Chipmakers cite wafer fab as key to surviving supply cuts

By Justine Irish D. Tabile
Reporter

THE Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) said building a wafer fabrication plant needs to be a priority in the event of disruptions in the supply of semiconductor wafers from Taiwan.

"I'm concerned that if China exerts pressure on Taiwan, we may lose our semiconductor wafer supply because they supply 70% of global (requirements), and we're dependent on them," SEIPI President Danilo C. Lachica told reporters last week.

"If that supply chain is broken or impacted significantly, our $49-billion industry and 3 million direct and indirect workers will be jeopardized," he added.

Earlier this year, Secretary Frederick D. Go, who heads the Office of the Special Assistant to the President for Investment and Economic Affairs, expressed support for building a laboratory-scale wafer fabrication plant.

"We've had a couple of meetings already," Mr. Lachica said. "And I'm just elated that (Mr. Go has) taken a high interest in semiconductor wafer manufacturing because it's really a strategic move."

The semiconductor industry is among the top five priority sectors for Mr. Go, along with agriculture, mining, steel, and pharmaceuticals.

Mr. Lachica said that the Philippines has a growing integrated circuit (IC) design industry, which could be further improved by building wafer production capability.

"But right now we send the tapes to TSMC (Taiwan Semiconductor Manufacturing Co. Ltd.) in Taiwan. So we might lose the intellectual property; it costs more, and it takes longer, so we really need our own capability," he said.

"That is what I explained to Secretary Go, and he understands, and that's why he's helping us push for it," he added.

However, he said that the Philippines is not yet ready to build a full-size wafer fabrication plant, which he described as capital-intensive.

"A nanotechnology wafer fabrication plant is going to cost $15-20 billion, and we don't have that kind of money," he said. "But again, we should start with small steps and then grow our capability, as we also have to train our talent."

He said that the Philippines will have to build up its talent base via the prototyping lab.

"But eventually we need the Philippine government to convince the US government to encourage a couple of US multinationals to build a wafer fabrication plant here," he added.

Meanwhile, he said SEIPI is looking to partner with companies from India and the Czech Republic to further help develop the industry via electronics collaborations.

"We don't really have any Indian company members practicing electronics because most of the Indian companies are in business process outsourcing," he said. "We also don't have any members in the Czech Republic; that's why, on March 15, I'm going to join the President there to sign an agreement with our counterpart industry association."

"The next thing is that we invest there or they invest here in the Philippines. But preferably, I'd like the investment here, so that's why we're trying to develop the relationship," he added.

Mr. Lachica said SEIPI has a conservative target of flat growth in semiconductor exports this year, but noted that modest growth could be achieved if trading conditions improve.

"We're hoping to still see some modest growth for 2024... There's global demand for electronics products, and hopefully, the conditions will stabilize (after) the trade war, wars, supply chain disruptions, and oversupply... contributed to the decline in exports last year," he said.

Rice imports at end of Feb. top 728,000 MT

RICE IMPORTS totaled 728,254.49 metric tons (MT) year to date at the end of February, up 84.6% from a year earlier, according to the Bureau of Plant Industry (BPI).

According to BPI data, rice imports in February more than doubled year on year to 303,603 MT.

The US Department of Agriculture (USDA) projects Philippine rice imports of 4.1 million MT this year.

The last projection is 5.1% higher than the previous forecast of 3.9 million MT, according to a report from the USDA's Foreign Agricultural Service.

The BPI reported that Vietnam remained the Philippines' top supplier of rice, accounting for 53.7% of imports on volume of 390,997.22 MT.

In January, the Vietnamese government signed a memorandum of understanding to supply the Philippines with 1.5 million to 2 million MT of rice annually for five years.

Thailand supplied 195,921.38 MT during the period, or 27% of the total shipments.

The government has also expressed interest in engaging with Cambodia on a potential deal to supply rice to the Philippines.

Imports from Cambodia amounted to 1,620 MT in the first two months, accounting for 0.2% of the total.

President Ferdinand R. Marcos, Jr. said that a trade deal would bolster supply at a time when the domestic crop is threatened by droughts and dry spells brought on by El Niño.

Damage to agriculture from El Niño has topped P1.23 billion, with the Western Visayas the hardest hit region, according to a report by the National Disaster Risk Reduction and Management Council.

The government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), said last week that 25 provinces on Luzon and five in the Visayas have the potential to develop drought conditions, while 22 may potentially experience dry spells until the end of March. — **Adrian H. Halili**

BCDA signs four deals with Australian companies

THE Bases Conversion and Development Authority (BCDA) said on Monday that it signed four deals with Australian suppliers of smart-city solutions.

"These agreements will help not just the BCDA but the whole country to navigate toward a safe and sustainable future in terms of digital transformation and renewable energy transition," BCDA President and Chief Executive Officer Joshua M. Bingcang said.

