Agri trade deficit widens to $3.22 billion in Q4

THE deficit in the trade of agricultural goods expanded 36.6% year on year in the fourth quarter to $3.22 billion, according to preliminary data issued by the Philippine Statistics Authority (PSA).

In a report, the PSA said that the overall trade in agriculture — or the sum of exports and imports — increased 5.1% to $6.32 billion during the quarter, slowing from the 17.6% growth posted a year earlier.

Agricultural imports grew 14.9% to $4.77 billion in the fourth quarter, up from 13.9% a year earlier. This accounted for 14.9% of all imports during the quarter.

Among the commodity groups, cereals accounted for $924.56 or 19.4% of agricultural imports. This was followed by residues and waste from the food industries and prepared animal fodder with $606.40 million; and meat and edible meat offal $510.67.

During the quarter, agricultural imports from the Association of Southeast Asian Nations (ASEAN) accounted for 17% or $1.57 billion of overall farm imports.

Indonesia was the main source of agricultural imports in the region with $481.52 million.

Animal or vegetable fats and oils and their cleavage products worth $392.76 million were the top imported agricultural goods from ASEAN.

Exports of agricultural goods fell 15% year on year during the quarter to $1.55 billion.

Agricultural exports to ASEAN amounted to $179.99 million or 6% of all farm trade. Malaysia was the main buyer of Philippine agricultural exports in the region at $65.21 million.

Tobacco and manufactured tobacco substitutes were the top agricultural exports to ASEAN. This was followed by animal or vegetable fats and oils and their cleavage products; prepared edible fats; and animal or vegetable waxes worth $64.33 million; and miscellaneous edible preparations worth $16.90 million.

In Europe, Spain was the main source of agricultural imports worth $105.51 million while Spain was also the top destination of agricultural exports worth $160.07 million. — **Sheldeen Joy Talavera**

Green energy auction 2nd round due in June

THE Department of Energy (DoE) said it hopes to have 11,160 megawatts (MW) worth of renewable energy (RE) available in the next few years, with a second round of auctions due in June for some of that capacity coming online in 2024 under its green energy auction program (GEAP).

"The GEA Program intends to provide an additional market for RE through competitive electronic bidding of RE capacity," Rowena Cristina L. Guevara, DoE undersecretary, said during the Philippine Electric Power Industry Forum 2023 on Monday organized by the Independent Electricity Market Operator of the Philippines (IEMOP).

Ms. Guevara said the first round of the GEA was conducted in 2022, resulting in volume of about 2,000 MW.

"Compared to the first auction or GEA-1 last year, we are more aggressive this year and we are looking for RE developers who have ready capacity by next year," Ms. Guevara said.

The GEAP aims to promote RE as a primary source of energy through competitive selection of RE output.

Of the 11,610 MW, 3,590 MW is targeted for installation in 2024. Luzon accounts for 2,400 MW, followed by the Visayas with 860 MW and Mindanao 330 MW.

These renewable sources include ground-mounted solar, roof-mounted solar, onshore wind, and biomass.

By 2025, Ms. Guevara said that installation target is about 3,630 MW, with Luzon accounting for 2,325 MW, the Visayas 940 MW, and Mindanao 365 MW.

By 2026, Ms. Guevara said the installation target is about 4,390 MW, with Luzon accounting for 2,990 MW, the Visayas 905 MW, and Mindanao 495 MW.

Ms. Guevara also said that the DoE is set to conduct GEA-3 by the fourth quarter of 2020 for geothermal and impounding hydropower.

"In preparation for this, we are collaborating with development partners for technical assistance, specifically in developing auction guidelines and a policy on settlement and payment through WESM (Wholesale Electricity Spot Market)," she said.

Ms. Guevara said the Energy department now projects a total of 15 yellow alerts on the Luzon grid, up from the department's earlier projection of 12 yellow alerts.

"Before we have only projected 12 yellow alerts in Luzon but we have projected new yellow alerts because of delayed power plants, but this may change once the MVIP (Mindanao-Visayas Interconnection Project) is operational," she said.

Ms. Guevara said that the commercial operation of WESM Mindanao and the MVIP will improve the reliability of electric power supply not only on the Mindanao power grid but also on the Luzon and Visayas grids.

