# ‘One serious proposal’ being evaluated to privatize Iloilo port

THE Department of Transportation (DoTr) said the Philippine Ports Authority has set in motion the privatization process for the Iloilo port, in the wake of proposals from a number of parties, one of which was considered “serious.”

“Actually (the proposal) for the privatization is now being processed by the Philippine Ports Authority. We have a lot of ports that are now being operated privately,” Transportation Secretary Jaime J. Bautista told reporters on the sidelines of a forum facilitated by the German-Philippine Chamber of Commerce and Industry last week.

Mr. Bautista was responding to a query on the status of an unsolicited proposal submitted by International Container Terminal Services, Inc. (ICTSI) for the development, operation and maintenance of the Iloilo Commercial Port Complex (ICPC).

The DoTr has received several proposals for the Iloilo port, he said, although Mr. Bautista declined to say how many.

“It is not important how many, what’s important is there is one serious proposal. There is one very serious proposal,” Mr. Bautista said.

In 2022, listed port operator ICTSI said it is planning to revive its proposal to develop and operate the ICPC.

ICTSI had estimated the investment required at more than P5 billion.

Established in 1987, ICTSI operates 33 terminals in 20 countries. — **Ashley Erika O. Jose**

# Philippine Aug. electronic exports rise 5.9%

PHILIPPINE electronics exports rose 5.91% year on year to $4.21 billion in August, the Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI) said.

However, the industry association’s president Danilo C. Lachica told *BusinessWorld* that he continues to expect exports to be little changed over the full year.

In August, Mr. Lachica said SEIPI revised its export growth forecast from 5% to 0% in 2023 after a 6% decline in exports in the first six months.

Five product categories increased their exports in August, led by medical or industrial instrumentation, where shipments rose 48.61% to $23.78 million, followed by telecommunication (26.48%), communication or radar (20.22%), semiconductor components or devices (14%), and office equipment (10.65%).

REUTERS

On the other hand, some segments posted declines, led by automotive electronics (-32.08%), electronic data processing (-30.87%), consumer electronics (-5.40%), and control and instrumentation (-2.44%).

Month on month, electronics exports rose 6.58% from the $3.95 billion posted in July.

However, electronics exports in the eight months to August declined 3.6% to P29.35 billion. During this period, electronics accounted for 61.4% of all Philippine exports.

Five categories recorded declining exports in the first eight months, led by automotive electronics, which declined 65.89% to $25.01 million, followed by office equipment (-36.67%), electronic data processing (-32.94%), telecommunication (-17.94%), and controls and instrumentation (-1.59%).

Meanwhile, four categories recorded an improvement in exports, such as medical or industrial instrumentation (25.38%), communication or radar (19.64%), consumer electronics (13.62%), and semiconductor components or devices (0.68%).

Hong Kong was the top export destination, accounting for 18.46% of electronics exports, followed by the US (13.54%), China (9.06%), Japan (7.63%), and Singapore (5.9%).

The rest of the top 10 destinations were the Netherlands (5.3%), South Korea (5.1%), Taiwan (4.63%), Germany (4.26%), and Malaysia (3.51%). — **Justine Irish D. Tabile**

# Rice tariff collections approaching P20 billion

THE Bureau of Customs (BoC) said tariff collections from rice imports are approaching P20 billion in the year to date, guaranteeing surplus funds at the government’s disposal after it takes P10 billion from the tariffs to support the Rice Competitiveness Enhancement Fund (RCEF).

“I think we’re close to about P20 billion already, about P18 billion or P19 billion,” Customs Assistant Commissioner Vincent Philip C. Maronilla told reporters on the sidelines of a forum last week.

“We’ve met the P10-billion threshold (to fund RCEF). It’s a matter of how (much) surplus. We’ve been averaging about P13 billion to P15 billion. Now reaching P18 billion is I think a new high,” he added.

Under the Rice Tariffication Law, P10 billion generated from rice import tariffs is automatically allocated to the RCEF.

RCEF funds modernization programs like the acquisition of farm machinery, seed development, the propagation of rice-growing know-how, credit assistance, and extension services.

Collections exceeding the P10 billion-threshold are added to the national budget of the following year.

The surplus can be used to assist rice farmers financially, support the titling of rice land, expand crop insurance coverage, and promote crop diversification.

This year, the BoC is tasked to collect P874.166 billion overall.

The Bureau of the Treasury reported that Customs revenue in the first nine months rose 3.43% to P660.4 billion, exceeding its P644.2-billion target for the period by 2.52%.

Mr. Maronilla said that recent supply chain disruptions and the global slowdown have not impacted the flow of rice imports.

