Farmers seek Senate review of RCEP impact

FARMERS are calling for a review of the Philippines' performance under the Regional Comprehensive Economic Partnership (RCEP) trade agreement.

"We call on Senate President Francis Escudero to immediately reorganize and convene the RCEP Oversight Committee. We need to know if the government lived up to its promises to the agricultural sector," Federation of Free Farmers (FFF) National Manager Raul Q. Montemayor said in a statement.

RCEP is a free trade deal involving the Association of Southeast Asian Nations, China, Japan, South Korea, New Zealand, and Australia. It took effect in June 2023.

It allows minimal to zero restrictions in terms of quantities shipped, and seeks to minimize import taxes.

The Department of Trade and Industry has said that it plans to monitor potential import surges on commodity shipments enabled by RCEP.

"A scheduled meeting of the Committee last May 22 was canceled following the change in Senate leadership," the FFF said.

Additionally, the FFF declared its opposition to further cuts in tariff rates for rice, a move designed to bring down prices.

"(This) contradicts their assurances during the RCEP Senate hearings that these products would not suffer any tariff reduction," it added.

Earlier, Finance Secretary Ralph G. Recto said that tariff rates on imported rice could be slashed to 17.5% from the current 35%.

This would support the Finance department's goals to lower rice prices by 20% by September.

Mr. Montemayor said that Congress should also commit to a significant increase in the Department of Agriculture's (DA) budget.

"A large part of the proposed increase in the DA's 2025 budget is placed in Tier 2, where it will have to compete with proposals from all other government agencies. How the DA budget is finally configured will show whether the Senators were really serious in their commitments when they approved RCEP," he added.

The DA is proposing a budget of P513.81 billion for 2025 to support the construction of new irrigation and postharvest facilities. The national rice program will get P294.21 billion of the proposed budget. — **Adrian H. Halili**

Visa-free entry seen driving travel growth in Asia-Pacific

By Justine Irish D. Tabile
Reporter

SHANGHAI — Visa-free entry is driving the growth of inbound travel to the Asia-Pacific (APAC) region, according to Singapore travel booking service Trip.com Group.

At the Airline Global Conference 2024 at the Pudong Shangri-La, Trip.com Chief Operating Officer Schubert Lou said visa-free policies are yielding results within the region.

In particular, he said that visa-free policy announcements, which started in Malaysia last year, are now becoming a trend in the region and are triggering the growth of travel to and from the region.

"More and more countries are getting into that, and Indonesia is the next in the line," Mr. Lou said, adding that Singapore and Thailand have already joined the trend.

"And that has triggered tremendous growth. One example of that is the China outbound market. What that has created is what we call the 'just pack your bag and go' era of China outbound," he added.

He said that since some countries went visa-free, China outbound travel increased 20% as of May 1, outpacing pre-pandemic levels, while the Southeast Asia outbound market exceeded pre-pandemic levels by 60%.

"What we are seeing is a tremendous momentum of people wanting to go (out)... and convenience matters," he added.

He said the region was the "engine of growth" for global air passenger demand in the first quarter, partly driven by the visa-free policies.

Demand was also stoked by promotions offered by tourism boards and governments, the recovery in flight capacity, and weak currencies in the destination countries, he added.

Citing the International Air Transport Association (IATA), Mr. Lou said that average international demand growth in the region grew 45% in the first quarter, outpacing average international demand growth of 16%.

However, IATA Head of Project and Innovation Stephan Copart said that a survey last year showed that passengers still cite pre-flight procedures and immigration as pain points when traveling.

"Pre-flight and immigration processes, including visa requirements, are still very big pain points," Mr. Copart said.

The survey showed that 36% of the respondents were discouraged from traveling due to immigration requirements, while 49% said that they consider the complexity of the process as a main deterrent to traveling.

He said that this is why programs such as the visa waiver on Trip.com have positively impacted demand for spontaneous trips.

"Passengers are really asking for a better way to manage those immigration and visa requirements. And that's where data becomes a key element," he added.

He said that passengers are now more inclined to share data to facilitate their trip and speed up the process.

"87% are willing to share immigration information before departure to speed up the arrival process. This has been a constant increase over the past few years. Two out of three prefer online applications ahead of traveling to obtain the visa," he added.

In the Philippines, inbound travel by tourists from China has yet to recover to pre-pandemic levels. China was the country's second-largest source of international visitors in 2019. China ranked fifth among source markets for international arrivals last year.

South Korea remained the Philippines' top source of international visitors last year, accounting for 26.4% of foreign arrivals, or 1.44 million, while tourist arrivals from China made up 4.8% or 263,863.

In the first quarter, China was the third-largest source market for the Philippines, accounting for 130,574 or 6.49% of visitor arrivals.

PHL lagging as supply chain diversification accelerates

THE PHILIPPINES is lagging its neighbors in taking in investors seeking to diversify their supply chains, Nomura Global Markets Research said.

