Philippines allots P700 million for 470 km of bicycle lanes this year

THE bicycle lane budget for 2023 of P700 million will lead to the construction of at least 470 kilometers (km) worth of lanes, the Department of Transportation (DoTr) said.

"*Iyong* [budget for] new bike lanes *natin nakuha namin sa* GAA (General Appropriations Act), *ay* around P700 million (The budget for new bike lanes is around P700 million from the GAA)," Transport Secretary Jaime J. Bautista said on Monday.

Mr. Bautista said the sites where bike lanes will be built are still under study.

"They will be in different areas, not only in Metro Manila, but also in provinces," he added.

Over the past three years, the DoTr marked off 566 km worth of bike lanes, which Mr. Bautista said are compliant with international standards.

On Monday, the DoTr also announced the launch of a "Share the Road" campaign in partnership with SM Supermalls.

Mr. Bautista said that "pedestrians and cyclists should be accorded the highest priority among all road users."

SM has pledged to disseminate share-the-road materials across its properties, detailing active transport protocols and policies, maps and current and future bike lane networks and other infrastructure.

"We really need protected bike lanes... that are uniform and (car-sized)," Bicycle Friendly Philippines Sustainable Transport Advocate Aneka S. Crisostomo said.

"If you really want to embrace the spirit of sharing the road and making it safe for vulnerable road users, we really have to prioritize the implementation of safe infrastructure through improved wider bike lanes with proper protection and maintenance," she added.

"We need to improve the quality of our bike lanes. Bike lanes should have physical barriers separating the cyclists from motor vehicles. We have to make the pavements smooth and comfortable for everyone," Move As One Coalition Co-Convenor Robert Y. Siy said.

"Cycling and sidewalks are the best investments that our government can make today. This year we are spending less than P1 billion for biking facilities but we should be actually spending a lot more," he added. — **Justine Irish D. Tabile**

Shell firms sign on to EV charging-station program using RE

PILIPINAS Shell Petroleum Corp. and Shell Energy Philippines (SEPH) have signed on to a pilot program that will roll out electric vehicle (EV) charging stations powered by renewables.

"Pilipinas Shell and Shell Energy Philippines are happy to work with the Department of Energy in taking a concrete step in the country's energy transition," Lorelie Q. Osial, president and chief executive officer of Pilipinas Shell, said in a statement.

The agreement, which was signed between Ms. Osial, Energy Secretary Raphael P.M. Lotilla, and SEPH General Manager and President Bernd Krukenberg, aims to deploy more Shell Recharge electric vehicle charging stations powered by renewable energy (RE) from SEPH.

Pilipinas Shell said that the agreement will also help the Philippines hit its targets under the Philippine Energy Plan 2020 to 2040. It will also provide the support infrastructure to meet the 10% target for EV penetration rate in corporate vehicle fleets by 2040.

The revised implementing rules and regulations of the Electric Vehicle Industry Development Act, which were signed last year, set a 5% minimum EV share of vehicle fleets, the provision of dedicated parking spots, the installation of charging stations in parking lots and gasoline stations, green routes, and support for domestic EV manufacturing.

"I commend PSPC and SEPH for collaborating with the DoE for this laudable undertaking — a sound testament of their resoluteness in maximizing value creation while contributing to global climate change mitigation," Mr. Lotilla said.

In January, the DoE, Pilipinas Shell and SEPH also signed an agreement to conduct a study on vehicle charging stations powered by RE.

Data gathered from the pilot project will serve as a guide for Pilipinas Shell and SEPH to develop and deploy the Shell Recharge EV charging network in its mobility stations. — **Ashley Erika O. Jose**

Pampanga project raises hopes for more China investments

THE Department of Trade and Industry (DTI) said it hopes a project in Mexico, Pampanga will herald more Chinese investments.

Trade Assistant Secretary Glenn G. Peñaranda said during the launch of the Jinjiang Building Materials and Home Furnishing Exhibition Center at Mexico's Global Construct City in late February that the Philippine Embassy and consulates in China will help other Chinese businesses invest in the Philippines.

He said that the government will assist with visas, business registration, and incentives.

"To the Chinese investors who are already in the country, rest assured that you will always have our continued support as you grow and expand your businesses in the Philippines," Mr. Peñaranda said.

The exhibition center project aims to promote affordable building and home materials.

The event also included Jinjiang City officials and a business delegation consisting of executives from Chinese companies such as Anta Group, Septwolves Industrial, Fujian Hengan Group, Lilanz, Fujian Panpan Food Group, Jinjiang Huayu Weaving Co., Taiya Investment Group, Fujian Hua Ang Sports Goods Co., Jinjiang Building Materials and Ceramics Industry, Xiamen Airlines, and Jinjiang Food Industry. — **Revin Mikhael D. Ochave**

PHL cleared to resume exports of pili nuts to EU

PILI NUT exports to the European Union (EU) have been approved under a program admitting novel foods, according to the Department of Agriculture (DA).

