2025 considered critical year for offshore wind port funding

THE Department of Energy (DoE) said funding to make ports ready for the offshore wind industry needs to be budgeted for in the 2025 spending plan to enable power generation by 2028.

"The critical year here is that by 2025, funding should be included in the General Appropriations Act for at least two or three government ports in order for us to realize the first power from offshore wind by 2028," Energy Undersecretary Giovanni Carlo J. Bacordo told *BusinessWorld* on the sidelines of a forum last week.

Offshore windfarms need to be serviced from specialized ports hosting maintenance facilities and enabling equipment transport.

"We are working closely with the Philippine Ports Authority as we are the ones highlighting that these ports are needed for offshore wind," Mr. Bacordo said.

He said a pre-feasibility study of 10 ports is being carried out with technical assistance from the Asian Development Bank.

These ports include Bulalacao, Oriental Mindoro; Culasi, Capiz; Tabaco, Albay; and Pulupandan and San Carlos, both in Negros Occidental.

The others are the Energy Supply Base port facility of Philippine National Oil Co. in Batangas; Bauan International Port, Inc., Batangas; Subic; Iloilo Commercial Port Complex; and Port of Irene, Cagayan.

Mr. Bacordo said that the results of the pre-feasibility study into the first five ports will be available by August while the rest will be out by October.

"*Kapag lumabas na 'yun* (When that comes out), then we will see more investors coming in. *Kasi ngayon, malalaman* (As we will know) what ports are feasible to proceed to the full FS (feasibility study) or for the full detailed engineering design," he said.

He said seven more ports have been nominated to the Economic Development Group for possible feasibility study.

The DoE hopes to stage a Green Energy Auction specific to offshore wind in the first half of 2025, Mr. Bacordo said.

The DoE has awarded 91 offshore wind energy service contracts with a potential capacity of 65.12 gigawatts (GW).

Under the Philippine Offshore Wind Roadmap, the Philippines has a potential capacity of about 63 GW from tapping offshore wind resources.

The Philippines has set a target of increasing the share of renewables in the energy mix to 35% by 2030 and 50% by 2040.

Separately, the Philippines is deemed to have adequate facilities to support liquefied natural gas (LNG) shipments for its power plants, according to the Energy Secretary.

"We just want to emphasize that the existing receiving and regasification facilities are actually adequate for purposes of supporting up to 8,000 megawatts capacity of LNG power plants," Energy Secretary Raphael P.M. Lotilla said in a virtual briefing on Friday.

"And that's why we need to look at them and to encourage the companies concerned to look at these two separately owned receiving and regasification facilities as one unit," he added.

In 2023, the Philippines commissioned its first two LNG import terminals in Batangas which are operated by Linseed Field Corp. and FGEN LNG Corp.

"In the future, if it exceeds these levels, then future receiving facilities are also welcome," Mr. Lotilla said. "But at the moment, of course, we do not want to see an overbuilding of LNG infrastructure because that would impose an additional cost on the entire economy."

The DoE sees LNG as a suitable transition fuel "by which the private sector investments in this technology will be facilitated as a way to enable the viability of large renewable energy capacity additions and ensure reliability and security of the power system." — **Sheldeen Joy Talavera**

FTA with Europe seen as hedge against deteriorating China ties

ACCELERATING free trade talks with the European Union (EU) will help the Philippines diversify its trade options away from China as tensions escalate in the South China Sea, economists said.

"Access to the EU market will result in increased trade diversification away from China," Calixto V. Chikiamco, Foundation for Economic Freedom president, said in a Viber message.

"This (free trade agreement) is very crucial especially if we reach middle-income status and lose our GSP+ privileges to the EU," he added, referring to the preferential trade scheme the EU makes available only to developing countries.

Hungary, which will assume the EU presidency next month, plans to hold multiple rounds of free trade negotiations that do not consider political issues, Hungary's Minister of Foreign Affairs Péter Szijjártó told a news briefing last week in Makati.

During his visit, Mr. Szijjártó said Hungary is aware that the Philippines is working under time pressure before its Generalized Scheme of Preferences (GSP+) privileges expire in 2027.

The GSP+ scheme, which requires the Philippines to uphold commitments to 27 international conventions on human rights, labor rights, good governance, and climate action, was extended until 2027.

Last month, Trade Secretary Alfredo E. Pascual said he expects free trade talks with the EU to finish before 2027.

"Diversification towards other economies will be a continuing challenge, as China remains the country's top trading partner, and for Europe to fill a possible future gap in trade with China, our trade with the EU should double," Terry L. Ridon, a public investment analyst and convenor of InfraWatch PH, said via Messenger chat.

Tradeline Philippines estimates total trade between the Philippines and China at $40.3 billion last year, up 2.9%.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila, said the Philippines must ensure labor standards are upheld in finalizing the EU trade deal, citing the regional bloc's strict adherence to global labor market standards.

"The EU would not wish to trade with partners at the expense of worker welfare," he said via chat.

Jose Enrique A. Africa, executive director of the IBON Foundation think tank, said the Philippines should develop domestic industries before pursuing trade agreements.

