

Bol sees P1-T investment approvals by end-Oct.

By Justine Irish D. Tabile
Reporter

THE Board of Investments (BoI) said it expects the investment approvals for the year to hit P1 trillion before October ends.

"I think ... by the end of tomorrow's board meeting we will be able to reach P1 trillion in total approvals," Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo said during

a panel discussion at the 12th Arangkada Philippines Forum on Wednesday.

The investment promotion agency initially set a target of P1 trillion worth of investment for 2023, which the Department of Trade and Industry (DTI) revised in the first quarter to P1.5 trillion.

"When we saw a strong influx of investment... in January (and) February, our target was increased to P1.5 trillion or double the actual amount of approvals last year," Mr. Rodolfo said.

Last year, the BoI approved an estimated P729 billion worth of new investment, up 11% from 2021.

In his keynote speech, Trade Secretary Alfredo E. Pascual said renewable energy (RE) projects were the single biggest category of approved investment so far, which he estimated at over \$17 billion.

"Most of the approved projects are in RE. There was an influx of renewable projects when we announced that we are allowing

100% foreign ownership," Mr. Pascual told reporters on the sidelines of the event.

In November, the Department of Energy issued a memorandum circular that allowed 100% foreign capital in RE projects.

The DTI said in June that RE projects are expected to account for a third of investment registered with the BoI, which Mr. Pascual upgraded on Wednesday to more than 50%.

Meanwhile, both officials said that they are still optimistic to

achieve the P1.5-trillion investment approval target for the year.

"We are still optimistic because we still have less than a quarter. But we have exceeded what was achieved last year," Mr. Pascual said.

Mr. Rodolfo said earlier this week that the BoI is expecting the entry of investment worth \$4 billion from two Chinese manufacturers seeking to supply offshore wind equipment.

The two companies have surveyed potential sites in the Philip-

pines and are planning to arrive at location decisions within the year.

"We still have two months to reach that P1.5 trillion new target, but in terms of the old target I think we are done with that," said Mr. Rodolfo.

"Realistically, we will probably take in an additional P300 billion in the next two months," Mr. Rodolfo said. "But very important will be the composition of these investments. These, I think, are mostly in RE and mostly foreign investment."

Rice price surge during holidays not expected, Agri dep't says

THE Department of Agriculture (DA) said it does not expect rice prices to rise significantly during year-end holidays.

Agriculture Undersecretary Mercedita A. Sombilla told reporters on the sidelines of the Federation of Free Farmers (FFF) anniversary that the DA is working on mitigating further price surges in the staple grain.

She said supply will be ample, "especially with the expected imports coming in."

In the year to date, the Philippines imported 2.71 million metric tons (MT) of rice as of Oct. 12, according to the Bureau of Plant Industry.

She reiterated that a return to rice price controls is no longer necessary, heading off speculation of rising prices.

"That's really just speculation. We really have to avoid (imposing) price caps again, noting that price controls have 'created tensions' in the market.

A farmer's group has called for the reimposition of the P45 per kilogram (kg) price cap on well-milled rice in November, alleging that traders are creating "artificial" conditions to justify high prices.

The government had imposed in August a temporary price cap on regular-milled rice of P41 per kg and on well-milled rice of P45 via Executive Order No. 39.

"We have to have normal market conditions ... especially that we are now harvesting," Ms. Sombilla added.

The DA said last week that it is expecting production of palay, or unmilled rice, to hit 20 million MT this year.

According to the Philippine Statistics Authority (PSA), palay output fell to 19.76 million MT in 2022 from 19.96 million MT a year earlier.

In an address to the FFF, President Ferdinand R. Marcos, Jr. said the government will push to boost local production to minimize the need to import food.

"I wish to reaffirm one of the top priorities of this administration, which is the enhancement of our agricultural productivity, the guarantee of our food supply, the affordability of our food supply, and our lessening dependence on imports," Mr. Marcos, who is also the Secretary of Agriculture, said.

He added that the government is attempting to mechanize the industry, reduce post-harvest losses and ensure optimal yields.

He said increasing agricultural exports will be "an essential driver in the competitiveness of our economy."

Agricultural exports declined 24.4% to \$1.61 billion in the second quarter, the PSA reported. This accounted for 27.2% of total trade.

Mr. Marcos added that to hit these targets, the administration has proposed more funding for agriculture next year.

