

## Yet another BIR deadline in April

FOR taxpayers following the calendar year as their tax period, the start of the new year marks the countdown to the April income tax deadline. While this is the most pressing deadline for most taxpayers, we should not forget that there is also another BIR requirement due in April — the Request for Confirmation (RFC) to avail of tax treaty relief on certain income payments.

What should taxpayers be aware of regarding the RFC?

The RFC applies to taxpayers who transact with nonresidents and whose transactions are covered by a tax treaty between the Philippines and the nonresident's country. Examples of these transactions include business profits, dividend income, or interest income.

The RFC must be filed with the Bureau of Internal Revenue's (BIR) International Tax Affairs Division (ITAD), and the prescribed time for filing is not later than the last day of the fourth month following the close of the taxable year when the income is paid or becomes payable, or

when the expense/asset is accrued or recorded in the books, whichever comes first. For capital gains, it is not later than the last day of the fourth month following the close of the taxable year when the income is paid or when the transaction is consummated. Thus, for taxpayers following the calendar year, they have until

the last day of April 2023 (allowing for weekends and holidays) for their 2022 transactions.

While the above deadline is still more than three months away, preparations to file the application should be done ahead of time in order to avoid penalties for late filing.

What are the usual hurdles in preparing the documents for the RFC? Here are some examples:

**1. Evaluation by the applicant-taxpayer as to the characterization of the income payment**

Determining the particular nature of an income payment for purposes of RFC filing is sometimes confusing for taxpayers. The

characterization of the nature is important as there are income payments that are subject to preferential tax rates, like royalties, dividends and interests, and there are those that are exempt from taxes like business profits and capital gains.

Sometimes, taxpayers find it hard to evaluate their contracts. Are software transactions booked as business profit? Royalty income? For transactions falling under business profit, there is another evaluation involved, having to do with whether the transaction party maintains a permanent establishment in the Philippines. These are just some of the preliminary evaluations that may take time for the taxpayer.

**2. Completing the list of required documents**

The BIR has issued a checklist of documentary requirements for each type of income. Aside from the application form for the RFC, included in the required attachments to the application form are the Tax Residency Certificate (TRC) issued by the nonresident's country, bank documents evidencing the income payments, and the nonresident's incorporation documents, among others.

Considering that multiple documents must be acquired from the nonresident, it may take some time to deliver these to the Philippines, so it is advisable to request the documents from the nonresident ahead of time.

**3. Apostillation/consularization process**

The documents to be secured from the nonresident's country should be authentic. As proof of authenticity, the documents should be apostilled/consularized. Please note that the apostillation/consularization process varies per country, and such could take a few weeks to a few months to prepare.

Thus, the timing of apostillation/consularization should be determined at the onset in preparations to file the RFC.

Aside from these, other hurdles could emerge in preparing the RFC; hence, the preparations should not be taken lightly.

While a taxpayer is required to file the RFC for applicable transactions, taxpayers who were previously issued a CoE to the tax treaty benefit are generally no longer required to file an RFC, provided that there is an income of

similar nature paid to the same nonresident. This is very helpful for those taxpayers who have similar transactions with their counterpart-nonresidents yearly.

As we know, planning and preparation are the foundations of accomplishing any goal. Let's start our new year right by being prudent in preparing to meet our deadlines, which include the deadline for the RFC. Otherwise, we might see ourselves cramming in April.

*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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