EU, Norway bullish on trade growth with PHL

By Justine Irish D. Tabile
Reporter

THE European Chamber of Commerce of the Philippines (ECCP) and the Embassy of Norway said they are bullish on the potential for trade growth between the Philippines and the European Union (EU) as well as the European Free Trade Association (EFTA), the bloc Norway belongs to.

Paulo Duarte, president of the ECCP, said at the launch of the Doing Business in the Philippines Guide Book 2024 on Wednesday that the chamber has a positive outlook for the growth of trade.

Mr. Duarte said the Philippines is giving off strong growth signals even in the face of disruptions such as the Russian-Ukraine war, the Israel-Hamas war and attacks on shipping in the Red Sea.

"Despite all of these, we remain mostly positive with regard to the performance of the Philippine economy, even in 2024," he said.

"I think we have good elements and good tailwinds. We just found out that the Philippines achieved, in 2023, the highest GDP (gross domestic product) growth in ASEAN with 5.6%," he added.

The Philippine Statistics Authority (PSA) reported that the economy grew 5.6% in 2023 against the 7.6% expansion in 2022 and the 6-7% target for the year.

However, he said inflation continues to loom over the economy's performance.

"Inflation added up last year at 6% and the expectation is to control it this year within the range of 2-4%. But still, some work (needs) to be done there," he said.

"But with all the highlights — the population, the growth of the middle class, and the young population — as well as digitalization which will help in reducing inefficiencies and increase the attractiveness for investment, we remain positive," he added.

Philippine exports to the EU in 2022 totaled $8.43 billion, while imports from amounted to $7.8 billion, according to the Department of Trade and Industry.

Meanwhile, Norwegian Ambassador to the Philippines Christian Halaas Lyster said trade between the EFTA countries (Norway, Iceland, Liechtenstein and Switzerland) and the Philippines has been growing since the ratification of the EFTA-Philippines free trade agreement (FTA) in 2018.

"Based on the agreement, we have been seeing, in recent years, that imports to the EFTA countries from the Philippines have been growing and in 2022 surpassed 350 million euros," Mr. Lyster said.

"In the same year exports from the EFTA countries to the Philippines (hit a record) 433 million euros. So in that regard, it looks like the FTA is working," he added.

However, he said there is still room for growth in trade.

"What we are seeing is that even though we see that export, imports, and trade relations are growing, we also see, based on the preliminary analysis over the first years, that the agreement has not reached its potential yet," Mr. Lyster said.

"Right now, there is momentum and we also have the EU-Philippines free trade developments. We see that also as having potential. We also see that in the Philippines a lot of good policies are being put in place," he added.

He said that if the Philippines continues to liberalize renewable energy investment and introduce other such polices, the potential for trade growth will be maximized.

"Our encouragement to the Philippines is to continue to develop and implement good policies and to avoid bad policies ... that is basically the way forward," he said.

"We have a very positive outlook but of course there are still issues that need to be dealt with that are also very important for the EFTA countries," he added.

He said corruption and red tape must be addressed to further increase trade with EFTA and to make the country more investor- and business-friendly in general.

Congress is seeking constitutional amendments to alleviate economic challenges, which EU Ambassador Luc Veron said does not represent a major concern for foreign investors.

"Most of the things that we are discussing include the ease of doing business and so on. I know the Constitution has no impact, as (the concerns are) mostly on legislation or rules and regulations," Mr. Veron said.

"A lot can be done without touching the Constitution. As to what the Philippines will decide in terms of its Constitution, we will of course, look at the results of these political debates ... we will look at the impact it may have on foreign investment and ease of doing business, and so on," he added.

Mr. Duarte said that the reforms initiated in 2022 and 2023 made the Philippines more competitive and attractive for foreign investment.

He called for more streamlining of business registration and licensing rules, easing the process of paying taxes, and ensure contracts are properly enforced to leverage reforms like the amendments to the Public Service Act, Retail Trade Liberalization Act and Foreign Investment Act.

"This is a prerequisite for building confidence among prospective and existing investors," he added.