“We’re seeing the same volume. In fact, we were tapped under the executive order issued by the President to look into certain warehouses where rice is supposedly stored and look into the smuggling (and) hoarding,” he said.

“By the looks of it, there is supply. Judging from our records, imports are steady, so we have no reason to conclude that other factors globally are affecting supply here,” he added.

In September, President Ferdinand R. Marcos, Jr. issued Executive Order No. 39, which imposed a price ceiling on regular-milled and well-milled rice to address rising prices. The price cap was lifted a month later.

The executive order also directed the BoC to step up inspections and raids of rice warehouses and facilitate the confiscation, seizure and forfeiture of smuggled rice.

The BoC has reported that it has conducted 730 anti-smuggling operations this year so far, seizing P35.963 billion worth of smuggled goods. — **Luisa Maria Jacinta C. Jocson**

# US tariffs on China goods viewed as untapped opportunity for PHL exporters

**By Justine Irish D. Tabile**
*Reporter*

THE PHILIPPINES needs to better exploit the opportunities arising from the US imposition of tariffs on Chinese goods, the US Chamber of Commerce (USCC) said.

John Patrick Goyer, USCC executive director for Southeast Asia, told *BusinessWorld* that the Philippines should take advantage of tariffs ranging from 7.5% to 25% that the US applied on goods coming from China starting 2018.

He said that Southeast Asia currently enjoys a cost advantage that can be leveraged during the ongoing trade war between the US and China.

“What that means for other countries, especially those in Southeast Asia, is that they suddenly have a cost advantage and especially if particular goods coming from China faces a 25% tariff. Those same goods from the Philippines face a much lower tariff,” he said.

However, Mr. Goyer said that the Philippines has yet to systematically exploit its tariff advantage.

“To date, we haven’t really seen that happen for the Philippines, while Vietnam, I think, is widely perceived as having benefited the most from the trade rift,” he said.

“But the fact is that Vietnam didn’t grow its exports dramatically to the US after the trade war started. Other ASEAN countries have been able to do the same to varying degrees, but the Philippines really has not,” he added.

He said the Philippines must start asking why it has not seen a ‘dramatic growth’ in its exports to the US and start thinking about where its suppliers can step in.

“And you know, this could be any number of products and for those where the Philippines has manufacturing capacity and capability,” he added.

He said Vietnam has substantial production capability, especially in electronics.

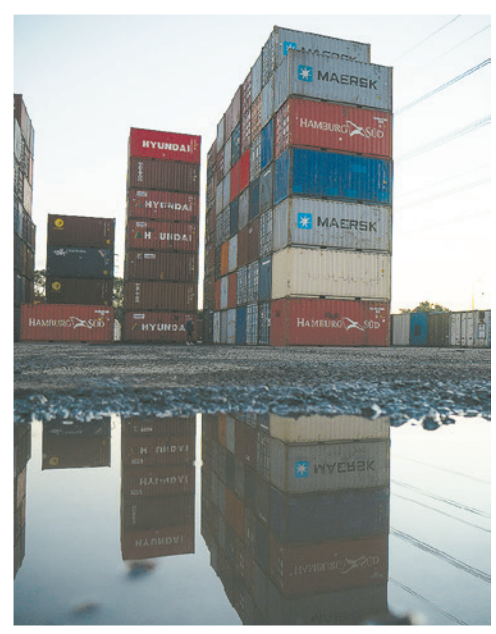
“But I think that in a wider range of products, not necessarily in information technology hardware, but in other sectors (such as) machines, tools, home goods, all the sorts of things that American consumers buy at Walmart or Target or Home Depot, I have to believe that there is an opportunity there for Philippine suppliers to step in,” he added.

He said even at a tariff disadvantage, China “remains the only cost-effective supplier in the near term” for many goods, he said.

“(But) if those tariffs remain in place for the longer term, and I suspect that they’re going to be around for a while, that gives the Philippines I think, a longer window to look at how it might be able to step in and supply some of those goods where... it makes commercial sense,” he added.

US goods and services and services trade with the Philippines totaled $36.1 billion last year, $23.3 billion of which consisted of US imports from the Philippines, according to the office of the US Trade Representative.

Some $16.2 billion of the imports from the Philippines consisted of goods while $7.1 billion were services.




PATWHELEN-UNSPLASH

OPINION

# Workforce compensation-linked retention strategies

*(Second of two parts)*

In last week’s article, I discussed performance-based pay, de minimis benefits and equity-based compensation as some of the common compensation-linked workforce retention strategies adopted by employers. For this second part, I will elaborate on equity-based compensation and the establishment of a retirement plan.

