Contact centers see 2024 revenue of $32.16 billion

THE Contact Center Association of the Philippines (CCAP) said it estimates a 9% increase in revenue for the contact center and business process outsourcing industries this year to $32.16 billion.

"The contact center and business process sector, along with the IT-BPM (Information Technology and Business Process Management) industry, remain optimistic and positive in terms of revenue growth through the years," CCAP President Mickey Ocampo said in a statement on Monday.

The CCAP called the forecast conservative but in line with the industry yearly average revenue growth, citing an analysis by research firm Everest Group.

In 2023, the association's members booked revenue of $29.5 billion, or 83% of the revenue posted by the IT-BPM industry of $35.5 billion.

In 2024, the IT-BPM industry projected revenue to increase by around 20% to $39 billion.

"The figures prove how resilient the sector has become, successfully overcoming the significant challenges that came its way, including stringent data privacy laws worldwide, the COVID-19 pandemic, recessions, and now, the rise of generative artificial intelligence (AI)," Mr. Ocampo said.

CCAP expects its members to post revenue of $49 billion by 2028, in line with the IT-BPM roadmap 2028, which projects industry revenue of $59 billion by that year.

CCAP said that according to industry studies, 28% of call center firms are planning to establish sites in Cavite, while 23% are planning to launch in San Fernando, Pampanga.

Other areas that are being considered for expansion by CCAP members include Rizal (21%), Batangas City (21%), Puerto Princesa (21%), Laguna (18%), Iloilo (18%), Tarlac (15%), Cebu (15%), Davao (15%), General Santos City (15%), and Bacolod City (10%). — **Justine Irish D. Tabile**

Marcos backs bill restoring NFA power to intervene in rice market

PRESIDENT Ferdinand R. Marcos, Jr. expressed support for a bill that would amend the Rice Tariffication Act of 2019 to restore the National Food Authority's (NFA) power to stockpile rice and intervene in the market if needed.

Mr. Marcos said he would certify as urgent a proposed amendment to the Rice Tariffication Act, citing the need for government involvement in the market to check rising rice prices.

"The problem is, rice prices are rising because traders are competing with each other. Their bidding for palay (unmilled rice) is pushing up prices, and we have no control over this," he told reporters on the sidelines of an event in Manila.

By amending the charter of the National Food Authority and the 2019 law, the government can influence the farmgate price of palay, and ultimately retail prices, he added.

Speaker Martin G. Romualdez last week said the House is targeting a reduction in rice prices of as much as P10 to P15 per kilo with an amendment that restores the NFA's power to buy rice and sell it at a lower price — effectively committing the NFA to sell subsidized rice.

Under the Constitution, a President can only certify a bill as urgent if there is a public emergency or calamity that requires the immediate passage of a law.

Inflation accelerated for a second straight month in March — to 3.7% from 3.4% in February — as rice prices continued to surge, according to the Philippine Statistics Authority. Rice inflation hit 24.4% in March, the strongest reading since the 24.6% posted in February 2009.

The government and private economists expect El Niño, which has caused P5.9 billion in agricultural damage as of April 30, to worsen inflation and push food prices even higher.

Agriculture Assistant Secretary Arnel de Mesa on Sunday expressed support for the House proposal, citing the lack of tools at the government's disposal to respond to high rice prices.

The price of regular-milled rice was P50 per kilo, while that of domestically grown well-milled rice was P48 to P55. Imported rice fetched P51 to P54 per kilo.

Mr. De Mesa said that should such a bill be signed into law, the NFA needs to be cautious about selling rice at low prices as it may once again incur losses, which prompted the passage of the Rice Tariffication Law in the first place.

"This view of the President reflects a complete lack of understanding of the competition and the Rice Tariffication Law," said Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila.

It is unlikely for rice traders to raise prices because that will mean losing their consumers, he said via chat. "Collusion in the form of cartels and monopolies is the only way that the traders can unilaterally increase prices."

"In which case, the solution is institutional in nature, not the government regulating prices," he added, noting that the government should instead empower more traders to compete with alleged carters.

"Thus, the answer is really in strengthening the law, not amending it to allow for more government intervention," Mr. Lanzona said. "Whatever the government can do will fail in comparison to what the markets can do."

Reviewing the tariffication law for possible amendment was among the campaign promises of Mr. Marcos.

The 2019 law allowed private traders to bring in rice shipments without restriction, though they had to pay a 35% tariff on Southeast Asian grain, thereby generating revenue for the government instead of obligating the government to pay for rice imports in government-to-government deals with the source countries. The rules have since been modified to apply the 35% tariff to rice privately imported from any source country.

"I don't think it is the role of the government to bring down palay prices just so that the government can buy enough palay for its buffer stocks. That would be unfair to farmers," Raul Montemayor, national director of the Federation of Free Farmers, said in a Viber message.

