Clark Airport sees recovery in passenger numbers by 2026

THE operator of Clark International Airport, Luzon International Premier Airport Development Corp. (LIPAD), said it expects passenger numbers to return to pre-pandemic levels by 2026, though the recovery could take place as early as 2025.

"So, hopefully, 2025 will probably be the earliest, and 2026 the latest year that we will be able to do 100% recovery of our prepandemic numbers," LIPAD President and Chief Executive Officer Noel Manankil said at the One Clark Forum on Friday.

"We'd like to do the recovery faster... But in reality, and I think everybody's aware, there are some challenges also in the industry," Mr. Manankil said.

These challenges, he said, include the grounding of some aircraft for engine problems involving the Airbus A320/321 NEO fleet, which is in wide use among Philippine carriers.

Last year, engine supplier Pratt & Whitney announced the need to inspect the aircraft type's engines, which has disrupted flights.

Visitor numbers from China have also not recovered due to travel restrictions, he added.

"If you look at the mix of travelers and airlines that are present in Clark, a big chunk of that is actually coming from the Chinese market. So, that has not recovered fully," Mr. Manankil said.

Last year, passenger traffic, including domestic and international, at Clark airport hit 2 million, or about 50% of 2019 levels.

The number of flights at the airport totaled 14,867 last year, equivalent to 42% of 2019 levels, with domestic flights at 24% recovery.

"This year we are looking at anywhere from 2.4 million passengers to 2.7 million passengers, and we are reviewing our traffic projections with (operations concession holder Changi Airports International)," Mr. Manankil said.

The airport's capacity as designed is 8 million passengers per annum, but as built, capacity is only at 4 million.

Meanwhile, Bases Conversion and Development Authority (BCDA) President and Chief Executive Officer Joshua M. Bingcang said that to support LIPAD in achieving its targets, the BCDA, together with Clark International Airport Corp., will be embarking on infrastructure upgrades.

"The thing about Clark (airport) is that it's government infrastructure. So definitely, the government will provide the needed support," Mr. Bingcang said.

These projects include the P1.1-billion CRK Direct Access Link to the airport and the P21-billion Clark Entertainment and Events Center.

"These infrastructure projects will ensure that the objective of achieving those numbers is realized," he said.

The BCDA is also hoping to build a second runway to attract more airlines and provide redundancy for Clark operations in the event of shutdowns or maintenance. — **Justine Irish D. Tabile**

Three months' supply set as sugar import trigger

THE Sugar Regulatory Administration (SRA) said on Monday that it has set the decline of sugar inventories to the equivalent of three months' demand as the trigger event for allowing sugar imports.

SRA Administrator Pablo Luis S. Azcona told reporters: "When we need to import is actually at the moment still undergoing study. We are looking at it," he said.

"What the SRA and the Department of Agriculture (DA) did was identify a trigger point in stock levels, that if we hit that point that's when we will activate our importation plan," Mr. Azcona added.

He said that the three-month trigger point accounts for the shipping time of raw sugar imports and the time they take to clear from the Bureau of Customs.

"If we need to import it will need to arrive in the country in July, August up to the beginning of September before milling season (if the demand continues as is)," he added.

The increase in demand was due to the early end of the milling season, which caused large industrial consumers to stock up.

"If the current demand continues, we will need the sugar by sometimes September to October, which is the start of the milling season," he said.

He added that President Ferdinand R. Marcos, Jr. had recommended maintain stocks at 185 thousand metric tons (MT) to 200 thousand MT, equivalent to a two-month buffer.

Mr. Azcona said that despite an increase in production during the crop year, demand remained the same.

"We have a lot of stock on hand. So, that's why regarding imports, we're just waiting for trigger points. We're studying it, but it's not that urgent yet. If demand continues, we might need to import our buffer stock," he added.

Raw sugar production hit 1.92 million MT as of May 5, 9% higher from a year earlier.

According to the SRA, the national raw sugar inventory was 568,734 MT, while demand was estimated at 1.3 million MT.

"As of now, there are a few mills still producing or harvesting," he said.

Mr. Azcona said that the imports will help prevent a surge in prices and allow industrial users to build up ample stock.

"What we are preventing is a drop in supply to a level that the market will become insecure... Number two, our industrial or manufacturing market... needs to be secure knowing that their factories will always have a supply of sugar," he added. — **Adrian H. Halili**

JICA announces Sumitomo, Hankyu tie-up to enhance LRT-1 operations

THE Japan International Cooperation Agency (JICA) said the tie-up of Sumitomo Corp. and Hankyu Corp. have agreed to enhance the operations and maintenance of Light Rail Transit Line 1 (LRT-1).

"This project is the first overseas investment in railroad operation and maintenance for Hankyu Corp. and JICA, encouraging Japanese companies to expand their high-quality infrastructure business overseas," JICA said in a statement.

The agreement was finalized on April 25.

JICA cited the need to improve transportation infrastructure in the capital region to maximize the Philippines' growth potential. — **Beatriz Marie D. Cruz**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/24lu895b>

Manila prime office 3rd cheapest in Asia-Pacific

THE Philippine capital region was the third-cheapest prime office market of 23 countries in the Asia-Pacific region during the first quarter of 2024, according to real estate consultancy Knight Frank.

