

PHL rice imports hit 2.37 million MT as of July 11

THE PHILIPPINES' rice imports totaled 2.37 million metric tons (MT) as of July 11, according to data from the Bureau of Plant Industry.

Shipments for the first two weeks of July alone amounted to 35,594 MT, data from the agency showed. These were already imported under the lower tariff regime, Agriculture Assistant Secretary and Spokesperson Arnel V. de Mesa said in a briefing on Friday.

Last month, President Ferdinand R. Marcos, Jr. signed Executive Order (EO) No. 62, which

lowered the tariff on imported rice to 15% from 35% until 2028. The order is aimed at reducing prices of the staple.

The Department of Agriculture (DA) earlier said the EO is expected to lower the retail price of rice by about P6 to P7 per kilogram.

Meanwhile, in the first semester, rice imports amounted to 2.33 million MT, 25.3% higher than the 1.86 million MT recorded in the same period last year, the data showed.

Vietnam remained the top supplier of rice with total ship-

ments at 1.76 million MT as of July 11, accounting for 74.3% of the total.

The Philippine and Vietnamese governments signed an agreement giving the Philippines an annual quota of 1.5 million to 2 million MT of rice for five years.

Thailand supplied 358,727 MT during the period or 15.1% of the total. It was followed by Pakistan with 151,883 MT or a 6.4% share.

Rounding out the top five were Myanmar and India, which shipped 66,120 MT (2.7%) and 21,745 MT (0.92%) of rice, respectively.

The Philippines imports about 20% of its rice requirement amid insufficient domestic production.

The US Department of Agriculture raised its Philippine rice import estimates for 2024 to 4.7 million MT from 4.6 million MT previously due to the increased shipments seen during the first half of the year.

Meanwhile, palay or unmilled rice production is projected to decline by 8.6% to 3.88 million MT this year from the 4.25 million MT in actual output in 2023, according to the Philippine Statistics Authority. For its part,

Agriculture department expects palay output to hit 20.44 million MT in 2024.

Former Agriculture Undersecretary Fermin D. Adriano said rice imports may pick up further in the coming months due to the projected decline in production amid the El Niño weather phenomenon and the incoming La Niña spell during the fourth quarter.

Rice imports may increase amid the reduced tariff on the commodity, Federation of Free Farmers National Manager Raul Q. Montemayor added.

"Retail prices would be around P50 per kilo — maybe lower but not by much, or it could go higher if traders are able to sell higher in order to increase their profits," Mr. Montemayor said in a Viber message.

"We will also have to watch Vietnam if they will raise their export prices in response to the tariff cut to 15%," he added.

According to the DA's price monitoring of Metro Manila markets, imported well-milled rice cost between P51 and P54 per kilo as of July 20, while regular milled rice cost was priced at P47-49 a kilo. — **A.H. Halili**

Free trade deals with EU, UAE seen to lift FDI inflows

FOREIGN direct investments (FDIs) into the Philippines are expected to get a lift once the free trade agreements (FTAs) with the European Union (EU) and United Arab Emirates (UAE) are finalized, the Philippine Exporters Confederation, Inc. (Philexport) said.

Philexport President Sergio Ortiz-Luis, Jr. said the Philippines had one of the lowest number of new projects that received FDIs within the Asia-Pacific region last year.

"Still, there are reasons to remain hopeful; one is that the EU-Philippines FTA, expected to be finalized by 2027, will boost two-way trade and investment by 6 billion euros, or around P367.7 billion," he said at the Philexport's general membership meeting on July 9.

In 2023, FDI net inflows dropped by 6.6% to \$8.9 billion from \$9.5 billion in 2022. This was the second straight year of lower net inflows of FDI into the Philippines.

For the first four months of 2024, FDI net inflows jumped by 18.7% to \$3.525 billion.

Mr. Ortiz-Luis said the sectors that are expected to benefit from the EU-Philippine FTA include renewable energy, electronic manufacturing, data analytics and software, agriculture, and fishery processing.

Earlier this year, the EU and the Philippines formally resumed FTA

negotiations seven years after talks were stalled due to the trade bloc's concern over human rights violations under the previous administration.

THIRD ROUND

Meanwhile, Trade Undersecretary for International Trade Group Allan B. Gepty said the next round of negotiations for the EU-Philippines FTA are scheduled to start on Oct. 14.

"You can look at it as the third round of negotiations because we already had two, or you can also refer to it as a new round, but of course the elements or chapters that will be discussed there will be more comprehensive," he said in a press briefing on July 19.

At a minimum, Mr. Gepty said the Philippines will try to secure from the FTA the same benefits it gets from the EU Generalized Scheme of Preferences Plus (GSP+).

The GSP+ scheme, which was extended to run through 2023, grants the Philippines zero duties on 6,274 locally made products.

"And then, of course, we will negotiate to liberalize the rules of origin so we can at least source some raw materials from other countries and be able to export them to the EU," Mr. Gepty said.

FREE TRADE DEAL WITH UAE

The Philippines also targets to

conclude negotiations on the Comprehensive Economic Partnership Agreement (CEPA) with the UAE by October.