"Indonesia and the Philippines have been laggards in terms of benefiting from supply chain diversification, despite being among the fastest growing economies in the region with favorable demographics and strong reform prospects," it said in a report.

"This likely reflects in part their starting positions: both countries have weak forward and backward linkages to regional supply chains, as discussed above, and smaller manufacturing bases with the share of manufacturing output to total gross domestic product (GDP) declining," Nomura Global added.

It also cited industries in which the Philippines is unable to maximize supply chain diversification, such as electronics.

"In electronics, which has been a primary sector where supply chain relocations are taking hold in other ASEAN countries, the Philippines has not been able to benefit significantly, despite its electronics exports accounting for nearly 60% of the country's total exports," Nomura Global said.

Electronic products account for 58.6% of Philippine manufactured goods and more than half of total exports. Exports were up 0.8% at $3.59 billion in March. — **Luisa Maria Jacinta C. Jocson**

FULL STORY
Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/295bmrmo>

Multiple red, yellow alerts declared over Luzon grid

THE National Grid Corp. of the Philippines (NGCP) placed the Luzon grid under red and yellow alerts on Wednesday, while a yellow alert was also raised for the Visayas grid.

The NGCP declared red alerts over Luzon between 1 p.m. and 4 p.m. and 6 p.m. and 10 p.m., according to its advisory.

Yellow alerts were also declared between 12 p.m. and 1 p.m., 4 p.m. and 6 p.m., and 10 p.m. and 12 a.m. (May 30).

During the period, peak demand hit 12,749 MW, against available capacity of 12,950 MW.

A total of 16 power plants have been on forced outage, while six plants are running derated, bringing the capacity unavailable to the grid to 3,177.3 MW.

Yellow alerts are issued when the supply available to the grid falls below a designated safety threshold. If the supply-demand balance deteriorates further, a red alert is declared.

Meanwhile, the NGCP declared yellow alerts over the Visayas grid between 2 p.m. and 4 p.m. and 6 p.m. and 7 p.m.

Available capacity was 2,890 MW while peak demand hit 2,538 MW.

A total of 567.4 MW were unavailable to the grid as 18 power plants have been on forced outage and 10 derated.

"The yellow alert is due to unavailability of Luzon to export to Visayas and high forecast demand," the NGCP said.

The yellow alert was lifted at 1 p.m. "due to decrease in forecasted demand," the grid operator said.

In a statement on Wednesday morning, Manila Electric Co. (Meralco) said it did not resort to any manual load dropping or rotational power interruptions the previous day despite the red alert over the Luzon grid.

The power distributor said that its commercial and industrial customers participating in the Interruptible Load Program (ILP) collectively de-loaded around 270 MW, helping avert service disruptions.

"We thank our ILP partners who have been beneficial in ensuring continuity of electricity service particularly when Luzon grid supply is insufficient," Meralco Spokesperson and Head of Corporate Communications Joe R. Zaldarriaga said.

TYPHOON AGHON

Early Monday, the Department of Energy (DoE) reported that 34 power plants were either on forced outage or operating derated.

Of the total, nine power plants connected to the grid and 11 power plants that are off-grid were out due to Typhoon Aghon (international name: Ewiniar).

"The typhoon has caused a substantial decrease in available power supply in the grid at a time when the hydro power plants have not yet recovered from their low water levels," Energy Secretary Raphael P.M. Lotilla said in a briefing.

Tropical Depression Aghon intensified into a typhoon on Sunday, the first storm of the year. The typhoon had been expected to exit the Philippine area of responsibility on Wednesday.

Separately, the operator of the Malampaya gas field touted its reliability and resilience amid the outages at multiple power plants.

"Malampaya will always be ready to provide reliable natural gas. This situation demonstrates the critical role Malampaya plays in the nation's energy security," Donnabel Kuizon Cruz, managing director and general manager of Prime Energy Resources Development B.V., said in a statement.

Ms. Cruz said that Prime Energy and its partners in the Malampaya consortium remain committed to supporting the DoE's "drive to keep the grid stable by ensuring uninterrupted operations and fuel supply to power generators during extreme weather."

During the red and yellow alerts last month, Prime Energy said Malampaya exceeded its normal capacity to enable maximum power generation from its customers.

Prime Energy, a subsidiary of Prime Infrastructure Capital, Inc., holds a 45% operating stake in the Malampaya consortium.

The Malampaya gas field, the country's sole commercial natural gas provider powering 20% of Luzon's demand, is expected to be depleted by 2027.

Meanwhile, Meralco said in a statement that power service in areas affected by Typhoon Aghon has returned to normal following the restoration of all of its circuits and primary lines.

The company said power services were restored at 10 p.m. on Tuesday. The interruptions had affected around 1.7 million customers.

Most of the affected customers are in Quezon province and Laguna, with others in Batangas, Cavite, Metro Manila, Rizal, and Bulacan.

"With almost 100% service back in all affected areas, we are now down to the last mile as we work on restoring power to almost all the remaining households in far-flung areas," Mr. Zaldarriaga said.

