

Marcos approves more sugar imports, delays milling start

PRESIDENT Ferdinand R. Marcos, Jr. approved imports of about 150,000 metric tons (MT) of sugar on the Sugar Regulatory Administration's (SRA) recommendation, the Palace said in a statement.

The Presidential Communications Office (PCO) said Mr. Marcos, who is also Secretary of Agriculture, accepted the SRA recommendation in order to stabilize sugar prices and add to the sugar inventory.

He also approved delaying the start of the sugar milling season from August to September in order to improve raw sugar yields.

"We agreed to additional imports of sugar to stabilize prices,"

the PCO quoted the President as saying after meeting with SRA Acting Administrator Pablo Luis S. Azcona and SRA Board Secretary Maria Mitzi V. Mangwag. "The maximum amount will be 150,000 MT but probably less."

Executive Secretary Lucas P. Bersamin, Presidential Legal Counsel Juan Ponce Enrile, and SRA Board Secretary Rodney K. Rubrica were also at the meeting.

Sugar import permits will be open to all traders, the President added.

As of May 7, the Philippines had an inventory of 160,000 MT of sugar, according to the SRA,

which estimated the import requirement this year at between 100,000 and 150,000 MT, based on estimate production of 2.4 million MT and the 440,000 MT earlier authorized for import by Sugar Order No. 6.

Mr. Marcos also ordered the SRA to fast-track block farming initiatives to boost production, which consolidates smaller farms into at least 30 hectares to improve efficiencies and streamline the distribution of financial and technical aid.

There are currently 21 block farms in the country averaging 40 hectares.

"We're looking at increasing the budget for block farming to accelerate the process of organizing the block farms," Mr. Marcos said.

Mr. Azcona said on May 2 that the farmgate price of raw sugar has been stable at P60 for the last two or three months, with supply improving from a year earlier.

According to DA price monitors, the prevailing market price of refined sugar in Metro Manila as of Tuesday was between P86 and P110, washed sugar P80-P95, and brown sugar P35-P95. — **John Victor D. Ordoñez**

Uniformed personnel pensions to need P1.5T in gov't support by 2040

THE GOVERNMENT will need to provide up to P1.5 trillion in 2040 to plug the funding hole in pensions for retired military and uniformed personnel (MUP) if the system is not reformed, National Treasurer Rosalia V. de Leon said on Monday.

Speaking before the Senate Committee on National Defense and Security, Peace, Unification and Reconciliation, Ms. de Leon said, "Without reform, pension spending is projected to increase tremendously in the succeeding years."

Ms. de Leon told the panel that the government would have to spend P214 billion in 2023, P537 billion in 2030, and P1.5 trillion in 2040 to keep up with pension commitments for retired MUPs.

She added that the unfunded liabilities under the current MUP pension system are estimated at P9.6 trillion. "This represents around 53.4% of GDP in 2020 and does not yet include funding requirements for those who enlisted after the study was conducted."

Borrowing for pension liabilities subjects the Philippines to interest rate risk. The Philippines paid about P11.5 billion in 2023 on interest expenses, Ms. de Leon told the committee.

This may increase to P40 billion in 2030 and P171 billion in 2040.

Ms. de Leon told the panel that the government is spending more on pension liabilities than on keeping the uniformed services "safe, competent, and in fighting shape."

"While we recognize the important role and peculiar nature of work of our soldiers, policemen and women, and uniformed officers being exposed to constant risk and danger, we are also mindful of the enormous burden of the existing MUP pension system... especially to the taxpayers, as it is fully funded by the government," Committee Chairman Senator Jose Ejercito Estrada said.

The Finance department proposes reforms applying to all active personnel and new entrants, and to adjust pension benefits by up to 1.5% within a given year, subject to evaluation of economic conditions and the actuarial life of the pension fund.

It also proposed that MUPs receive their monthly pensions at 57 years, and contribute more to the MUP trust fund to finance benefits, including increased disability pension and life insurance.

"Dependence on full government funding makes the pension system susceptible to economic and fiscal downturns which creates an unstable and unreliable benefit system for MUPs and their dependents," Ms. de Leon said.

Officer-in-charge Defense Secretary Carlito G. Galvez, Jr. said that the "morale and welfare of our soldiers be given due weight" in pursuing reforms.

"At present, mere discussions of proposals related to retirement benefits — most especially the (adjustment of the) pensionable age — has affected the morale and caused unease" not only among active-service personnel but even among veterans and retirees, Mr. Galvez said.

He added that around 70% to 80% of personnel may retire in advance to lock in the current pension benefits.

President Ferdinand R. Marcos, Jr. is also "very much concerned" about the impact of any reforms on the morale and welfare of MUPs, Mr. Galvez said.

The MUP pension program covers members of the Armed Forces of the Philippines, Bureau of Jail Management and Penology, Bureau of Fire Protection, Philippine National Police, Philippine Public Safety College, Coast Guard, and Bureau of Corrections.

The Budget department in January said that the MUP pension program covered 137,649 retired personnel in the first quarter of 2023.

The proposed MUP pension reform is a priority legislative item. A similar bill in the House is pending at the committee level.

