3rd of BoI-approved applications to consist of renewable projects

THE Board of Investments (BoI) said renewable energy (RE) investments could account for a third of its P1.5 trillion target for investment approvals.

BoI Chairman and Trade Secretary Alfredo E. Pascual told reporters last week that other significant investments are expected to be made in related industries like solar cell manufacturing.

"We are also talking to other renewable energy projects, but these are for manufacturing products for renewable energy projects," Mr. Pascual said.

The BoI is hoping to exceed the P729 billion worth of investments it approved last year.

Mr. Pascual said that many investors are interested in renewable energy projects in the Philippines, including those from Europe, the US, China, Australia, and Japan.

As of May 18, the BoI has approved P532.27 billion worth of investments involving 106 projects.

The investments approved so far are also expected to generate 18,883 jobs.

BoI Managing Head Ceferino S. Rodolfo has said that renewable energy projects accounted for the bulk of the agency's investment approvals, citing a recent government decision to allow full foreign ownership in the industry.

"Most of the projects registering with us are renewable energy projects. The Department of Energy (DoE) is no longer endorsing coal-fired power plant projects," Mr. Rodolfo said.

The DoE issued Department Circular No. 2022-11-0034 in November last year allowing 100% foreign ownership. Prior to the circular, the foreign ownership limit was 40%. — **Revin Mikhael D. Ochave**

El Niño expected to slash Southeast Asia rice output

A LOOMING El Niño dry spell is expected to reduce rice production in Southeast Asia, raising the prospect of higher food prices, the World Bank said.

"The rapid emergence of El Niño has raised concerns about possible impacts on rice production in South and Southeast Asia, which could trigger further price increases that could hurt consumers in the regions," it said in its latest Food Security Update report.

The government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), expects the El Niño event to run until the first quarter of 2024.

According to PAGASA, El Niño increases the likelihood of below-normal rainfall, which could bring dry spells and droughts in parts of the country.

The last time an El Niño hit the Philippines was in 2019, which led to agricultural damage of up to P8 billion.

"During the past year, since Russia invaded Ukraine, agricultural markets have seen significant volatility as impacts from the war, combined with tight global stocks, have driven prices to record nominal highs," the report said.

In the coming months, global rice markets could be impacted by the looming El Niño, low fertilizer availability and restrictive trade policies, the World Bank said, citing the International Food Policy Research Institute.

South Asian and Southeast Asian countries account for almost 60% of global rice production and more than 80% of global rice exports, the report said.

"An upcoming El Niño and a positive Indian Ocean dipole potentially resulting in warm, dry weather could affect rice production," it added.

The National Oceanic and Atmospheric Administration said there is an 82% chance of an El Niño developing during May to July 2023 and an 89% chance in June to August.

"A strong El Niño developing this summer could have a significant impact during the monsoon season," it added.

The study showed that rice yields dropped 4% to 11% due to low rainfall in previous El Niño episodes since 2000.

"A 2023 study shows that El Niño will reduce the global mean rice yield by 1.3% and significantly harm 13.4% of rice harvest areas, with Bangladesh, India, Indonesia, and Vietnam the most affected," it added.

Fertilizer availability is also expected to affect rice production, according to the report.

"Rice yields in Asia have been generally at or above year-ago levels, but if shortages of fertilizer components persist into the new crop year, yields could be affected," it added.

Trade restrictions may also cause rice prices to spike.

"As evidenced in 2022, there is a positive association between food prices and share of restricted global food trade," the report said.

An estimated 5.5 percentage point increase in food inflation could lead to a higher likelihood of a country imposing export restriction on commodities. — **Luisa Maria Jacinta C. Jocson**

New power projects to stabilize electricity supply in 2-3 years

THE Department of Energy (DoE) said the power supply is expected to stabilize over the next two or three years with the construction of new generating projects.

"We hope that this will remain stable not only this year but with incoming new power sources also in the next two to three years," Energy Secretary Raphael P.M. Lotilla told reporters on the sidelines of an energy forum.

Mr. Lotilla did not discuss in more detail the power outlook for the year, other than to say that the DoE constantly revises its projections as various scenarios arise.

For 2023, the DoE had projected 15 yellow alerts for the Luzon power grid.

Last week, the DoE said that the Ilijan gas-fired power plant in Batangas started running at 600 megawatts (MW), which is expected to gradually increase to 1,200 MW.

The Ilijan power plant is deemed vital to the power supply. Its gas contract with operators of the Malampaya field expired in June 2022. The reopening of Ilijan comes after the successful delivery of liquefied natural gas.

The DoE is also set to conduct the auction for the second round of the green energy auction (GEA) program on June 19.

GEA-2 will have 11,600 MW in capacity on offer, with 3,600 MW allocated for 2024; 3,600 MW for 2025; and 4,400 MW for 2026. The GEA program aims to promote renewable energy as a primary source of energy through competitive selection of renewable energy output.

