Domestic tourism seen fully recovered this year

THE Department of Tourism (DoT) said it expects domestic tourism to make a full recovery this year with international tourism following in 2024 after travel disruptions caused by the pandemic.

"Even as the pandemic set back our gains, the momentum for recovery and growth is already here. We see domestic tourism recovering to 2019 levels this year, and international tourism next year," Tourism Secretary Ma. Esperanza Christina G. Frasco said during a meeting of the Tourism Coordinating Council (TCC) Monday.

"The possibilities for Philippine tourism are endless. With your continued support we will accomplish our goals for a tourism industry that is a major economic pillar," she added.

In 2022, the Philippines recorded 2.65 million international visitor arrivals. The DoT is targeting 4.8 million international visitors this year, still some distance from the 8.26 million international arrivals in 2019.

The Philippine Statistics Authority estimates that domestic trips totaled 37.28 million in 2021, still off their pre-pandemic level of 122.12 million in 2019. The data for 2022 are not yet available.

The TCC is the coordinating body for national tourism development efforts under Republic Act No. 9593 or the Tourism Act.

Ms. Frasco said the National Tourism Development Plan (NTDP) will help the country become a "tourism powerhouse."

The DoT is hoping to launch the NTDP by March of this year.

"The NTDP is framed by the strategic values of Philippine identity, sustainability, resilience, and global competitiveness. Our programs should reflect these values if we are to truly seize the opportunities for long-term growth for our industry," Ms. Frasco said. — **Revin Mikhael D. Ochave**

Malampaya completes maintenance shutdown; gas deliveries resume

PRIME ENERGY Resources Development B.V. (Prime Energy), the operator of the Malampaya gas field, has resumed the supply of gas to power plant customers following the completion of maintenance, the Department of Energy (DoE) said.

In a statement, the DoE said Malampaya was shut down as scheduled between Feb. 4 and 18. It underwent maintenance without incident.

"The DoE welcomes the successful completion of the maintenance works on the Malampaya platform, pipelines and entire system," the DoE said.

"The works were completed with zero incidents recorded. This was achieved through diligent planning and execution by the operator, Prime Energy, in coordination with the DoE," the DoE said.

Energy Secretary Raphael P.M. Lotilla said that he expects to further upgrade the technical capabilities of Philippine energy suppliers.

Malampaya gas powers 27% of Luzon's power requirements. During the shutdown, power plants supplied by Malampaya ran on liquid fuel.

First Gen Corp. said only its 420-megawatt (MW) San Gabriel plant went offline during the Malampaya shutdown.

Its other power plants, the 1,000-megawatt Santa Rita, 500-MW San Lorenzo and 97-MW Avion ran on liquid fuel during the two-week shutdown.

Upon the switchover to gas, "San Gabriel went online at 7 a.m. today. Santa Rita 1 of four units is now on Malampaya gas. San Lorenzo and Avion have been on Malampaya Gas since past midnight," First Gen said.

The other units of Santa Rita are still on liquid fuel as Malampaya ramps up its supply.

Prime Infrastructure Capital, Inc., through its subsidiary Prime Energy, is a member of the Malampaya consortium, which is exploiting Service Contract 38.

Prime Energy holds a 45% stake in the Malampaya project. The other members of the consortium, UC38 LLC and PNOC Exploration Corp., own a 45% and 10% interest, respectively. — **Ashley Erika O. Jose**

NTC uncertain about meeting deadline for shutting down analog TV

THE National Telecommunications Commission (NTC) said it is not certain it can meet its deadline for shutting down analog television because of the slower-than-expected digital TV rollout.

"We are still looking at this year, but this is still tentative," NTC Commissioner Ella Blanca Lopez told reporters Monday.

The commission had originally intended to phase out analog television broadcasting in 2023, but Ms. Lopez said many households are still not digital-ready.

"*Mahirap naman na i*-shutdown *mo tapos hindi pa* digital ready *lahat* (It will be too disruptive if we shut it down when not everyone is digital-ready)," Ms. Lopez said.

According to the commissioner, digital penetration nationwide has not yet hit 50% with most digital-ready households located in Metro Manila.

"*Mataas-taas na ang* penetration *sa* Metro Manila, *pero sa ibang* region *hindi pa. Malabo pa po yung sa* provinces (The digital penetration in Metro Manila is high, but not in the regions. The provinces are not yet ready)," Ms. Lopez said.

Ms. Lopez said various networks have been rolling out digitalization initiatives to the regions in the footsteps of ABS-CBN.

"*Nagro*-rollout *na rin ang ibang* networks (The other networks are also rolling out), so I think we will get there," Ms. Lopez said. — **Justine Irish D. Tabile**

Preliminary estimate for 'strategic goods' exports at $4.5 billion in 2022, little changed — Trade dep't

PHILIPPINE exports of "strategic goods" — military goods, as well as those with dual civilian and military applications — amounted to $4.5 billion in 2022, little changed from a year earlier, the Department of Trade and Industry (DTI) said in a preliminary estimate.

