‘Costly’ missed opportunities from RCEP delay

THE Department of Trade and Industry (DTI) said the Philippines cannot afford further delay in joining the Regional Comprehensive Economic Partnership (RCEP) trade agreement.

“The Philippines is the remaining signatory state that has yet to participate in this important trade deal, and this time the Philippines cannot afford not to join. It will be costly, we will miss a lot of opportunities,” Trade Secretary Alfredo E. Pascual said in a statement on Monday.

“Our neighbors in South East Asia are already enjoying the advantages and benefits of the agreement, and further delay can result in… missed investment opportunities,” he added.

Touted as the world’s largest free trade agreement (FTA), the RCEP started coming into force in the various signatory countries on Jan. 1, 2022. The participants include the 10 members of the Association of Southeast Asian Nations (ASEAN), Australia, China, Japan, South Korea, and New Zealand.

The Philippines is the only country that has yet to ratify RCEP, as the Senate was unable to give its concurrence in the previous Congress over concerns from the agriculture industry over lack of protections from competing imports.

Former President Rodrigo R. Duterte signed the RCEP agreement in September 2021, leaving the Senate to provide its concurrence.

The Senate Committee on Foreign Relations is set to conduct a hearing on RCEP on Feb. 7.

According to Mr. Pascual, reluctance to join the RCEP gives off a negative impression of Philippine trade policies.

“The Philippines has only a few FTAs compared with other competing ASEAN countries. Suppose our country is seen as reluctant to join this regional trade agreement spearheaded by ASEAN itself, such reluctance would raise many questions about the direction of trade policy.”

He added that participation in RCEP assures foreign investors about the government’s commitment to free trade, adding that the FTA will enhance the Philippines’ bid to position itself as an “ideal investment destination in the East and Southeast Asian region.”

“The Philippines cannot afford not to be part of this mega free trade agreement,” Mr. Pascual said.

“Our country has already implemented game-changing economic reforms. RCEP will complement these reforms and strengthen the country’s enabling environment for business. This regional pact will open a wide range of market opportunities for investors, particularly in export-oriented enterprises, in this era where the center of economic activities is in the region,” he added.

“Our approach to trade and investment policy is holistic, and we cannot afford to just focus on certain sectors. Our goal is a vibrant, sustainable, and resilient economy not only for businesses and investors but for the general welfare,” Mr. Pascual said.

Trade Assistant Secretary Allan B. Gepty said that the concerns of the agriculture industry are addressed by the RCEP deal, which permits resort to trade remedies prescribed by the World Trade Organization (WTO).

He noted the availability of RCEP transitional safeguards to address increased imports and protect domestic industry.

Participating countries are allowed to suspend the further reduction of customs duties or increase such duties following a surge in imports to address injury or even the threat of injury to a domestic industry.

Mr. Gepty added that there are also anti-dumping and countervailing measures that reaffirm the participating countries’ rights and obligations under relevant WTO agreements.

“In the course of negotiation, we made sure that concerns of stakeholders are well covered and appropriate flexibilities or policy space are provided in the agreement,” Mr. Gepty said

“As we move forward, our local industries, including the agricultural sector, should look at RCEP as a platform of more and bigger opportunities. These opportunities can range from improved market access in the RCEP region, wider cumulation area, cheaper access to raw materials, trade facilitative measures, innovation, and more investments, especially in smart agriculture and research and development,” he added. — **Revin Mikhael D. Ochave**

Microgrid firms, NEA in talks over off-grid power crisis

THE National Electrification Administration (NEA) said it is in talks with the Department of Energy (DoE) to allow microgrid operators to step in and help resolve the looming power shortage in off-grid areas caused by high diesel prices.

“A lot of private parties have approached the NEA office. We are in talks with the DoE for seamless coordination for QTP (qualified third party) microgrids,” Antonio Mariano C. Almeda, NEA administrator, said at a recent briefing.

The Microgrid Systems Act authorizes QTPs to accelerate the electrification of off-grid areas that are deemed underserved. Microgrids typically use a combination of renewable energy and batteries to power remote communities, reducing their reliance on diesel generators.

The arm of the National Power Corp. (Napocor) that serves off-grid areas, known as the Small Power Utilities Group, has warned of service reductions in remote communities reliant on generator power, following the depletion of the Napocor’s diesel budget because of higher-than-expected prices for the fuel.

Mr. Almeda added that other measures being considered are requesting the more financially capable power cooperatives to make advance fuel payments.

The DoE and Napocor have proposed raising the universal charge for missionary electrification (UCME) to sustain services in areas served by Napocor. The Energy Regulatory Commission said it is currently reviewing the application to raise UCME.

