Subsidized-rice program to be enabled by imports

By Adrian H. Halili *Reporter*

THE Department of Agriculture (DA) said on Wednesday that it plans to import 363,697 metric tons (MT) of rice to facilitate its plan to aid poor consumers by selling grain to them at the subsidized price of P29 per kilogram.

In a statement, the DA said the imports will offset the National Food Authority's (NFA) ageing stock that will be sold off for the program.

The NFA council had approved the sale of ageing rice stocks to those below the poverty threshold.

It added that the NFA will also procure about 559,535 MT of palay (unmilled rice) from domestic farmers, which when milled into rice will be equivalent to the volume of the imports.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. said that the program will cost the government between P1.39 billion and P1.53 billion per month, assuming 69,000 MT in monthly sales.

Separately, Agriculture Assistant Secretary Arnel V. De Mesa said that the planned imports are still subject to approval, adding that one of the legal pathways for obtaining the green light to ship in the rice is via "amendments to the Rice Tariffication Law... and an executive order to do so under the Price Act."

The NFA has said that it procured 3.37 million 50-kilogram bags (168,262 MT) of palay as of June 13, equivalent to four days of consumption when milled into rice. It has exceeded the initial target of 3.36 million bags for the first half.

The NFA said that it will sell the subsidized rice for a limited period through the KADIWA network by early July.

"Although the new NFA selling price is higher than the previous price of P25 per kilo, it is nonetheless a very deep discount to the prevailing market price to ensure that poor Filipinos have access to their main food staple," the NFA added.

The market price of well-milled rice in Metro Manila was between P52 and P54 per kilo, while regular-milled rice was at P48-P51 per kilo, according to DA price monitors as of June 18.

The NFA said it had raised the selling price for ageing stock from P25 per kilo to reduce the need for government subsidies.

Apart from poor consumers, also eligible for the subsidized rice are persons with disabilities, solo parents, senior citizens, with plans to make indigenous people eligible. The estimated number of availers is about 6.9 million households or over 34 million individuals.

"Each beneficiary household is entitled to purchase 10 kilos per month," the NFA said.

Asked to comment, Former Agriculture Undersecretary Fermin D. Adriano said that the DA's planned import volumes are not significant.

"If distribution is targeted properly, given to the poorest of the poor, it will be a good subsidy. But if targeting is flawed, then it will be a waste of precious public funds," Mr. Adriano said via Viber.

The Philippines has imported 2.17 million MT of rice as of June 6, according to the Bureau of Plant Industry.

Projected imports for the year are 4.6 million MT due to higher consumption and lowered import tariffs, the US Department of Agriculture reported.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said lower tariffs on rice could lead to the lowering of rice prices.

The National Economic and Development Authority (NEDA) Board has approved a plan to lower tariffs on industrial and farm goods, including the further reduction of rice import tariffs to 15% from 35%, until 2028.

"The sustainable, structural solution is to boost the productivity of the rice industry," Mr. Ricafort said via Viber.

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said the government should buy the rice from farmers affected by the drop in palay farmgate prices.

"If they subsidize, I hope (they procure from) the farmers who have been hit by the drop in the farmgate price of rice since NEDA's announcement of the 15% rice tariff," Mr. Cainglet said via Viber.

Japan's Sojitz considering PHL telco tower investments

JAPANESE trading company Sojitz Corp. is considering investing in cellular towers in the Philippines, while also expanding its footprint in the fertilizer market, according to the Department of Trade and Industry (DTI).

In a statement on Wednesday, the DTI said Trade Secretary Alfredo E. Pascual met with Sojitz officials, where he heard the company's plans to enter the cell tower construction and co-location business.

"The company is also eager to contribute to the country's food security and farmers' welfare programs through its science-based farming project utilizing, among others, its high-quality NPK fertilizer," the DTI said.

Sojitz has invested in Philippine fertilizer, mining, food, and auto dealership businesses.

"The DTI extends a warm invitation to Japanese businesses to explore opportunities within the Philippine market," Mr. Pascual said.

"With a strong economic foundation, a commitment to a transparent and investor-friendly environment, and a shared vision for a sustainable future, the Philippines stands ready to solidify its position as a strategic partner for Japan," he added. — **Justine Irish D. Tabile**

Finance dep't invites Japanese firms to expand operations in Philippines

THE Finance department is inviting Japanese companies already operating in the Philippines to expand their operations this year.

"Among the Japanese companies were Sojitz Corp., Mitsubishi Corp., Murata Manufacturing Co., Ltd., and Sumitomo Corp.," the Department of Finance said in a statement.

