

FTA utilization tracker to be co-developed with South Korea

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/yog6g8j8

THE Department of Trade and Industry (DTI) said it will co-develop with a South Korean partner a digital platform to promote and increase free trade agreement (FTA) utilization.

In a statement, the DTI said it signed the record of discussions for

the development and implementation of the Origin Management System for the Promotion of FTAs in the Philippines project with the Korea Institute for Advancement of Technology.

"This is a vital tool for the Philippines to optimize the Philippines-South Ko-

rea FTA and all other Philippine FTAs and preferential trade arrangements," Undersecretary for Industry Development, Trade and Investment Promotion Group Ceferino S. Rodolfo said.

"The best time to prepare for an FTA is before it is even implemented

or while it is being negotiated," he added.

The project will run until December 2025. Its features include the development of an origin management system which will allow exporters to determine whether their products

qualify under the respective rules of origin requirements of FTAs.

It will also develop an artificial intelligence-enabled harmonized system (HS) classification tool that will enable exporters to determine the HS codes for their products. — **Justine Irish D. Tabile**

Amending 1931 radio law seen as key to improving connectivity

NATIONAL ECONOMIC and Development Authority (NEDA) Secretary Arsenio M. Balisacan said he will push to amend the law regulating radio communications (Act No. 3846) to help improve digital connectivity.

On the sidelines of a forum hosted by NEDA and the US Agency for International Development (USAID) on Wednesday, Mr. Balisacan told reporters that amending outdated laws on connectivity should be a priority.

"I want to get more data so that we can present to the Cabinet, to the President, to the LEDAC (Legislative Executive Development Advisory Council), the urgency of doing this," he said.

Act No. 3846 has been in place for 92 years. It created the Radio Control Division at the Bureau of Posts, under the general supervision of the Secretary of Commerce and Communications.

During the forum, Scott Minehane, a consultant to USAID's Better Access and Connectivity (BEACON) project, cited the need to reform radio spectrum management.

Spectrum management is based on the 1931 law, as well as the Public Telecommunications Policy Act of 1995, when wireless technology was mainly used for radio broadcasts.

"These laws limit the use of spectrum to enfranchised entities, which require entrants, even

those that use new types of internet technology, to make investments in a traditional network," Mr. Minehane said.

"The outdated provisions contained in those laws continue to limit the country's ability to maximize the benefits and uses of new wireless technologies such as 5G and future 6G (in 2030) as well as to free up or reallocate idle or new spectrum," he said.

The digital economy accounted for 9.4% or P2.08 trillion of gross domestic product in 2022, up from P1.87 trillion in 2021, according to the Philippine Statistics Authority.

"By sticking to an administrative approach in assigning spectrum, the government continues

to miss out on the opportunity to generate substantial revenue from having a more competitive assignment process," Mr. Minehane said.

He said adopting best-practice spectrum management — which adheres to the principles of efficiency, transparency, and non-discrimination — would bring significant benefits to the economy.

Mr. Minehane added spectrum is considered a limited public resource that must be managed efficiently to boost digital and economic transformation.

Several bills on spectrum management have been filed in Congress but these have all failed to gain traction. — **Keisha B. Ta-asan**

Farmers seek details of Indian rice import plan

THE Department of Agriculture has been asked to disclose the details of its plan to import Indian rice, the Federation of Free Farmers (FFF) said on Wednesday.

Agriculture Secretary Francisco Tiu Laurel, Jr. said during a Commission on Appointments hearing on Tuesday that the grain shipments would be sufficient to meet rice demand up to January or February.

The Indian government has allocated a quota of 295,000 metric tons (MT) of non-basmati white rice to the Philippines, after having declared a freeze on such exports to ensure its own domestic supply.

"It is not clear if a government agency

will undertake the shipment, notwithstanding the fact that the Rice Tariffication Law prohibits imports by the National Food Authority (NFA)... (or if) the private sector will do the importing," FFF National Manager Raul Q. Montemayor said in a statement.

Under Republic Act No. 11203, importing rice was removed from the NFA's functions. Private traders have instead been

allowed to bring in rice shipments while paying a 35% tariff on Southeast Asian grain.

As of Nov. 16, rice imports amounted to 2.93 million MT, according to the Bureau of Plant Industry. — **Adrian H. Halili**

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/yf6jgug8

DoE calls for accelerated retirement, repurposing of coal-fired power plants

THE Department of Energy (DoE) has called for the early retirement or repurposing of coal-fired power plants to help it meet the goal of raising the share of renewables in the power generation mix.

