Fuel surcharge for airlines to rise in March

THE Civil Aeronautics Board said it raised the passenger and cargo fuel surcharge rate for March, allowing airlines to collect level-7 fees from level 6 in February.

At level 7, passengers pay a surcharge of between P219 and P739 for domestic flights and between P722.71 and P5,373.69 for international flights originating from the Philippines.

At the current level 6, passengers pay a fuel surcharge of between P185 and P665 for domestic flights, and between P610.37 and P4,538.40 for international flights.

Low-cost carrier AirAsia Philippines said the new level will add an additional P201 to P690 for domestic fares and P1,053 to P1,827 for international flights.

"We are confident that the slight increase in fuel surcharge will have little or no significant effect on the booking behavior among our guests," AirAsia Head of Communications and Public Affairs Steve F. Dailisan said.

"The increase in jet fuel prices may be driven by the demand brought about by the reopening of other key markets, which can also be (cause for) optimism in terms of the global economic recovery post-pandemic," Mr. Dailisan added.

In a separate comment, budget carrier Cebu Pacific said that it remains committed to offering seat sale promotions.

"Despite the uptick in fuel surcharge, Cebu Pacific remains committed to providing great value to our passengers through our seat sale activities. We encourage passengers to book their travels ahead of time to avail of low fares," Cebu Pacific President and Chief Commercial Officer Alexander G. Lao said.

Philippine Airlines, Inc. (PAL) said it will continue to expand its routes as travel recovers.

"Our flight route network expansion continues. We are building our China network, gearing up for direct flights to Perth, Australia and increasing connectivity from Clark to Caticlan and Busuanga. We thank our customers for their continued support," PAL Spokesperson Cielo C. Villaluna said. — **Justine Irish D. Tabile**

Sugar imports landed in Batangas a response to 'urgent' need — DA

THE arrival of a large shipment of sugar in Batangas on Feb. 9 came on the strength of a memorandum issued by the Office of the Executive Secretary, though its arrival preceded the official issuance of a formal sugar order, a Department of Agriculture (DA) official said.

Agriculture Undersecretary Domingo F. Panganiban said in a televised briefing that the shipment of 260 20-foot containers landed in Batangas was the result of his decision to urgently address supply and price issues besetting the sugar market.

"In response to the directive of the President to address inflation and create a buffer stock and given that sugar is one of the components of most of commodities that drives the consistently high inflation rate, I acted with haste and interpreted the memorandum issued by the Office of the Executive Secretary as an approval to proceed with the imports," Mr. Panganiban said at the briefing.

Sugar imports typically need to be cleared by the Sugar Regulatory Administration (SRA). In this case, the SRA issued Sugar Order No. 6 authorizing imports of 440,000 metric tons of the commodity, part of which was to help form a buffer stock to stabilize prices.

Sugar Order No. 6 took effect on Feb. 18, and the authorities said on Wednesday that they are still taking applications from importers seeking to bring in sugar.

"The directive of the executive secretary to me was a manifestation that that directive is already a sugar order," Mr. Panganiban said.

As a result of his interpretation of the executive secretary's memorandum, which he concluded pointed to the "urgency of the situation," Mr. Panganiban said he instructed three companies that are "capable" and "accredited" to proceed with the sugar imports "provided that they agree to reduce the prices (to a level) that is commercially acceptable... and that they will shoulder the cost of warehousing."

"I hope that will verify things that have come out in the papers recently."

Senator Ana Theresia Hontiveros-Baraquel had questioned the Batangas shipment, saying that it might have amounted to "government-sponsored smuggling."

Formal applications to bring in sugar on the strength of Sugar Order No. 6 were solicited between Feb. 19 to 23, Ms. Hontiveros-Baraquel had noted, noting that in the normal course of business, successful applicants are due to be notified five days after the last day of submission, which is today.

"What is the earliest date to (bring in) imported sugar? It is March 1, 2023," she said, indicating that there might be importers who "jumped the gun."

Citing reports, Ms. Hontiveros identified the importer as All Asian Countertrade, Inc.

Mr. Panganiban said at the briefing he was aware of the SRA's process for authorizing imports.

President Ferdinand R. Marcos, Jr., who is concurrently the Secretary of Agriculture, "was aware" of the imports, he said. "He was properly informed that the sugar had arrived."

The companies were selected "from a list that was given to me," Mr. Panganiban said, noting that the importers selected were "the most capable importers that we have."

Earlier in the day, an SRA official, Board Member and Planter's Representative Pablo Luis S. Azcona, said he was not aware of the documentation supporting the Batangas shipment, saying he had not received a copy.

At the time Mr. Azcona spoke to reporters, Mr. Panganiban had not yet conducted his briefing, and doubts were expressed about the validity of the documentation accompanying the Batangas shipment.

Ms. Hontiveros-Baraquel had said that the Batangas shipment was covered by an undated memorandum order and a signed letter from Agriculture Senior Undersecretary Domingo F. Panganiban.

The undated memo was addressed to SRA officials allocating the imports to three shipping firms.

