

# DBP wants capital metrics to count Maharlika contribution

THE Development Bank of the Philippines (DBP) said government banks' contributions to the Maharlika Investment Fund (MIF) must be included in determining the institutions' compliance with capitalization requirements.

"I understand both LAND-BANK (Land Bank of the Philippines) and DBP requested for regulatory relief from the BSP (Bangko Sentral ng Pilipinas)," DBP President and Chief Executive Officer Michael O. de Jesus said in a Viber message.

"We seek relief that our contribution not be deducted from capital," he added.

LANDBANK and DBP remitted their P50-billion and P25-billion contributions, respectively,

to the Maharlika Investment Corp. (MIC) last month, in compliance with Republic Act No. 11954, which established the MIF.

The legislation was signed into law by President Marcos Jr. on July 18, with the Implementing Rules and Regulations taking effect on Aug. 28.

BSP Governor Eli M. Remolona, Jr. in a news conference on Wednesday acknowledged that both banks' contributions put them at risk of not meeting the regulatory requirements for capital held.

"It may make (the state banks) non-compliant with our capital requirements," Mr. Remolona said.

However, the banks may be allowed a degree of "forbearance" after providing capital to Maharlika, he said.

"In principle, we can provide forbearance, which allows them not to comply for a period of time. But they will be expected to comply at some point. Forbearance is always temporary," he added.

BSP Supervisory Policy and Research Department Director Maria Cynthia M. Sison said if the central bank provides relief to the banks, it will be disclosed to the public.

"It will have to be disclosed that they are under forbearance so that other investors would know they're in that situation," she said.

She added that LANDBANK and the DBP do not want their capital positions to decline substantially due to their contributions to the MIC.

Finance Secretary Benjamin E. Diokno has said the comple-

tion of the remittance of the two largest state-owned financial institutions will pave the way for the full operationalization of the MIC.

The Maharlika fund is expected to be operational by the end of the year, and will begin market activities early next year.

Meanwhile, Mr. Remolona said the BSP has not received any application for the merger of LANDBANK and DBP.

"It's not up to us. Once they decide to merge, then we will go in and look at the books of the merged entity," he said.

LANDBANK was asked to comment on the impact of the contributions to its capital position, but it had not replied at the deadline. — **Keisha B. Ta-asan**

## Gov't urged to liberalize feed imports instead of capping pork retail prices

ECONOMISTS said government intervention in the pork industry must focus on lowering input costs for hog raisers, mainly by making animal feed cheaper, rather than imposing retail price ceilings on pork.

Calixto V. Chikiamco, Foundation for Economic Freedom president, said that the Department of Agriculture (DA) should work to liberalize corn imports in order to reduce farmers' feed bills.

"The right measure to decrease pork prices without hurting hog farmers is to abolish the quantitative restrictions on corn and reduce tariffs," Mr. Chikiamco said in a Viber message.

He added that the Philippines has an annual deficit of about 3 to 5 million tons of corn. "Corn is the single biggest cost ingredient for hog and poultry production," he added.

DA Spokesperson and Assistant Secretary Arnel V. de Mesa said on Tuesday that the department is seeking to determine whether market "manipulation" warrants the imposition of price controls on pork.

Mr. de Mesa also said that the DA is studying a suggested retail price (SRP) scheme for pork if the gap between farmgate and market prices continues to widen.

"There could be several reasons why there's a gap between farmgate price and retail price — logistics costs among them," Mr. Chikiamco said.

Ateneo de Manila economics professor Leonardo A. Lanzona said a price ceiling would "cause more problems."

"(The) solution is to encourage more imports and local production," Mr. Lanzona said via chat.

The DA projects a deficit in the pork supply equivalent to 10 days' demand towards the end of the fourth quarter.

Philippine Institute for Development Studies Senior Research Fellow Roehl M. Briones said in a Viber message that the farmgate price for hogs "may just be taking time to increase."

"Prolonged controls may prevent this...(and) will discourage supply," Mr. Briones added.

Rosendo O. So, chairman of Samahang Industriya ng Agrikultura said he sees the need for price caps on domestically grown and imported pork.

The controls are needed "para hindi sumipa ang retail price (so retail prices do not rise)," Mr. So told *BusinessWorld* by phone.

He added that a price cap on pork is "better" than an SRP "because nothing will really happen when you implement SRPs."

In Metro Manila markets, *kasim* (pork shoulder) retailed for between P260 and P330 per kilogram on Oct. 11, while *liempo* or belly sold for between P290 and P400, according to DA price monitors. — **Adrian H. Halili**

## NGCP seeks gov't support to meet tight deadline for connecting Batangas, Mindoro

THE National Grid Corp. of the Philippines (NGCP) said it needs government assistance to meet the timeline set for the P14.03-billion Batangas-Mindoro Interconnection Project (BMIP).

