Philippine exporters urged to tap ‘room to grow’ in EU markets

By Justine Irish D. Tabile
Reporter

PHILIPPINE exports to the European Union (EU) have room to grow with shipments to the bloc only sixth-largest within ASEAN, according to Philipp Dupuis, Head of Trade and Economic Affairs of the EU Delegation to the Philippines.

“I think that there is more to do because if you look at it, amongst our ASEAN trading partners, the Philippines is number six,” Mr. Dupuis told reporters last week.

“There is a lot of room and this room can be filled by Philippine enterprises exporting more to the US and Asia at the moment, which are their normal markets,” he said.

He said there is an information gap preventing some Philippine enterprises from giving their full effort to the European market.

He added that he EU is trying to address this imbalance through programs under ARISE Plus.

“Half a year ago there was a business guide which was published to help Philippine companies better understand the European market and what the expectations are in terms of product quality and technical regulations, etc.,” he added.

In 2022, trade in goods between the two amounted to 18.4 billion euros, which Mr. Dupuis said has exceeded pre-pandemic levels.

“I don’t have the latest figures for 2023, but we had good growth in 2022. We went beyond pre-pandemic levels last year so this is very good,” he said.

“There is still enormous potential as we can see Philippine companies exporting much more. Of course, we hope that in the long run, there’s more investment as well, which then again, also would increase potential opportunities for exports,” he added.

Asked about potential export levels to the EU, he said that: “I always say that potentially, you can export everything to the European market. If you have the right quality, there’s a place on the market.”

“We know what the Philippines is exporting now — semiconductors, electronics, coconut products, and tuna — but you could imagine much more,” he added.

He said that in order to reach this potential, the Philippines will also need to broaden its manufacturing bases and look into the enormous potential for tourism.

“But the European tourists don’t manage to arrive in the Philippines yet in large numbers... because there’s no direct flights,” he said

“With time, you could also build up services exports (in the form of) European tourists coming to the Philippines. So there’s more than just the goods,” he added.

Meanwhile, he said that he is optimistic about a Philippine-EU free trade agreement (FTA), which is crrently at the scoping stage.

“One has to be optimistic, of course, but discussions are still ongoing so I don’t want to preclude any conclusion. But you know, I have good reasons to remain optimistic about it,” he said.

“You want to know what the landscape is before you start to negotiate. That simply is part of the preparation because an FTA also involves many resources on both sides,” he said.

“Before the end of the year, we will have some kind of wrap-up with the Department of Trade and Industry (DTI) and European Commission (EC), and based on that, we will decide whether there is a chance of having a successful FTA negotiation in a reasonable amount of time,” he added.

The EU and the Philippines first launched negotiations for an FTA in 2015, but these stalled in 2017 due to issues like intellectual property rights and data exclusivity, among others.

Asked about changes in the EU’s aspirations for the FTA, he said: “I think the goals don’t really change. We paused the negotiation six or seven years ago; of course, things have evolved.”

“Digitalization and ecommerce, for example, are becoming much more important. So there are certain things where we might put different accents on but overall know the overall general goals haven’t changed,” he said.

“And that is why we look into this process with a very, very positive spirit. Because we know each other already,” he added.

BoC confident of hitting 2024 collection target

THE Bureau of Customs (BoC) said it is confident it will achieve its P1 trillion-collection target next year as economic conditions improve.

“I’m confident that our government is really doing its job and in some of the economic meetings that I’ve attended, our cabinet secretaries I think are very optimistic that interest rates will go down and we have good projections for next year. I am hopeful that with the economy getting better, trade will also get better,” Customs Commissioner Bienvenido Y. Rubio told reporters last week.

Based on the Budget department’s Budget of Expenditures and Sources of Financing, the BoC is tasked to collect P1 trillion next year.

It is also projected to generate P1.076 trillion by 2025 and P1.16 trillion by 2026.

Mr. Rubio said he will also adjust practices to improve revenue collection.

“We adjust policies based on what we observe, and whatever will help us increase our revenue collection, I will capture it and put it as a policy,” he added.

In the first 11 months, the BoC collected P813.651 billion, equivalent to about 93% of its full-year target.

This was also 2.2% higher than the P795.966-billion target for the period and up 3.09% from a year earlier.

The BoC also reported that it seized a record P42.5-billion worth of smuggled goods in the year to date ending Dec. 1.

These consisted of counterfeit goods (P24.36 billion), illegal drugs (P7.58 billion), smuggled agricultural products (P3.78 billion), and cigarettes and tobacco (P3.77 billion). — **Luisa Maria Jacinta C. Jocson**

Oil is everywhere at COP28, vexing those seeking its demise

AT THE WORLD’S most important climate summit, the Organization of the Petroleum Exporting Countries — whose members supply almost 30% of the world’s oil — has a pavilion for the first time.