"The Philippines aims to leverage the technological expertise of these top-notch companies to spur industry development and economic growth," it said.

In the Philippines, Sojitz Corp. is engaged in commodities trading, agriculture, food, telecommunications, infrastructure, property development, autos, and mining.

Mitsubishi Corp. is involved in the export and import of various products, consumer goods, as well as infrastructure and renewable energy development.

Meanwhile, Murata Manufacturing's production site in Batangas is its largest in Asia. It primarily produces multilayer ceramic capacitors.

Sumitomo Corp.'s investments include the First Philippine Industrial Park. It also supports a number of commuter rail projects, such as the MRT-3, LRT-1, the Metro Manila Subway, and the North-South Commuter Rail project. — **Luisa Maria Jacinta C. Jocson**

China tensions seen hindering PHL efforts to upgrade competitiveness

THE RISK of conflict with China is emerging as an obstacle to Philippine attempts to improve its competitive standing in world markets and attractiveness to investors, the head of a competitiveness institute said.

Jamil Paolo S. Francisco, executive director of the Asian Institute of Management Rizalino S. Navarro Policy Center for Competitiveness, said Europe is particularly concerned about any factors that have the potential for disrupting trade in general.

"I suppose it's obvious that (60% of global trade transits) the South China Sea and the West Philippine Sea, depending on who you ask," he said.

"Of course, it is important to note that the maritime trade that passes through the South China Sea is mainly Chinese and Japanese trade to other countries," he added.

However, Mr. Francisco said that any conflict that causes disruption in trade will have real effects on the economies of countries in the region, whether they are involved in the conflict or not, just because of the amount of trade that happens there.

The Philippines has been ranked 52nd in an annual global competitiveness report, lagging much of the Asia-Pacific.

The 2024 World Competitiveness Ranking compiled by Switzerland's International Institute for Management Development (IMD) evaluated the prospects of 67 economies.

This year's result marked the seventh year that the Philippines remained in 13th place out of the 14 Asia-Pacific economies studied in the report.

Mr. Francisco said that the West Philippine Sea issue was identified as something that could affect Philippine foreign direct investment, gross domestic product, and prices.

"Prices are one of the challenges that we have in terms of the rankings in economic performance. And the primary driver of inflation has been really food and energy," he said.

"Because we rely heavily on imports of food and energy, if there's any disruption in international trade because of conflict, imagine how that can impact us. So that's what we mean when we say we need to try to mitigate the economic disruptions of political and regional conflicts," he added.

In the IMD rankings, the Philippine standing in prices, an element of the economic performance ranking, dropped to 48th from 39th a year earlier.

The report also found that Philippine food costs, expressed as a percentage of household final consumption expenditure, came in at 58th out of 67 economies. — **Justine Irish D. Tabile**

Pace of region's tourism recovery slower than expected

TOURISM in the Asia-Pacific (APAC) will continue to recover this year, though at a slower-than-expected pace, Fitch Ratings said.

"We forecast visitation in APAC to hit 92% of 2019 levels, with nominal international tourism receipts exceeding that of 2019 by 6%. Most Fitch-rated APAC sovereigns have recovered from the services balance shock due to the collapse in tourism revenue," it said in a commentary.

"The APAC tourism recovery has lagged than in other regions, where tourism arrivals and revenue have surpassed or recovered closer to pre-pandemic norms," it added.

This tourism recovery will be driven by strong demand, economic resilience, additional flight capacity and depreciated local currencies, it said.

Fitch said it expects a full recovery of international visitor volume in the region by the first half of 2025.

"However, we expect recovery prospects to remain vulnerable to several risks, such as a slow restoration of international air traffic, elevated airfares and energy prices, and heightened geopolitical tensions," it said.

"These could weaken traveler sentiment as they intensify cost pressures and create greater uncertainty in travel planning."

It also cited other global shocks from climate change that could weaken demand for travel.

In Southeast Asia, visitor volume returned to the 70-80% range of pre-pandemic levels in 2023.

"The Philippines had a lower recovery rate at 61%, with a smaller share of intra-regional visitors than its regional peers," it added.

The Philippine Statistics Authority reported that the tourism industry's share of gross domestic product rose to 8.6% in 2023 from 6.4% a year earlier.

Fitch said that a surge in Chinese outbound tourism helped boost arrivals in APAC tourist hotspots in the first quarter. — **Luisa Maria Jacinta C. Jocson**

OPINION

A regional look at VAT/GST refund processes

TAXWISE OR OTHERWISE
ADRIEL JOSHUA ZAKI SIM

Republic Act No. 11976, otherwise known as the Ease of Paying Taxes (EoPT) Act, is a landmark legislative measure aimed at simplifying tax compliance procedures and reducing the administrative burdens on taxpayers.