**TAXWISE OR OTHERWISE**
**MARVIN L. MADRIGALEJO**

Under Revenue Regulations (RR) No. 13-2022, equity-based compensation granted to employees, regardless of the employee’s classification (i.e., rank-and-file or supervisory and managerial) shall be treated as additional compensation and will form part of the gross income of the employee, subject to income tax and social tax, and will therefore be subject to payroll withholding and reporting. The Bureau of Internal Revenue (BIR) later issued Revenue Memorandum Circular (RMC) No. 143-2022 which further clarified the income tax treatment of equity-based compensation. Therefore, any exercise or availment of equity-based compensation by an employee-grantee, regardless of position on or before Oct. 29, 2022 (the effectivity date of the RR), is subject to withholding tax on compensation.

The RMC also enumerated the mandatory tax returns to be filed starting November 2022 and onwards (for equity-based compensation exercised starting the effectivity date of the RR which include the following):

- BIR Form No. 1601-C (Monthly Remittance Return of Income Taxes Withheld);
- BIR Form No. 1604-C (Annual Information Return of Income Taxes Withheld on Compensation; and
- BIR Form No. 2316 (Certificate of Compensation Payment and Tax Withheld).

In relation to reporting requirements, the following rules still apply based on RMC No. 79-2014:

**Grant of Equity-Based Compensation**

Within 30 days from the grant of the equity-based compensation, the issuing corporation or employer-grantor, shall submit to the Revenue District Office (RDO) where it is registered, a statement under oath on the following:

- Terms and Conditions of the stock option;
- Names, Tax Identification Numbers (TINs), positions of the grantees;
- Book Value, Fair Market Value, par value of the shares subject of the option at the grant date;
- Exercise price, exercise date and/or period;
- Taxes paid on the grant, if any; and
- Amount paid for the grant, if any.

**Exercise of Equity-Based Compensation**

During the exercise period, the employer-grantor must file a report on or before the 10th day of the month following the month of exercise stating therein the following:

- Exercise Date;
- Names, TINs, positions of those who exercised the option;
- Book value, fair market value, par value of the shares subject of the option at the exercised dates;
- Mode of settlement (i.e., cash, equity); and
- Taxes withheld on the exercise date, if any.

**RETIREMENT PLAN**

Establishing a retirement plan which could either provide higher retirement pay benefits to employees or the minimum retirement pay as mandated by law encourages employees to stay with an organization.

Retirement plans can be divided into two major categories: defined-benefit plans and defined-contributions plans. A defined-benefit plan is the traditional pension plan while a defined-contribution plan allows the employees to contribute and invest in the retirement fund and other investments such as mutual funds over the time of employment to save for retirement.

Under Republic Act No. 7641, also known as the Retirement Pay Law, an employee is to receive such retirement benefits as he may have earned under existing laws and any collective bargaining agreement and other agreements, provided, however, that an employee’s retirement benefits under any collective bargaining and other agreements not be less than those provided herein.

In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty to sixty-five years, who has served at least five years in the establishment, may retire and will be entitled to retirement pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year. Note that there is no requirement to set up a retirement plan or contribute to a fund; hence, most companies pay retirement benefits on a “pay-as-you-go” basis.

Unless the parties provide for broader inclusions, the term one-half month salary means 15 days plus one-twelfth of the 13th month pay and the cash equivalent of not more than five days of service incentive leaves.

Generally, for retirement pay to be exempt from income tax, regardless of whether the benefit is under an established reasonable private benefit plan or under RA No. 7641, there are certain conditions that must be met:

- The retiring employee has been in the service of the same employer for at least 10 years;
- The retiring employee is not less than 50 years of age at the time of retirement; and
- The benefit (i.e., the tax exemption) has been availed of only once by the employee.

However, it is noteworthy that if the retirement payment is under a reasonable private benefit plan, there is an additional requirement which is to have the plan registered with the BIR. Failure to meet any one of the prescribed conditions renders the retirement pay taxable and subject to the progressive tax rates.

Companies should be agile in developing compensation-linked employee retention strategies. While several compensation strategy approaches can be used, a market-based and performance-linked approach seems to be the most viable option. Setting compensation must be based on industry benchmarks to ensure that the compensation remains competitive within the market. On the other hand, providing compensation linked to the employees’ performance ensures that higher compensation and benefits are given to high performing and top tier employees.

People remain the most vital asset to any organization, and will always be at the heart of achieving its goals and vision. As such, every organization should make substantial efforts to ensure that its people are taken care of and nurtured in every aspect to keep them engaged, leading to long-term retention.

*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.*

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