Philippine fintech user base projected at 59.3 million by end of year

THE NUMBER of financial technology (fintech) users over 15 years old in the Philippines who transact via mobile apps is expected to hit 59.3 million by the end of 2023, consumer finance company Digido said.

In a report, Digido said fintech adoption may hit 72.2% of the eligible user population by the end of 2023, up from 69.3% in 2022 and 64.4% in 2021.

"The findings from our report indicate that the inertial movements towards the "fintechization" of the population are going from strength to strength. The country's fintech infrastructure is also showing high adaptability to ever-emerging challenges, mainly due to a large domestic market and progressive government support," Digido country manager Farit Shakirov said in a statement.

"As it stands, there remains opportunity for the fintech industry to maintain momentum and build towards a more vibrant ecosystem by cultivating further trust in their services by providing seamless, communicable user experiences and fruitful collaborations," he added.

The report said that the payments sector will be the main driver for future fintech adoption. This segment includes electronic wallets, digital banking, and payment of bills and taxes.

Digido estimated that the payments and transfers sector, which is expected to grow at 17.6%, will propel the industry.

This segment includes E-wallets, Digital Lending, and E-commerce.

Over the past five years, E-wallets posted 1,026% user growth, while digital lending grew 330% and E-commerce 222%, Digido noted.

"However, in turn, digital lending shows more stable annual growth rates than all other fintech sectors in the Philippines," it added. — **Aaron Michael C. Sy**

Rice imports sharply lower in 7 months to July as prices rise

By Sheldeen Joy Talavera
Reporter

THE PHILIPPINES imported 1.96 million metric tons (MT) of rice in the seven months to July, down 16.37% from a year earlier, the Bureau of Plant Industry (BPI) reported.

The BPI said rice imports in July fell 71.26% year on year to 116,195.75 MT as of July 27. The July total was down 46.37% from a month earlier.

"The decline in imports is due to the increasing international price of rice which makes it somewhat risky and expensive for importers to bring in rice from abroad," Raul Q. Montemayor, national manager of the Federation of Free Farmers, said via Messenger.

Citing Bureau of Customs (BoC) data, he said the price of the supplier countries' rice of the 5% broken variety had risen $100 per ton in July compared to a year earlier.

This is equivalent to a P7.30 increase in landed cost, including tariffs, he said.

During the seven months, Vietnam remained the Philippines' top rice supplier, accounting for 1.75 million MT or 89.68% of total imports.

Myanmar supplied 83,460 MT and Thailand 76,287 MT.

Agriculture Undersecretary Mercedita A. Sombilla has urged the private sector to import over a million MT of rice amid concerns over supply following the typhoons that hit the country in July and in preparation for the impact of El Niño.

"We have something like 1.3 million MT in applications (to import) that are pending. We are really encouraging the private sector (to bring in the rice)," she said at a Palace briefing last week.

The Philippine rice inventory is good for 39 days, she said.

"Our current problem is the supply of rice in August and September, during which harvests are going to be very low. We need in effect 60 days of supply, but DA said we had only 39 days of supply as of August 1," Mr. Montemayor said.

"The only realistic source of the deficit of 21 days' supply is imports, but the private sector may think twice before importing because of high prices and risks," he added.

Agriculture Undersecretary Leocadio S. Sebastian said, also citing BoC data, that about two million MT of rice had arrived by the end of July, down 11.38% from a year earlier.

"That's a large volume, but because we are in the lean months and preparing for El Niño, we are encouraging the private sector to bring in more stocks," he said in a Viber message.

"There has been a downtrend in the arrival of imports because of the increasing price of imported rice, aggravated by the export ban of non-basmati white rice from India," he added.

Last month, India announced an immediate ban on exports of non-basmati white rice in order to ensure domestic rice availability and lower prices.

According to Department of Agriculture (DA) price monitors, domestic well-milled rice on Friday sold for between P41 and P49, while regular-milled rice fetched between P37 and P44.

Imported well-milled rice sells in Metro Manila for between P44 and P46. The Philippines does not import regular-milled rice.

Farmers lobby for more poultry, livestock funding as agri budget comes under review

THE poultry and livestock industries need more funding to protect them from extreme weather events, farmers said with Congress poised to review the 2024 budget proposals for agriculture.

Agriculture has been allocated P181.4 billion in the proposed 2024 national budget, up 4.5% from 2023.

Elias Jose M. Inciong, president of the United Broiler Raisers Association (UBRA), said funding must be less "rice-centric," and asked for more support for common service facilities for poultry and livestock, as well as infrastructure to store yellow corn, a main component of animal feed.