The DoE is also planning to launch a unified WESM once the MVIP is fully operational.

The MVIP is a crucial transmission project that will link the electricity grids of Visayas and Mindanao.

The P52-billion MVIP is expected to be completed by the end of June, with initial energization to start this month.

Energy Regulatory Commission (ERC) Chairperson and Chief Executive Officer Monalisa C. Dimalanta said that once the grids are connected the price for the unified WESM will be determined.

"Once grids are connected, there will only be one price," Ms. Dimalanta said.

The spot market is where the power industry buys power when its long-term supply agreements are insufficient.

The ERC is also hoping to complete the review of the secondary price cap by the third quarter.

"Maybe by the third quarter. We are not rushing this because of the summer months," she said on the sidelines of the energy forum.

She said that the adjustment of the secondary price cap which currently stands at P6.245 per kilowatt-hour (kWh) upon breach of a P9 per kWh rolling average of the generator-weighted average price for a three-day period will potentially lower electricity rates by attracting more investors to the energy industry.

"More investors will hopefully lead to more competition in the market and more capacity available for supply. Competition is viewed as the way to yield better prices in our deregulated generation sector. More capacity will also mean less instances of thin margins and less price volatility especially if new capacity comes from indigenous and/or renewable energy sources," Ms. Dimalanta told *BusinessWorld* via Viber. — **Ashley Erika O. Jose**

More warnings issued against wage hike bills

By Alyssa Nicole O. Tan
Reporter

INCREASED unemployment and higher inflation could result if Congress resorts to legislated wage hikes, economists said.

"Raising minimum wages at this time is irresponsible," Ateneo de Manila Economics Professor Leonardo A. Lanzona told *BusinessWorld* in an e-mail. "While workers working permanently and regularly in corporations may benefit, the number of unemployed will increase."

"Corporations will be forced to lay off workers and not hire additional workers," he added.

Senate President Juan Miguel F. Zubiri has filed a bill seeking to increase the minimum wage for private sector workers by P150, pitching the bill as a relief measure in the face of the rising cost of goods and services.

If passed, Senate Bill 2002 or the Across-the-Board Wage Increase Act of 2023, will apply to the entire private sector, including agricultural workers, regardless of employer size and headcount.

"Senator Zubiri said that if the minimum wages are not raised, workers will be incentivized to leave the country," Mr. Lanzona said. "In reality, even if the minimum wage is raised, more workers will be forced to work abroad and a greater number of workers will choose to work in informal and precarious jobs."

Calixto V. Chikiamco, Foundation for Economic Freedom president, said in a Viber message that he expects legislated wage hikes to worsen inflation.

"It will most likely push consumer inflation further and erode the wage gains from the legislated wage increase," he said.

"A legislated wage increase isn't a good idea because it doesn't account for the different unemployment rates across regions and the different productivity of various industries," he added.

Unemployment rose to a four-month high of 4.8% in January from the 4.3% in December following the disappearance of temporary holiday jobs, the Philippine Statistics Authority said. This is equivalent to 2.37 million jobless in January, against the 2.22 million in December.

Mr. Lanzona said legislation could be effective for other measures while still meeting the objective of providing relief from the high cost of living.

"There is room for legislation but not in the form of wages," he said. "Government should expand and improve social protection."

"It is the government's responsibility to ensure that workers' welfare is not decreased in the face of economic challenges. The private sector must not carry this burden which in large measure is an outcome of poor state policies," he added.

The three-person Makabayan Bloc at the House of Representatives has also proposed a wage increase of P750 for all private-sector workers, including those working in special economic zones, freeports, and in the agricultural sector.

Antonio A. Ligon, a law and business professor at De La Salle University, said in a Viber message to *BusinessWorld* that a legislated wage increase was "a positive approach," though he warned of the need to consult with employers.

Senate panel elevates Maharlika bill to plenary

A SENATE committee sponsored a bill seeking to establish the Maharlika Investment Fund (MIF) out for plenary discussion, touting the fund's potential for returning the Philippines to a track of long-term high growth.

"I would like to emphasize that the Maharlika Investment Fund has the potential to bring back the Philippines to its high growth trajectory through investments in the country's developmental projects," Senator Mark A. Villar, who chairs the Senate Banks, Financial Institutions and Currencies Committee, said during his sponsorship speech.