"In our 2023 application filed with the ERC (Energy Regulatory Commission), the timeline we indicated is 2027, already tight with respect to a project of this magnitude," the NGCP said in a statement on Wednesday.

The Department of Energy (DoE) announced last month the NGCP's commitment to complete the BMIP in 2025.

NGCP Spokesperson Cynthia P. Alabanza said the global average for completing transmission projects is between 7 and 10 years.

"There was already pressure on us to do an expedited timeline for this and (we considered 2027 to be) reasonably doable assuming nothing extraordinary happens, because we did some pre-work already. The 2027 timeline already considers the pre-work we did," Ms. Alabanza said in a briefing.

"The 2025 timeline (really has zero) elbow room" that does not allow deviations of even one day. "I mean that's an exaggeration but it's that tight," she added.

The NGCP first filed the project application with the ERC in 2011, followed by re-submissions to reflect the adjusted cost of the project and developments in the area.

The grid operator started to pursue the project in February following the approval of the ERC with a set target of completion by 2027.

"We understand and support the direction of the DoE in these and other critical projects. There is zero room for any delay with the usual chokepoints — right-of-way and the issuance of permits from local governments and other government agencies," the NGCP said.

"It's an almost impossible deadline, but NGCP, as always, will do its best," it added.

Under the proposal, Mindoro will be connected to the Luzon grid through the proposed Pinamucan 230-kilovolt (kV) substation in Batangas City.

"This project is conceptualized for the purpose of bringing power from Luzon to Mindoro... to give electricity to Mindoro from Luzon," Ms. Alabanza said, adding that the link has a capacity of 600 megawatts both ways.

According to the NGCP, it had completed the topographic survey for the submarine cable and cable terminal station sites, the marine and hydrographic survey, and the route survey for the 230 kV and 69 kV overhead transmission line sections even before it received approval from the ERC. — **Sheldeen Joy Talavera**

## Infotech dep't signs broadband tie-up with Kacific, Stellarsat

THE Department of Information and Communications Technology (DICT) has partnered with Stellarsat Solutions, Inc. and Kacific Broadband Satellites to expand broadband connectivity nationwide.

"One big challenge in connecting the Philippines is our (archipelagic) geography... Connecting all the scattered islands remains a challenge, and the digital divide is still pronounced, especially in GIDA (geographically isolated and disadvantaged areas)," Information and Communications Technology Secretary Ivan John E. Uy said in a statement on Wednesday.

The tie-up aims to bring equitable broadband connectivity in the Philippines, as provided for under the National Broadband Plan.

Under the broadband plan, the DICT has connected about 438 sites in Benguet, Kalinga,

Ifugao, Ilocos Norte, Quezon, and Pangasinan via a very-small-aperture terminal system.

"Northern Luzon locals can now enjoy a wide range of essential digital services," Kacific Broadband said.

The DICT's National Broadband Plan is the department's framework for accelerating the deployment of fiber optic cable and wireless technology to improve internet speed.

"The digital divide in the Philippines gets smaller with each connection made. It has been an honor for us to collaborate with the DICT on this mission to shape a future where connectivity knows no bounds and all Filipinos can utilize the internet to its full potential," Christian Patouraux, chief executive officer of Kacific Broadband, said. — **Ashley Erika O. Jose**

## Value of low-cost housing units eligible for SIPP incentives raised to maximum of P3M

THE Board of Investments (BoI) said it amended the 2022 Strategic Investment Priority Plan (SIPP) to raise the price of low-cost housing units eligible for incentives to P3 million each.

The BoI said the ceiling had to be adjusted to conform to recent changes made by the Department of Human Settlements and Urban Development (DHSUD) and the National Economic and Development Authority (NEDA) to the pricing of units falling under the category of economic housing.

According to the DHSUD's Department Order No. 2022-003, the price ceiling for economic housing was raised from P1.7 million to P2.5 million.

"With the recent adjustments in the price ceiling of economic housing approved by DHSUD and NEDA and the existing price ceiling for low-cost housing, the policy for mass housing should consider the said developments in the economic landscape of the country," according to BoI Memorandum Circular 2023-005.

The SIPP now allows low-cost housing projects to have a selling price in excess of P2.5 million but not beyond P3 million. Within each SIPP-eligible housing development, socialized housing units must account for 20% of the registered project area and 20% of the floor area of all qualified saleable housing units, in the case of condominiums.

The economic housing category is capped at P2.5 million and the socialized housing component of each project must account for 15% of the registered project area and 15% of the floor area of

qualified saleable housing units, in the case of condominiums.

The BoI also modified the provisions for income tax housing holidays (ITH) and duty exemption on capital equipment, raw materials, spare parts, or accessories.