The Senate committee has formed a technical working group to work on the bill. Mr. Estrada said that the measure may not be approved before Congress adjourns on June 2, pushing deliberations past the President's State of the Nation Address in July.

Meanwhile, Senators on Monday approved on third reading Senate Bill No. 1480, which seeks to rationalize the disability pensions of veterans.

In a plenary session, 21 senators voted in favor of the bill, with no one opposing or abstaining.

The bill seeks to amend Republic Act No. 6948, or An Act Standardizing and Upgrading the Benefits for Military Veterans and their Beneficiaries. — **Beatriz Marie D. Cruz**

BPOs welcome 'clarity' after VAT zero-rating ruling

A RULING by the Bureau of Internal Revenue (BIR) clarifying eligibility for the value-added tax (VAT) zero rating removes an element of uncertainty in qualifying for the incentive, the Information Technology and Business Process Management (IT-BPM) industry said.

"The release of Revenue Regulations (RR) No. 3-2023 by the BIR is a welcome development for the IT-BPM industry. After months of uncertainty on the VAT zero-rating of goods and services, IT-BPM registered export enterprises (REEs) and their local suppliers finally have much-needed clarity on this important matter," IT and Business Process Association of the Philippines (IBPAP) President Jack Madrid said in a statement on Monday.

According to Mr. Madrid, the BIR resolution said that health maintenance organization premiums are "appropriately" VAT zero-rated and that investment promotion agencies (IPAs) "are confirmed" to have jurisdiction over all issues related to VAT zero-rated purchases of their respective REEs.

"We are grateful that we now have this RR as basis in handling the issues that we have been grappling with for some time and we look forward to the further streamlining of the regulation to the effect that those exporting within the minimum threshold of 70% be allowed full VAT exemption or zero rating on their purchases given their compliance with the export condition of their registration," Mr. Madrid said.

Last month, the BIR issued RR No. 3-2023 which clarified that local purchases related to janitorial services, security services, financial services, consultancy services, and marketing and promotion are not covered by the zero-VAT rating incentive. The RR also specified that local suppliers of goods and services for REEs are no longer required to apply for VAT zero-rating approval with the BIR. The VAT zero-rating incentive on the local purchases of goods or services could now instead be availed of on the basis of a certification issued by the IPA.

For 2023, the IBPAP is aiming to generate \$35.9 billion in revenue and employ 1.7 million full-time employees (FTEs), against the \$32.5-billion revenue and 1.57 million FTEs recorded in 2022. — **Revin Mikhael D. Ochave**

Agri rehab lending program funding raised to P750 million

THE Department of Agriculture said it raised the funding of a calamity rehabilitation lending program for farmers and fisherfolk to P750 million this year from P500 million previously.

In a briefing on Monday, Cristina G. Lopez, deputy executive director of the Agricultural Credit Policy Council (ACPC), said the additional funds will bolster the Survival and Recovery loan program.

"We had a previous budget of around P500 million. Only the ACPC allocated (the funds) but we can always request for more if needed," she said.

The program aims to help agricultural households in calamity-affected areas regain their earning capacity.

Ms. Lopez said the increased funding resulted from the experience of calamities in previous years, the outsized impact of the pandemic on farmers and fisherfolk, and in anticipation of the El Niño dry spell, she said.

Individual farmers and fisherfolk can borrow up to P25,000 each at zero interest, to be paid over three years, she said.

To qualify, farmers should own or till up to three hectares of farmland; be listed on the Registry for Basic Sectors in Agriculture database; and be endorsed by their municipal agriculture office.

Ms. Lopez said that the ACPC also allows P300,000 per borrower under its Agri-Negosyo Loan Program to provide capi-

tal for agri-fishery based micro and small enterprises (MSEs).

MSEs may be single proprietorships, partnerships, corporations, cooperatives, or associations.

"The processing of loans should be fast as long as the documents are complete because these are being verified by our lending conduits. We see an average of 5-10 working days' (processing time). *Kapag tumagal doon* (If that period is exceeded), it means there is a problem in the documents," Ms. Lopez said.

The ACPC uses a network of lending conduits within cooperatives, non-government organizations, associations, rural banks, and cooperative banks. — **Sheldeen Joy Talavera**

NEDA says proposed SDG council would duplicate panel's functions

THE National Economic and Development Authority (NEDA) said it cannot support a proposal to create a Sustainable Development Goals (SDG) council, noting that a subcommittee is currently tasked with overseeing the SDGs.

"The NEDA is not entirely supportive of the creation of the council, in view of the fact there is already in place a subcommittee on SDGs that is directly under the Development Budget and Coordination Committee (DBCC)," NEDA Head of Secretariat to the Subcommittee on Sustainable Development Goals Reverie Pure G. Sapaen said at a hearing at the House of Representatives on Monday.

"This is also in keeping with our effort to streamline the functions of interagency bodies. Therefore, it is suggested that the current institutional set up be maintained to facilitate the achievement of the SDGs," she added.

She was asked to provide NEDA's views on House Bill No. 5092, which

proposed the creation of the SDG council.

The proposed council will provide "strategic direction on the attainment of the SDGs in conjunction with the whole-of-nation approach and all other government strategies in place," according to the bill.