There, staff were giving out a children’s book about oil. A grey-haired cartoon professor named Riggs takes young readers through topics as arcane as the lightness and sourness of crude, before explaining why oil is important: “Without oil, we would not be able to continue to enjoy the same standard of living.” The book proved so popular that the pavilion ran out of copies just four days into the two weeks of COP28.

Oil and gas executives have tended to keep a low profile at the annual UN climate change gathering, but they have little reason to hide at COP28, hosted by the United Arab Emirates (UAE) — one of the world’s largest oil exporters — and led by the chief executive officer (CEO) of its national oil company. At least 2,456 representatives of the fossil fuel industry have been granted access to COP28, according to an analysis by the “Kick Big Polluters Out” pressure group.

The number is nearly four times higher than in Sharm El Sheikh last year. If they were a country, they would outnumber all national delegations at the conference except for Brazil and the UAE.

Heads of major oil companies have attended as part of country delegations. The CEO of TotalEnergies SE, Patrick Pouyanne, is part of the French delegation, while Darren Woods, CEO of Exxon Mobil Corp., is accredited to the UAE’s. Other industry representatives attend under the umbrella of influence groups such as the International Emissions Trading Association, which registered at least 110 people for the summit. — ***Bloomberg***

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/yua4nq4x>

NEDA expects to comply with 90-day deadline for PPP IRR

THE National Economic and Development Authority (NEDA) said it is working on two sets of implementing rules and regulations (IRR) at the moment, but expects to meet the 90-day deadline to issue the rules for the Public-Private Partnership (PPP) Code.

“We usually go by the deadline,” NEDA Undersecretary Rosemarie G. Edillon told reporters on the sidelines of an event last week.

“For sure, we will try to have (the IRR) issued earlier,” she said in a Viber message in response to a follow-up query Sunday.

NEDA is also currently working on the IRR for the Trabaho Para sa Bayan Act, which is targeted for release in early February.

On Dec. 5, President Ferdinand R. Marcos, Jr. signed into law the PPP Code of the Philippines, which aims to enhance the investment ecosystem and create a more stable policy environment for collaboration in high-impact infrastructure projects.

The PPP Governing Board, chaired by NEDA Secretary Arsenio M. Balisacan, is tasked to issue the Code’s IRR.

The PPP Code, which goes into the books as Republic Act No. 11966, amended the Build-Operate-Transfer (BOT) Law to create a unified legal framework for all PPPs at both national and local levels.

The law defines PPP as a contractual arrangement between the implementing agency and the private proponent for the financing, designing, constructing, operating, and maintaining of infrastructure or development projects which are typically provided for by the public sector and where each party shares in the risks.

The law covers all PPP arrangements, such as BOT variants, joint ventures, and toll operations agreements. PPP projects may also be financed partly from direct government appropriations or official development assistance.

As of Sept. 1, there were 104 PPP projects in the pipeline at an estimated cost of P2.521 trillion. Some 180 projects are being implemented worth P2.639 trillion, according to the Department of Finance.

Ms. Edillon said the NEDA will have to study the PPP Code before writing the IRR, ensure they have complete data, and fall in line with best practices in other countries.

In September, Mr. Marcos signed the Trabaho Para sa Bayan Act, which aims to boost the competitiveness of the workforce through upskilling and reskilling efforts.

The law establishes the Trabaho Para sa Bayan Inter-Agency Council, which will be headed by the NEDA secretary. It is tasked with drafting a master plan for employment generation and economic recovery, with three-year, six-year, and 10-year development timelines.

Meanwhile, NEDA is also working on a study on the establishment of the Knowledge, Innovation, Science and Technology (KIST) Park and Ecozones in state universities and colleges (SUCs).

Earlier in August, the Department of Science and Technology (DoST), the Philippine Economic Zone Authority (PEZA), and the Philippine Association of State Universities and Colleges (PASUC) signed a memorandum of understanding (MoU) for the creation of KIST Parks and Ecozones.

“Right now, they’re using the PEZA law. If you’re a PEZA (locator), a big percentage or 70% of what you produce has to be exported,” Ms. Edillon said.

She also said there are other restrictions for the KIST Park and Ecozones as employees are unable to work from home and production has to be done within the zone.

“We think it will not be a conducive environment for the knowledge and innovation part. So, we want to try and put in place a different policy framework,” she said.

There are 44 SUCs interested in establishing a KIST Park. Batangas State University launched its KIST Park on July 20, 2020. — **Keisha B. Ta-asan**

OPINION

Uncomplicating tax compliance

SUITS THE C-SUITE
JULES E. RIEGO

The Bureau of Internal Revenue’s (BIR) 2022 Annual Report reflected a total of 47.4 million registered taxpayers in the Philippines from various segments. Of those, 58% are individual taxpayers who paid their taxes through the withholding tax of the compensation system, or through voluntary filing and payment of their tax returns for sole proprietors and individuals engaged in professional practices.

