PHILIPPINE STAR/WALTER BOLLOZOS

DoF expects rice prices to fall below P50 per kilo by August

THE LOWER tariff on rice imports is expected to bring rice prices to below P50 per kilogram by August, the Department of Finance (DoF) said.

"By slashing the tariff on imported rice from 35% to 15%, we anticipate an average of 10% reduction in retail prices for the rest of the year," Finance Secretary Ralph G. Recto said at the Economic Journalists Association of the Philippines-San Miguel Corp. economic forum on Monday.

"This could lower the price of rice by at least P5 per kilo. From an average of P54.40 per kilo last June, prices could go down to below 50 pesos as early as August."

President Ferdinand R. Marcos, Jr. implemented the tariff reduction via Executive Order (EO) No. 62 last month.

The Department of Agriculture's price monitors reported that well-milled rice was selling in Metro Manila markets for as much as P55 per kilo.

Mr. Recto said that lower tariffs on rice could reduce full-year inflation by 0.18 percentage points.

Headline inflation eased to 3.7% in June from 3.9% in May. Rice inflation, which accounts for almost half of overall inflation, eased to 22.5% from 23% a month earlier.

Rice prices were likely to have remained above P50 had the government not cut tariffs, Mr. Recto said.

"A sustained high price of rice could continue to drive inflation, delaying the reduction of policy interest rates by the (central bank) and derailing the country's economic growth trajectory," he added.

Mr. Recto said that the tariff cut will result in foregone revenue of P9.2 billion this year but noted that "in the bigger picture, this improves the welfare of households, especially the poor."

He also cited the 27.7% increase to P221.7-billion budget for agriculture sector, much of it going to modernizing farming. Around half of the agriculture budget goes to rice, he added.

"This will enable us to install more irrigation systems, construct farm-to-market roads, procure agri machinery and equipment, and prioritize research and development," Mr. Recto said.

The DoF said it is working with Congress to ensure an increase in the P10-billion-a-year allocation for the Rice Competitiveness Enhancement Fund (RCEF), which is funded from import tariffs.

Republic Act No. 11203 or the Rice Tarification Law, the law which creates RCEF, authorizes the fund to distribute machinery, seed, credit, and fertilizer for six years. The RCEF expired last month, but efforts are underway in Congress to extend its term and increase the annual allocation.

Farmer's groups last week asked the Supreme Court to issue a temporary restraining order freezing EO 62, saying they were not consulted properly prior to its issuance, as the law requires.

"I don't think there's a reason for the courts to get involved in that," Mr. Recto told reporters on the sidelines of the forum. — **Beatriz Marie D. Cruz**

Full electrification expected to require P72 billion in funding

ILOILO CITY — The Department of Energy (DoE) said it is seeking P72 billion for its total electrification program, and estimated the economic benefit of providing power to the entire country at P315 billion.

On the first day of the US Embassy's 16th Media Seminar on Monday, Energy Undersecretary Rowena Cristina L. Guevara said that the estimate for the funds needed to achieve total electrification covers the period to 2028.

"A portion of that budget will be taken out of a loan because we already have a budget allocated for total electrification — around P3 billion to P5 billion per year," Ms. Guevara said.

"So that's around P25 billion, and we need P72 billion ... so we might need to borrow because we have a deficit and the budget cannot increase suddenly," she added.

She said that the DoE is in talks with the World Bank and the Asian Development Bank (ADB) for the loan. The program will seek to build distribution lines, electrify remote barangays and sitios, and install home solar systems.

Ms. Guevara said that the department presented the program and its economic benefits to the National Economic and Development Authority and the Department of Finance last week.

"We presented to them our request, and they seem to be happy about the numbers that came out of our study, particularly the economic benefits," she said.

"Nobody reported (the estimated economic benefits) to them before. So, because of that, we're thinking of a possible loan from ADB or the World Bank and thinking of government appropriations through the Department of Budget Management (DBM)," she added.

According to the study, giving low-income families access to up to eight hours of electricity a day will boost their income by 17.9%, while their expenditure is expected to increase by 17%.

If access to electricity were increased to eight hours to 16 hours per day, income and expenditure are expected to increase by 33.3% and 33%, respectively.

If low-income families are given access to electricity for 16 to 24 hours a day, their income and expenditure are projected to increase by 49.4% and 52.2%, respectively.

"If we are able to do total electrification, the economic benefit (of) P315 billion... (is equivalent to) 1.8% of our gross domestic product (GDP)," Ms. Guevara said.

"And the total electrification program is just P72 billion. If you invest that but get P315 billion back, wouldn't that be a win?" she added.

According to Ms. Guevara, more than 2 million households currently have no access to electricity.

The DoE estimates the current household electrification rate at 93.12% at the end of March, while the target for this year is 94.83%.

President Ferdinand R. Marcos, Jr. said in his State of the Nation Address last year that the target is to achieve full household electrification by the end of his term. — **Justine Irish D. Tabile**

Below-market KADIWA rice to be priced initially at P45-P48 per kilo

THE Department of Agriculture said on Monday that it will launch the sale of subsidized rice to the broader public via KADIWA stores, with initial pricing set at P45-P48 per kilogram.

Agriculture Assistant Secretary and Spokesperson Arnel V. de Mesa said that the subsidized rice program will offer well-milled rice, and is separate from another program targeted at vulnerable segments of society for P29.

"Due to the developments which have caused rice prices to fall, most likely, the selling price will also go down," Mr. De Mesa told reporters.

The price of well-milled rice in Metro Manila markets was between P48 and P55 per kilo as of July 5, according to DA price monitors.