Mr. Gepty told *BusinessWorld* that the Philippines just recently concluded the second round of negotiations two weeks ago, while the third round is expected in the last week of August.

"So far, our progress is still on track. We achieved significant progress on several chapters in the second round, so we'll focus now on market access negotiations in the third round," he said.

"And hopefully on the fourth round, which will be in October, it will just be more of addressing the remaining issues," he added.

If completed, the CEPA with the UAE will be the country's first trade deal with a Middle Eastern country, which is expected to provide access to other Gulf Cooperation Council states.

"This FTA is important as our interest in the UAE is not just employment opportunities but also business opportunities ... That is what we want to optimize with this FTA," he said.

"Our target, hopefully, is to conclude this by October, which will be just before a state visit scheduled in November in time for the celebration of our 50th diplomatic anniversary with the UAE," he added. — **JIDT**

DTI studying free trade pacts with LatAm, African countries

THE PHILIPPINES is exploring free trade agreements (FTAs) with Canada and Chile, as well as other countries in Latin America (LatAm) and Africa, the Department of Trade and Industry (DTI) said.

Trade Undersecretary for International Trade Group Allan B. Gepty said that the DTI is looking at free trade deals with Latin American and African countries in answer to the President's call to expand trade with more countries.

Mr. Gepty told a news briefing on Friday that the DTI is seeing progress in exploring an FTA with Chile.

"We just need to update the feasibility study of having a bilateral FTA with Chile, and hopefully within the year we will be able to formally announce the result of the study," he said. "But most probably it would turn out positive."

In terms of products, Mr. Gepty said that the FTA is expected to expand market access for Philippine agricultural and processed products, as well as semiconductors. It will also give the Philippines more access to Chile's wine products, among others.

"But more than the goods, what is also important in this engagement with Chile would be on the services and investment side," he said.

"They are also interested in critical minerals and, of course, our professionals in research, development, and innovation, which Chile is known for," he added.

Meanwhile, Mr. Gepty said that talks around the FTA with Canada have already started but are still in the exploratory stage.

He said the Philippines is also looking to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP is an FTA between 11 countries, which are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Last year, the United Kingdom (UK) signed the protocol of accession to join the CPTPP, and its entry into force is expected by the second half of 2024.

"We're pursuing that, and we're eyeing, hopefully, to at least formally apply for it this year. It's a good FTA for the Philippines in the sense that once we become a party of the CPTPP, the value added here, in terms of market access, will be Chile, Mexico, Peru, and also Canada," he said.

"And now that the UK is there, there is more reason for us to join so that our market access will be more comprehensive," he added.

Mr. Gepty said the International Trade Group is still looking at possible candidates for an FTA in Africa.

"But this is for the medium-term direction. So, we will still have to conduct feasibility studies on that," he added.

The Philippines is part of multilateral FTAs, including the Regional Comprehensive Economic Partnership, the European Free Trade Association, and the ASEAN+6 FTA.

It also has bilateral agreements with Japan and South Korea, with the latter waiting to be ratified. — **Justine Irish D. Tabile**

OPINION

To give credit where credit is due

"Agape" is an ancient Greek word usually defined as unconditional love, which is to give without expecting to receive anything in return. Despite having this world full of love, sometimes there are things that need reciprocity. An example is the contract of sale, which, according to the Civil Code, consists of contracting parties in which one obligates himself to transfer ownership and deliver a determinate thing and the other to pay a price certain in money or equivalent. This means that the seller shall give something to the buyer and expect to receive payment from the latter. For value-added tax (VAT) purposes, what would happen if the other one failed to compensate?

Generally, VAT-registered persons subject their sales to VAT. The next question is, when should the sales be subject to VAT? Republic Act No. 11976, also known as the Ease of Paying Taxes (EoPT) Act, adopted the accrual basis for VAT recognition for both the sale of goods and services. Hence, sellers of goods and services are required to remit VAT regardless of whether the amount has already been collected from the buyer or not. With that, there is a possibility that the sellers will be shouldering VAT for sales that may be uncollectible.

OUTPUT VAT CREDIT ON UNCOLLECTED RECEIVABLES

To address this concern, the EoPT Act also introduced the Output VAT credit on uncollected receivables, which was implemented upon the effectivity of Revenue Regulations (RR) No. 3-2024 in April 2024. This will allow sellers of goods and services who previously remitted the VAT on sales that were not yet collected after the lapse of the credit term to use the VAT paid as credit for the Output VAT reported in the next quarter after the lapse of the said credit term.

To ensure that the sellers are entitled to VAT credit, all of the following must be observed pursuant to RR No. 3-2024, which was clarified under Revenue

LET'S TALK TAX RAYMART F. CINCO

Memorandum Circular (RMC) No. 65-2024 issued on June 13, 2024:

1. The sale has been made after the effectivity of RR No. 3-2024, or April 27, 2024;

2. Both parties agreed that the buyer will pay at a certain period and that the credit term is indicated on the invoice or any written document;

3. The VAT is separately shown on the invoice and declared in the quarterly VAT return within the period prescribed under existing rules;

4. The buyer is separately identified in the Summary List of Sales during the quarter when the sale was made and not reported under "various" sales;

5. The credit term, whether extended or not, has already lapsed; and

6. The VAT component of the uncollected receivable was not claimed as deductible bad debts for income tax purposes.

SELLER'S PERSPECTIVE

Once the entitlement has already been established, the seller may claim the VAT credit in the next quarter after the lapse of the credit term. Suppose that the lapse of the credit term falls on the quarter ending Sept. 30, 2024. The VAT credit is allowed to be claimed in the quarter ending Dec. 31, 2024. The seller is required, however, to stamp "Claimed Output VAT Credit" on the seller's copy of the related invoice.