On the other hand, the signed letter dated Jan. 13 authorized one of the shipping firms to import 240,000 MT. The letter also mistakenly refers to the SRA as the Sugar Regulatory "Authority" rather than "Administration." "The SRA is trying to make this program legit and fair to everybody. So, there is a process that we have to follow and we just wish for everybody to fall into place and follow the process," Mr. Azcona said, referring to the ongoing application process for importers. — **Kyle Aristophere T. Atienza,** *and* **Sheldeen Joy Talavera**

China recovery to boost Philippine tourism

THE tourism industry stands to benefit from China's recovery with mainland nationals now free to travel without restrictions for the first time in three years, Moody's Analytics said.

In a commentary dated Feb. 21, Moody's Analytics Chief Economist for Asia-Pacific (APAC) Steven G. Cochrane said high-spending Chinese tourists will boost service industries in the region with the removal of regulatory barriers in China for traveling overseas.

"The Philippines, Thailand and Vietnam have the most to gain if travel from China can rebound to pre-pandemic levels. Their tourism industries depend the most on visitors from China, who made up between 20% and 35% of total tourist arrivals in 2019," Mr. Cochrane said.

He also said Chinese tourists will likewise visit Malaysia, Indonesia, and Singapore, while Australia and New Zealand will see a return of Chinese university students.

The coronavirus disease 2019 (COVID-19) pandemic negatively affected travel and tourism globally. Three years after lockdowns were implemented, the industry is slowly recovering as travel restrictions ease and COVID-19 cases drop.

According to the Philippine Department of Tourism (DoT), 2.65 million international visitors entered the country last year. Of the total, only 39,627 were Chinese visitors.

The DoT is targeting 4.8 million international visitors this year, still well below the 8.26 million international arrivals posted in 2019, the last full year before the pandemic.

Aside from tourism, China's recovery will also affect trade and inflation across the region.

"China's manufacturing rebound will be driven by improved domestic demand this year. While not as potent as its more powerful export engine, it will create demand for goods from the APAC region," Mr. Cochrane said.

Rising demand in China will also help jack up inflation there. Chinese inflation rose to 2.1% in January. But inflation risk "is higher in... Southeast Asia, particularly in the Philippines and Vietnam, where food prices are still rising and energy subsidies are being scaled back," Mr. Cochrane said.

"Central banks, excluding China and Japan, are still expected to end their tightening cycles this quarter and to hold rates steady through this year," he said.

In the Philippines, inflation accelerated to a 14-year high of 8.7% in January from 8.1% in December. This marked the 10th straight month that inflation exceeded the Bangko Sentral ng Pilipinas' (BSP) 2-4% target.

To curb inflation, the BSP raised its benchmark interest rate by 50 basis points to its highest level in nearly 16 years. The bank has signaled more tightening at its coming meetings.

"Higher-than-expected inflation could slow the pace of growth in the region, and if regulators choose to raise policy interest rates later in the year, it would put additional brakes on economic growth," Mr. Cochrane added.

Due to rising interest rates and elevated inflation, the Philippines projects gross domestic product growth to slow to 6-7% this year from the 7.6% posted in 2022.

"The APAC economy will accelerate as the year progresses. China will have the strongest acceleration as it transitions from the era of the zero-COVID (coronavirus disease) policy that created deep uncertainty over most of 2022," Mr. Cochrane said.

"The greatest risk to this optimistic outlook is that US and European economies falter and fall back into recession, delaying the improvement in demand for imported goods and services," he said, adding that the risk of recession in both countries is "uncomfortably high."

The war in Ukraine could also reignite inflation and derail the outlook for accelerating economic growth in the second half of 2023 and into 2024, he added.

Moody's Analytics projects the Philippine growth at 7.1% this year, before easing to 5.8% in 2024. — **Keisha B. Ta-asan**

PHL classified among ASEAN economies expected to attract investor interest

THE PHILIPPINES was among a group of regional economies expected to attract the most interest as an investment destination, according to an analyst participating in a Fitch Solutions webinar.

The Philippines in the same category as Indonesia and Vietnam within the Association of Southeast Asian Nations (ASEAN) in terms of investability, according to Tim Wong, DBS Bank Group Research head and Asian Insights Office managing director, noting that the Philippines in particular enjoys critical mass in terms of the population's wealth.

"They've just gotten to a level of GDP (gross domestic product) per capita, which is when middle class consumption really starts to take off," Mr. Wong said in the webinar.

"It's driven by factors that are actually baked into the fact that there's a large population, a young population, so we got positive demographics," he added.

He was asked to identify which ASEAN countries he expects to outperform, to which he replied, "the Big Three in ASEAN... Indonesia, Philippines and Vietnam."

Political risk is also declining in the Philippines, another webinar participant said, which will make it more attractive to foreign investors.

"The risk is declining in the Philippines now according to our data, but it's early on in the new Marcos government," Fitch Geo-Quant Data and Analytics Head Ross Schaap said.

"Our system reads the news, and it scores these countries on that basis. We have a lot of positive news right now. We're cautiously optimistic," he added.

Mr. Schaap also noted that the government made progress in stabilizing the macroeconomic environment during the Duterte administration.