"The government is encouraging a voluntary early and orderly decommissioning or repurposing of existing coal-fired power plants, while securing a stable supply and addressing the climate emergency by ramping up our renewable energy (RE) target of 50% share by 2040," the DoE said in a statement late Tuesday.

Decisions by the private sector to retire coal-fired plants and transition to RE "are purely market-driven and based on economics of which projects provide the most return to investors," it said.

Support for a coal phasedown is gaining momentum after ACEN Corp., the listed energy arm of the Ayala Group, pioneered the voluntary retirement of its 246-megawatt

(MW) South Luzon Thermal Coal-Fired Power Plant.

"This is consistent with our view that it must be voluntary and must make business sense in a power sector like the Philippines that is privately owned, market driven and unsubsidized," the DoE said.

"ACEN has our full support for this initiative, and we will explore ways to facilitate this program through access to climate financing," it added.

In 2020, the government issued a moratorium on greenfield coal-fired plants, signaling a shift to a more flexible power mix.

The DoE puts the number of coal-fired plants connected to the grid at 62 as of August, with total installed capacity of 12,472.6 MW.

Some 29 coal-fired plants are in Luzon with a combined installed capacity of 8,792.1 MW. The Visayas hosts 14 with capacity of 1,412.5 MW, while Mindanao has 19 coal-fired plants with capacity of 2,268 MW. — **Sheldeen Joy Talavera**

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/yf6jgug8



Present at the SEC Champions for Sustainability and Corporate Governance Awards Ceremony, from left to right: Jill Campo-Javinier (Fuse Lending); Baby Aquino (Fuse Lending); Arianne Ferrer (Tala also CLAP CorSec); Commissioner Kelvin Lee (SEC); Chairman Emilio Aquino (SEC); Jules Aguila (SeaMoney, CLAP treasurer); Francisco Mauricio (JuanHand, CLAP President); and Anthony Co (Skyro)

Consumer Lending Association of the Philippines awarded by SEC for helping Filipinos be financially empowered

In just a few months since launch, the Consumer Lending Association of the Philippines (CLAP), Inc. was awarded by the Securities Exchange Commission (SEC) as a Champion for Sustainability and Corporate Governance. The award was given during the SEC's 87th Anniversary and Appreciation Night held last November 2023. CLAP's invaluable support to the SEC was recognized, as well as its positive influence on the fintech industry.

CLAP's mission is to work closely with government agencies such as the SEC, National Privacy Commission and the Credit Information Corporation to significantly expand financial inclusiveness through ethical practices and gold standard service.

Some of the biggest and most reputable online lending platforms were invited to join as founding members including GCash (Fuse Lending), JuanHand (WeFund Lending Corp.), Skyro (Jungle Lending), Tala (Tala Financing), SeaMoney (Sea Group), and Tendopay (Templetech Finance).

Online lending apps have become a popular part of the financial ecosystem. These service platforms have given Filipinos quick access to cash loans without the hassles of regular loan applications. However, many borrowers have become victims of excessive charges, repayment scams and harassment perpetrated by fly-by-night lending platforms. CLAP aims to protect borrowers against these issues by increasing awareness on how to differentiate between the legitimate and predatory online lending platforms. CLAP will also launch Financial Literacy programs to help the public gain insights that lead to Financial Empowerment.

By continuing to work closely with the government and other stakeholders, CLAP can massively extend financial assistance to the underserved in a professional and pleasant manner thus further improving the positive reputation of the fintech industry in the country.

If you're interested to learn more, please email CLAP at connect@clap.com.ph or cs@ph.juanhand.com. Visit their website: <https://clap.com.ph/>.

OPINION

Annualization and related year-end compliance items

WITH the close of the calendar year weeks away comes the period of annualization, when employers calculate the annual income tax of their employees and prepare related year-end compliance filings.

Noteworthy items during this period are as follows:

DE MINIMIS BENEFITS

The latest maximum thresholds of de minimis benefits (benefits of relatively small value) are in Revenue Regulations (RR) No. 11-2018. Any amounts in excess of the thresholds are generally subject to withholding tax or fringe benefit tax depending on the position of the recipient-employee, unless they can form part of the P90,000 nontaxable bonus covering 13th month pay and other benefits.

Under RR No. 15-2011, all other benefits given by employers that are not included in the exclusive list will not be considered as tax-exempt de minimis benefits and will, therefore, be taxable.