"Through these deals, we will also be able to drive inclusive economic growth and create more high-quality employment opportunities for those living within the economic zones we operate," he added.

The four deals form part of the $1.53 billion in agreements clinched by President Ferdinand R. Marcos, Jr. at the Philippine Business Forum in Melbourne.

Kaizen ANZ Pty Ltd. has been tapped to develop, design, construct, commission, and fund a Tier-3 data center in Poro Point Freeport Zone, La Union.

"This will provide the Philippines with a robust and scalable infrastructure for secure and efficient computer, network, and storage technology capabilities," the investment promotion agency said.

The deals also include a partnership with St. Battalion GigaFactory, Inc., which will introduce next-generation battery manufacturing in the Philippines through four factories in New Clark City.

BCDA also signed a memorandum of understanding (MoU) with Energy Decarb Pty Ltd. to deploy decarbonization solutions at BCDA sites.

"This deal includes the orchestration of renewable energy, storage, and e-mobility, aimed at reducing energy costs and reliance on grid power," the BCDA said. — **Justine Irish D. Tabile**

Cold chain infrastructure to help cut food waste, costs, UN agency says

THE United Nations Industrial Development Organization (UNIDO) said cold chain technology can help the Philippines reduce waste and reduce losses in transporting food, ultimately reducing the price of goods.

Celia B. Elumba, chief technical advisor at UNIDO, said that at least a third of food production is lost due to inefficiency in the transport of goods.

"30% to 50% of food that is transported from the regions where it is produced is lost by the time it gets to the people who will be consuming it... because of the stress that comes with (transporting goods)," Ms. Elumba told *BusinessWorld*.

"The idea of the cold chain is to help secure that supply and value chain, avoid food waste, and make sure that the cost of the product will be better because you don't lose as much and you don't have to recover that lost revenue," she added.

Last week, UNIDO led the turnover of four demonstration facilities to three Metro Manila beneficiaries under the Global Partnership for Improving the Food Cold Chain in the Philippines project.

The project is being implemented by UNIDO, the Department of Environment and Natural Resources, the Technical Education and Skills Development Authority, and ATMOshpere.

The three beneficiaries — Icebox Logistics Services, Inc., InsightSCS Corp., and Ideamorphosis, Inc. — received a 20-foot-long refrigerated marine refrigerated unit using carbon dioxide (R744) and an R290 cooling module for refrigerated trucks.

"These logistics enterprises provide a range of services, including 'last mile' deliveries catering to smallholder farmers," UNIDO said.

"As early adopters of energy-efficient, low carbon cold chain technologies using natural refrigerants, they are expected to serve as models for the industry to adopt greener and more sustainable approaches," it added.

Cold Front Technologies Asia, the local contractor for the refrigerated trucks, said that the R290 is the first of its kind in the country.

"It runs on natural refrigerant... is fully electric... (and) much more energy efficient, much more fuel efficient, and able to maintain the life of the engine of the vehicle," according to Emilio Gonzalez La'O, president of Cold Front. — **Justine Irish D. Tabile**

OPINION

EoPT Act: Insights on the draft Implementing Rules and Regulations

LET'S TALK TAX
MA. LOURDES POLITADO-ACLAN

They say good things come in threes. In April 2021, I wrote an article for this section, "Wish list for reforms on tax filing, payment, and administrative compliance." In that article, I listed three wishes, some of which were addressed by the Ease of Paying Taxes (EoPT) Act, which was then a bill. My wishes and the general taxpayer's wishes then are to enhance the portability of tax transactions by removing restrictions on the filing and payment of taxes, institutionalizing the acceptance of e-signatures on all tax returns and documents required by the BIR, and removing the distinction between the value-added tax (VAT) sales invoice and VAT official receipts.

Less than three years from then, those wishes came true in the form of the EoPT Act, or Republic Act No. 11976, which was signed into law on Jan. 5 and published in the Official Gazette on Jan. 7. Taxpayers and the tax community indeed welcomed the new year 2024 right.

The EoPT Act includes the following amendatory provisions:

- Out-of-district filing and payment of taxes;
- One VAT base and invoice for the sale of goods and services; and
- Digitalization, electronic filing, and acceptance of certain BIR applications.

To effectively implement the above provisions and other provisions of the EoPT Act, the law authorizes the Secretary of Finance, after consultation with the Bureau of Internal Revenue (BIR) and the private sector, to promulgate the necessary rules and regulations within 90 calendar days from the effectivity of the EoPT Act.

As such, the BIR was quick to release the draft revenue regulations (RRs), holding a public consultation on the draft in February. The public consultation, which ran for two days, gave the private sector the chance to hear the BIR's discussion of the draft RRs and thereafter to provide insights and comments on the draft rules to effectively implement the EoPT Act.