According to the Knight Frank Asia-Pacific Office Markets report, Metro Manila prime office costs averaged $28.28 per square foot during the quarter.

Kuala Lumpur ($17.91) was the cheapest, followed by Jakarta ($26.18). Rounding out the bottom six were Phnom Penh ($34.13), Bengaluru (35.99) and Auckland (41.94).

Meanwhile, the most expensive were Hong Kong ($159.63), Singapore, ($114.18), and Sydney ($93.47).

"Despite elevated vacancies of close to 25% in Southeast Asia's emerging markets, prime rents rose by an average of over 2% quarter on quarter mainly on the strength of Manila's market," Knight Frank said in the report.

Rents in Manila declined 5.4% year on year, steeper than the 3.2% average drop in the region.

Fifteen of the 23 cities monitored in the region reported stable-to-increasing rents year on year, up from 13 in the fourth quarter of 2023, Knight Frank said.

Manila also recorded a 12.9% vacancy rate in the first quarter, which is projected to rise in the 12-month forecast, the consultancy said.

Seoul recorded the lowest vacancy rate at 1.3% and Kuala Lumpur has the highest at 29.7% in the first quarter.

"Vacancies in the Philippine capital tightened by close to 4% points during the quarter from 16.4% in Q4 2023. A year ago, vacancies were threatening to breach 20%," it said.

Meanwhile, Manila office space in the pipeline this year is expected to double and exceed 100,000 square meters.

Manila pipeline supply is estimated at 3.5% of the current stock with flight to quality to new projects expected as new stock in 2024 "hits a cyclical high."

Despite the expected rise in vacancy levels, Knight Frank noted that Philippine outsourcing has experienced a "robust recovery" in the second half of 2023, with rapid take up, especially from existing tenants expanding in top-rated buildings.

Across the region, average prime rents registered their seventh consecutive quarterly decline to 3.2% year on year in the first quarter of 2024, compared with the 2.4% year-on-year fall in the fourth quarter of 2023.

It added that the regional vacancies marginally rose to 14.9%, sustaining a trend that have seen the metric continually breach record highs since the fourth quarter of 2022.

Knight Frank said it is cautious about the expectations for the office market in the region but on the whole, the prime office segment will remain tenant-favorable in 2024 with the vacancy rate expected to stay on an upward trend.

It said occupiers in the region are signaling more return-to-office work arrangements and registered significant gains in sentiment pointing to a return to pre-pandemic levels of occupancy.

"A consistent theme across the region is the strength of demand for space at the higher end. These conditions were particularly acute in Australia and New Zealand but also observed in Tokyo as well as Southeast Asia's emerging markets," Knight Frank Global Head of Occupier Strategy and Solutions Tim Armstrong said.

Mr. Armstrong added that the firm expects a flight to quality to intensify as occupiers optimize portfolios, experiment and evolve their hybrid work plans and hit environmental, social, and governance targets. — **Aubrey Rose A. Inosante**

OPINION

Invoicing requirements under EoPT Act

LET'S TALK TAX
RUNELL ALVYN V. SARMIENTO

In our earlier article, "Removal of the 5-Year Validity of Receipts and Invoices," I explained that the Philippine tax system is mostly driven by supporting documents and that the deductibility of allowable expenses and claiming of input value-added tax (VAT) rely heavily on valid invoices. With the implementation of the Ease of Paying Taxes (EoPT) Act, changes are now in effect in the way taxpayers provide proof for their sales and purchases.

One of the many changes under the EoPT Act is that the invoice takes the place of the official receipt as the primary document to evidence the sale of services. An invoice shall now be the primary supporting document for both sales of goods and services. Taxpayers, especially service providers, should adapt to these changes.

The Bureau of Internal Revenue (BIR), through Revenue Regulations (RR) No. 7-2024, which took effect on April 27, laid down the new rules of invoicing brought about by the EoPT Act.

VALIDITY OF MANUAL AND LOOSE-LEAF OFFICIAL RECEIPTS

Taxpayers, especially service providers, can no longer issue manual or loose-leaf official receipts to support their sales of services upon the effectivity of RR No. 7-2024. Issuance of official receipts for the sale of services starting April 27 will not be considered evidence of sales of services; taxpayers who issued the same as the primary supporting document will be penalized.

Now what shall be done with the existing official receipts? Taxpayers have two options in this case.

The first option is to use the existing official receipts as a supplementary document that will be issued to customers upon the collection of the sales of services. Taxpayers opting for this should, however, stamp the words "THIS DOCUMENT IS NOT VALID FOR CLAIMING OF INPUT TAX" on the face of the OR. This is proof that taxpayers cannot and should not use an official receipt as the primary supporting document for claiming input VAT on purchases of services.