The amendment also incentivizes tree-planting within or around each development. A project will be eligible to five years of ITH if the developer submits proof of planting 300 trees; projects with 500 trees planted will be eligible for six years' ITH. — **Justine Irish D. Tabile**

### OPINION

## Subpoena duces tecum as a compliance tool

In the early weeks of September, a number of companies registered with the Bureau of Internal Revenue (BIR) as Large Taxpayers, received a Subpoena Duces Tecum (SDT) served by the BIR Large Taxpayers Services Division. The SDT required taxpayers to appear before the Chief of the BIR's Prosecution Division to present and submit documents related to their Computerized Accounting Systems (CAS), such as: (1) proof of registration of CAS pursuant to Revenue Regulations No. 9-2009; (2) related Annexes submitted with the CAS application; (3) sample print-outs of receipts/invoices; and (4) sample printouts of books of account, among others.

According to the BIR, this is its way of determining taxpayer compliance with Revenue Regulations No. 9-2009 which requires Large Taxpayers to maintain a registered CAS. Moreover, this is also said to be BIR's way of pushing taxpayers to upgrade and register their systems in preparation for the BIR's digitalization projects, one of which is the electronic transmission of sales data to the BIR through the Electronic Invoicing/Receiving System (EIS).

Indeed, the SDTs served their purpose as non-compliant taxpayers were forced to upgrade their systems and have them registered with the BIR in order to avoid facing the consequences. From what I've observed, the issuance of SDTs to taxpayers is still ongoing.

This enforcement strategy has now raised questions on whether the BIR has gone too far. Is the issuance of an SDT

an appropriate recourse for the BIR to enforce compliance with tax rules?

Almost six months before the issuance of the SDTs, the BIR issued Revenue Memorandum Circular (RMC) No. 33-2023 to clarify the issuance and enforcement of SDTs. According to the RMC, the application of the current guidelines and procedures governing SDTs, such as Revenue Memorandum Order (RMO) No. 10-2013 as amended by RMO No. 8-2014, is focused on taxpayers under audit or investigation who failed to comply with the written notice for information or relevant records. Thus, RMC No. 33-2023 is issued to clarify that the issuance and enforcement of SDTs also applies to the monitoring and verification of taxpayer compliance with relevant tax laws, in general.

Under the RMC, the current guidelines in issuing and enforcing SDTs also apply to any examination of a book, paper, record, or other data which may be relevant in evaluating the compliance of taxpayers who are liable for tax or required to file a tax return.

Moreover, the compliance of registered taxpayers may be evaluated through the examination of the following documents:

- Payment of annual registration fee;
- Issuance of sales invoices or official receipts;
- Keeping of books of account;
- Timely filing of requisite tax returns and the payment of taxes due thereon;

• Withholding of tax on income payments subject to withholding and timely remittance of such tax withheld;

• Filing of required information returns, such as the summary list of sales/purchases (SLSP), annual alphas of payees, etc. on or before the due dates prescribed by law or existing revenue issuances, whenever applicable; and

• Other data which may be relevant

For unregistered taxpayers, the BIR is to notify them and require them to register and pay voluntarily any unpaid taxes. In case of failure to register or to pay taxes, the BIR office concerned is to endorse the case to the Regional Investigation Division or National Investigation Division for the conduct of a preliminary investigation in preparation for the filing of a Run After Tax Evaders (RATE) case and/or other tax enforcement actions.

RMC No. 33-3023 appears to justify the action of the BIR to issue SDTs in order to call out taxpayers and enforce compliance with tax rules, such as the required registration of CAS. Thus, I suspect that the BIR will continue to issue SDTs to compel compliance with other tax rules.

Complying with an SDT is more challenging for taxpayers since the timeline for the submission of required documents is tighter than that of a regular BIR tax audit. Under Section 3.8 of RMO No. 10-2013, the date for the submission of books of account and other accounting records is set on the 14<sup>th</sup> day from the date of issuance of the SDT. However, based on

experience, the appointment date set in the SDT is shorter than this 14-day prescribed period.

Moreover, non-submission or incomplete presentation of the required books of account and other accounting records may result in criminal prosecution of the individual who disobeyed the SDT. Payment of the administrative penalty will not excuse the taxpayer/person summoned from complying with the SDT.

As the government continues to extend efforts to monitor the compliance of taxpayers with tax law, may this article raise awareness among taxpayers, who need to be prepared and compliant, not only in relation to the status of their CAS registration, but also with regard to all their tax practices.

In any case, while we all agree that tax compliance should be enforced as taxes are the lifeblood of the government, I hope the BIR will also consider providing sufficient time for remediation or compliance, especially for taxpayers who are willing to comply but only lack guidance.

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