Cebu touted as potential hub for US farm goods

THE US Department of Agriculture (USDA) said that Cebu City has the potential to service direct exports of US agricultural products, according to a report by the USDA's Foreign Agricultural Service (FAS).

"Cebu offers strong opportunities for US meat, potato, dairy products, and animal feed ingredients," the USDA said.

It added that the Cebu port remains the largest domestic shipping port in the Philippines, serving as a distribution center for some agricultural products and a gateway to other parts of the Visayas.

The USDA said that Cebu presents opportunities for shipments of animal feed ingredients, especially soybeans, as the area is in one of the top animal feed producing regions in the Philippines.

The FAS said that some hotels and restaurants in the city purchase produce and beverages directly from importers to reduce costs.

"Quick-service restaurants import US poultry cuts and potato fries, while some restaurants and hotels buy US prime beef and pork cuts, dairy products, and fruit from grocery stores," it added.

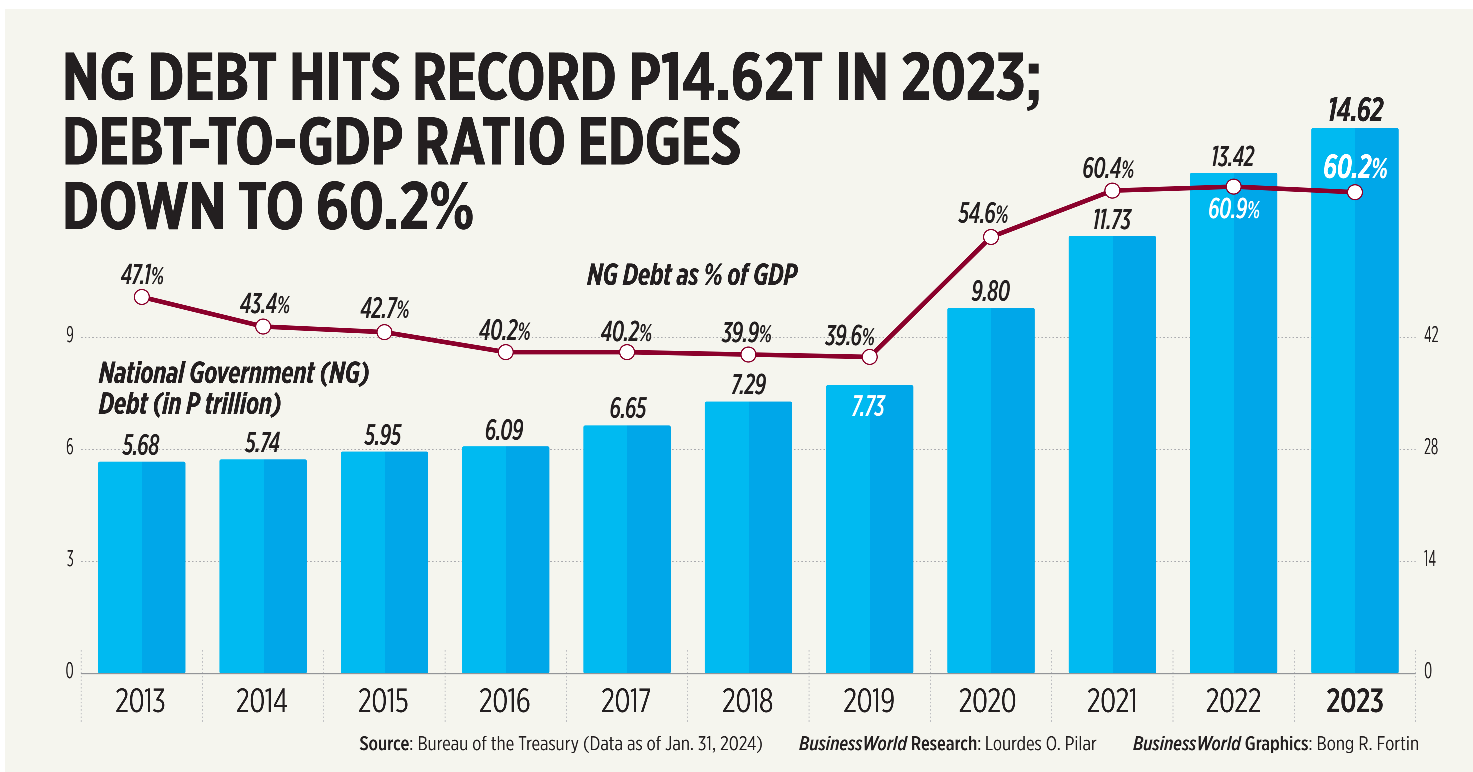
The FAS said that some Cebu-based restaurants and hotels occasionally surpass their Manila counterparts in sales.