In a statement on Monday, the DA said that the European Commission Implementing Regulation allowing pili shipments to resume was signed on Feb. 8.

The regulation specifically admits dried pili nuts that pass the EU's food safety and labeling requirements.

"The EU market opening will benefit pili processors and exporters including thousands of pili farmers as this opportunity enables them to gain more income from higher-value commodities such as pili," the DA said.

In 2015, pili exports were suspended following the issuance of new EU rules for novel foods.

Novel foods were defined as foods that were not widely consumed in the EU before May 15, 1997.

The Philippine's major export markets for pili include the US, UK, the United Arab Emirates, and Canada.

The Philippine Statistics Authority reported that in 2021, the Bicol Region accounted for 84% or 4,932.60 metric tons of Philippine pili production.

"Diversifying exports is one of the strategies being utilized for the Philippine economy to become more resilient against adverse global shocks," the DA said. — **Sheldeen Joy Talavera**

Health spending touted as key to sustainability of economic recovery

ADDITIONAL health spending is being billed as a key component of the Philippine economic recovery, with a government think tank saying it will help make future health emergencies more manageable while making the workforce more productive.

The Philippine Institute for Development Studies (PIDS) said in a study: "Health expenditure consistently predicts health outcomes and is an important measure of the nation's level of health investment."

The study said that the coronavirus disease 2019 (COVID-19) pandemic "put the spotlight on the health sector and the need for its strengthening both to manage COVID-19 and ensure sustainable economic recovery."

It said that health spending in the Philippines remains low relative to its neighbors.

"Though spending on the Philippine health sector increased in response to the COVID-19 pandemic, prior to this global scare, there was evidence of underspending and challenges in the implementation of the Universal Health Care Law. Philippine gross domestic product (GDP) rapidly increased in recent years, but the country has experienced only modest improvements in health outcomes compared to neighboring countries," it said.

It attributed the slow progress of the sector to underinvestment.

"For example, Philippine public spending on health is half ($50 per capita in 2018) of what upper middle-income and Association of Southeast Asian Nations countries ($100) spend. Many of these countries are already implementing universal healthcare," it added.

The study said that the government needs to allocate resources in the health sector to "stimulate economic growth while also improving population well-being."

"Sustainable economic growth can be explained by continuous investment in human capital, which leads to increased productivity. Though traditional human capital investments are related to knowledge, such as education and training, some pieces of economic literature have examined and shown evidence of the association of investment in health and its indicators to human capital productivity," it said.

HUSH NAIDOO-JADE-UNSPLASH

PIDS recommended policies that would better facilitate the implementation of the Universal Health Care (UHC) Act.

"Given the findings of this study, the implementation of the UHC Act should not be considered a health sectoral agenda alone, but also part and parcel of the country's policy to improve economic productivity," PIDS said.

It noted that some components have yet to be implemented, such as the mobilization of health resources and reforms to the Philippine Health Insurance Corp.

PIDS also recommended investing in cost-effective interventions and infrastructure.

"While the level of public spending on health matters, the type of spending is critical. The government should invest more on improving primary and preventive care, which is more efficient and effective on improving health outcomes compared to curative or hospital-based care," it said.

It noted that studies have shown that robust primary care is more likely to lead to healthier employees and a healthier population in general.

"The ASEAN cross-country regressions showed that lagged investments (gross capital formation) have an impact on labor productivity. This would provide the infrastructure needed to encourage businesses and equip workers with the necessary equipment/tools/technology to be more productive," it said. — **Luisa Maria Jacinta C. Jocson**

OPINION

RPT Form — an annual requirement to remember

LET'S TALK TAX
CHARISSE A. DATILES

Do you recall the issuance of regulations and memorandum circulars by the Bureau of Internal Revenue (BIR) during the pandemic on another required attachment to the Annual Income Tax Return (AITR)? This was the requirement to submit BIR Form No. 1709, the Information Return on Transactions with Related Party or simply Related Party Transaction (RPT) Form, and supporting attachments.

As we enter the height of the AITR filing season, it is important to ensure that all required attachments are also complete and compliant. Unfortunately, even though we are already in the third year of implementation, some taxpayers are still not fully aware of the need to submit this BIR form. Below are some basic rules to remember.

WHO IS REQUIRED TO FILE BIR FORM NO. 1709?

Not all taxpayers are required to file the RPT Form. Hence, it is important to assess the status of the taxpayer to identify if it is covered by the requirement.