Separately, Danish Ambassador to the Philippines Franz-Michael Melbin said infrastructure development and streamlined policies are needed to accelerate the development of renewable energy sources in the country.

"Energy has a very long time span. And you need long-standing stable policies in the energy sector, to allow large-scale private investment to come in and be a backbone for your energy development," Mr. Melbin said in another energy forum last week.

He said the Philippine transmission sector also needs to modernize to keep up with the new technologies coming in.

"The need for infrastructure to be able to keep up with the generation of variable renewable inputs. Having generated capacity is great, but you do need to make sure that the grid infrastructure... will actually allow this generating capacity to come on, but also to grow significantly," he added. — **Ashley Erika O. Jose**

Farm industry seeks relief from NLEX toll hike to keep food prices in check

THE agriculture industry sought relief from a recent toll hike on the key highway leading to the north of the capital, arguing that food delivery trucks need to be allowed free passage to minimize the impact on food prices.

"Food deliveries especially perishable basic commodities (should be granted free passes)... *mas maganda sana para* minimal *ang* impact *ng* toll (it would be best if the toll hike's impact is minimal)," Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet told *BusinessWorld* by phone.

He lobbied for the return of special lanes set up during the pandemic, during which food deliveries were not held up at checkpoints.

Mr. Cainglet said that the Department of Agriculture should also work with local government units to eliminate "arbitrary" fees being collected by municipalities.

If such fees are eliminated, "traders would not use them as an excuse to increase prices," Mr. Cainglet said.

Food pass should be provided for truck deliveries of basic agricultural commodities to prevent possible price increases brought by toll hike adjustments imposed at the North Luzon Expressway (NLEX), an industry official said.

The Toll Regulatory Board approved adjustments to the tolls collected by the NLEX starting June 15.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that there might be a slight increase in transport costs based on the cargoes being transported.

"Northern and Central Luzon are major sources of vegetables and other crops/agricultural products such as rice, corn, fruits, and other agricultural products," he said.

Federation of Free Farmers National Manager Raul Q. Montemayor said the cost increase per kilogram will be minimal as trucks can carry from 5,000 to 25,000 kilograms. The total increase for class 2 and 3 vehicles will be less than P100.

"The increase is only for NLEX and SCTEX (Subic-Clark-Tarlac Expressway). The problem is if traders use this as an excuse to jack up prices disproportionately," he said in a Viber message.

Asis G. Perez, former director of the Bureau of Fisheries and Aquatic Resources and convenor of advocacy group Tugon Kabuhayan, also said that the toll hike should not be a significant factor in any price increase.

"This should be used as a justification for an increase in price. What will increase the price is likely the unavailability of the commodity and increased demand," Mr. Perez told *BusinessWorld* by phone. — **Sheldeen Joy Talavera**

OPINION

With great power comes great responsibility

LET'S TALK TAX

RAYMART F. CINCO

Yesterday marked the 125th anniversary of the Philippine Independence, marking the day President Emilio Aguinaldo proclaimed the country's rejection of Spanish colonial rule in Kawit, Cavite. The observance is meant to reminds us of the sacrifices made by our ancestors to secure our freedom.

A live-action film that is currently showing in cinemas, Disney's *The Little Mermaid*, is relevant to our celebration as it introduces Ariel and her dream to be part of the world beyond the sea, where she can be freed from the limits set by her father King Triton.

Taxpayers also deal with limitations set by the Bureau of Internal Revenue (BIR), but you could say that the first half of 2023 was marked by displays of compassion. The Bureau released several issuances easing up on regulation compared to the previous requirements. Here are the various updates on Value-Added Tax (VAT) regulations issued by the BIR this year, giving more power to taxpayers and concerned agencies.

FREEDOM TO FILE MONTHLY VAT RETURNS

A sense of relief was felt after the signing of the Tax Reform for Acceleration and Inclusion (TRAIN) law, which freed VAT-registered taxpayers from monthly filing of Value-Added Tax Declarations (BIR Form No. 2550M) starting Jan. 1, 2023. Taxpayers are now only required to file Quarterly VAT Returns (BIR Form No. 2550Q).

Still, taxpayers asked the Bureau to continue accepting monthly VAT payments as a cash flow-management measure. With that, Revenue Memorandum Circular (RMC) No. 52-2023 was issued to allow the optional use of the monthly VAT returns with no prescribed deadline. The Circular also emphasized that no penalties will arise when the taxpayer opts to file monthly and then reverts to quarterly filing. What matters is that the quarterly VAT return must be filed, and the corresponding VAT must be paid within 25 days following the close of each taxable quarter.