"Some of the more popular US products found in retail stores are beef, pork, chicken, turkey, apples, oranges, lemons, strawberries, condiments, soups, non-alcoholic beverages, and wines," it said.

The USDA recommended that exporters provide trade support such as sampling, consumer and trade promotions, and trade servicing, especially for new-to-market products.

It said some companies incur additional shipping costs, have longer lead times, and are deprioritized at times, leading to occasional shortages during peak season, when shipping directly to Manila.

"A shipment from Manila takes an additional month before arriving in Cebu. US exporters may consider contacting agents, distributors, or importers based in Cebu to explore potential direct shipments," it said. — **Adrian H. Halili**



IRRI, BASF testing carbon reduction strategies in rice farming

THE International Rice Research Institute (IRRI) said it will test carbon-reduction schemes in rice farming in partnership with Germany's BASF AG.

"The joint effort is planned for multiple rice seasons in the Philippines and will take place in Laguna, where both organizations maintain research centers for rice," IRRI said in a statement.

IRRI said the partnership plans to explore climate-smart farming techniques like direct-seeded rice varieties, nitrogen stabilizers, nutrient and residue management, novel chemistry tailor-made for rice farmers, and water-saving technologies such as alternate wetting and drying management.

"This collaboration presents immense opportunities for methane and other greenhouse gas (GHG) reductions to create value for farmers and help improve the production of rice in Asia, and the Philippines in particular," IRRI Sustainable Impact Department Head and Research Director Bas Bouman said.

BASF will use its AgBalance technology to assess the emission intensity of rice farming. — **Adrian H. Halili**

Forgone gov't revenue from undervalued rice imports estimated at P7.5B in 2023

FORGONE government revenue from undervalued rice imports was estimated at about P7.5 billion, according to the Federation of Free Farmers (FFF).

The total was calculated from 3.2 million metric tons (MT) of imports, for which the Bureau of Customs (BoC) maintains reference prices, FFF National Manager Raul Q. Montemayor said in a statement on Wednesday.

Mr. Montemayor added that undervalued rice imports have cost the government P25 billion since Republic Act 11203, or the Rice Tariffication Law, became effective in 2019.

He said that forgone revenue could have funded government aid to struggling rice farmers.

The law funds the Rice Competitiveness Enhancement Fund, which is intended to modernize the rice industry. The law allowed private traders to bring in rice shipments without restriction while paying a 35% tariff on Southeast Asian grain.

The FFF noted that the declared costs for imported rice, excluding tariffs, were averaging P24.12 per kilogram in 2023.

"This was 22% lower than the BoC's reference price of P30.78 per kilo. An additional P2.34 per kilo in tariffs could have been collected by the BoC if there was no undervaluation," it said.

The FFF said that less than 4% of total imports came from non-ASEAN countries, "validating claims that the reduction in tariffs on non-ASEAN rice imports has not succeeded in diversifying the country's sources of rice."

The government extended lowered tariffs on rice via Executive Order No. 50. Rates for rice imports were kept at 35% regardless of the minimum access volume and country of origin, in the hope of tapping more sources of rice.

