Chip industry lobbying to further rationalize incentive schemes

THE Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) said it wants to discuss its incentives rationalization plan with the Office of the President (OP).

"We've spoken to the Department of Trade and Industry (DTI) and Department of Finance (DoF). Hopefully we can get an audience with the OP to explain to them what's going and the need to review the incentives to (achieve investment parity) with our ASEAN neighbors," SEIPI President Danilo C. Lachica said in a television appearance on Wednesday.

"With the high operating costs in the Philippines, we're at a disadvantage when you compare us to our neighbors like Vietnam, Thailand, and Malaysia, who have significantly been more successful in attracting foreign direct investment (FDI)," he added.

Despite the high operating costs, Mr. Lachica said multinational companies continue to operate in the Philippines due to incentives such as the income tax holiday offered under Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Law.

However, he said the rate of new technology investment in the Philippines has slowed.

"The problem is we are not seeing as much new product and technologies invested in the Philippines. There are some but they are few. If you are the chief executive officer of a multinational, you are going to make decisions of where you will place new products and technologies, and this will be in sites where your cost of operations is low, considering the impact of the incentives as well," Mr. Lachica said.

Mr. Lachica warned that the electronics sector could see its products become obsolete if the pace of new technology investment continues to slow.

"If we do not see new products, existing products will become obsolete. Guess what will happen to our three million direct and indirect workers or \$49-billion exports? They are not going to be at the same level as we know today," Mr. Lachica said.

"It is not too late for the government to review where we are at and hopefully, implement corrective action," Mr. Lachica said.

Mr. Lachica said there is an opportunity to upskill and reskill the labor force with the emergence of artificial intelligence.

"Whenever you have a new technology, there's risk to existing jobs. But the nice thing is that you can reskill," Mr. Lachica said.

For 2023, the SEIPI is targeting 5% export growth from the \$49.09 billion logged in 2022. — **Revin Mikhael D. Ochave**

Marcos says rice self-sufficiency short of 100% still adequate to meet PHL's needs

PRESIDENT Ferdinand R. Marcos, Jr. said on Wednesday that the government will work towards achieving 97.5% rice self-sufficiency by 2028, a level which he described as adequate to meet the country's needs.

The new target, which represents a climbdown from the Department of Agriculture's (DA) former goal of 100% self-sufficiency by 2027, was announced during the Rice Industry Convergence Meeting at the National Irrigation Administration's (NIA) headquarters earlier in the day.

"*Ang aming ginawang* target (The target we set) is 97.5% self-sufficiency by 2028," adding in remarks to reporters on the sidelines of a Government Service Insurance System (GSIS) event that 100% is not strictly necessary.

"At 97%, *masasabi na nating mapapakain (ang) lahat ng ating kababayan* (97% is an adequate level for feeding the population)," he added.

The DA, which Mr. Marcos also heads, said in April that it expects to achieve 100% self-sufficiency in rice by 2027 through the Masagana Rice Program 2023-2028.

The program aims to stabilize the rice supply at between 24.99 million metric tons (MT) and 26.86 million MT, in the process lowering growth in rice prices to less than 1% annually.

It also seeks to increase farmer incomes by 54% and "ensure rice availability and safety at all times by maintaining sufficient rice buffer stock at the National Food Authority (NFA), as mandated by the Republic Act No. 11203 or the Rice Tariffication Law."

Mr. Marcos said during the Wednesday meeting at NIA that participants discussed consolidating farms and agricultural mechanization, which he called critical to achieving increased production.

"Also, digitalization so that we provide good data to our farmers..." he added. "We are trying to consolidate the farms so that we can take full advantage of the economies of scale with new technologies."

Mr. Marcos said the government will be making use of new farm technology to attract young people interested in agribusiness.

"We engage (young Filipinos) with new technology because they will be the ones who will operate those systems," he said. "And that will make it interesting for young people."

Separately, the Presidential Communications Office (PCO) said in a statement that Mr. Marcos approved the Masagana Rice Industry Development Program (MRIDP) during Wednesday's meeting.

"As a response to the challenges in the rice industry, the DA, which is concurrently headed by the President, formulated the MRIDP to support rice farmers, increase rice production, and strengthen the rice value chain," the PCO said.

"The program will be carried out through several strategies such as climate change adaptation; farm clustering and consolidation or convergence of intervention; value chain approaches; and digital transformation," it added.

The PCO said a key component of the MRIDP is the convergence of all stakeholders involved in the development of the rice industry in order to pool resources, share knowledge, and coordinate efforts to achieve sustainable rice production and raise farm incomes.

Citing DA data, the Palace said the 2022 palay harvest was marked by declines in yields and hectares planted to rice.