"There is a need to diversify our carbohydrate sources. Other grains and vegetables should be explored," he said in a Viber chat.

UBRA Chairman Gregorio A. San Diego, Jr. raised the need to fund neglected crops like corn, tapioca, and tomatoes.

Under the 2024 National Expenditure Program, the National Rice Program has been allotted P30.87 billion, while the programs for corn and high-value crops will receive P5.28 billion and P1.94 billion, respectively. The budget also allocates P10 billion to the Rice Competitiveness Enhancement Fund, an automatic allocation taken from import tariffs according to the provisions of the Rice Tariffication Law.

The budget also includes P17.27 billion for farm-to-market roads, and P31.18 billion for irrigation.

"The biggest problem is the country's loss of agricultural land, especially irrigated land," he said via Viber.

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet pushed for funding to make the industry more resilient against calamities.

"With extreme weather becoming the norm, there should have been a corresponding budget response for crop and livestock insurance, indemnity and emergency funds to cover and offset farm losses in the era of extreme weather," he said via Viber.

Raul Q. Montemayor, national manager of Federation of Free Farmers, pointed to the need to assign more importance to program effectiveness rather than budget utilization.

"Right now, the (Department of Budget and Management's) main criterion in deciding whether to fund or not is how much of a program's budget was disbursed in the previous year, not how effective it was in achieving targets," he said in a Viber chat. — **Beatriz Marie D. Cruz**

PABLO MERCHAN MONTES-UNSPLASH

Cacao industry dev't bill wins committee approval

A HOUSE committee has approved a bill creating a national program to raise the international competitiveness of the cacao industry.

"The proposed bill seeks to create integrated and harmonized programs, projects and activities in the promotion of Philippine cacao," Quezon Rep. Keith Micah DL. Tan, who chaired the technical working group that reviewed the measure, told the committee.

The unnumbered substitute bill aims to implement the Philippine Cacao Industry Roadmap 2021-2025 in partnership with the private sector.

The measure also seeks to create the Philippine Cacao Industry Council under the Department of Agriculture to oversee the implementation of the roadmap.

The bill also proposes the creation of the Cacao Program Management Office, which will identify and recommend priority projects to the council.

Private sector representatives will come from Luzon, the Visayas, and Mindanao, to be selected by the council.

The proposed law also provides a donor's tax exemption for donations, contributions, grants in cash or in kind whether local or foreign, "the cost of which shall be considered as an allowable deduction from the gross income of the donor," Mr. Tan said.

"It also encourages chocolate shops, serving cocoa or chocolate drink including local and foreign franchises restaurants and hotels, to serve and include in their menus cacao or chocolate that is grown, produced, sourced, and manufactured locally," he added.

At the 2023 International Cocoa Awards at the Salon du Chocolat in Paris in October, three cacao farmers from Davao City will be representing the Philippines.

Armi Lopez-Garcia, president of the Philippine Cacao Industry Association, cited the lack of post-harvest knowledge in producing more globally competitive cacao.

"It's sad to say that during the PCQA (2022 Philippine Cacao Quality Awards) activity, out of the 43 entries, only three passed... because we realized that the farmers don't know anything about post-harvest," Ms. Lopez-Garcia told the committee.

Funding for the program will initially come from various agencies on the council, then in succeeding years it will receive money from the national budget.

"Unfortunately now, cacao is under the high value crops program... which means (funding) depends on the priorities (of the program)," House Agriculture and Food panel chairman and Quezon Rep. Wilfrido Mark M. Enverga said. "With this bill, we are ensuring that cacao will have its separate portfolio." — **Beatriz Marie D. Cruz**

OPINION

Tax treaty application: A refresher course

LET'S TALK TAX
JOHN ALEXIS S.B. SUMULONG

"They won't fear it until they understand it. And they won't understand it until they've used it." This line from Christopher Nolan's *Oppenheimer* simply emphasizes the fear of knowledge, or its lack thereof. The movie engulfed its viewers with dread and unease as it beautifully portrayed how warring nations raced each other during the Second World War. This is in contrast to the present, where nations contribute to each other's development. From a tax practitioner's perspective, the established tax treaty agreements are great examples of collaboration between nations. As a refresher, here are some of the relevant processes and requirements for availing of the benefits granted by the tax treaties.