It added that 90% of the total rice imports last year were undervalued, while half of this was undervalued by 20% or more.— **Adrian H. Halili**

OPINION

The pitfalls of inadequate personal delivery in tax assessments

TAXWISE OR OTHERWISE
FRENZ ANGELIE B. HECHANOVA

Among the priority programs and projects of the Bureau of Internal Revenue (BIR) in 2023 was to generate revenue via a range of audit and enforcement activities to ensure that taxpayers meet their obligations.

While the BIR is yet to release its 2024 priority programs, I am willing to bet that tax audits will still be one of the priorities, considering that the first order of the newly sworn-in Finance Secretary Ralph G. Recto is to collect P4.3 trillion worth of taxes.

In the grand scheme of things, higher taxes would mean more money for the government to promote the general welfare of and provide services to the public. As noble as this sounds, unfortunately, the pursuit of higher revenue has led to more assertive audits by the BIR. This heightened scrutiny has brought apprehension and at times, unexpected courage, among taxpayers, especially in cases of seemingly disproportionate findings.

But how can one mount a proper defense if the findings were not duly received? If one is not informed of the findings, one is deprived of the opportunity to be heard and consequently, one's constitutional right to due process is violated.

In a recent case, the Supreme Court delved upon the importance of proper service of the findings and due process.

PERSONAL DELIVERY MUST BE ACKNOWLEDGED BY THE TAXPAYER OR HIS DULY AUTHORIZED REPRESENTATIVE

Section 228 of the Tax Code provides that when the BIR finds that proper taxes should be assessed, the taxpayer must be properly notified of the findings. In case of deficiency tax findings, current regulations require that the same be sent to the taxpayer by personal delivery, substituted service, or service by mail.

In practice, assessment notices are usually sent via personal delivery. Personal delivery shall be made by sending a copy personally to the taxpayer at his registered or known address or wherever he may be found. Under Section 3.1.4 of Revenue Regulation (RR) No. 12-99, if findings are sent by personal delivery, the taxpayer or his duly authorized representative shall acknowledge receipt thereof in the duplicate copy of the letter of demand, showing the following: (a) His name; (b) signature; (c) designation and authority to act for and in behalf of the taxpayer, if received by a person other than the taxpayer himself; and (d) date of receipt thereof.

The above provision was the basis of the Supreme Court (SC) when it issued a decision in GR No. 244202 dated July 10, 2023. The SC emphasized that while Sections 3.1.1 and 3.1.2 of the RR govern Notice of Informal Conference (NIC, which was replaced by Notice of Discrepancy) and Preliminary Assessment Notice (PAN) bear no similar qualifications for personal delivery as those found in Section 3.1.4, the same requirements shall still apply on the grounds that the sending and actual receipt of PAN are part and parcel of the due process requirement in the issuance of a deficiency tax findings that the BIR must strictly comply with.

LACK OF DUE PROCESS INVALIDATES THE ASSESSMENT

In the case, the NIC and PAN were served upon a person whose indicated position was "Client Service Assistant." The FAN, on the other hand, was personally served upon the taxpayer's reliever security guard at the time, and who was not an employee of the taxpayer. Having failed to properly serve the NIC and PAN, the SC ruled that it necessarily follows that the succeeding FAN was void and without effect.

The Court also held that even if the NIC and PAN were properly served by strictly implementing Sections 3.1.1 and 3.1.2 and agree that there was proper receipt by the taxpayer's receptionist, the serving of the FAN remains problematic.

It is a well-settled rule that an assessment that fails to strictly comply with the due process requirements set forth in Section 228 of the Tax Code and the above-mentioned RR, as amended, is void and produces no effect.

Personally, I believe that strict adherence to due process is hitting two birds with one stone. It would not invalidate the tax findings, thereby increasing the probability of the bureau's collection of taxes, while also increasing taxpayers' confidence in the tax system as their constitutional rights are upheld.

In the above case, the High Court emphasized the wisdom of the requirement to ensure that assessments are received by the taxpayer or his authorized representative — that it requires a certain degree of authority or discretion to grasp the gravity of the service of an assessment notice and its potential financial impact on the taxpayer. That being said, I sincerely hope taxpayers take comfort in knowing that the courts impose strict adherence to the due process accorded to them by the law.

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