Of the 19.76 million MT of palay harvested in 2022, 14.94 million MT (75.6%) came from irrigated areas and 4.82 million MT (24.4%) from non-irrigated areas, it said. — **Kyle Aristophere T. Atienza**

NEDA hoping FTA with Europe improves tourism sector prospects

A POTENTIAL free trade agreement (FTA) between the Philippines and the European Union (EU) could serve to boost tourism and digital connectivity, National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan said.

"What I want to see also is forging stronger relations within the EU and the Philippines in areas of tourism," Mr. Balisacan said during a forum on Wednesday.

"We (also) hope connectivity improves between the EU and the Philippines. We need infrastructure to be built up, also connectivity. The hard thing about our country is we are archipelagic. It's difficult to invest in connectivity," he added.

Mr. Balisacan said the government is pushing for the agreement as the Philippines its neighbors in terms of free trade deals.

"The President has set the tone: let's get those partnerships, those trade agreements to move faster. When he learned, for example, we had far fewer bilateral regional FTAs than our neighbors, (he was) surprised to find out that we have not been aggressive in building up trade agreements," Mr. Balisacan said.

"We need to strengthen those free trade opportunities. I look forward to the renewal and expansion of FTAs with Europe," he added.

Last week, President Ferdinand R. Marcos, Jr. on called for the resumption of free trade negotiations between the Philippines and the EU.

"There are a lot of opportunities for investment here. Investors can enter many areas of the economy that have been opened up to foreign equity," Mr. Balisacan said.

"The only way to join the ranks of more prosperous neighbors is (to) grow faster than usual; that will require a lot of things. We have to address constraints in investment," he added.

Discussions on the free trade deal were last conducted in 2017. The negotiations were officially started in 2016. — **Luisa Maria Jacinta C. Jocson**

Sugar self-sufficiency seen possible with production of 2.4-2.5 million MT

THE PHILIPPINES needs to produce about 2.4 to 2.5 million metric tons (MT) of sugar to be considered self-sufficient, a Sugar Regulatory Administration (SRA) official said.

"Maybe we need to produce about 2.4 to 2.5 million metric tons to be called self-sufficient. So, our (objective) is really how to make the farmers improve their production," SRA Acting Administrator and Chief Executive Officer Pablo Luis S. Azcona said at a Laging Handa briefing on Wednesday.

"Our farm size is smaller, only 1-2 hectares, compared to other countries. That's why we need to consolidate the small farmers into cooperatives to (deliver) all the assistance they need," he added.

Mr. Azcona said that 90% of farmers tend between one and two hectares.

"We have been trying to group them into block farms of 30 hectares or more. (In) this way we can modernize them, we can give them equipment (and) assistance," he said.

Citing tests, he said that sugar yields from block farms improved by 5-10 tons per hectare. The SRA is also preparing to distribute high-yielding varieties of cane to improve production.

Mr. Azcona said his estimate for sugar production is about 1.78 million MT, and sees demand at 2.3 million MT.

President Ferdinand R. Marcos, Jr., who also serves as the Secretary of Agriculture, has approved the additional imports of 150,000 MT worth of sugar on the recommendation of the SRA, which said imports are necessary to avert shortages and build up a buffer stock.

National Federation of Sugarcane Planters President Enrique D. Rojas said that Mr. Azcona is "moving in the right direction" by strengthening the cooperatives.

"We hope that he will concretize this program by providing easier access for crop financing and purchase of farm equipment and inputs, so that all farmers can boost their production," he said.

He expressed the hope that the industry will return to the record output of 2.5 million MT set in 2010.

Mr. Azcona said that about 223,000 MT of refined sugar has arrived in the country from the 440,000 MT of imports authorized by Sugar Order No. 6.

Meanwhile, about 160,000 MT has been reclassified and released onto the domestic market, he said.

Mr. Rojas said that the acquisition of the food and beverage company Universal Robina Corp. (URC) of the sugar milling machinery and equipment from Central Azucarera Don Pedro, Inc. (CADPI) will provide opportunities to farmers and possibly boost overall sugar output.

The URC announced on Tuesday that it is acquiring the equipment to expand the capacity of its sugar mill in Balayan, Batangas.

In December, CADPI parent Roxas Holdings, Inc., shut down the sugar central due to "financial challenges within the current conditions affecting the sugar industry in the Batangas area."

"With URC Group's financial resources, CADPI can hopefully be more efficient, and this will redound to the benefit of the sugarcane farmers in that area," the planters federation's Mr. Rojas said. — **Sheldeen Joy Talavera**

PHILIPPINE STAR/EDD GUMAN

OPINION

The BoI next door: Registering IT-BPM companies

TAXWISE OR OTHERWISE
DOROTHY JANE PUGUON

The pandemic brought in a huge wave of change to the workplace. The physical boundaries of work have blurred. Most are no longer confined to the four corners of the office. As many have seen, and probably experienced, most office jobs can now be done almost anywhere.