"With a substantial budget of P85.88 billion for 2023, and a proposed budget of P92.4 billion pesos for 2024, I am optimistic that we can propel the modernization of our agri-fisheries sector," he said. — **Adrian H. Halili**

Philippines to train workers for jobs in offshore wind industry

THE Department of Energy (DoE) said it entered into a partnership with the US Agency for International Development to prepare workers who will staff the offshore wind (OSW) industry.

"We are happy to note that the training design was targeted to focus on the varying needs of skills building by stakeholders such as government agencies, RE (renewable energy) developers, banks, and other financial institutions," Energy Secretary Raphael P.M. Lotilla said at a ceremony for the program in Taguig City.

Mr. Lotilla said the workshops on OSW development will help the government "right-skill and upskill Filipino workers" to keep the industry competitive as the

power industry shifts to alternative forms of energy.

"Through investing in the skills of our workforce, enhancing our energy security, and strengthening our resilience, we are positioning ourselves to excel in the global shift toward clean and sustainable energy solutions," Mr. Lotilla said.

To date, the DoE has awarded 79 OSW service contracts this year with a potential capacity of 61,931 gigawatts. All are currently under development.

The DoE is also studying the repurposing of nine ports to service OSW projects with the technical assistance from the Asian Development Bank. — **Sheldeen Joy Talavera**

Sugar farmgate, retail prices still out of sync, planters say

SUGAR PLANTERS said farmgate prices remain weaker-than-expected and out of line with the relative strength of retail prices.

In a statement, the Sugar Council, which includes three planter federations, said farmgate prices last week ranged from P2,501 to P2,760 per bag, below the regulator's target price of P3,000.

The council is composed of the Confederation of Sugar Producers Associations, Inc., the National Federation of Sugarcane Planters, Inc., and the Panay Federation of Sugarcane Farmers, Inc.

Before the milling season started, the Sugar Regulatory Administration (SRA) had projected a farmgate price for sugar of P3,000 per 50-kilo bag.

The council said a farmgate price of P2,760 per 50-kilogram bag translates to about P55.2 per kilo at retail.

"But in reality, actual retail price of sugar continues to hover between P80 to P100 per kilo. This leads the Sugar Council to wonder why the farmgate price is low," the council said.

"This also proves that sugar farmers are not (behind the) high retail prices," it added.

The SRA has said that it is looking into possible price manipulation due to "abnormalities" in pricing at the mill, trader, and importer level.

"We strongly support the SRA's move to investigate why sugar prices have been lower than P3,000 per 50-

kilo bag ... We look forward to a comprehensive and expeditious probe, and we eagerly await its results," the council said.

SRA Administrator Pablo Luis S. Azcona has described trading as abnormal, with prices fluctuating by P100 or more on a weekly basis. An oversupply of sugar has been blamed for easing farmgate prices.

The SRA delayed the release of 150,000 metric tons of imported sugar via Resolution No. 2023-159, to ensure fairer prices for farmers during milling season.

It added that it will hold on to the reserve sugar in order to build up a two-month buffer stock. — **Adrian H. Halili**

OPINION

Compensation-linked retention strategies

(First of two parts)

Even pre-pandemic, the challenge of attracting and retaining the right talent, especially key members of the management team, are top of mind at every organization. The "Great Resignation" that set in during the peak of the COVID-19 pandemic told the story of the unprecedented spike in talent movement. These disruptions remain a major concern for employers to this day. The 2023 PwC Global Workforce Hopes and Fears Survey, which gauged the attitudes and behaviors of over 54,000 workers in 46 countries and territories, found that the challenge of retaining the best people continues, with inflation being the topmost consideration for employees looking for better-paying jobs.

As a result, organizations must employ creative strategies in recruiting and retaining the best talent if they want to thrive. These include offering competitive compensation and benefits packages, including attractive retirement benefits, equity-based compensation, allowances, other benefits in kind, incentives and bonuses. When weighing the cost and benefit considerations, employers must ensure that they are fully compliant with relevant tax laws and regulations.

In this two-part article, let us take a closer look at some of the more effective compensation-linked workforce retention strategies and why these are gaining traction in the talent marketplace.

PERFORMANCE-BASED PAY

One of the most popular compensation-linked retention strategies is performance-based pay. This includes salary increases based on the individual performance of the employee and the overall performance of the organization. Examples would be profit-sharing or performance-linked incentives on top of mandatory 13th month pay for rank-and-file employees.

Under Section 32(B) of the National Internal Revenue Code (NIRC), as amended by Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, 13th month pay and other benefits are exempt from income tax and withholding tax on compensation up to a maximum of P90,000. Other benefits under the tax regulations include productivity incentive bonuses, Christmas bonuses, loyalty awards, gifts in cash or in kind and other benefits of a similar nature.