"Lack of active government support for Filipino farmers and industry and opening up with FTAs has driven manufacturing to its smallest share of gross domestic product in 75 years and agriculture to its smallest share in history," he said via Viber.

"An EU-Philippines FTA will most of all benefit the global supply chains of industrial powers — as it is, most Philippine exports to the EU aren't even Filipino-made and are made by foreign firms in domestic export enclaves — preventing us further from developing Filipino industry."

China was the Philippines' largest source of imported goods, valued at $2.27 billion in March, or 24% of the total, according to the Philippine Statistics Authority. Exports to China amounted to $837.51 million, or 13.7% of the total.

Tensions between the Philippines and China have worsened in the past year as Beijing continues to block resupply missions to Second Thomas Shoal, where Manila grounded a World War II-era ship in 1999 to serve as an outpost and assert its sovereignty.

China claims almost all of the vital waterway, including parts claimed by the Philippines, Brunei, Malaysia, Taiwan and Vietnam. A United Nations-backed tribunal based in the Hague in 2016 rejected China's claims.

"Mechanically pursuing free trade was counterproductive before but especially in today's conditions of rapidly eroding multilateralism and a slowing global economy. It's dogmatic and reckless to deny changed global conditions," Mr. Africa said. — **John Victor D. Ordoñez**

No need to cut growth targets, but gov't should raise revenue — analysts

THE Development Budget Coordination Committee (DBCC) does not need to scale back its growth targets for this year, but must consider how to raise revenue, and perhaps shed its reluctance to introduce new taxes, analysts said.

"We don't think there is any need to revise the DBCC growth target," Aris D. Dacanay, economist for ASEAN (Association of Southeast Asian Nations) at HSBC Global Research, said in an e-mail.

"Our 2024 growth forecast is just a bit lower at 5.8%, and with reforms such as the rice tariff rate cut potentially boosting consumption in the Philippines, the possibility for the economy to reach the lower end of the target isn't zero."

Economic managers have yet to announce whether they will revise fiscal targets for this year. In April, the DBCC cut its gross domestic product (GDP) growth target to 6-7% from 6.5-7.5%, backed by concerns over geopolitical instability and trade disruptions.

Mr. Dacanay also noted that the government's public-to-GDP ratio is expected to fall as the government continues to pay down debt incurred during the coronavirus pandemic.

"What is important to monitor is the direction public debt-to-GDP is going. And despite high fiscal deficits until 2028, public debt-to-GDP is still expected to fall since a big portion of the deficit will be used to pay for the debt incurred during the pandemic (which reduces overall debt)."

The National Government's debt as a share of GDP fell to 60.2% in the first quarter from 61.1% a year earlier, the Treasury bureau reported. However, this is still above the 60% threshold that multilateral institutions deem manageable for developing economies.

The government's debt-to-GDP ratio target for this year is 60.3%, with an ultimate goal of 55.9% by 2028, when the current government steps down.

While Mr. Dacanay said there is no urgency to impose new taxes to broaden fiscal space, "any additional revenue from well-designed tax measures will always be good for the economy."

"For instance, implementing the digital tax will help level the playing field for enterprises who are not doing business in the digital space."

The Department of Finance (DoF) has said it is not planning to impose new taxes, and will instead push for nontax revenue in its fiscal consolidation plan.

The DoF reported that nontax revenue hit P206.4 billion as of April.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the government must focus on "intensified" tax collection and encourage greater tax compliance by the public to generate sufficient revenue to fund development priorities.

"However... there may be a need to increase tax rates and introduce new taxes, though signaled as a final resort/option, especially if inflation eases/stabilizes further in the coming months," he said via Messenger chat.

Filomeno S. Sta. Ana III, coordinator at Action for Economic Reforms, said the government should introduce new tax measures while maintaining adequate spending.

"A sound fiscal consolidation plan will necessarily include generation of higher revenue," he said in a Viber message.

"Cutting spending is one approach but we can only cut the wasteful spending; otherwise, an austerity program will hurt the whole economy and society."

Proper tax administration is also deemed insufficient to generate the necessary revenue.

"Hence, government has to identify new taxes which are efficient and politically feasible... the point is, government should not reject tax policy as a main strategy for fiscal consolidation," Mr. Sta. Ana said.

Tax measures that policymakers should consider include increasing rates for sin products like alcoholic drinks and vapes, as well as inflation-adjusted rates for sweetened beverages.

Mr. Sta. Ana also cited the need to reform the pension system for military and uniform personnel and rationalize value-added tax by limiting exemptions to essential goods.

The government must also ramp up spending on state programs in infrastructure, healthcare, disaster risk reduction, and the green energy transition to reach its fiscal targets, he added. — **Beatriz Marie D. Cruz**

OPINION

Clarifying invoicing requirements: RR No. 7-2024

LET'S TALK TAX
JOHN PATRICK L. PAUMIG

On June 13, the BIR released Revenue Regulations (RR) No. 11-2024, amending the transitory provisions of RR No. 7-2024 and extending the statutory deadlines for compliance with the new Invoicing requirements under the Ease of Paying Taxes (EoPT) Act. RR No. 7-2024 became a key regulation in implementing EoPT, serving as a framework to guide taxpayers in navigating the new Invoicing requirements. While the implementation of EoPT may be challenging, the BIR remains dauntless and patient in addressing taxpayer concerns by releasing timely regulations.