"Not only will this promote the effective intergenerational management of the country's financial resources, but more importantly, improve the welfare of future generations of Filipinos," he added.

According to the committee report, initial capital will come from the Land Bank of Philippines and the Development Bank of the Philippines; dividends of the Bangko Sentral ng Pilipinas (BSP); the Philippine Amusement and Gaming Corp.; and proceeds from the privatization and transfer of government assets.

Other sources such as royalties and special assessments may also be tapped.

"The involvement of these GFIs (government financial institutions) as contributors of the initial seed fund is reasonable and will not crowd out the other lending obligations that they need to fulfill under their respective mandates," Mr. Villar said.

"In fact, the expected return of Maharlika, which is expected to be around 8.6% on average, is much higher than the cost of capital and the return on their current investment placements," he added.

During an earlier hearing on the measure, the central bank said its plan to build up capital to P200 billion could be delayed if legislation obliges it to supply seed capital to the proposed Maharlika fund.

If signed into law, the measure will require the BSP to contribute 100% of its dividends to the sovereign wealth fund in the fund's first two years.

After that period, the central bank's contribution drops to 50% of its dividends, with the remaining 50% to be deposited into a special account holding the capital build-up funds.

However, the BSP did not see these provisions as "impinging" on its ability to achieve its mandate, noting that its balance sheet was "strong" and "improved."

Mr. Villar said the fund will be established with "the highest standards of accountability, fiscal responsibility and good governance."

The proposed fund will adhere to the Santiago principles to ensure the effective operation of sovereign wealth funds. It will also be governed by the relevant investment and risk management guidelines.

"In order to ensure accountability and proper governance of the fund, several layers of oversight will be put in place," the senator said. "First, the board is required to appoint an internal auditor which shall be independent from the management of the MIC (Maharlika Investment Corp.) and shall be under the direct control and supervision of the board of directors."

"Second, an internationally recognized audit firm will serve as the external auditor for the fund to audit its financial statements," he added. "Third, the books and accounts of the fund shall be subject to the strict examination by the Commission on Audit."

A Joint Congressional Oversight Committee will also be constituted to oversee, monitor and evaluate the implementation of the Maharlika measure. It will be composed of five members each from both houses of Congress.

"Finally, as an additional measure for transparency, all documents of the fund and the Maharlika Investment Corp. shall be open, available and accessible to the public," Mr. Villar said.

The Maharlika fund will also be subject to the provisions of the GOCC Governance Act of 2011, he said. — **Alyssa Nicole O. Tan**

OPINION

Penance and salvation during the tax filing season

LET'S TALK TAX
YBEN R. ROGERO

In life there are only two certainties — Death and Taxes. Keep this in mind as the tax filing season approaches. By some coincidence, filing season takes place at roughly the time of year when we celebrate Easter. And with most of us going into meditative mode in preparation for Holy Week, we cannot help but contemplate the significance as well that payment of taxes plays in any civilized society. In fact, Jesus himself recognized the significance of taxes when ordered his followers to "render unto Caesar that which is Caesar's."

As the April 17 deadline approaches, what we do in the following days could very well spell either penance or salvation as it relates to our tax obligations.

Here are seven last-minute reminders that taxpayers should consider this tax filing season.

1. Don't wait until the very last day.

For taxpayers following the calendar-year accounting period, April 17, 2023, is the last day for filing of annual income tax return (AITR). In relation, taxpayers should likewise remember that April 6, 7, and 10 are regular holidays, which means that government offices, including the Bureau of Internal Revenue (BIR), and banking institutions, are expected to be closed. Thus, from the time this article is published, there will only be 16 working days left to prepare for the tax filing and payment requirements.

It would be prudent for taxpayers to remember that they need not wait for the very last day to meet their tax obligations. Doing so would help avoid any unforeseeable contingencies.

2. Be familiar with the various electronic filing systems.

Taxpayers, especially those that will be doing this for the first time, should be familiar with the various systems that the BIR has made available. It is worth noting that to keep up with the changing times, the BIR has been exerting significant effort to digitalize the process for filing and paying taxes, moving toward a paperless approach.