He added that investment, trade, and regulatory environment risks leveled off and even maybe rose slightly during the previous administration.

Meanwhile, Hannah Nguyen, International Chamber of Commerce Digital Standards Initiative Digital Ecosystems director, noted that ASEAN companies will be looking to reduce costs and to improve resilience and visibility in the supply chain which will enable them to be more agile and competitive.

She added that this will lead companies to upgrade their environmental, social, and governance compliance.

Aside from politics and a large and young demographic, Mr. Wong also noted that the investment flows are geared towards sectors that benefit from infrastructure, urbanization, and digital transformation.

"Urbanization is very much tied in with middle class income growing as people move to cities and find jobs in those cities," he said. — **Aaron Michael C. Sy**

OPINION

Let's get digital!

TAXWISE OR OTHERWISE

ELIZABETH K. ADAOAG-BELARMINO

The Bureau of Internal Revenue (BIR) took another major step in its digital transformation journey with the launching of the Online Registration and Update System (ORUS) on Dec. 12. As of Jan. 16, taxpayers nationwide were using ORUS, a web-based system, as a convenient and alternative facility for end-to-end processing of registrations, among others.

With the goal of allowing taxpayers to register, update and conduct registration-related transactions online, the BIR issued several Revenue Memorandum Circulars (RMC) to inform taxpayers about ORUS. It was introduced last year with RMC 122-2022, in which the BIR also advised taxpayers who intend to register online and those who were then doing registration-related transactions manually, to update their registration records through the S1905 or the Registration Update Sheet specifically to reflect their contact details (and not their authorized representative's or tax agent's). The taxpayer's official e-mail address will be used by the BIR to serve orders, notices, letters and other processes/communications to the taxpayer. In December, RMC 153-2022 informed taxpayers that ORUS will be available through the BIR website under the eServices icon or through URL *https://orus.bir.gov.ph*.

In January, RMC 3-2023 amended Section 2 of RMC 29-2019 on the manner of registering books of account whether manual, permanently bound loose-leaf, or computerized. All books of account are now to be registered online through ORUS, which generates a Quick Response (QR) Code that can be validated online. This replaces the manual stamping of books of account by BIR officers.

Newly registered taxpayers must use manual books of account which must be registered before the deadline for the filing of the first quarterly income tax return (ITR) or the annual ITR, whichever comes earlier. For existing taxpayers, the manual books must be registered before use. For all taxpayers, the manual books must be registered as often as before full consumption of the pages of the previously registered books, or annually if the taxpayer opts to use new sets of manual books every year.

Unless extended by the BIR upon the taxpayer's request, permanently bound loose-leaf books and computerized books must be registered annually by existing taxpayers within 15 and 30 days, respectively, after the end of each taxable year. In the case of closure of business operations, the 15/30-day deadline will counted from the closure date, if this is earlier than the end of the taxable year.

For both manual and permanently bound loose-leaf books, the QR Stamp generated by ORUS must be pasted on the first page of the books. For computerized books, the QR Stamp must be attached to the transmittal letter showing the detailed content of the flash drive where the books are stored or saved.

The QR Stamp should contains the following taxpayer information: (1) TIN; (2) registered name and address; (3) type of books of account; (4) books registered; (5) Permit No. for loose-leaf books or Acknowledgment Certificate Control No. (ACCN) for computerized books and dates of issuance; (6) quantity; (7) volume no.; (8) dates registered and approved; and (9) QR Code which when scanned by any smartphone will redirect to the BIR ORUS website, to determine the authenticity of the printed QR Stamp.

Given the many updates, it would be helpful for the BIR ORUS website to already reflect the consolidated and updated requirements for online registration of books of account. As of this writing, it is not yet updated. This may cause confusion for users of the BIR ORUS facility. Ideally, the BIR ORUS website should be made a hub not only for the online processing of registration of books of account but also an effective center for the latest rules so that taxpayers who must comply are well informed.

ORUS is a commendable achievement for the BIR in offering convenience to taxpayers who contribute to the coffers of the government. Since it is web-based, registering books of account has become a paperless BIR transaction. There is no need for taxpayers to fill up forms, leave the office, and travel to and queue at BIR offices. This translates to savings and prevention of unwanted anxiety in completing mandatory registrations while performing face-to-face transactions with the BIR.

Digital is the way to go for a more efficient and cost-effective way of transacting with the government. The ORUS is a significant step in the BIR's digital transformation, a welcome development for existing taxpayers and an attractive mechanism for those who would want to set up business in the Philippines, especially for foreigners who often compare us with the other Southeast Asian countries in terms of ease of doing business, particularly when transacting with the government.

As announced by the BIR in RMCs 153-2022 and 12-2023, as of Jan. 23, taxpayers with ORUS accounts may already process certain transactions online such as registration information updates, secondary registrations (registration of Permit to Use Loose-leaf/Computerized Accounting System) and even de-registration procedures (submission of application for closure/de-registration of business/TIN cancellation).

Taxpayers are looking forward to more online processing facilities as taxpayers also want to go digital.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co.

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