

Metal output up 8% by value as nickel volumes ramp up

METALS production rose 8.06% by value in the first half due to a drastic increase in nickel output, which offset a decline in the average price for the ore, the Mines and Geosciences Bureau (MGB) said.

In a report on Monday, it said production was valued at P123.07 billion, up from P113.89 billion a year earlier, with nickel ore and nickel byproducts accounting for 46.57% of the total, generating P57.32 billion.

The average nickel price fell during the six months to \$10.98 per pound from \$12.95 per pound a year earlier.

“Despite the sluggish nickel price in (the first half of) 2023, nickel ore, together with its nickel products, continued to dominate production,” the MGB said.

Gold accounted for 41.62% by value, generating P51.22 billion. The price of gold rose by \$59.48 year on year to \$1,933.95 per troy ounce.

Silver, chromite, and iron ore accounted for P1.79 billion, or 1.46% of the total.

By volume, nickel production increased 40% year on year to 16.87 million dry metric tons (DMT).

Gold output rose by 3% to 15,102 kilograms in the first half.

Chromite production increased by 20% to 47,449 DMT.

Copper output rose 6% to 133,072 DMT while iron ore production rose 17% to 56,131 DMT;

Silver production declined 12% to 23,316 kilos during the half.

“Nickel ore production is expected to expand further as the MGB expects four nickel mining projects to commence mining operations between 2023 to 2025,” it added. — **Adrian H. Halili**

Domestic nickel processing critical for clean tech ambitions — DTI

THE PHILIPPINES needs to develop the capacity to process nickel domestically if it is to make progress in its transition to clean technology, the Department of Trade and Industry (DTI) said.

In a statement, Trade Secretary Alfredo E. Pascual urged the private sector to invest or seek global partners in the downstream processing of nickel, which he said will help position the Philippines in the supply chains of the clean technology industry.

Speaking at the ASEAN Investment Forum in Jakarta on Saturday, Mr. Pascual was quoted in a statement as saying that companies need to climb the value chain by investing to upgrade the semiconductor industry.

“Part of our strategic approach is to leverage these resources and enable us to move to higher-value

activities by developing domestic middle to downstream processing of minerals, with high regard to sustainability,” Mr. Pascual said.

He added that the process of developing domestic capacity will require reliable partners for technical and financing capacity.

“Part of the development strategy of the Philippines to enhance economic performance and global value-chain participation is to work with global partners and to increase international engagements to create a more conducive environment for investments,” he said.

“We are engaging with several partners at the multilateral, regional, and bilateral levels to pursue a framework that could mobilize sustainable investment in the Philippines,” he added. — **Justine Irish D. Tabile**



PHILIPPINE STAR/EDD GUNBAN

MWSS allocation for Sept. raised to 50 cms

THE Metropolitan Waterworks and Sewerage System (MWSS) said that the National Water Resources Board has agreed to raise its water allocation to 50 cubic meters per second (cms) in September.

“The approved allocation of MWSS for September 2023 is 50 cms. Last month’s allocation is 48 cms, so the approved allocation this month is higher,” Patrick James B. Dizon, head of the MWSS Angat/Ipo operations management division, said in a Viber message.

Mr. Dizon said that the 50 cms provides an adequate buffer, though the final amount is subject to calibration if Ipo Dam needs to release water in the event it reaches spilling level.

“We will request Angat to reduce the releases to us if ever the watershed inflows are strong,” he said.

As of 6 a.m. on Monday, the water level in Ipo Dam declined to 101.01 meters from 101.07 meters a day earlier, according to the Philippine Atmospheric, Geophysical and Astronomical Services Administration’s website.

The water level remains slightly above the dam’s normal high water level of 101 meters. Ipo Dam is part of the Angat-Ipo-La Mesa water system.

Meanwhile, Angat Dam’s water level increased to 202.23 meters from 201.43 meters previously. Its normal high level is 210 meters.

Angat Dam is the main source of water for Metro Manila, ac-

counting for about 90% of the capital’s potable water.

Jennifer C. Rufo, head of corporate communications of Maynilad Water Services, Inc., said in a Viber message that the west zone water concessionaire is in discussions with the MWSS on the appropriate sharing of the water allocation to ensure sustained uninterrupted supply for consumers.