He said the 2019 law should be amended to instead give the government other options to obtain rice to hold in reserve, including buying from importers, or even directly importing as a last resort.

"With respect to consumers, the cost of selling subsidized rice should be carefully studied, together with the manner of distribution to make sure only intended beneficiaries benefit and there are no leakages to middlemen," he said.

"Overall, government intervention in both the palay and rice markets should be limited to extreme situations," Mr. Montemayor noted, "and for as long as prices fall within a certain target range, the government must allow the private sector to operate without too much intervention."

The Philippines imported 3.58 million metric tons (MT) of rice in 2023, according to the Bureau of Plant Industry.

In the same year, farmers produced 20 million MT of palay.

Jayson H. Cainglet, executive director of Samahang Industriya ng Agrikultura, said in a Viber message: "We'd rather that (the NFA's function) be limited to buffer stocking, procuring palay directly from farmers."

Mr. Cainglet, who was present at a House hearing on the bill on Monday, said his group is lobbying for a P20-billion increase in the annual P10-billion allotment for the Rice Competitiveness Enhancement Fund or Rice Fund. **— Kyle Aristophere T. Atienza**

NGCP declares yellow alert over Luzon grid

THE National Grid Corp. of the Philippines (NGCP) declared a yellow alert over the Luzon power grid on Monday after more than 1,400 megawatts (MW) worth of plant capacity were reported inoperable.

In an advisory early Thursday, the NGCP said that the yellow alert was raised on Luzon between 3 p.m. and 4 p.m. with peak demand estimated at 13,714 MW for the period, against available capacity of 15,167 MW.

The grid operator said that four plants have been on forced outage since 2023. Three became inoperable between January and March, and nine have been out since April. One plant is running on derated capacity.

As a result of the plant shutdowns and capacity limitations, 1,406.09 MW were unavailable to the grid.

As of the 4:31 p.m., the yellow alert for Luzon had been lifted by the NGCP.

According to the NGCP, the Luzon grid went on red alert for five days and on yellow alert for 11 days in April. The Visayas grid was on red and yellow alerts for five and 10 days, respectively.

The Mindanao grid was on yellow alert for two days during the month.

In May, the NGCP has declared yellow alerts over the Luzon grid for three days. — **Sheldeen Joy Talavera**

Exporters caught up in US restrictions on materials from Xinjiang

A US ban on materials made in a western Chinese region and soft demand for Philippine garments have caused exporters to lay off or place on forced leave more than 5,000 workers in the wearables industry, the Confederation of Wearable Exporters of the Philippines (CONWEP) said.

In a virtual briefing on Monday, CONWEP Executive Director Maritess Jocson-Agoncillo said the downsizings involve the country's top cotton apparel exporter, L&T Clark, which is part of Hong Kong-based Luen Thai Group.

Ms. Jocson-Agoncillo said that industry's performance has been declining for the past two years due to softened demand.

In 2023, exports of wearable apparel, textiles, travel goods, and footwear declined 19% to $1.36 billion, while exports in the first two months of 2024 declined 12% to $215.86 million.

"Over and above this, what really instigated this (the layoff) was the concerns of the industry related to the Uyghur Forced Labor Prevention Act (UFLPA)," she said, referring to a US law sanctioning China due to allegations that residents of Xinjiang, mainly from the Uyghur ethnic minority, have been placed in camps and made to perform forced labor.

UFLPA requires that exporters certify that their shipments contain no materials from Xinjiang, which is a major producer of cotton.

Ms. Jocson-Agoncillo said that the UFLPA has hindered the entry of L&T exports to the US, which cost the company around $5 million, with the cost to the export industry overall estimated at $6 million in losses.

Ms. Jocson said that L&T ended up retrenching around 2,000 employees in Clark, while nine other plants reported, citing various reasons, the retrenchment or forced leave of 3,077 workers in the four months to April.

In a statement on Monday, L&T Clark said the UFLPA presented unforeseeable difficulties for its operations.

"Despite our strict adherence to UFLPA-compliant sourcing practices, we are currently being required by CBP (the US Customs and Border Protection agency) to prove the origin and production practices of all elements of our supply chain," the company said.

"(This) has led to prolonged delays in clearing recent US shipments, causing significant business interruption and order losses," it added.

L&T Clark said that the delayed entry of the shipments led to the decision to place employees on forced leave.

"Given the extended and unanticipated time period for determinations on our shipments by CBP, it has become unsustainable to maintain full capacity without causing undue hardship to our employees," it said.

"As a result, L&T Clark was compelled to implement a retrenchment program. This challenging decision is made with our employees' well-being in mind, to spare them from uncertainty and prolonged forced leave," it added.

On April 26, the company announced a retrenchment program for its 2,000 employees, which allowed affected employees to receive comprehensive severance packages that met legal standards.

"Looking to the future, we are hopeful for a rebound in business. Once these conditions improve and orders resume, our goal is to rehire our skilled workforce and restore normal operations," the company said.