UNUSED OFFICIAL RECEIPTS

One of the major changes involves paragraph 2.2 of Sec. 8 of RR No. 7-2024, where taxpayers are allowed not only to convert Official Receipts into Invoices but are also to convert Billing Statements/Statements of Account/Statements of Charges into Billing Invoices. Under RR No. 7-2024, taxpayers were only allowed to use these converted Invoices or Billing Invoices until Dec. 31, 2024 only. This was changed in RR No. 11-2024, where taxpayers may now use the same until fully consumed. The additional requirement, however, is that these converted Invoices or Billing Invoices must contain the required information under Sec. 6(B) of RR No. 7-2024, including the quantity, unit cost, and description or nature of the service. If the required information is not readily available in the converted Invoice or Billing Invoice, these may be stamped to comply with these requirements.

Adding to the change brought forth by RR No. 11-2024 in paragraph 2.2 of Sec. 8 of RR No. 7-2024 as mentioned above, the converted Invoices or Billing Invoices may be considered valid for claiming input tax and proof of both sales transactions and payments of the same time from April 27, 2024, until they are fully consumed, provided that there is no missing information as enumerated under Sec. 3(D)(3) of RR No. 7-2024. Any manual or loose leaf "Official Receipt" issued without a stamped "Invoice" will be considered a supplementary document, ineligible for input tax claims.

The stamping of converted Invoices or Billing Invoices does not require approval from the Revenue District Offices/Large Tax Offices/Large Tax Divisions. Taxpayers are reminded that they should still obtain newly printed invoices with an Authorization to Print (ATP) before fully consuming the converted Invoice or Billing Invoice.

Taxpayers are still required to submit an inventory of unused Official Receipts/Billing Statement/Statement of Account/Statement of Charges indicating the number of booklets and corresponding serial numbers on or before July 31.

CASH REGISTERS, (POS), AND E-RECEIPTING OR ELECTRONIC INVOICING SOFTWARE

For taxpayers looking to reconfigure their Computerized Accounting System (CAS)/Computerized Books of Account (CBA) with Accounting Records (AR), the BIR extended the deadline for compliance from June 30 to Dec. 31, 2024. This may be extended for a further six months, subject to approval from the Regional Director or Assistant Commissioner of the Large Taxpayers Service. To recall, the BIR treated the modification of CAS/CBA with AR to comply with EoPT as a major enhancement as it would have a direct effect on the financial aspects.

The BIR also acknowledges and recognizes the challenge of modifying the documents issued by Cash Register Machines (CRM)/Point-Of-Sale (PoS) machines, e-receipting or electronic invoicing software, CAS/CBA with AR, by allowing the use of the invoices bearing the word "Official Receipt" from April 27 until the completion of machine/system reconfiguration/enhancement. These invoices issued while the software is being reconfigured may be considered valid for claiming input tax by the buyer or purchaser until Dec. 31, 2024 or until the completion of machine/system reconfiguration/enhancement, whichever comes first. The BIR added a requirement that the use of these mentioned invoices should have complete information as required under Section 3(D)(3) of RR No. 7-2024.

For CRM/PoS Machines, e-receipting or electronic invoicing software, the change of the word "Official Receipt" to "Invoice," "Cash Invoice," "Charge Invoice," "Credit Invoice," "Billing Invoice," or any name describing the transaction, the change is still treated as a minor change or enhancement without the need to report the change to the Revenue District Office(s) having jurisdiction over the place of business of such sales machines.

REVISED PENAL PROVISIONS FOR THE TRANSITORY PROVISIONS OF RR NO. 7-2024

However, after Dec. 31, 2024 or once the machine/system reconfiguration/enhancement has been completed, the issued invoices will not be considered evidence of sales of goods or services and is tantamount to failure to issue or nonissuance of invoices. The same is true for the issuance of manual/loose-leaf "Official Receipts" without converting them to "Invoices" for the sale of goods or services starting April 27.

To recall, the penalty mentioned by the BIR is the penalty of not less than P1,000 but not more than P50,000 and imprisonment of not less than two years but not more than four years pursuant to Sec. 264(a) of the Tax Code.

COLLABORATION BETWEEN THE BIR AND THE PUBLIC

With these changes brought forth by RR No. 11-2024, the BIR hopes to have answered the concerns of taxpayers over the recent regulations for EoPT. The BIR's efforts in reaching out to taxpayers should be commended. From holding town halls, lecture series, and the like not only for tax practitioners but for taxpayers as well, to issuing multiple regulations to address any questions from the public, the BIR has been working tirelessly hand in hand to deliver the future envisioned by the EoPT Act, which is "to provide a healthy environment for the tax paying public that protects and safeguards taxpayer rights and welfare, as well as assures the fair treatment of taxpayers."

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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