Daily meal allowance for overtime work and night/graveyard shift not exceeding 25% of the basic minimum wage on a per region basis are considered de minimis benefits. Companies should, therefore, consider the recent minimum wage increases in their calculations.

EQUITY-BASED INCOME

Equity-based income granted to employees as a performance incentive, regardless of position, is considered compensation and shall be subject to withholding tax on compensation once exercised or availed of by the employee-grantee. (RR No. 13-2022)

SOCIAL SECURITY SYSTEM (SSS) MATERNITY BENEFITS AND SALARY DIFFERENTIAL

The most common error is including the SSS reimbursable amount of maternity benefit in the gross compensation. However, only the salary differential (i.e., the net amount of benefit after deducting the SSS reimbursable amount from the total maternity benefit due to the employee) should be included as nontaxable income. Salary differentials are also accounted for as part of actual basic salary in the calculation of 13th month pay.

UPDATED WITHHOLDING TAX RATE AND MANDATORY CONTRIBUTIONS

Employers should see to it that the latest annual withholding tax table effective for 2023 and the latest schedules of mandatory contributions are used. Only the total actual mandatory contributions can be deducted from the gross compensation to arrive at net taxable income.

ON-LEAVE OR RESIGNED EMPLOYEES AND THOSE WITH PREVIOUS EMPLOYERS

For employees who resigned before the end of the year whose final pay was not yet calculated and for employees on leave (i.e., Absence Without Official Leave, maternity, medical, study or sabbatical leaves), employers should take note that their earnings for the year should also be annualized using the actual compensation information.

Employees with previous employers during the year should submit the Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316) from their previous employer to their current employer. The current employer is required to consolidate the earnings from the previous and current employers for proper annualization of total earnings and taxes due for the calendar year. The withholding tax certificate will also serve as reference in determining any unutilized amount of the P90,000 nontaxable threshold.

RETURNS AND ALPHALISTS

Filing of 1601-C for Electronic Filing and Payment System (eFPS) filers follows the monthly schedule for groups A to E (list of taxpayers based on industry classification), which is from Jan. 11 to 15 and the payment is due on or before Jan. 20. As for manual filers, the due date of filing and payment is Jan. 15.

The annual information form 1604-C contains a summary of the monthly 1601-C filings. Together with the e-submission of the related alphalist, it is due on or before Jan. 31 of the following year. The form was updated in the eBIRForms in 2021. Recently, Revenue Memorandum Circular (RMC) No. 62-2023 announced that the updated form is now also available in the eFPS. To update the forms in eFPS, however, the taxpayer-employer must still submit a letter to the BIR requesting the latter to update the forms in the taxpayer's eFPS account, along with a screenshot of the list of available tax forms in the taxpayer's eFPS account and a copy of the BIR Certificate of Registration (CoR).

RMC No. 16-2022, on the other hand, announced the availability of the revised format for the alphalist of employees that is attached to BIR Form 1604-C. Employers should validate the alphalist using the latest version of validator before submitting to esubmission@bir.gov.ph. If the validation e-mail returns an invalid note, one will need to check the error and resubmit the revised alphalist.

Companies should have identified those employees qualified for substituted filing because there's a requirement to indicate in the alphalist whether or not an employee is a qualified substituted filer. Those who are not qualified will be required to file personal income tax returns (BIR No. Form 1700 or 1701, whichever is applicable) by April 15 of the following year.

BIR FORM NO. 2316

The withholding tax certificates (BIR Form No. 2316), duly signed by the employer's authorized signatory (typically the company officer overseeing payroll), should be issued to employees on or before Jan. 31 using the new version.

Qualified substituted filers must return a signed copy of their 2316 to their employers, who in turn submits the same to the BIR on or before Feb. 28. Under RMC No. 18-2021, the BIR accepted the submission of the copies of the 2316 forms for the taxable year 2020 without the employee's signature, provided they were signed by the employer. The reprieve was due to the pandemic, and no similar concession has since been granted post-2020.

Under RR No. 16-2021, only scanned copies of the 2316 forms saved in a DVD-R will be accepted by the BIR. The file format, naming conventions, and other documentary requirements should be complete and comply with the rules of the BIR.

Every year, employers, together with their accountants and tax providers, put in extra effort to properly calculate employees' taxes and comply with year-end requirements. Compliance with these rules is important, to say the least. But if you think compliance is expensive and tedious, try non-compliance.

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.

BERNADETTE R. FAMA-ABSOLOR is a manager at the Client Accounting Services group of Isla Lipana & Co., the Philippine member firm of the PwC network. bernadette.r.fama@pwc.com