While there is an ongoing debate on whether full remote work arrangements are sustainable, the perks of not having to go to the physical office are undeniable. Apart from getting to save on fare or gas money, significant time is saved from being spared the long queues, dreary commutes and the horrible traffic. Needless to say, the peace of mind gained from avoiding the commute is such a blessing.

It is not surprising then that the loudest clamor for remote work has arisen in businesses where work can be accomplished substantially using digital technology. While such businesses have implemented hybrid work arrangements, there are some whose hands are (were) tied — registered business enterprises (RBEs) in the Information Technology-Business Process Management (IT-BPM) industry overseen by Investment Promotion Agencies (IPAs) administering ecozones or freeports.

As discussed by my colleague in a previous article, as a general rule, IT-BPM RBEs registered with IPAs (such as PEZA) must operate exclusively within the designated ecozone or IT park/building. Otherwise, they risk losing their tax incentives. Moreover, the transfer of equipment outside of the ecozone requires prior approval of the IPA. These restrictions made work-from-home (WFH) arrangements tedious and costly to implement. Soon enough, a crisis loomed over the industry with businesses forced to deregister from PEZA or even pull out from the Philippines.

To resolve the conundrum, the Fiscal Incentives Review Board (FIRB) released several issuances, the most notable of which was FIRB Resolution No. 026-22 authorizing IT-BPM RBEs registered with IPAs to register their projects or activities with the Board of Investments (BoI). This was followed by FIRB Resolution No. 033-22 which extended the effectivity of FIRB Resolution No. 026-22 from Dec. 31, 2022 to Jan. 31, 2023. Implementing guidelines, and supplemental ones, were soon issued, the latest of which is FIRB Advisory No. 004-2023, to answer common questions raised about the registration guidelines.

FIRB Advisory 004-2023 clarified that the registration of IT-BPM RBEs with the BoI is **not** a transfer of registration. Rather, it is an additional registration on top of the IT-BPM RBEs' existing registration with the concerned (or original) IPA. The FIRB clarified that no additional incentives are received by virtue of the additional BoI registration. Instead, the fiscal incentives will be governed by the BoI registration, which effectively allows IT-BPM RBEs to implement 100% WFH arrangements indefinitely, as management deems necessary. Non-fiscal incentives and the terms and conditions of registration will continue to be governed by the original IPA.

The FIRB also reiterated that IT-BPM RBEs registered with their original IPAs starting Sept. 15, 2022 are excluded by FIRB Resolutions 026-22 and 033-22. The FIRB emphasized that beginning Sept. 15, 2022, IT-BPM enterprises that wish to avail of 100% WFH arrangements should register with the BoI directly. Otherwise, such RBEs will be required to work within their designated ecozone or IT park/building.

It is important to note that the additional BoI registration only covers existing registered projects/activities. New and expansion projects will be subject to separate registrations with the BoI in order to enjoy 100% WFH arrangements.

Penalties await IT-BPM RBEs that implement 100% WFH arrangements in 2023, but fail to register with the BoI by Jan. 31, 2023. Penalties include 100% of the regular corporate income tax for the month/s of non-compliance (with no adjustments based on the extent to which the 30% WFH threshold was exceeded). The FIRB further stated that the penalty is without prejudice to the suspension or withdrawal of the IT-BPM RBEs' tax incentives or cancellation of their Certificate of Registration, after further evaluation by the original IPA or the FIRB.

Though also registered with the BoI, from a compliance perspective, the monitoring function still rests with the original IPA. The relevant certificates, such as Certificate of Authority to Import, Certificate of Entitlement to Tax Incentives, and Value-added Tax Zero-rating Certificate will continue to be processed and issued by the original IPA. The FIRB emphasized that IT-BPM RBEs will continue to observe the procedural requirements of the original IPA, even after they are registered with the BoI, unless otherwise declared.

Another important consideration in WFH and hybrid work arrangements is the mobility of the equipment used in the business. Generally, equipment which was imported tax and duty-free that is taken out of the ecozone would be subject to import tax and duties. To avoid this, all IT-BPM RBEs registered with the BoI need to secure a Tax Exemption Indorsement (TEI). A blanket TEI may be issued which will cover all imported goods as of Jan. 31, 2023 that availed of the import tax and duty exemption in relation to a registered project. This reduces the administrative burden of securing TEIs on a per-equipment basis. It is also comforting to note that the FIRB recognizes the peculiarity of the IT-BPM sector, where a strict one-to-one ratio of computer/IT equipment to employee more often than not, does not apply. The IT-BPM RBE would simply need to provide an explanation if the number of laptops or devices exceeds the number of employees availing of the WFH arrangement.

With the registration period now closed, and the BoI registrants now in the implementation phase, the latest clarifications on the BoI registration guidelines make it easier for IT-BPM RBEs to adopt a 100% WFH arrangement. Our incentives authorities have truly embraced the mandate to ease the doing of business in the Philippines.

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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