Business groups seek to delay hike in PhilHealth contribution

THREE business groups said on Wednesday that they have asked the government to delay the increase in contributions to the Philippine Health Insurance Corp. (PhilHealth), which is scheduled to take effect this year.

In a letter addressed to President Ferdinand R. Marcos, Jr., the Philippine Chamber of Commerce and Industry, the Employers Confederation of the Philippines, and the Philippine Exporters Confederation, Inc. pressed for the suspension of the 5% premium increase.

"With utmost respect, we unanimously support Health Secretary Teodoro J. Herbosa's call... to suspend the premium increase in 2024," the business groups said.

Mr. Herbosa also chairs PhilHealth.

"(Mr. Herbosa) has stated that the proposed action would not significantly impact PhilHealth's financial standing, considering that the agency has sufficient funds to continue providing benefits and services to its members," they added.

They said that this was further affirmed by PhilHealth President and Chief Executive Officer Emmanuel R. Ledesma, who said the health insurer's funds will not be depleted if the contribution hike is suspended.

Under Republic Act No. 1123 or the Universal Health Care law, PhilHealth premium contributions should have increased by half a percentage point yearly starting 2021 until it reaches the 5% target by 2024. The hikes were suspended due to the pandemic.

However, the business groups argued that the Universal Health Care law still faces various challenges in offering comprehensive healthcare coverage to all.

Citing a study by the Philippine Institute for Development Studies, they noted ongoing issues related to access and affordability, with individuals, despite being PhilHealth members, still shouldering a significant portion of hospital expenses.

They noted the outsized impact on vulnerable groups like the elderly, women, and those in rural and impoverished areas, "who disproportionately shoulder the burden due to limitations in national health insurance coverage."

"In light of these circumstances, we humbly propose that PhilHealth momentarily redirect its focus on service enhancement, delaying the hike until 2025," they said.

"This temporary reprieve would provide much-needed relief to the majority of vulnerable micro and small establishments, as well as Filipino workers who find it challenging to comply with the proposed premium hike, especially with the rising prices of commodities," they added. — **Justine Irish D. Tabile**

Probability of La Niña starting as early as June now at 55%

THE government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), said the probability of the La Niña rains starting as early as June is now estimated at 55%, bringing a measure of relief from the current dry conditions.

Ana Liza S. Solis, officer-in-charge at PAGASA's Climatology and Agrometeorology Division, told a House committee that the weather service now sees a more-than-even probability that the rains will come at their accustomed time of year, suggesting a possible end to the prevailing dry conditions brought on by El Niño.

PAGASA has said before that the El Niño transition to the wetter La Niña will come sometime in the second half.

"There are increasing odds of a La Niña possibility developing in June, July, and August to around 55%," Ms. Solis told the House of Representatives Agriculture and Food Committee.

Nevertheless, PAGASA sees the effects of El Niño possibly lingering in parts of the country for a few more months.

"The peak (El Niño) impact is March, April, May, and June," Ms. Solis said.

The areas at risk of lingering dry conditions are mostly in Luzon — Metro Manila, Laguna, Pangasinan, Rizal, and Tarlac, she said.

She added that parts of Luzon could still be in drought as late as August despite any rains, which may be at levels PAGASA considers below normal, Ms. Solis said. — **Kenneth Christiane L. Basilio**

Fisheries, Bulacan airport projects seen poised to resume after lifting of freeze on reclamation

THE Philippine Reclamation Authority (PRA) said three reclamation projects have a good chance of resuming this year when the suspension on reclamation projects is lifted, including fisheries-related projects in Bacoor and Navotas and a logistics project that forms a part of the Bulacan airport development.

"The Bacoor project is only 90 hectares, but it will have a big impact since it addresses food security... I think (it may resume) within this quarter or next quarter," PRA Assistant General Manager for Reclamation and Regulation Joseph John M. Literal said in a briefing.

Mr. Literal is referring to the Bacoor Inner Island Project. The second is the 15.62-hectare reclamation works at the Navotas Fish Port Complex, while the third is the 650-hectare air support facility for Bulacan Airport.

The PRA said it's currently expecting the review of the Bacoor project, a joint venture with Frabelle Fishing Corp., to be completed by the Department of Environment and Natural Resources within the quarter.

Asked about the status of the Navotas project, he said the review of the engineering design and pre-construction documents is expected next.