With the above EoPT amendments to the Tax Code, below are the insights that the BIR may consider in finalizing the implementing rules and regulations in line with the EoPT objective of minimizing the burden on taxpayers in complying with tax laws:

OUT-OF-DISTRICT FILING AND PAYMENT OF TAXES

The draft revenue regulations on the filing of tax returns and payment of internal revenue taxes provide that the filing of tax returns and payment of tax with corresponding due dates be made electronically on any available electronic platform. However, in case of unavailability of such platforms, the same can be done manually with any Authorized Agent Bank (AAB), Revenue Collection Officer (RCO), or Authorized Tax Software Provider (ATSP), regardless of the Taxpayer Identification Number (TIN) registration.

While the draft RR recognizes manual filing and payment to any AAB, RCO, or ATSP regardless of TIN registration, it seems that the same draft RR also limits the filing and payment of taxes via electronic channels. Manual filing and payment anywhere can be done only in case of unavailability of the electronic platforms (eFPS/eBIRForms) and the online banking platforms of AAB and ATSP.

However, not all taxpayers have the capacity and means to file and pay taxes online, and available online payment facilities have a daily limit on the amount of tax that can be paid per transaction. Hence, to encourage payment of taxes, the implementing rules and regulations could consider giving flexibility to the taxpayers on electronic filing and manual payment of their taxes as long as these are paid on time.

ONE VAT BASE AND INVOICE FOR THE SALE OF GOODS AND SERVICES

Aligned with the amended rules provided under the EoPT Act, the draft RR on VAT and other percentage taxes provides that only an "invoice" is to be issued for both sale of goods and services. Also, VAT on the sale of goods and services will both be based on gross sales.

For ease of doing business, taxpayers engaged in sale of services will be allowed to strike the words "Official Receipt" on the face of the manual and loose-leaf printed receipts and stamp "Sales Invoice" to be issued as the primary invoice to customers until Dec. 31, 2024. Taxpayers using CRM, PoS, and computerized books of account (CBA) with e-receipting or electronic invoices may change the word "Official Receipt" to "Sales Invoice" without the need to notify the BIR. However, other changes to the CBA to comply with the change in VAT base for the sale of services will be considered major enhancements that require taxpayers to update their system registration with the BIR. The reconfiguration of machines and system adjustments must be undertaken on or before June 30, 2024.

In addition, the transitory provision of the draft RR provides that billed but uncollected receivables from the sale of services is subject to 12% VAT upon the effectivity of the RR. The output VAT due on the transaction is to be declared in the immediate taxable quarter following the effectivity of the RR. Taxpayers are apprehensive of this transitory provision due to the possible cash flow issues that may arise from the expected huge VAT payable for all their accounts receivables. To invoice the output VAT and sale to the customer, the seller is to replace the billing statement/statement of account with Invoices.

We note the BIR's consideration of giving ample time to the taxpayers to comply with the changes under the EoPT Act. However, the BIR may also consider the specific transitory clause of the EoPT Act in light of the ongoing preparations of the taxpayers for the annual filing of tax returns and financial external audits of taxpayers.

Note that the transitory provision of the EoPT Act specifically provides that taxpayers are given six months from the effectivity of the implementing revenue regulations to comply with the amendments to Title IV on the Value-Added Tax and Title V on Other Percentage Taxes of the NIRC, as amended. Thus, affected taxpayers should be given six months from the effectivity of RR to reconfigure and update CAS registration with the BIR and to remit any VAT due on billed but uncollected receivables from services already rendered as of the effectivity of the RR.

Last, the general rule that changes in tax laws should be applied prospectively unless they are favorable to taxpayers must be taken also into consideration. For the sale of services which were billed and rendered under the old law, is it possible for the BIR to consider them as not be covered by the EOPT Act and subject to VAT only upon collection?

DIGITALIZATION, ELECTRONIC FILING AND ACCEPTANCE OF CERTAIN BIR APPLICATIONS

Sections 43 and 44 of the EoPT Act require the BIR to develop an Ease of Paying Taxes and digitalization roadmap and eventually to adopt an integrated digitalization strategy by providing automated end-to-end solutions for the benefit of taxpayers. Specifically, EoPT already provides electronic applications for cancellation of VAT registration and transfer/cancellation of registration.

With this BIR digitalization program mandated by EoPT and the ongoing efforts of the BIR on digitalization, I do hope that the BIR will soon allow the use of electronic signatures and/or provide facilities for electronic submission of documents and letters that are still required to be manually filed with the BIR. This will not just be more convenient for taxpayers, but it will also save the BIR storage costs and time spent looking for lost dockets.

As the truthful reporting of income and timely payment of taxes due are fundamentals to healthy functioning of societies, I do hope that the above insights on the draft implementing rules and regulations of the EoPT Act be considered to ensure smooth and easy compliance by taxpayers on the changes brought by the new law.

Let's Talk Tax is a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.

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