“The 50 cms allocation is still enough for... our required volumes, especially since rains over the watersheds have been filling Ipo Dam,” she said.

Maynilad serves the city of Manila, except portions of San Andres and Sta. Ana. It also operates in Quezon City, Makati, Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas, and Malabon.

It also supplies the cities of Cavite, Bacoor, and Imus, and the towns of Kawit, Noveleta, and Rosario, all in Cavite province.

Manila Water Co., Inc. Group Director for Corporate Communications Affairs Nestor Jeric T. Sevilla, Jr. said the allocation will allow the company to offer uninterrupted service.

“This will enable us to continue to sustain the provision of 24/7 water supply to our 7.6 million customers in the East Zone,” he said in a Viber message.

Manila Water services Metro Manila’s east zone, which consists of Marikina, Pasig, Makati, Taguig, Pateros, Mandaluyong, San Juan, portions of Quezon City and Manila, and several towns in Rizal province. — **Sheldeen Joy Talavera**

Test-based SUC admission policy will magnify middle-income students’ advantages — PHINMA

By **Luisa Maria Jacinta C. Jocson** Reporter

A PROPOSAL to amend the free state university law to admit applicants based on test performance will play to the strengths of middle-income students, who have always enjoyed advantages in test preparation, PHINMA group’s education unit said.

PHINMA Education Country Head for the Philippines Christopher A. Tan said in an e-mail that “A merit-based test will not change much. The free tuition law has always disproportionately benefited middle-income students who received good K-12 educations and are able to pass rigorous state university entrance exams. The poorest of the poor are only a small portion of those benefiting from the program because they are more likely to be unprepared to enter college.”

He said the choice is between “merit-based” admissions, such as test scores, and a “needs-based” approach, which will consider policy goals such as educating the poor.

“We need to see how new standards to judge who is ‘deserving’ (of a place at a state university are implemented) ... whether this is a merit-based test or a needs-based one,” he added.

The Department of Finance (DoF) has proposed to use test scores to determine who gets access to free tuition for state universities and colleges (SUCs), a Duterte-era entitlement enacted before the pandemic, when the government’s finances were more robust.

Finance Secretary Benjamin E. Diokno has said he wants a review of the Republic Act No. 10931 or the Universal Access to Quality Tertiary Education Act.

Mr. Diokno, who was on the economic team of the Duterte administration, is proposing a national test to determine who gets free tuition. Those who meet the test standard will be granted a four-year voucher for tuition.

Mr. Diokno said that the present system is “unwieldy, inefficient, and wasteful,” and that the proposal will optimize the use of government funds.

“An indicator of wastefulness is the rising dropout rate.

The proposed reform also aims to reduce the threat to the robust private school system,” he added.

Under the constitution, the government is required to allocate the biggest share of the national budget to education.

The 2024 National Expenditure Program allocates P924.7 billion to education, up 3.3%.

Of this, P51.12 billion or around 5.5% of the total will be allocated to roll out the Universal Access to Quality Tertiary Education program.

“The call to review the free tuition policy is unsurprising because concerns about the sustainability of the program were raised by the education sector when the policy was first proposed,” Mr. Tan said.

“Free tuition for college students is a massive undertaking and needs to take into account the increase in demand for education as the years go by. What we’re seeing now is increasing demand and not enough resources to go around,” he added.

Mr. Diokno has said that the government’s focus should be

on basic education instead of tertiary.

“The poor have a better chance of entering college, and completing the same if they have a good foundation. That’s one of the goals of the K-12 program. That’s the key — excellent basic education. That should be our focus,” Mr. Diokno said.

Bienvenido S. Oplais, Jr., president of a research consultancy and of the Minimal Government Thinkers think tank, said the government should concentrate on subsidizing basic education tuition.

“Free education for public elementary and secondary education is understandable. But not so in public tertiary education,” he said in a Viber message.

Mr. Tan also noted that Mr. Diokno’s proposal to focus on basic education is “more critical at this point in our development,” given the limited fiscal space.

FULL STORY

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OPINION

Third-party information and the tax assessment process

The Bureau of Internal Revenue (BIR) is actively conducting taxpayer audits. Recently, we have been seeing astronomical deficiency tax assessments from the BIR. One finding that the taxpayers always have trouble understanding is the deficiency assessment coming from third-party information (TPI).