For the Bulacan airport project, he said the site is now being prepared as a logistics hub for the airport rather than the mixed-use development originally planned.

Mr. Literal also added that the 148-hectare Manila Solar City project has a Notice to Proceed, also making it well-placed to receive approval to resume.

He said Manila Solar City's pre-construction documents are currently under review by the PRA, while the proponent is working on meeting the requirements of the Environmental Compliance Certificate.

At the briefing, the PRA reported a 2023 unaudited asset value of P150 billion, buoyed by improved appraisals. — **Aubrey Rose A. Inosante**

PHILIPPINE STAR/EDD GUMBAN

Growth in agri goods prices slows down to 9.6% in 2023

PRICES of agricultural goods rose 9.6% in 2023, led by the crops and fisheries sub-indices, the Philippine Statistics Authority (PSA) said.

In its agriculture producer price index (PPI) report, the PSA said that the 2023 reading represented a slowdown from the 17.9% rise in 2022.

During the fourth quarter, the farm PPI fell 3.1% from a year earlier, after having grown 29.7% in 2022 and 7.9% during the third quarter.

Northern Mindanao posted the strongest rise in agriculture PPI for 2023 at 16.8%, while Zamboanga Peninsula lagged at 0.3%.

The Bicol Region posted a 3.4% decline in farm prices during the year.

The crops sub-index rose 13.5% in 2023, slowing from the 20.8% reported a year earlier.

Cereals and root crop prices rose 10.8% and 17.4%, respectively. Fruits posted price growth of 4%, while commercial crop prices rose 15.8%.

Condiments posted 68.9% price growth in 2023, reversing the 20.6% decline a year earlier.

The PSA said that fisheries prices rose 0.9%, slowing from the 8.6% posted the prior year, as prices fell starting in the second quarter.

Price growth in aquaculture products was 4%, while commercial fisheries increased 2.3%. Prices of marine municipal fisheries products rose 0.3%.

Prices of inland municipal fisheries products fell 19%.

Meanwhile, livestock and poultry prices fell 1.2% in 2023. — **Adrian H. Halili**

PHL signs on to WTO fisheries subsidies deal

THE PHILIPPINES has signed on to the World Trade Organization (WTO) Fisheries Subsidies Agreement (FSA) aimed at curbing harmful subsidies and safeguarding depleting fish stocks.

In a statement on Wednesday, the Department of Trade and Industry said that the FSA is expected to benefit small-scale and artisanal fishermen fishing in municipal waters, who are allowed a measure of relief in the form of subsidies during emergencies.

"The agreement allows members to grant subsidies for disaster relief under certain conditions to support fisherfolk impacted by natural disasters," said Trade Secretary Alfredo E. Pascual.

"This is vital to the Philippines, being a climate-vulnerable country, especially since small-scale and artisanal fisherfolks are heavily impacted by strong typhoons and the increasing sea temperatures exacerbated by climate change," he added.

Under the agreement, the Philippines can also avail of technical assistance to help in implementing the FSA.

One of the obligations for countries signing the agreement is to provide an up-to-date electronic link that describes the country's fisheries regimes with references to laws, regulations, and administrative procedures.

The Philippines deposited its instrument of acceptance of the FSA on Tuesday at the WTO's 13th Ministerial Conference in Abu Dhabi, in the United Arab Emirates.

Agriculture Secretary Francisco P. Tiu Laurel, Jr., who presented the instrument of acceptance along with Mr. Pascual, said signing up for the FSA represents a commitment to address concerns about unregulated and sustainable fishing.

"As the first WTO Fisheries Subsidies Agreement enters into force, this will usher in a new era of cooperation and collaboration among nations," Mr. Tiu Laurel said.

"We fervently hope the rest of the WTO membership will be inspired to complete their own domestic ratification processes for the Agreement to enter into force in the soonest time possible," he added.

First adopted at the 12th WTO Ministerial Conference in June 2022, the agreement will come into force once two-thirds, or 110 members, of the WTO membership have ratified it. The Philippines was the 70th member to accede to the FSA. — **Justine Irish D. Tabile**

OPINION

Taxability of retirement benefits

TAXWISE OR OTHERWISE

MARY KEIT ANNE SANTOS

Generally, retirement benefits received by an employee pursuant to Republic Act (RA) No. 7641 and RA No. 4917 are tax-exempt, subject to certain conditions.