Meralco's controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc. — **Sheldeen Joy Talavera**

OPINION

EoPT Law: Streamlining tax refunds

TAXWISE OR OTHERWISE
LEIZELYN DE VILLA

Perhaps one of the more welcome changes under the Ease of Paying Taxes (EoPT) Law is the clarified and streamlined process of tax refund applications. To implement the amendment, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 5-2024, which covers VAT refund claims under Section 112(C), unutilized excess income tax credit/refunds under Section 76(C) and refund of taxes erroneously or illegally received or penalties imposed without authority under Sections 204(C) and 229 of the Tax Code.

In today's article, I'd like to focus on the revised rules on the refund or issuance of a tax credit certificate (TCC) for excess income taxes and taxes/penalties erroneously paid.

CREDIT/REFUND OF UNUTILIZED EXCESS INCOME TAX CREDIT

RR No. 5-2024 categorized the processing of TCCs/refunds of excess income taxes paid into two (2): regular claims of taxpayers of going-concern status; and those undergoing dissolution or have ceased business operations.

Regular Claims of taxpayers of going-concern status

Generally, a taxpayer who has paid excess income taxes during the year has three options to recover such excess taxes paid. First, he may opt to carry over such excess tax credits against the income tax liabilities in the succeeding period/s. Alternatively, he may choose to (1) be issued a TCC which may be used to settle other tax liabilities except withholding tax, or (2) file a claim for refund of the excess income taxes paid. Once a taxpayer chooses the carry-over option, it is irrevocable for that taxable period and no application of cash refund or issuance of TCC will be allowed.

On the other hand, if a taxpayer opts to file a claim for TCC or refund, such an application must be filed within two years from the date of filing of the Annual Income Tax Return (AITR). The BIR, on the other hand, has 180 days to decide upon the claim for refund/TCC.

To support the application, the taxpayer should show that the income upon which the taxes were withheld was included as part of the gross income declared in the AITR and provide a copy of valid withholding tax certificate/s showing the amount of income payment and the amount of tax withheld.

Claims of taxpayers undergoing dissolution or cessation of business

With the passage of the EoPT Law, new guidelines were introduced on claims for refund of excess income tax paid in case of dissolution or cessation of business. As an exception to the irrevocability rule discussed above, taxpayers who previously chose the option to "carry-over" may still claim a refund provided that they have permanently ceased operations. Furthermore, under RR No. 5-2024, the BIR has two years from the submission of the Application for Registration Information Update/Correction/Cancellation and complete documentary requirements for the business closure and the refund to decide and refund the excess taxes. Notably, the two-year timeframe for claims of taxpayers undergoing dissolution/cessation is longer than the 180-day general timeframe of processing TCC/refund presumably to accommodate the completion of the mandatory audit of the BIR. Any approved refund, if any, shall be released only after the completion of such mandatory tax audit covering the preceding year and the short period return.

CREDIT/REFUND OF TAXES AND/OR PENALTIES ERRONEOUSLY/ILLEGALLY COLLECTED

To be entitled to a refund of erroneously or illegally collected tax, there must be a written claim for credit or refund filed with the BIR within two years from the date of payment of tax, or penalty. Prior to the EoPT Law, in case a judicial claim is still warranted, the same should similarly be filed within two years from the date of payment of tax or penalty.

Given that there was only a two-year prescriptive period within which to file both the administrative and judicial claim for refund, some taxpayers previously resorted to filing the judicial claim even before receiving the final decision of the BIR if they were nearing the end of the two-year period. Otherwise, the taxpayer would be barred from seeking judicial recourse. This resulted in additional costs and burden on the part of the taxpayers to protect their right to refund. On the other hand, on the part of the BIR, this has been a source of dispute in the past as the BIR often argues that the administrative remedies were not yet exhausted before elevating the claim to the court.

With the EoPT Law and issuance of the RR No. 5-2024, a more systematic manner and timeline of such claims for refund of erroneously or illegally collected tax now applies. Under RR No. 5-2024, a written application for claim for refund must still be filed with the BIR within two years from date of payment of tax/penalty. However, the EoPT introduced a strict 180-day timeline for the BIR to process and decide on the claim for refund from the submission of complete documents to support the application. In case the BIR issues a full/partial denial of the claim or fails to act within the 180-day period, the taxpayer has 30 days from receipt of such denial or from the lapse of 180 days in case of inaction to appeal to the Courts of Tax Appeals.

To support the application, the taxpayer must provide a copy of the duly filed tax return with the corresponding payment remitted to the BIR.

One of the objectives of the EoPT Law is to improve the efficiency and effectiveness of tax administration by providing mechanisms that encourage proper and easy compliance at the least possible cost and resources possible. With the implementation of RR No. 5-2024, we are expecting to see a more seamless processing of tax refunds. Note, however, that despite the EoPT Law taking effect in January, RR No. 5-2024 only applies to tax credit/refund claims that are filed starting July 1, 2024 onwards.

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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