Alternatively, taxpayers may convert the remaining official receipts to Invoices. If this option is chosen, taxpayers should strike through the word "Official Receipt" on the face of the printed receipt and stamp the words "Invoice," "Cash invoice," "Charge invoice," "Credit invoice," "Billing invoice," "Service invoice," or any name describing the transaction, so long as the word "Invoice" is indicated. Converted official receipts are valid for claiming input VAT until Dec. 31, 2024, and thereafter may be used only as supplementary documents. The conversion of official receipts to invoices does not require approval from the BIR, but taxpayers doing this should submit an inventory of unused official receipts, indicating the number of booklets and corresponding serial numbers, within thirty (30) days from the effectivity of RR No. 7-2024, or until May 27, 2024.

VALIDITY OF ORS ISSUED BY CASH REGISTER MACHINES (CRMS), POINT-OF-SALE (POS) MACHINES, AND E-RECEIPTING OR ELECTRONIC INVOICING SOFTWARE

Like taxpayers issuing manual official receipts, those taxpayers using CRMs, PoS machines, and e-receipting/electronic invoicing software may also change the word "Official Receipt" to any name describing the transaction, so long as the word "Invoice" is indicated. This reconfiguration is only considered a minor system enhancement; hence, taxpayers need not notify the BIR and they do not need to reaccredit their sales software or system or reapply for a new Permit to Use (PTU). However, the serial number of the renamed invoice should just continue the last series of the previously approved official receipt; hence, taxpayers should notify the BIR office which has jurisdiction over the place where machines are used, indicating the starting serial number of the converted invoice.

Since the reconfiguration of the software is considered a minor system enhancement, the BIR only gave taxpayers employing CRM, PoS machines, and e-receipting/electronic invoicing software until the effectivity of RR No. 7-2024 to comply with the changes. Hence, if you now purchase from a seller that uses CRM, PoS machines, or e-receipting/electronic invoicing, make sure that you are issued an "invoice," otherwise you cannot claim the input VAT on your purchase of services.

VALIDITY OF ORS ISSUED BY COMPUTERIZED ACCOUNTING SYSTEMS (CAS)

The system reconfiguration of CAS, or computerized books of account (CBA), unlike CRM, PoS, and e-receipting/electronic invoicing software, is considered a major system enhancement. The reconfiguration will affect not just the invoicing system but the whole timing of reporting of output VAT on sale of services; hence, there is a need to surrender the previously issued acknowledgement certificate (AC) or PTU, which will require the taxpayers to apply for a new AC. The required annex of the AC should indicate all branches (if applicable) that are using the system and the sets of series of invoices to be used by each of the branches.

Since the reconfiguration is regarded as a major system enhancement, the BIR gave taxpayers until June 30, 2024, to effect these system enhancements. As early as now, the taxpayers should start reconfiguring their CAS/CBA to reflect the changes in the timing of reporting revenue — upon rendition of services and not upon collection — especially for service-oriented taxpayers. Taxpayers should be in the process of collating the necessary documentation required to secure a new AC. If the taxpayers find that the needed enhancements cannot be made by June 30, they can request an extension by seeking approval from the Regional Director or Assistant Commissioner for Large Taxpayers. Those taxpayers who obtain such approval have six months from the date of the effectivity of RR No. 7-2024, or until Oct. 27, 2024, to make the necessary enhancements.

INVOICES UNDER RR NO. 3-2024 TRANSITORY PROVISIONS

In all cases above, if the taxpayer collects on the services it rendered prior to the effectivity of the regulations, a corresponding invoice must be issued in order for the purchasers to validly claim the input VAT on their purchase of services.

DIFFERENCES IN THE TRANSITORY PROVISIONS OF THE EOPT ACT AND RR NO. 7-2024

The transitory provisions of the EoPT Act provided taxpayers with six months from the effectivity of the implementing rules and regulations (IRRs) or until Oct. 27, 2024, to comply with the changes particular to VAT and percentage taxes; this covers the invoicing requirements. This leaves lingering questions.

Did the issuance of RR No. 7-2024 shorten the period provided under the EoPT Act for taxpayers to comply with these changes in the VAT and percentage taxes? Should the manual/loose-leaf official receipts and those issued by CRM, PoS machines, and e-receipting/electronic invoicing software still be valid until six months from the effectivity of the IRR and not upon the effectivity of RR No. 7-2024? Should taxpayers using CAS/CBA be given more time to comply with the system enhancements required, not just until June 30, 2024?

I surely hope the BIR will release an issuance on the alignment of the transitory provisions of RR No. 7-2024 and the EoPT Act. I believe that our taxpayers are willing to comply with the provisions of the EoPT Act, but they need more time to effect these changes. I know and I believe that the BIR is one of the supporters of the Ease of Doing Business Act, and alignment is truly in line with easing the taxpayers' transition to the new law.

Overall, RR No. 7-2024, among others, sheds light on the taxpayers' questions about the major changes brought about by the EoPT Act, albeit with hanging questions still. Valid supporting documents really play a pivotal role in the Philippine tax system. With the implementation of the EoPT Act, taxpayers substantiate their sales and purchases a little differently. As we navigate these changes, it becomes imperative for taxpayers to adapt swiftly and ensure compliance with the evolving regulations to avoid paying unnecessary penalties.

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.

RUNELL ALVYN V. SARMIENTO is a senior in charge from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton@ph.gt.com