Through the voluntary filing and payment system, corporate and individual taxpayers contributed 98.12% of the BIR’s total tax collection for the year. For 2023, the taxpaying public will further support the Marcos Administration’s P5.268 trillion National Budget, which focuses on further mitigating the effects of the pandemic, improving transportation, and empowering Local Government Units (LGUs). Clearly, responsible taxpayers are the backbone of our country.

This is the seventh article in our series following the 2nd SGV Tax Symposium, which focused on how a sustainable and effective tax ecosystem can advance the sustainability agenda for both the public and private sectors. This article will discuss the Ease of Paying Tax (EoPT) Bill and how it aims to encourage the compliance of taxpayers in tax-related government processes.

In September, the reconciled version of the EoPT Bill was approved by the Senate. This measure will provide practical and meaningful relief to all taxpayers and encourage tax compliance.

FILE AND PAY ANYWHERE

The best feature of the EoPT Bill allows taxpayers to manually or electronically file and pay their taxes anywhere. This will bring about immeasurable taxpayer convenience as it will do away with the need to line up to file and pay taxes at the particular BIR office where the taxpayer is registered. It offers taxpayers greater flexibility while also promoting sustainability. One of the landmark features of the EoPT bill is that it no longer imposes the burdensome 25% surcharge for filing at the wrong venue; taxpayers will be able to file and pay in any Revenue District Office (RDO) near them or any BIR-Accredited Agent Bank (AAB) in their vicinity. EFPS filers in particular need not worry about hefty surcharges and interest penalties for filing at the wrong venue whenever they experience system downtimes during quarterly and annual tax filing.

EXEMPTION FROM OBLIGATION TO WITHHOLD

The EoPT Bill will formally institutionalize taxpayer classification into 1) Micro taxpayers (earning less than P3M annually); 2) Small taxpayers (earning P3M to P20M); 3) Medium taxpayers (earning P20M to P1B); and 4) Large taxpayers (earning P1B and above).

The classification is critical for those classified as micro taxpayers since the EoPT Bill exempts them from withholding taxes on their income payments, saving them critical tax compliance costs. Moreover, micro and small taxpayers will benefit from the reduced surcharge of 10% (instead of 25%) for failure to file a tax return or neglecting to file a correct return, a reduced interest penalty from 12% to 6%, and a 50% reduction in compromise penalty for violations of invoicing requirements and printing of invoices.

The annual business registration fee payment of P500, a significant amount for micro businesses, is also done away with.

SHIFT TO VALUE ADDED TAX (VAT) BASED ON ACCRUAL AND VAT INVOICE

One of the biggest changes from the EoPT Bill affects service occupations like restaurants, hotels and individuals exercising their profession, as the remittance of their output VAT liability will shift from collection (gross receipts) basis to accrual basis. The bill, however, provides leeway to deduct the output tax paid from uncollected accounts come the succeeding quarter’s VAT return filing, should the billed amounts remain unpaid after the due date for their payment. The other condition is that output VAT should not have been claimed as a deduction against the taxpayer’s gross income as an expense for income tax purposes.

This shift will benefit everyone in terms of when to recognize input VAT, as there will now be a uniform rule that input VAT can be recognized upon receipt of the VAT invoice.

Speaking of invoices, the EoPT bill will also do away with the issuance of official receipts. This means that for all transactions, whether for sale of services or sale of goods, taxpayers need only issue BIR-registered invoices, bringing us up to par with international best practices. Invoices are no longer required to indicate business style as well. Common mistakes in complying with some of the invoicing requirements will not necessarily lead to the disallowance of input taxes, provided that the errors do not pertain to amount of sales, amount of VAT, name and TIN of both seller and buyer, date of transaction and description of the goods or services sold.

SIMPLIFYING VAT REFUNDS

The EoPT Bill seeks to implement more improvements in the process of VAT refunds by classifying VAT refund applications as low, medium and high-risk claims. This further streamlines the process and requirements for low-risk claims (akin to the “green lane” of the BoC) to ensure that VAT refunds are granted within 90 days or less, saving costs and litigation for claimants.

Under the EoPT bill, taxpayers will be given the option to elevate their claims to the Court of Tax Appeals (CTA) within 30 days if it takes the BIR more than 90 days to issue a decision on a refund claim.

TAX COMPLIANCE MADE MORE CONVENIENT

The EoPT Bill was endorsed for the President’s signature on Dec. 6, 2023. It will lapse into law after 30 days, unless sooner signed by the President, which means there may still be changes to it. While the EoPT Bill is not a revenue-raising measure, it is instead intended to lower tax compliance costs while enhancing tax compliance efficiency. Through these changes, the bill aims to enhance the trust and confidence of Filipino taxpayers in tax-related government processes.

Through these measures, we can see how the government is taking steps to demonstrate that tax compliance, while still an obligation, does not have to be an onerous one.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co. or EY.

JULES E. RIEGO is the ASEAN Business Tax Services leader of Ernst & Young (EY) and the Private Tax Head of SGV & Co.