In cases of partial collection, the amount collected, and the remaining uncollectible amount shall be separately indicated. The seller may, at its option, also issue a supplementary document such as a credit memo or credit note, provided that the phrase "Claimed Output VAT Credit" and the related invoice are indicated in such a document. Once the stamped invoice and supplementary documents, if any, are secured, the seller is required to provide a copy to

the buyer, as they must also reverse the claimed Input VAT.

If the receivable was subsequently recovered after the claiming of the VAT credit, the corresponding VAT of the collected amount shall be declared in the VAT returns during the taxable quarter when the collection was made. Failure to report the said amount will subject the seller to a possible VAT deficiency and applicable penalties.

Moreover, the seller is required to stamp "Recovered" on the seller's copy of the related invoice. In cases of partial recovery, the collection and remaining uncollectible amount shall be separately indicated. The seller may also issue a supplementary document, such as a debit memo or debit note, provided that the phrase "Recovery of Previously Reported Uncollected Receivable" and the related invoice are indicated in such a document. Once the stamped documents are secured, the seller is required to provide a copy to the buyer to claim the previously disallowed Input VAT.

Since there is a possibility of recovery of previously uncollected receivables, sellers may not necessarily claim the VAT credit if there is a high chance that the buyer pays the credit despite the lapse of the term. Provided that this availment is merely an option, sellers may consider first the likelihood of collectability to avoid the burden of claiming credit and subsequent reversal recovery.

However, failure to claim the Output VAT credit on the next quarter after the lapse of the credit term will no longer allow the seller to claim the same afterwards and can only demand the buyer to pay what is due or to return the sold goods to recover the output VAT shouldered due to such sales.

BUYER'S PERSPECTIVE

Upon receipt of the documents from the seller evidencing VAT credit, the buyer shall deduct the corresponding Input VAT previously claimed. However, despite the non-receipt of such documents, the buyer can voluntarily reverse

SCENARIO	BUYER	SELLER
Output VAT Credit	Item 35 "Output VAT on Uncollected Receivables"	Item 55 "Input VAT on Unpaid Payables"
Recovery of Output VAT	Item 36 "Output VAT on Recovered Uncollected Receivables Previously Deducted"	Item 58 "Input VAT on Settled Unpaid Payables Previously Deducted"

the Input VAT in the quarterly VAT returns. Failure to deduct the said amount will subject the buyer to a possible VAT deficiency and applicable penalties.

Subsequently, if the buyer was able to pay, either fully or partially, after the seller's availment of the VAT credit, the buyer may claim the previously disallowed Input VAT upon receipt of the documents evidencing recovery from the seller.

With the additional load brought by this scenario, the relationship between the two parties might be compromised. Hence, buyers shall consider their capacity to pay before entering into the agreement. In any case where the buyer may not be able to pay on time after what was agreed upon, the buyer may request a possible extension to fulfill the obligations, provided that it is indicated in the invoice or any document showing the extended credit term.

PRESENTATION TO THE VAT RETURNS

The BIR issued RMC No. 68-2024 on the availability of the revised Quarterly VAT returns (BIR Form No. 2550Q – April 2024 ENCS version), which include the following items to be used by the seller and buyer for the purpose of Output VAT credit. (see the table)

However, this version is not yet available in the Electronic Filing and Payments System (eFPS) and Electronic BIR Forms (eBIRForms). Accordingly, for eFPS and eBIRForms filers who are not required to report any amount related to Output VAT credit, they may still use the existing version of the return available in their respective systems.

Please note, however, that if eFPS and eBIRForms filers are required to report on any of the above items, they

shall file the return manually by downloading and printing the revised return available on the BIR website (www.bir.gov.ph) under the BIR Forms – VAT/Percentage Tax Returns section and filling out all the applicable fields. If the return has a VAT payable, payment shall be made through any authorized agent bank (AAB) or with the Revenue Collection Officer (RCO) under any Revenue District Office (RDO).

Some eFPS and eBIRForms filers, however, are hoping that the BIR will consider allowing them to just use the VAT return available in the system rather than manual filing, as online filing is more efficient and convenient.

TO GIVE CREDIT WHERE CREDIT IS DUE

Taxpayers may have a hard time dealing with these notable changes, coupled with several questions to ensure their compliance with tax matters. However, the government's vision to ease paying taxes did not stop with just implementing the Act. With the BIR's continuous efforts to address concerns raised by taxpayers with these revenue issuances, it is proper to give credit where credit is due.

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.

RAYMART F. CINCO is a senior in-charge of the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd. pagrantthornton@ph.gt.com