"The program will run parallel with the P29 rice. The participating KADIWA centers will be doubled next week. By August, Visayas and Mindanao will also be included," he added.

The P29 rice is meant to be sold to persons with disabilities, solo parents, and senior citizens, as well as those below the poverty line, at 10 kilos per month, subject to monitoring via booklets issued to beneficiaries.

Rice sold at P29 will be taken from ageing stocks held by the National Food Authority.

He said that the DA is also studying whether to limit the quantities of rice sold at P45-P48.

The national network of KADIWA stories is at about 300 outlets, along with 119 pop-up stores operating on rotation.

"We want this to be a sustainable and long gestating program. Our target is for it to be implementable until the end of our President's term," Mr. De Mesa said. — **Adrian H. Halili**


PHILIPPINE STAR/ EDD GUMBAN

OPINION

The EoPT Law on Computerized Accounting Systems (CAS)

LET'S TALK TAX
GEMMALU O. MOLLENO-PLACIDO

I have been practicing tax for a while now, and I was a bit surprised to discover how technical tax practice can get. In my first year as an associate, I was stunned by the details that we needed to review for our client's application for registration of Computerized Accounting System (CAS) and Computerized Books of Account (CBA). I was also surprised at how challenging it was to secure a Permit to Use (PTU) for CAS/CBA. It would be a big deal for us if one of the teams handling this type of application passed the scrutiny of the Bureau of Internal Revenue's (BIR) Technical Working Group (TWG).

One example is that multinational companies using CAS globally spend significant amounts on the reconfiguration of their CAS in order to comply with the rules of the Philippines. Since these rules are not required by other tax authorities in other countries, the reconfiguration is done solely for the Philippines.

There are still challenges today, but I can honestly say that the BIR's efforts to streamline the requirements and process to secure a PTU for CAS/CBA have been significant since then.

The BIR had several issuances to address these concerns. In 2020, citing the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (RA 11032), the BIR issued Revenue Memorandum Circular No. 010-20 Suspending the Requirement for Permit to Use Computerized Accounting System, Computerized Books of Account, and/or Component(s) thereof.

In RMC 010-20, all taxpayers with pending applications filed with the National Accreditation Board (NAB) and assigned to the TWG for evaluation were allowed to use their CAS/CBA without securing a PTU, but they were required to submit a sworn statement, a sample print copy of the system-generated receipts and invoices, and a sample print copy of the system generated books of account in order to secure an Acknowledgement Certificate (AC) within three days from submission. Here, the BIR removed the requirement for a system demonstration, but the system will be subject to post-evaluation by the BIR during tax audits.

Further, it is worth noting that the BIR mentioned in this RMC that in case of any enhancement, modification, or upgrade in the system, the taxpayer must notify the bureau.

Following RMC 010-20, the BIR issued RMC 005-21, which simplified the policies on the application for registration of CAS and CBA. For this RMC, policies related to Electronic Storage System (ESS), Middleware, and other similar systems were provided. In this RMC, the BIR introduced the various action points for taxpayers should there be major system enhancements, upgrades, or minor enhancements. The BIR then issued RMC 009-2021, which provided detailed guidelines for CAS/CBA applications. Here, the BIR clarified that an enhancement is considered major if it involves a change in the functionalities of the system, particularly enhancements that will have a direct effect on the financial aspect of the system, which includes modified computations and other financial-related issues that were considered.

This type of enhancement was specifically mentioned by the BIR in Revenue Regulations (RR) 7-2024 and RR 11-2024. Pursuant to the provisions of the Ease of Paying Taxes (EoPT) law, Section 3 of RR 7-2024 provides that all VAT-registered persons and those required to register for VAT must comply with the following:

1. A VAT-registered person shall issue a duly registered VAT invoice, for every sale, barter, exchange, or lease of goods or properties, and for every sale, barter, or exchange of services, regardless of the amount of the transaction.

2. A VAT invoice shall be issued as evidence of the sale of goods and/or properties and the sale of services and/or leasing of properties issued to customers in the ordinary course of trade or business, whether cash sales or on account (credit), which shall be the basis of the output tax liability of the seller and the input tax claim of the buyer.

The above invoicing and accounting requirements, which will have a direct effect on financials, VAT recording, among others, must be implemented by the taxpayers who are using CAS, CBA, or CBA with Accounting Records (CBA with AR). As these changes are enhancements with a direct effect on the financial aspect, they are considered major enhancements that require taxpayers to update their system registration following the existing guidelines for registering CAS or CBA with AR. It must be noted as well that the existing AC or PTU must be surrendered to the BIR in exchange for a new AC.

However, it is worth noting that there are companies or industries, such as financial institutions and educational institutions exempt from VAT, which are using CAS and that these taxpayers are already recognizing revenue on an accrual basis, for tax purposes. The change of document serving as primary evidence from invoice does not affect the recording of revenue. It can be argued that these industries will no longer need system enhancement because the current setup is already proper based on the new law and regulations. Hence, the question is, do they need to secure a new AC as required by RR 7-2024 and RR 11-2024? Perhaps if the taxpayer can prove that there is no direct impact, these taxpayers will no longer be required to secure an AC, so long as the current one used is capable of issuing invoices.

On the other hand, taxpayers are given until Dec. 31, 2024 to reconfigure their systems and implement these enhancements to comply with EoPT law.

While the period given seems reasonable and subject to extension, the dilemma for taxpayers lies in the actual implementation of the changes, not to mention the disruption to their normal operations. However, transition periods are always challenging. And we all look forward to the time that we realize that these challenges we encounter right now have bought so much ease to taxpayers conducting business in the Philippines.

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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