Republic Act No. 9136 or the Electric Power Industry Reform Act authorizes a UCME charge to be collected from on-grid electricity end-users to fund Napocor’s electrification programs and projects, particularly in remote areas not connected to the grid. — **Ashley Erika O. Jose**

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ADB considering providing financing for Dali discount grocery expansion in PHL

THE Asian Development Bank (ADB) said it is considering providing financing for the Philippine expansion of Dali Modern Food Retail, a discount grocery chain, to increase access to groceries for the poor and boost female employment.

“The project is expected to provide access to affordable food and non-food products in rural and peri-urban areas in the Philippines. It also aims to provide more than 4,000 additional jobs, 45% of which will be for women,” the ADB said in a document uploaded on its website.

The “Dali Modern Food Retail Expansion Project” proposal provided no details on the project’s total cost or financing options.

Dali is a discount grocery chain that currently has over 200 branches in the Philippines. It calls itself a “hard discount” retailer, offering affordable prices and a limited but quality product line.

“By establishing new stores, more people will have access to basic food and non-food products. Those in the lower class will especially benefit as Dali offers these products at discounted prices. Establishing new stores will also generate jobs for the neighboring communities as Dali prioritizes hiring locally,” the ADB added.

From 2019 to 2021, 43.8% of households in the Philippines were deemed moderately or severely food insecure, more than double the average in Southeast Asia (18.8%). Filipinos spend an average of 41.9% of their household income on food, one of the highest ratios in the world, according to the ADB.

The bank said that the project is consistent with its goal of scaling up agribusiness, address remaining poverty, reduce inequality, and promote rural development and food security.

“The project also aligns with ADB’s Country Partnership Strategy on accelerating infrastructure and long-term investments, promoting local economic development, and investing in people,” it added.

The ADB said that the project also boosts opportunities for women producers, in line with its goal of equal participation in the labor force.

“The project has strong potential to enhance gender equality standards in the company’s environmental, social and governance (ESG) provisions. Gender due diligence will look at gender design features that would enhance gender sensitization in the company’s culture and among staff, improve on gender sensitivity in the corporate policy framework,” it added. — **Luisa Maria Jacinta C. Jocson**

NCR office vacancies expected to rise — JLL

OFFICE vacancies in Metro Manila will likely continue to rise despite stable demand, due to the spillover effect of excess supply left over from 2022, according to JLL Philippines.

With inflation at 8.1% as of December, future interest rate hikes will put even more pressure on the market as intense competition grows among occupiers and buyers, JLL Philippines head of research Janlo C. de los Reyes said at a briefing on Thursday.

“This means higher development and operational costs for developers, and slower decision making for investors,” he added.

Office leases in Metro Manila rose 67% year on year to 669,000 square meters (sq.m.) in the fourth quarter, JLL said.

He said the leasing environment was steady between the first quarter and third quarter of 2022, before “the drop in climate in Q4,” he added.

New leasing volume in the fourth quarter was 150,000 sq.m., down 32% from the previous quarter.

Leasing decisions were hampered by the economic headwinds as well as the continued work-from-home arrangements of BPO (business process outsourcing) companies, Mr. De los Reyes, said, adding that leasing levels will stabilize in 2023 as the market recovers.

Hybrid work models have also become a non-negotiable element in office space decision-making, JLL Philippines office leasing advisory head Lizanne H. Tan said.

She added that 56% of corporate occupiers globally are implementing hybrid work models.

“In Manila, we’ve seen an increase of demand for flexible space. A lot of times, the locations that companies are looking into at are closer to employees’ homes rather than in major central business districts,” she said.

JLL also noted that Metro Cebu leasing volume was about 129,000 sq.m. in 2022 due to the expansion of IT-BPO companies.

“Across the country, we expect these companies to support remote working through technology. Many organizations are now planning to make remote working permanently available to their employees,” Ms. Tan said. — **Brontë H. Lacsamana**

OPINION

A closer look at quarterly VAT filing

LET’S TALK TAX
KYLE MIKKO C. AGUSTIN

Republic Act (RA) No. 10963 or the TRAIN Law introduced several major revisions to the National Internal Revenue Code (Tax Code) of 1997. While the law became effective on Jan. 1, 2018, some changes were implemented in a staggered manner.

One of the notable changes to be implemented this year is the removal of the monthly filing of Value-Added Tax (VAT) returns. Section 37 of the TRAIN Law, amending provisions of Section 114(A) of the Tax Code of 1997, as amended, and as implemented under Section 4-114-1(A) of Revenue Regulations (RR) No. 13-2018, states that “*beginning January 1, 2023, the filing and payment required under this subsection shall be done within twenty-five (25) days following the close of each taxable quarter.*” Thus, VAT-registered taxpayers are no longer required to file the Monthly VAT Declaration (BIR Form No. 2550M) for transactions starting Jan. 1, 2023. Instead, they will file the corresponding Quarterly VAT Return (BIR Form No. 2550Q) within twenty-five (25) days following the close of each taxable quarter.