The eFPS (Electronic Filing and Payment System) applies to large taxpayers, those under the purview of the Taxpayer Account Management Program (TAMP), Importers and Customs Brokers, Taxpayers enjoying fiscal incentives, the top 5,000 individuals, corporations with paid-up capital stock of P10 million and above, and those with completely computerized accounting systems, among others.

Meanwhile, the use of e-BIRForms is applicable to taxpayers such as the top withholding agents, accredited tax agents/practitioners and all their client-taxpayers, accredited printers of principal and supplemental receipts/invoices, and those filing on a "No Payment Return" basis, among others.

For the rules on eFPS and eBIRForms, taxpayers may check on the BIR issuances such as RMO No. 1-2017, RMC No. 4-2021, and RMC No. 32-2023.

For those who do not qualify for use of electronic filing systems, manual filing will apply.

3. Know where to pay.

Recently, the BIR, via RMC 32-2023, has started to allow taxpayers filing manually and through the eBIRForms facility to pay to any authorized bank and RDO regardless of where they may be located. This means the taxpayers can now choose the most convenient authorized bank or RDOs to make their payments for the Annual ITR for the 2022 calendar year. The complete list of authorized banks and payment channels are posted on the BIR website.

4. Different ways of paying tax.

For eFPS filers, except for those who cannot do eFPS filing due to the unavailability of the BIR Forms in the eFPS, their options are limited to funding the bank account linked to their enrolled eFPS accounts. A common pitfall for eFPS filers is forgetting to fund the correct bank account linked to their eFPS. This surprisingly happens often as businesses tend to maintain multiple bank accounts. This should not be overlooked as even a day's delay in funding is considered nonpayment of tax dues, subjecting the filer to surcharges.

For those that do not use the eFPS mode of payment, the BIR accepts GCash, credit card or debit card payments, and other payment facilities, in addition to payments to authorized agent banks.

Furthermore, Revenue Collections Officers (RCO) are allowed to receive cash payments, but only up to P20,000. If the taxpayers need to pay more than P20,000 through the RCO, they would need to do so by cheque.

5. Be aware of the applicable Income Tax Rates.

In preparing the AITR and in computing the related tax due, taxpayers are reminded to use the correct income tax rates. The corporate income tax rate could be 25% or 20% depending on net taxable income and total assets; for individual taxpayers, the applicable income tax rate is between 0% and 35%. For those subject to the Minimum Corporate Income Tax (MCIT), the CREATE Act has reduced the tax rate from 2% to 1%. Under the same Act, proprietary educational institutions and hospitals are now subject to the preferential rate of 1% from the original 10%. It should be noted, however, that the new MCIT and special corporate tax rates are applicable only until June 30, 2023; and the original tax rates will revert to their previous levels thereafter.

6. Do not forget the AITR attachments.

The obligations of the taxpayers include the filing of attachments to the AITR, such as the audited financial statements and statement of management responsibility, among others.

For manual filers, the attachments should be submitted at the time of filing of the AITR to the AAB or RCO under the jurisdiction of the Revenue District Office where the taxpayer is registered. For eBIRForms and eFPS filers, the submission should be made within 15 days from the date of the tax filing deadline.

7. Watch out for other contingencies.

There are other considerations that taxpayers should also take notice of, even though these are not specifically covered in the BIR-issued guidelines about the AITR. For one, those that use the e-BIRForm facility should be mindful of the system requirements for the use thereof. As of this writing, the eBIRForm software does not work on MacOS computers. In the same eBIRForm software, there are known system errors for which users have devised temporary work-around solutions.

Another example is that, when it comes to dealing with authorized banks and other payment facilities, taxpayers should take into consideration the relevant advisories as they relate to hours of operation and system downtime, among others.

Many other issues may arise that could impact the taxpayers' ability to meet their tax obligations this filing season. Needless to say, the taxpayers should remain vigilant and keep abreast of the tax issuances that could affect their AITR filing this season.

For the taxpayer, the tax season may seem like a cross to bear. However, there is no escaping it. It is an inevitable journey that a taxpayer must go through. Equipped with good intentions and proper guidance, this cross begins to become lighter and the road to salvation becomes more bearable.

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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