DE MINIMIS BENEFITS

Providing de minimis benefits to employees regardless of their job position is also a common strategy to retain talent. By definition, these are facilities or privileges furnished or offered by an employer to the employees that are relatively of small value merely as means of promoting health, goodwill, contentment, and efficiency. These benefits, which are minor perks and rewards with set thresholds on value, are tax-exempt and therefore excluded from the employee's taxable income.

The following are considered as de minimis benefits based on Revenue Regulations No. 11-2018, the implementing regulations of the TRAIN Law, which became effective on January 1, 2018:

1. Monetized unused vacation leave credits of private employees not exceeding 10 days during the year.
2. Monetized value of vacation and sick leave credits paid to government officials and employees.
3. Medical cash allowance to dependents of employees, not exceeding P1,500 per employee per semester, or P250 per month.

TAXWISE OR OTHERWISE MARVIN L. MADRIGALEJO

4. Rice subsidy of P2,000 or one 50-kilogram sack of rice per month amounting to not more than P2,000.

5. Uniform and clothing allowance not exceeding P6,000 per annum.

6. Actual medical assistance, e.g., medical allowance to cover medical and health needs, annual medical/executive check-up, maternity assistance, and routine consultations, not exceeding P10,000 per annum.

7. Laundry allowance not exceeding P300 per month.
8. Employee achievement awards under an established written plan, e.g., for length of service or safety achievement, which must be in the form of tangible personal property other than cash or gift certificates, with an annual monetary value not exceeding P10,000.

9. Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per annum.

10. Daily meal allowances for overtime work and night/graveyard shifts not exceeding 25% of the basic minimum wage on a per region basis.

11. Benefits by virtue of a collective bargaining agreement (CBA) and productive incentive schemes, provided that the total monetary value received from both CBA and productivity schemes combined does not exceed P10,000 per employee per year.

The thresholds set under the rules should be taken into consideration to qualify for the tax exemption. Any excess amount over the ceilings will form part of other benefits which are tax-exempt up to P90,000. Anything in excess of the P90,000 limitation is subject to income tax and, therefore, subject to withholding tax on compensation in the case of a rank-and-file employees or fringe benefits tax (FBT) in the case of supervisors and managers.

EQUITY-BASED COMPENSATION

Another strategy to attract and retain talent is equity-based compensation. As defined in the NIRC, gross income includes compensation for services in whatever form paid, including, but not limited to fees, salaries, wages, commissions, and other similar items. Thus, compensation may also be paid in money or in any form other than cash, such as shares of stock, bonds, or other forms of property. As such, equity income is also classified as taxable compensation income.

Common types of equity awards include Stock Options, Restricted Stock Units (RSU), Restricted Stock Awards (RSA), and Employee Stock Purchase Plans (ESPP). As a rule, the taxing point for share income occurs when there is no risk of forfeiture, i.e., when all the risk and rewards associated with the share income have been fully transferred to an employee. In 2022, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 13-2022 clarifying the income tax treatment of equity-based compensation.

In next week's continuation of this article, we will elaborate further on equity-based compensation and other compensation-linked retention strategies being practiced in the market.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.



MARVIN L. MADRIGALEJO is a director at the Tax Services department of Isla Lipana & Co., the Philippine member firm of the PwC network.
marvin.l.madrigalejo@pwc.com



Veterans Bank Chairman Dr. Roberto "Bobby" F. De Ocampo speaks at the 16th Global Meeting of the Emerging Markets Forum

In the recent 16th Global Meeting of the Emerging Markets Forum held in Marrakesh, Former Secretary of Finance and the current Chairman of Philippine Veterans Bank, Dr. Roberto F. de Ocampo was invited to speak and be one of its panel members.

This year's Global Meeting brought together about over a hundred prominent policy makers, private sector leaders and intellectuals from around the world to discuss key issues on emerging markets and developing economies.

The Forums' co-chairs are Montek Singh Ahluwalia, Former Deputy Chairman, the Planning Commission of India; Masatsugu Asakawa, President, Asian Development Bank (ADB); Michel Camdessus, Former Managing Director, IMF; Enrique Garcia, Former President and Chief Executive Officer, CAF - Development Bank of Latin America; Ligu Jin, Chairman and President, of Asian Infrastructure Investment Bank (AIIB) and Hiroshi Watanabe, Chairman, Japan Institute for International Monetary Affairs.