RA No. 7641, commonly known as the Retirement Law, grants an employee retirement benefits upon reaching the age of 60 years but not beyond 65 years, which is the compulsory retirement age, provided such employee has served at least five years and the retirement benefits are availed of only once.

On the other hand, RA No. 4917, which is reflected in Section 32(B)(6) of the National Internal Revenue Code (NIRC), allows employers to establish private retirement plans. It provides that the retirement benefits received by employees in accordance with a reasonable private benefit plan maintained by the employer is exempt from all taxes (among others), provided that the retiring employee or official has been in the service of the same employer for at least 10 years, is not less than 50 years of age at the time of retirement and the benefits granted are availed of only once.

On Jan. 22, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 13-2024, clarifying the tax treatment of retirement benefit expenses for financial reporting and tax purposes to bridge the gap between the two.

Financial accounting for post-employment benefits adheres to Philippine Financial Reporting Standards and Philippine Accounting Standards. The standards classify retirement plans into two types: (1) a defined contribution plan where the employer pays a fixed contribution to a fund; and (2) a defined benefit plan which requires a valuation prepared by an actuary using a projected unit credit method.

On the other hand, the tax rules qualify the tax treatment between employers with and those without a Tax Qualified Plan (TQP).

A TQP is a private retirement plan registered with the BIR and declared as reasonable within the contemplation of the NIRC. Establishing a TQP is required under RA No. 4917.

An employer with a TQP may deduct as retirement benefit expense its contributions based on the guidelines below:

a. Contributions to the retirement fund during the taxable year to cover the pension liability accrued during that year ("Normal Cost"); and

b. Contributions to the retirement fund during the taxable year in excess of the Normal Cost but only if such amount:

i. Has not theretofore been allowed as a deduction; and

ii. Is apportioned in equal parts over a period of 10 consecutive years beginning with the year in which the transfer or payment is made.

Stated otherwise, retirement benefit contributions attributable to the current year are deductible in full, while contributions relating to previous years are to be amortized over the next 10 years.

The RMC also provided crucial information in applying for a Certificate of Qualification as a reasonable Employee's Retirement Benefit Plan (Certificate of Qualification) in order to have an approved TQP. It formally laid down documentary requirements that had been consistently required even prior to the issuance of the RMC, with the application being filed with the BIR's Legal and Legislative Division. Further, an application for a Certificate of Qualification must be filed within 30 days from the date of effectivity of the retirement benefit plan. Otherwise, a penalty will be imposed.

Pending the BIR's approval of the TQP, any retirement benefits received under the plan are exempt from income tax. Consistent with the intention of RA 4917, the investment income received by the retirement plan is also exempt from income tax, while deductions from the contributions may also be claimed. However, the RMC provided a caveat that if the application for a Certificate of Qualification is denied, then the employer will be held liable for deficiency taxes. Thus, employers must ensure compliance with the requirements.

The RMC also emphasized the "same employer" rule in tacking on the 10-year service requirement for a multi-employer retirement plan. The rule requires that the employee work for the employer for at least 10 continuous years in order to qualify for the income tax exemption.

Auspiciously, it grants an exception in computing the 10-year period, that is if the employees are transferred due to a valid merger and no separation pay was received from the previous employer, which is also a participating company.

However, in my opinion, in the spirit of justice and fairness, it would have been better if the exemption applied more broadly to cases of transferred employees and not solely in case of mergers. Considering that laws involving retirement are social legislation, their interpretation should be liberally in favor of the employees. Specifically, could the tax exemption include situations where employees are transferred beyond their control, regardless of whether the move was due to a merger or otherwise?

For instance, in case of multinational employers, employees are sometimes assigned a tour of duty as part of their training to help them develop a well-rounded appreciation of the entire business. It seems fair to consider the total years of service across the various entities within the same group which, presumably are all participating companies in the same multi-employer TQP, when computing total years of service for the "same employer."

In contrast to employers with a TQP, employers without one tend to have an uncomplicated discussion. Simply, the rules under Retirement Law apply. Accordingly, only the actual amount of retirement benefits paid to employees can be claimed as deduction from the gross income. Thus, when the retiring employee receives a half-month salary for every year of service, his employer can claim the same amount in full in the taxable year such an employee retires.

As a final note, while retirement for employees may come with a lot of uncertainty, perhaps the issuance of this RMC brings some clarity.

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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