TRANSITORY PROVISION FOR 2023

VAT-registered taxpayers were relieved at the end of 2022 because they no longer need to file and pay their VAT payable monthly. However, there was confusion during the initial implementation of the provision, particularly for taxpayers that operate under fiscal years that do not correspond to the calendar year. To clarify the rules, the BIR issued Revenue Memorandum Circular (RMC) No. 5-2023 providing transitory rules for the implementation of the quarterly filing of VAT returns.

The RMC provides that taxpayers with quarters ending Jan. 31, 2023 are still required to file BIR Form No. 2550M for Dec. 31, 2022 and BIR Form No. 2550Q for the quarter ending Jan. 31, 2023.

Taxpayers with quarters ending Feb. 28, 2023 are still required to file BIR Form No. 2550M for the month ending Dec. 31, 2022 and BIR Form No. 2550Q for the quarter ending Feb. 28, 2023.

Taxpayers with quarters ending March 31, 2023 are required to file BIR Form No. 2550Q for the quarters ending Dec. 31, 2022 and March 31, 2023.

With the revised rules, beginning April 2023, all taxpayers who are required to file VAT return shall file the BIR Form No. 2550Q on a quarterly basis.

WHAT TO EXPECT FROM THE BIR

Taxation, in simple terms, “*is the act of levying a tax to apportion the cost of government among those who, in some measure, are privileged to enjoy its benefits and must therefore bear its burden.*” The three phases of the power of taxation are levying, assessment, and collection. Given that the BIR is the national agency in charge of collecting internal revenue taxes, the collection of funds to implement the government’s projects and objectives is their top priority. Different methods have been enforced to collect taxes and to reach their monthly, quarterly, and annual budget.

When the Tax Code removed the requirement for monthly filing and payment of Expanded Withholding Tax and Final Withholding Tax in 2018, the BIR still required withholding agents to file a remittance form on a monthly basis for the first two months of the quarter. The BIR reasoned that taxes withheld by the withholding agents are held in trust for the government and its availability is an imperious necessity to ensure sufficient cash for the National Treasury.

Although this may not be the same case with VAT, by the end of 2022, some taxpayers were anxiously waiting to see whether the BIR will also require the filing of a monthly remittance return for VAT. Fortunately, RMC 5-2023 was issued on Jan. 13, 2023, allaying the apprehensions of taxpayers and clarifying the rules.

REVISION OF BIR FORM NO. 2550Q

After the transitory provision under the RMC 5-2023, taxpayers who are required to file the VAT returns will no longer need to use BIR Form No. 2550M. Moreover, the current version of BIR Form No. 2550Q may be revised in the near future, removing item no. *26A - Monthly VAT Payments - previous two months* in line with Section 37 of the TRAIN Law.

MOVING FORWARD

The removal of the monthly filing and paying of VAT favorably affects taxpayers in two ways. First, they will be able to hold on to their cash for the first two months of each quarter. This will allow them to use the funds in the meantime and reduce short term borrowing. Second, it simplifies their VAT compliance requirements. This move of the government further strengthens ease of doing business in the Philippines and allows taxpayers to devote more time to their core businesses.

Despite the favorable provision of removing the monthly filing and payment of VAT return, taxpayers should not be complacent when it comes to the preparation of the quarterly VAT returns. It is still recommended to prepare the schedules and computation monthly to avoid spending too much time processing and filing three months’ worth of transactions all at once.

Taxpayers should also keenly follow the discussions related to the Ease of Paying Taxes bill which is now pending in the Senate. The bill proposes new rules aimed at further simplifying VAT rules and making paying taxes less burdensome for taxpayers.

Quarter Ending	Not Applicable			Filing of 2550Q for the Quarter Ending		
	December 2022	January 2023	February 2023	December 2022	January 2023	February 2023
January 31, 2023	Required to file 2550M not later than January 20, 2023	Not Applicable	Not Required to file 2550M	Not Applicable	Required to file 2550Q not later than February 27, 2023*	Not Applicable
February 28, 2023	Required to file 2550M not later than January 20, 2023	Not Required to file 2550M	Not Applicable	Not Applicable	Not Applicable	Required to file 2550Q not later than March 27, 2023*
March 31, 2023	Not Applicable	Not Required to file 2550M	Not Required to file 2550M	Required to file 2550Q not later than January 25, 2023	Not Applicable	Not Applicable

*NOTE: *THE 25TH DAY DEADLINE FALLS ON A SATURDAY*

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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