The BIR uses the Reconciliation of Listings for Enforcement (RELIEF) System for TPI audits.

The RELIEF System cross-references third-party information from the taxpayers’ Summary Lists of Sales and Purchases. The BIR also uses the Third-Party Matching-Bureau of Customs (TPM-BoC) Data Program to validate the volume of imports declared by the taxpayer.

Inconsistencies uncovered in the TPI matching are assumed by the BIR as an indication of under-declaration of revenue or over-declaration of cost and expenses, thus resulting in deficiency tax assessments for income tax, VAT and withholding taxes.

In this kind of assessment, we would assist the taxpayer in combing through voluminous records to reconcile the discrepancies. Armed with tax returns, accounting records and a Sworn State-

ment, we will inform the BIR that the third-party information is incorrect and that the amount declared by the taxpayer tallies with his books and other supporting documents. Unfortunately, this becomes a tax assessment version of “he said, she said” and thus, begins the arduous calvary of refuting the TPI findings.

In such situations, I cannot help but wonder why the BIR would often assume that the third-party information is correct while the taxpayer being audited is misdeclaring his income and expenses. Fortunately, jurisprudence is replete with cases explaining when assessments from TPI are not reliable and thus, void.

Revenue Memorandum Order (RMO) No. 46-2004 requires that in the event that the taxpayer protests the accuracy of the data provided by third-party sources, the BIR shall require the TPI provider to execute a Sworn Statement attesting to the correctness of the data provided. RMO 13-2012, states that if no response from the TPI source is received after the lapse of five days from service or ten days from mailing of the Confirmation Request, the revenue officer may consider the data to be true and correct.

In a CTA case, the BIR disclosed that it was not able to secure the confirmation from the TPI source. Instead, it relied on the portion of the BIR letter addressed to the third party stating that “(Of this office does not receive any response from you within five days from receipt of this letter, we will consider the above purchase/amounts to be true and correct.”

The CTA cancelled the assessment and ruled in favor of the taxpayer. In failing to fully validate the TPI, the assessment was not based on facts but merely on presumption. In another case, the CTA cancelled an assessment over the failure of the BIR to offer in evidence the confirmation request letters and registry return receipts from the TPI sources.

In one case of alleged undeclared imports arising from matching with BoC data, the BIR used the Cost Ratio Method and grossed up value of the undeclared imports. This resulted in a corresponding undeclared sale which was subjected to 12% output VAT, thus resulting in a deficiency VAT assessment.

The CTA cancelled the assessment and emphasized that for VAT to be imposed, there must be an actual or deemed sale of goods or services. Hence, no imposition or assessment of output VAT can arise from an alleged undeclared sales arising from under-declaration of imports.

In the same manner, a mere discrepancy arising from BoC TPI cannot translate to the taxpayer’s undeclared gain and sales subject to income tax. The CTA emphasized that for income to be taxable, there must be a gain or income realized or received by the taxpayer. Without proof of receipt of taxable income, the obligation to pay taxes does not arise. The CTA further goes to explain that “in importation, money is disbursed, rather than received; and goods or properties are purchased, rather than sold by the taxpayer. These concepts are anathema to the nature of income tax as a tax imposed on income received by the taxpayer; and VAT, as a tax imposed on the sale of goods or property, among others.”

In various cases, the Supreme Court emphasized that tax assessments are presumed correct, made in good faith and based on sufficient evidence. However, the prima facie correctness of a tax assessment does not apply upon proof that an assessment is without foundation, meaning it is arbitrary and capricious. Paramount is the rule that the presumption of the correctness of an assessment, being a mere presumption, cannot be made to rest on another presumption.

Admittedly, the RELIEF system is a valuable source of information that the

BIR can use in identifying taxpayers that may be subject to audit. However, the courts have been consistent in ruling that the BIR must support its assessments with verified factual information.

While the courts offer relief in canceling assessments based on unverified TPI, this process is cumbersome and costly to taxpayers. Reconciliations and documentation submitted to the BIR should be thoroughly assessed by the BIR to ensure that the right of the taxpayers to due process is observed even at the administrative process level. Resort to the courts should be a last-ditch scenario in view of the cost and effort needed. Taxpayers and the BIR should work hand in hand to ensure that correct taxes are paid, no more, no less.

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