Particularly for the value-added tax (VAT) refund process, the EoPT Act and its implementing regulations introduced a risk-based classification approach where only the medium- and high-risk claims are subject to mandatory verification or audit. In addition, taxpayers are now allowed to elevate the case to the Court of Tax Appeals (CTA) in case of inaction by the BIR within the 90-day period.

Clearly, great strides have been made to improve the VAT refund process. Perhaps, a few more steps can make the journey even more meaningful. In today's article, I'd like to share some good practices on the VAT/Goods and Services Tax (GST) refund process in countries within the Asia-Pacific (APAC) region.

In the Philippines, eligible taxpayers must manually file the Application for Tax Credit/Refund (BIR Form No. 1914), together with all the requirements laid down in Revenue Memorandum Circular (RMC) 71-2023, within two years from the close of the taxable quarter when the zero-rated or effectively zero-rated sales are made or, in the case of cancellation of VAT registration due to cessation or closure of business, two years from the date of issuance of the tax clearance certificate.

While the procedures for the application may appear to be straightforward on paper, this is not the case in actual practice.

Many taxpayers are encountering difficulties during the actual filing because of the level of scrutiny being applied by the receiving BIR offices. This is because incomplete documents, even those that do not affect the amount of refund due to the taxpayers, or even a slight deviation from the prescribed format, will immediately result in the non-acceptance of the docket. Hence, taxpayers will have no other choice but to adjust the documents (where allowed), before coming back and spending another day in queue just to refile the application.

This level of scrutiny by the BIR is perhaps the Bureau's way of protecting its own timeline — the 90-day period — to decide on the refund claim, which was reduced from 120 days. But how do other APAC countries effectively decide on the refund cases within their own timeline?

In China, the refund process takes about 5 to 20 working days from the submission of complete documents. In Vietnam, the refund process, including the mandatory audit, takes 40 days for first-time filers. Meanwhile, for subsequent applications that are similar to the previous application, the Vietnam tax authority may grant the refund first then subsequently conduct a post-refund audit within five years from the grant of the refund. In Singapore, the refund process automatically starts upon submission of the GST return showing an overpayment and runs for one to three months from the filing of the return, depending on whether an audit is warranted.

It is also interesting to point out that in Singapore, Vietnam, India, Thailand and Indonesia, in case of delay in deciding on the refund case, taxpayers are compensated by interest on the amount to be refunded to them, subject to certain conditions. This seems fair, considering that the taxpayer effectively loses out on the opportunity to invest the money while waiting for the refund to be granted.

Clearly, a more streamlined and efficient system is the key to a simpler VAT refund process. For instance, China's rapid processing time of five to twenty working days demonstrates that with the right systems and procedures in place, significant improvements can be made. Similarly, Vietnam's approach of granting refunds first and conducting an audit later shows a level of flexibility that could be beneficial if adopted in the Philippines.

Furthermore, the compensating mechanisms employed by Singapore, Vietnam, India, Thailand, and Indonesia could serve as models for the Philippines. By imposing interest on delayed refunds, these countries ensure that tax authorities are motivated to process claims promptly, thereby fostering a more taxpayer-friendly environment.

For the Philippines to further enhance its VAT refund process, it may consider adopting similar best practices. This could include:

1. Simplifying documentation requirements: Establishing a more straightforward and less cumbersome list of required documents that would help taxpayers identify the critical documents in determining the amount to be refunded and providing flexibility to, if not completely removing, other non-critical documents.

2. Implementing technology solutions: Leveraging digital platforms for the submission and tracking of refund claims could streamline processes, enhance transparency, and minimize the need for physical queues and repeated visits to BIR offices.

3. Introducing penalties for delayed refunds: Imposing interest on overdue refunds could incentivize quicker processing times and ensure that taxpayers are fairly compensated for undue delays.

4. Conducting post-refund audits: Allowing the initial refund to be processed quickly, with subsequent audits to verify the legitimacy of the claims, can expedite the refund process while maintaining the integrity of the tax system.

The EoPT Act is indeed a commendable step towards improving tax compliance in the Philippines. With the changes such as the use of invoices as the primary support for the sale of both goods and services and the introduction of risk-based methods for VAT refund cases, the government has shown that it is listening to the taxpayers; thus, providing a more efficient process for tax compliance. By continuously evaluating the current processes and learning from the successes and best practices of neighboring countries, the Philippines will be another step closer to a more efficient, transparent, and taxpayer-friendly VAT refund system that benefits both the government and the business community.

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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