It also aims to establish an evaluation and reward system for achieving the goals.

Ms. Sapaen said that "the subcommittee on SDGs, which is chaired by NEDA and co-chaired by the Department of Budget and Management, performs the following functions: assists in the coordination of SDGs through quarterly meetings with relevant stakeholders, and recommends to the DBCC and NEDA policies and projects related to meeting the SDGs consistent with national development priorities," she said.

"Given these existing mechanisms, it is our view that the creation of the

SDG council will no longer be necessary, considering the similarity of the current committee in place," she said.

Agusan del Norte Rep. Dale B. Corvera said "There's no focus" in the subcommittee's operations. "There should be a council to focus on efforts to achieve the goals. There should be a council with an expanded membership. The SDGs affect a wide array of areas of human development. Agencies concerned should be members," he said.

Leyte Rep. Richard I. Gomez also called for the regularization of voluntary reporting on progress made towards meeting the SDGs, which he said should be personally presented by the NEDA Secretary before Congress. — **Luisa Maria Jacinta C. Jocsnon**

FULL STORY

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OPINION

Not all discrepancies will result in automatic disallowance by the BIR

Many of us kick off our day with a cup of coffee. Coffee has become my staple beverage to boost my energy before starting my day. Yesterday, while I was having my favorite black roast coffee, I received an overseas call from my childhood friend, who told me in a low voice that she had won a lottery prize. I was curious why she was not excited when she said she had won. Later, she told me that she was disqualified from claiming the prize due to discrepancies

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in the documents produced for verification.

This is likewise true when dealing with the Bureau of Internal Revenue (BIR). During tax assessments and even in applications for tax refunds or credits, taxpayers are normally required to present documents to substantiate claims for expenses, exemptions, input taxes, and income tax credits. If the taxpayer fails to submit proper documents supporting the claim, the BIR will impose deficiency taxes, or even subject the taxpayer's claim to disallowance

due to discrepancies. But the question now is, should there be a discrepancy in the amount being claimed *vis-à-vis* the evidence presented, will that always amount to disallowance?

This was answered in the recently promulgated decision of the Court of Tax Appeals *En Banc* (CTA EB) on the consolidated petitions

for review filed by *Maersk Global Services Centres (Philippines) Ltd. vs. Commissioner of Internal Revenue (CTA EB No. 2541)* and *Commissioner of Internal Revenue vs. Maersk Global Services Centres (Philippines) Ltd. (CTA EB No. 2547)*.

In the case, the petitioner-taxpayer made a purchase from a service provider, which issued a corresponding VAT official receipt (OR) showing the VAT amount on the purchase. Later, the input VAT on this purchase was included in petitioner-taxpayer's application for refund of its unutilized excess input VAT. It turned out that the input VAT being claimed by the petitioner-taxpayer is lower than the amount of

VAT indicated in the OR; thus, the discrepancy. This resulted in disallowance by the BIR due to petitioner-taxpayer's violation of the substantiation requirements.

Upon reaching the CTA *En Banc*, the latter ruled in favor of the petitioner-taxpayer and allowed the input VAT being claimed by it on its purchase. The CTA *En Banc* applied the well-settled rule for income tax, that is, taxpayers are free to deduct from their gross income a reduced amount, or not to claim any deduction at all. What is prohibited by the income tax law is claiming a deduction beyond the amount authorized. The rule, although pertaining to income tax, can be logically applied to input VAT refund or credit, according to the CTA *En Banc*. Clearly, the CTA *En Banc* applied by analogy this rule, and thus reasoned that a taxpayer should likewise be free to deduct from output VAT an input VAT which is lower than the actual amount of input VAT stated in the VAT invoice or VAT official receipt.

In ruling on the allowance of the input VAT being claimed despite the discrepancy in the actual amount of input VAT as appearing on the

face of the VAT official receipt, one might think that the CTA *En Banc* has deviated from the time-honored principle that since a tax refund partakes the nature of an exemption, it must be strictly construed against the claimant who must discharge such burden convincingly, especially that in VAT cases, the main evidence that a taxpayer holds would be the VAT ORs and/or invoices. Thus, a taxpayer must clearly and properly substantiate its claim by following the rules on substantiation and invoicing requirements by the letter.

In the above-mentioned case, however, the CTA *En Banc* noted that although there was a discrepancy as to the amount of input VAT being claimed which is lower than the amount of input VAT amount appearing on the face of the receipt, the amount being claimed is still well within the input VAT that the petitioner-taxpayer is allowed to claim. Thus, it is but proper to allow the input VAT, according to the Court.

It is worth noting that in applications for refund of unutilized excess input VAT, it is incumbent on the part of the taxpayer to comply

with the substantiation and invoicing requirements of the tax bureau. It is likewise the duty of every taxpayer to explain the differences and present related documents to support the same. Nevertheless, it can still be inferred, based on this persuasive decision of the CTA sitting *En Banc*, that not all differences or even discrepancies in the input VAT as stated in the VAT OR *vis-à-vis* the actual amount of input VAT being claimed, would be considered grounds for the automatic disallowance by the BIR.

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