Trade Secretary Alfredo E. Pascual said Monday however that strategic goods trade is expected to grow going forward as the risk assessment process and the permitting system become more efficient.

"The potential trade in strategic goods is expected to increase as businesses become more confident about expanding their activities, considering the risk assessment criteria we apply to all export applications. For instance, (we guarantee that) US-headquartered companies' Philippine counterparts (do not do business with) sanctioned individuals and entities," Mr. Pascual said during the launch of the DTI's Strategic Trade Management Office (STMO) e-licensing platform in Makati City.

Strategic goods include software and technology that could be used for military purposes, including the manufacture of weapons of mass destruction.

Exports of these products are governed under Republic Act No. 10697, or the Strategic Trade Management Act.

"The STMO has yet to verify the specific amount for last year, 2022, but it is estimated to be around the same $4.5 billion figure. The STMO is still validating the annual reports and reconciling the data with the Bureau of Customs," Mr. Pascual said.

According to Mr. Pascual, information systems accounted for 98% of the Philippines' strategic goods exports in 2021, while semiconductors and integrated circuits accounted for the remaining 2%.

"Our biggest trading partner is the United States with a 60% share. Next is Japan at 21%, Singapore 5%, South Korea 4%, and China 3%," Mr. Pascual said.

Meanwhile, the DTI also launched on Monday the Philippine STMO e-licensing platform as part of the Cooperative Threat Reduction Agreement (CTRA) with the US.

The online platform will serve as the one-stop shop for all export control-related services.

"The e-licensing platform is also accessible 24/7 to all stakeholders. Safeguards have been placed to make transactions more efficient, transparent, and secure. Ultimately, this IT infrastructure project will facilitate the issuance of certificates to our industry stakeholders applying for the cross-border transfer of strategic goods," Mr. Pascual said. — **Revin Mikhael D. Ochave**

Electric vehicle rollout strategy to incentivize 'green' transport routes

THE Department of Transportation (DoTr) said its strategy for promoting electric vehicles (EVs) will focus on creating "green" transport routes whose operators will be granted incentives for deploying EVs.

"We will release a department order that will further enhance and promote EVs so we see their proliferation in the next couple of years. We will provide incentives and leeway for EVs to (operate on transport) routes," Transportation Undersecretary Mark Steven C. Pastor said during a Stratbase ADR Institute briefing.

Mr. Pastor said the government is working on low-carbon urban transport systems to increase demand for EVs and make the 5% fleet quota mandatory for transport operators.

"There is also a proposed incentive for EVs to ensure the readiness of green routes, charging stations, and other support programs," he added.

In January, President Ferdinand R. Marcos, Jr. approved the reduction of tariffs to zero for EVs.

Mr. Pastor estimated the potential EV market for public utility vehicles at $6 billion, with road projects to support EVs at $1.2 billion.

"We see transforming the public transport system as a whole as the precursor of the success of all other sectors," he added.

However, he said EV adoption faces challenges like poor road quality, congestion, the high proportion of private to public vehicles, limited investment in transport infrastructure and road safety issues,.

The Philippines loses P3.5 billion daily due to traffic, according to estimates by Japan's development cooperation agency. The losses are expected to triple by 2030 if congestion is not addressed in Metro Manila.

Bureaucratic processes are also viewed as a hurdle to infrastructure projects.

"The risks that the government encounter include the delay in implementation due to various internal processes and requirements in the Philippines. There's also a strong need to tailor-fit the solutions to adapt to the Philippine market," Mr. Pastor said.

Mr. Pastor said the government plans to remove the red tape "so those who want to participate have the leeway to implement."

"One of the main complaints of private sector is the number of permits being required by proponents in these projects," Terry L. Ridon, a lawyer and convenor of think tank Infrawatch PH, added.

Makati Business Club Executive Director Francisco Alcuaz, Jr. said there is much overlap in the responsibilities of local and National Government (NG) agencies, resulting in delayed projects.

"We need to build capacity in the NG and LGUs (local government units). Streamline the requirements," he added.

He said the process of fare regulation must be depoliticized to allow transport operators to realize returns on their projects.

Aboitiz InfraCapital, Inc. President and Chief Executive Officer Cosette V. Canilao recommended the greater adoption of information and communications technology (ICT) infrastructure.

"Our government operations can become more transparent with better ICT infrastructure now we are moving towards the digital economy," she said.

Ms. Canilao said that the government should create an enabling environment for the private sector to invest in, citing incentives, frameworks, and a clear pipeline to help the sector prepare for bids.

Mr. Ridon said that the public should be involved in the decision-making process for key infrastructure projects.

"Ideas should be subject to testing and scrutiny to communities. Never second guess or underestimate public sentiment," he said.

"In every forum or consultation, the public should be there and be invited by the government so they can articulate their ideas. There is a real public impact if we fail in implementing good projects. Every step of the way, the public should be involved," he added.

The government should also prioritize using railways and buses over roads, Mr. Alcuaz said.

"We are overweight on roads, we would like to be overweight in transport — that's railways and buses," he said.