THE BENEFITS AND HOW THEY ARE APPLIED

The Philippines has established agreements with various countries to address the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the income of their respective residents. Duly entitled taxpayers benefit from tax treaties by granting them the statutory right to implement preferential tax rates or exemptions in their various transactions, such as dividends, interest, capital gains, royalties, business profits, etc. As stated in Revenue Memorandum Circular (RMC) 77-2021, only natural or juridical persons who are residents of one or both Contracting States, as supported with a Tax Residency Certificate (TRC), may avail of the reduced rate of, or exemption from tax, depending on the relevant provision on the tax treaty. Once the above are established, a formal application can be made in the form of a Request for Confirmation (RFC) or a Tax Treaty Relief Application (TTRA).

THE DIFFERENCE BETWEEN THE RFC AND TTRA

The type of application would vary depending mainly on whether the regular or preferential rates were applied to the item of income.

If the regular rates have been imposed on the income, the nonresident, or an authorized representative, should then file a TTRA and a claim for refund. On the other hand, when the tax treaty rates have already been applied by the withholding agent (WA) or income payor on the income earned by the nonresident, the WA or income payor may file an RFC on the proprietary of the withholding tax rates applied on the said item of income.

FILING THE TTRA OR RFC

Both applications, together with the complete documentary requirements, must filed with the International Tax Affairs Division (ITAD) of the BIR, subject to the Division's inspection, review, and approval.

The RFC is to be filed as below:

a. Capital Gains — to be filed at any time after the transaction but no later than the last day of the fourth month following the close of the taxable year when the income is paid or when the transaction is consummated.

b. Other types of income — to be filed at any time after the close of the taxable year but not later than the last day of the fourth month following the close of such 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.

On the other hand, the TTRA may be filed by the nonresident taxpayer at any time after the payment of the withholding tax under the regular rate, depending on when the nonresident invokes its entitlement to treaty benefits. Note, however, that all claims for refund should still be filed within the two-year prescriptive period provided under Section 229 of the Tax Code, as amended.

DOCUMENTARY REQUIREMENTS

In either submission, the ITAD will be evaluating the applicability of the tax treaty rates to the specific transaction noted by the Taxpayer in its application. As such, the original or certified true copy of the below general documents, among others, must be submitted:

1. Letter-request
2. Application Form duly signed by the nonresident income recipient or authorized representative;
3. Tax Residency Certificate (TRC) for the relevant period, duly issued by the tax authority of the foreign country in which the income recipient is a resident;
4. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income;
5. Withholding tax return with Alpha list of Payees;
6. Proof of payment of withholding tax;
7. Notarized Special Power of Attorney (SPA) issued by the nonresident taxpayer to the authorized representative(s), expressly stating the authority to sign the Application Form as well as to file the TTRA or request for confirmation.

Moreover, Revenue Memorandum Order (RMO) 14-2021 lists additional documentary requirements, which are specific to the nature of the transaction in the application. Further, all documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the foreign country is a signatory to the Convention Abolishing the Requirement of Legalization for Foreign Public Documents (HCCH 1961 Apostille Convention) to be acceptable in the Philippines. On a case-by-case basis, taxpayers usually take weeks to months of processing, in addition to the hectic process of collating the required documents, to complete the authentication procedures. It is therefore advisable for the applicant to consider the length of time needed to secure the authenticated documents when choosing between TTRA and RFC applications since the latter has a stricter timetable.

GRANT OR DENIAL OF AN APPLICATION

RMO 14-2022, as echoed by RMC 20-2022, states that once the application is officially approved, the ITAD is then to issue a Certificate of Entitlement (CoE) for both TTRA and RFC. The certificate contains the factual and legal basis which led to the application's approval. The certificate also grants the nonresident taxpayer subjected to regular rates under a TTRA the right to claim a refund on the difference between the regular taxes withheld and preferential tax rates under the tax treaty provision.

On the other hand, a BIR ruling will be issued by the ITAD, signifying the denial of the application and explaining the legal and factual bases leading to the rejection of the application. For TTRA, the denial only removes the nonresident income recipient's claim for refund on the transaction since the regular tax rates were already applied. In contrast, the withholding agent who applied for the preferential treaty rates under an RFC is then liable to pay deficiency taxes plus interest upon denial of the application. Nonetheless, all adverse rulings are appealable to the Department of Finance (DoF) within 30 days from receipt, pursuant to existing rules and regulations.

The overall process of application may be tedious to some, albeit gratifying as it aids the taxpayer in avoiding double taxation or alleviating some of the tax burdens usually implied in regular transactions. The tax treaties remain within grasp for duly entitled personnel and corporations to relish, provided the applicant honors the application procedures and requirements. If knowledge is powerful for those who use it, then tax treaty benefits can only be useful for those taxpayers who are aware of them. As nations move forward towards continuous progress, I leave you with another quote from J. Robert Oppenheimer — "The peoples of this world must unite, or they will perish."

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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