EASING RULES ON VAT ZERO-RATE PURCHASES

The implementation of the VAT zero-rating application started in 2006, but changes were made upon the effectivity of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, under which Registered Export Enterprises (REEs) can only avail of the VAT zero-rate incentives on local purchases of goods and services that are "directly and exclusively used" in the registered project or activity.

As clarified by RMC No. 24-2022, prior approval from the BIR must be secured by the local suppliers of goods and services of REEs for their sales to be accorded VAT zero-rating. Hence, the absence of prior approval from the BIR may result in the disallowance of the incentive. This requirement puts an additional burden on taxpayers — both on the suppliers and the REEs.

Relief came in the form of Revenue Regulations (RR) No. 3-2023, which allowed VAT zero-rating approval to be obtained on the strength of a certification issued by an Investment Promotion Agency (IPA), provided that the IPA is guided by the rule that such local purchases of goods and services are "directly and exclusively used" in the registered project or activity of the REEs.

RIGHT TO PROVE DIRECT AND EXCLUSIVE USE

The Bureau listed the following services and their related purchases of goods as not eligible for consideration as "direct and exclusive use" items:

1. Janitorial services;
2. Security services;
3. Financial services;
4. Consultancy services;
5. Marketing and promotion; and
6. Services rendered for administrative operations such as Human Resources (HR), legal, and accounting.

Despite the above prohibition, REEs can still prove that the local purchase of goods and services related to the above is directly and exclusively used in the registered project or activity by submitting supporting evidence to the concerned IPA upon application of the VAT zero-rating certification.

RELIEF FOR SOLO PARENTS

Under the Solo Parents Welfare Act, qualified solo parents are granted a 10% discount and VAT exemption on their purchase of goods covered in the above Act.

With that, RR No. 1-2023 was issued to serve as guidance to VAT-registered establishments in giving 10% discounts and applying the VAT exemption on the sales of goods to solo parents. Once compliant, these establishments can claim the discounts as deductions against gross income and the input tax attributable to the exempt sale can be closed to the cost or expense account.

ECOZONE LOGISTICS SERVICE ENTERPRISES (ELSEs)

ELSEs are registered business enterprises (RBEs) that exclusively supply production-related raw materials and equipment to export manufacturing enterprises that are registered with the Philippine Economic Zone Authority (PEZA) or other special economic zones or freeports outside the administration of PEZA.

RMC No. 24-2023 clarifies that ELSEs are considered export enterprises if they render at least 70% of their output/services to another registered export enterprise. ELSEs are entitled to avail of the VAT zero-rate incentive on their purchase of local goods and services that are directly and exclusively used in the registered project or activity. Take note that the approval for VAT zero-rating is not required for ELSEs to avail of the incentive, based on the above discussion under RR No. 3-2023.

AUTHORITY TO RELEASE IMPORTED GOODS (ATRIG)

RMC No. 48-2002, as amended by RMC No. 112-2021, provided a list of imported articles that no longer require the issuance of ATRIG from the BIR prior to release from the custody of the Bureau of Customs (BoC).

Importers of goods necessary for the manufacture of fertilizer and finished feed, which are not covered on the list mentioned above, raised their concerns since the delay in the release of the imported goods due to the issuance of ATRIG inflicts losses on their part. The BIR heard their concerns; in March, the Bureau issued RMC No. 31-2023 to announce that the imported goods necessary for the manufacture of fertilizer and finished feed will be added to the list of articles that no longer require ATRIG. The certification from the Bureau of Animal Industry (BAI) or from other regulators that the imported ingredient is unfit for human consumption or cannot be used for the production of food for human consumption, which is also required to be submitted to the BIR during ATRIG applications, is sufficient for presentation to the BoC to effect the release of the imported goods.

POWER AND RESPONSIBILITY

This famous line from *Spider-Man* reminds us that privileges cannot just be enjoyed; those who receive it are responsible for what they choose to do with it. Thus, taxpayers receiving the aforementioned privileges must also be aware of their responsibilities.

Regarding the option to file VAT returns monthly, taxpayers must consider that doing more than required may incur additional expense. The same goes for when the VAT zero-rating certification issued by the IPA is deemed sufficient proof to avail of the incentive; the IPA must be responsible for providing the BIR a list of REEs issued the certification within 20 days following the close of each taxable quarter. The taxpayer must also prove that the local purchase of goods and services availing of the VAT zero-rate incentives are indeed directly and exclusively used in the REE's registered project or activity.

Moreover, solo parents must also comply with the requirements to avail of the discounts and exemptions, while the VAT-registered establishments selling them goods must comply with the guidelines for deducting the discounts against their gross income.

Regarding the issuance of the certification by BAI or other regulators, it is the agencies' job to validate the declared goods for release from the BoC and to submit to the BIR the list of importers that obtained the certification for tax audit purposes.

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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