Mr. Alcuaz also called for the privatization of the EDSA busway system and for it to be turned into a full service contracting system.

"It's time to seriously consider putting it in place in a privatized (mode). The EDSA busway is a hybrid between rails and buses. They reflect a more affordable way to put a rail system in place, that's a very beneficial endeavor for the government to pursue," he said.

"Most bus systems in the developed world are real service contracting systems. That's something they can and should roll out and more and more bus routes around the country to ensure that we have timely and adequate service and reduce congestion when buses pile up," he added. — **Luisa Maria Jacinta C. Jocson**

OPINION

Submission of documents for a BIR audit

LET'S TALK TAX
LORENZO V. MATIBAG

Tomorrow is Ash Wednesday. For Catholics around the world, it is the beginning of Lent, a period for reflection and contemplation. Speaking of reflection, for taxpayers, there is a lot to ponder. Perhaps a key topic of contemplation is tax assessments conducted by the Bureau of Internal Revenue (BIR). Taxpayers have expressed concerns about the reasonableness of the BIR's list of documents and records before conducting the tax investigation.

Under the Philippine Tax Code, the BIR has broad power to obtain, summon, examine, and take the testimony of persons, and it is authorized to examine any book, paper, record, or other data which may be relevant or material to such inquiry. During tax assessment procedures, the BIR requires the taxpayer to present and submit numerous documents in a Checklist of Presentation of Records/Documents which is attached to the BIR's letter of authority issued to a taxpayer.

The checklist includes the tax returns, books of account, accounting records, official receipts, invoices, schedules, and other items required during the conduct of a BIR investigation.

At the start of the BIR audit, prior to the issuance of its tax findings against the taxpayer, the BIR usually requests official receipts/sales invoices (ORs/SIs) without specifying which OR/SIs they are referring to. Taxpayers often ask — does the BIR really need all the ORs/SIs for their review? What if a company has thousands of these ORs/SIs?

There are certain documents that could already be in the warehouse that need to be retrieved, a process which would certainly take a significant amount of time.

Taxpayers have also been noticing that there are documents on the checklist that are already supposed to be in the custody of the BIR. Some of these are tax returns, audited financial statements, summary lists of sales, purchases, and imports, and the like, which have been previously submitted by taxpayers. Thus, the BIR is presumed to have these on file.

In some checklists, bank statements are also required. Are these really required in a regular BIR audit, considering that we have the Philippine Bank Secrecy Law?

Thus, many taxpayers are startled when they receive the BIR's checklist of documents, imposing on them an unnecessary burden. Adding to this burden, the BIR normally states in its checklist that the long list of documents/records should be submitted/presented within a few days, e.g., 10 calendar days from receipt of the checklist.

What if the taxpayer fails to comply with the submission of documents in the checklist?

Under the tax rules, if the taxpayer fails to comply with the submission of documents despite the corresponding notices issued by the BIR, the BIR may endorse the assessment case to its Legal Division for the issuance of subpoena duces tecum (SDT) against the taxpayer. With the issuance of the SDT, taxpayers are compelled to comply with the submission/presentation of the documents/records required by the BIR; otherwise, for failure to comply with the SDT, the BIR may file a criminal case against the taxpayer.

Note that the above-described scenario applies just in the early stages of the tax assessment process; thus from the start, there is already a lot of stress that taxpayers must endure.

May taxpayers request that the BIR revisit its procedures for requiring documents/records during the BIR audit?

As a humble request, the BIR should consider being more specific in its requirements for the presentation of documents/records and should limit the items that are applicable to the taxpayer to avoid unnecessary stress on the part of the taxpayers.

The BIR may also consider revisiting the guidelines in its BIR Audit Program, in which the BIR Team marks in the Checklist of Requirements only the documents/records which are applicable and relevant in the audit and should not require taxpayers to submit tax returns and other information which can be retrieved from the BIR's records.

Further, may the BIR also particularly revisit the words/descriptions that it uses in the Checklist of Requirements to avoid a general statement for documents/records, like requiring "official receipts, invoices, and contracts," among others, as these generalizations indicate that the BIR is requiring "all" these documents for its inspection? In practice, it cannot be realistically said that all the thousands or even millions of daily transactions in a taxable year, as supported by official receipts or invoices, contracts, or other documents, will be examined in a BIR audit.

Also, may the bank statements be removed, at the onset, from the BIR's Checklist of Requirements pursuant to the Bank Secrecy Law so that this does not eat up too much time spent in arguments between the taxpayers and the BIR Team?

While taxpayers are duty-bound to pay their taxes, most of them also wish that the BIR will, in turn, not impose an unnecessary burden. Tax authorities must always keep the principles of a sound tax system in mind, specifically administrative feasibility, which provides that tax laws should be convenient, just, and capable of being effectively administered. Hopefully, this reflection will be taken into consideration, and that actions in favor of the taxpayers are implemented soonest.

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.

LORENZO V. MATIBAG is a senior associate of Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton
@ph.gt.com