"It is crucial to recognize that these circumstances are the result of external policies beyond our control," it added.

According to Ms. Jocson-Agoncillo, the industry saw the release of a few of the shipments a week and a half ago amid efforts by the Department of Trade and Industry to address the problem with the US government.

"However, at the end of the day, the damage is done because these shipments were due for November and December and were supposed to be in the stores in February, but since early November, they started getting detained," she said.

As such, among CONWEP members, "close to about $6 million (worth of shipments) have been compromised," she added.

Asked for an industry outlook, she said a rebound is possible by the end of the year.

"(The members) are very optimistic that, towards the end of the year until early next year, we can rebound," she said. "The optimism is coming from the confidence of the buyers. For the Luen Thai Group, the partnership with its major counterpart buyers is there." — **Justine Irish D. Tabile**

OPINION

EoPT dates to remember for CAS taxpayers

LET'S TALK TAX
MA. JESSICA A. GUEVARRA

"An ounce of prevention is worth a pound of cure." This applies to many aspects of everyday life. It is always better to prevent damage than to be sorry about it in the future. For students or reviewees, it is best to read and study routinely rather than cram to cover the entire topic the night before the exam. For car owners, preventive maintenance means having the vehicle inspected regularly, not only to prolong the vehicle's good condition but, more importantly, to ensure a safe ride for the passenger. Thus, preventive measures can help us avoid problems.

The same goes for taxpayers. Preventive measures help us avoid possible problems or issues in the future, particularly with tax rules changing so regularly. As we probably know by now, the Ease of Paying Taxes (EoPT) Act has introduced significant amendments, especially on VAT reporting. For VAT purposes, sellers of services must report the VAT based on gross sales and no longer based on collections. As such, sellers of services must now issue VAT Invoices and not VAT ORs. These VAT Invoices will now become the basis for input VAT credits to be claimed by their customers. Moreover, in relation to the EoPT Act, Revenue Regulations (RR) 07-2024 contain several crucial dates for taxpayers who use Computerized Accounting Systems (CAS).

One of the dates to remember is April 27, 2024. For VAT taxpayers engaged in the sales of services and who have already registered their full CAS (with e-receipting or e-invoicing) prior to April 27 (let's call them affected taxpayers), RR 07-2024 requires them to revisit their system and ensure compliance with the provisions of the EoPT Act (i.e., the affected taxpayers are to report VAT based on gross sales, and are required to issue VAT invoices). This change will have a direct effect on the taxpayer's financials, not only with regard to the simple naming convention of the primary document, from "OR" to "Invoice." Hence, this is considered a major enhancement, which would require a new application with the submission of the relevant templates and samples of the system-generated documents and accounting records for the issuance of a new Acknowledgement Certification from the BIR.

Another important date is June 30, 2024. The affected CAS taxpayers have until June 30 to reconfigure or enhance their systems to comply with the EoPT Act. During this period, the affected taxpayers must ensure, among others, that different and proper modules are added to the CAS system to generate invoices on their sales based on gross sales. Also, certain adjustments must be made in case there are branches of the taxpayer using the same system and generate separate invoices, as well as the need to declare the relevant components or middleware in generating the required invoices.

Under RR 07-2024, during the transition period, or until June 30, 2024, the affected taxpayers may still issue their VAT ORs pursuant to their previously approved permit or Acknowledgment Certificate. However, take note that under RR 07-2024, VAT ORs issued beginning April 27, 2024, are not considered valid for claim of input tax by the buyer or purchaser. Consequently, if the CAS taxpayer finds that the needed enhancements cannot be made on or before June 30, the taxpayer may request an extension by seeking approval from the Regional Director or Assistant Commissioner overseeing Large Taxpayers. However, the approved extension to perform the enhancements must be completed on or before Oct. 27, 2024.

Noncompliance by the affected CAS taxpayer with the prescribed issuance of Invoices for the sale of services could lead to violations and penalties. So, after June 30, if the taxpayer still issues an OR, such an issuance will not be considered evidence of sales of goods or services and thus considered a violation for failure to issue or non-issuance of an invoice, subject to civil and criminal penalties. What if the taxpayer has successfully secured the required approval for an extension between July 1, 2024, and Oct. 27, 2024? Will he still be subject to the same penalty? Taxpayers hope that this query will be categorically addressed by the BIR.

In the meantime, as the violation could result in civil and criminal penalties, prevention and awareness are vital to all affected taxpayers. Although there are still issues and questions that taxpayers wish to be enlightened on, including the transitory timeline to comply with RR 07-2024 in relation to the corresponding provisions in the EoPT Act itself, the affected CAS taxpayers may find it prudent to remember and act early on the important dates to prevent possible future disputes with the BIR. After all, it is still much easier to prevent the problem from taking place rather than solving it later; hence, prevention is still better than cure.

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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