A taxpayer is required to file an RPT Form if the following conditions are present:

1. It is required to file an Annual Income Tax Return (AITR);
2. It has transactions with a domestic or foreign related party during the concerned taxable period; and
3. It falls under *any* of the following categories:
   a. Large taxpayers
   b. Taxpayers enjoying tax incentives, i.e., Board of Investments (BoI)-registered and economic zone enterprises, those enjoying Income Tax Holidays (ITH) or are subject to a preferential income tax rate
   c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two consecutive taxable years
   d. A related party that has transactions with (a), (b) or (c) of the sub-criteria above.

On the other hand, if a taxpayer does not meet the conditions set forth during the taxable year, such a fact should be properly disclosed in its Notes to Financial Statements, as mentioned in Revenue Regulation (RR) No. 34-2020. Also, taxpayers are recommended to regularly monitor the above conditions as there are many factors that may affect the taxpayer's current state of meeting them, hence requiring them to submit the RPT Form.

THE RPT FORM

The RPT Form is a three-page tax form that has sections for detailed information about the taxpayer, its foreign and domestic related parties, related party transactions, and other disclosures.

Most of the information required can be easily supplied. One required piece of information that taxpayers find difficult to answer is the question of whether the foreign related party has a permanent establishment (PE) in the Philippines. The Philippines has executed over 40 tax treaties, and a majority of them define PE as a fixed place of business through which the business of an enterprise is wholly or partly carried out. Additionally, a PE can also be created due to the presence of a place of management; a branch; an office; a factory; a workshop; a mine, an oil, or gas well; building sites, construction or assembly projects that last for a defined period; the furnishing of services through the presence of employees, agents, or representatives in the Philippines for a defined number of days, depending on the extent or nature of activities pursued in the Philippines, among others. Taxpayers need to refer to the applicable tax treaty in completing Part II of the form.

In Part III, a column is dedicated to the availability of treaty benefits granted to the taxpayers on the RPT. It prompts the taxpayers to secure their approved request for confirmation (RFC) or Tax Treaty Relief Application (TTRA), whichever is applicable, on the use of preferential rates on their disclosed RPT. A detailed description of the nature of RPT must also be indicated.

Note that the RFC with complete documentary requirements is a separate requirement of the BIR for cross-border transactions. It must be filed with the International Tax Affairs Division (ITAD) at any time after the close of the taxable year, except capital gains tax, but not later than the last day of the fourth month following the close of such a 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.

Lastly, in Part IV of the form, the taxpayer must also provide the business overview of its ultimate and immediate parent/s; its functional profile and any change therewith; any change to its ownership structure or if it has undergone a business restructuring during the taxable year; if transfer pricing documentation (TPD) has been prepared in relation to the RPT disclosed; and details of any pending application for relief with the BIR, among others.

Note that all RPTs should be disclosed, regardless of their value. The form must be completely and truthfully completed by the taxpayer or its authorized representative, with no required information left unanswered. For portions that are not applicable, such a fact must be stated.

THE NEED FOR FILING

The BIR clearly conveyed in RR No. 19-2020 that transactions around the world have become more complex through the years. Some transactions between related parties were structured to evade taxes, considering the different tax jurisdictions with different income tax rates and unreasonable transfer prices. Thus, the tax base in high tax jurisdictions is eroded and transferred to low tax jurisdictions. This ultimately leads to less tax collection by the tax authorities. In response to this worldwide dilemma, the BIR launched this requirement to gather information to perform transfer pricing risk assessment and eventually collect deficiency taxes, if any.

As the RPT Form also requires the disclosure of the amounts involved in the transactions, the BIR can use these to verify whether the RPTs are at arm's length prices or not. This is why the taxpayer should be able to establish on its TPD that the transactions comply with the arm's length principle. Though the TPD is no longer required to be attached to the RPT Form, it should be made available during audit, according to Revenue Memorandum Circular No. 54-2021. Hence, the TPD should be prepared contemporaneously at the time of the occurrence of the transaction.

In addition, the Department of Finance (DoF) boldly announced last month that it would meet or exceed the P2.599 trillion revenue collection target set for the BIR in 2023. The means for doing so are digitalization and improved taxpayer services. Undoubtedly, it is expected that one way to hit this target is through tax assessments, which include deficiency taxes assessed due to transfer pricing issues with related parties.

METHOD OF FILING

Being an attachment to the AITR, the RPT Form and its supporting documents can be filed manually or through the BIR's Electronic Audited Financial Statements (eAFS) System.

A penalty of between P1,000 and P25,000 will be imposed for failure to file the RPT Form and its supporting documents.

MOVING FORWARD

Aside from just meeting the deadline for submission of the RPT Form, taxpayers should carefully and accurately provide all the information needed in the RPT Form. The BIR is continuously building its capacity to conduct transfer pricing assessments. Hence, taxpayers can expect that the BIR will be purposefully evaluating RPT forms and assessing whether the taxpayer is compliant with the RPT regulations.

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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