MRT-3 fare collections to miss projections

THE Department of Transportation (DoTr) expects fares generated by Metro Rail Transit Line 3 (MRT-3) to be weaker than expected, leading to a possible failure to meet its financial obligations to the commuter line's operator under the terms of the build-lease-transfer (BLT) concession deal.

"With regards the BLT agreement, the government will pay a combined of P3.4 billion," Transportation Assistant Secretary for railways Jorjette B. Aquino told the House appropriations committee on Wednesday.

She said however that farebox revenue in the eight months to August totaled P1.6 billion, while its projected non-rail revenue was P36 million for the remainder of 2024.

Proceeds generated from MRT-3 fares and non-rail income pay for the government's equity rental and other obligations to the operator, Metro Rail Transit Corp. (MRTC).

Ms. Aquino said the P3.4 billion financial obligation to MRTC include P2.75 billion for equity rental, staffing, and administrative costs; as well as a further P690 million due by January.

Projected fare revenue for the four months to December is only around P800 million, which would leave the government about P960 million short of its obligations, she said.

The MRTC is set to turn over the MRT-3 to the government by July 2025 once its BTL agreement lapses. The government hopes to privatize MRT-3 before the contract expires next year.

"We need to know if the fare collection is enough to cover the government's financial obligations and if not then we will look into how we can fill in these balances," Assistant Minority Leader and Party-list Rep. Marissa P. Magsino said.

Ms. Aquino said the DoTr initially requested a budget of P3.1 billion for MRT-3 but the National Expenditure Program only approved P1.07 billion.

"If that is the case then the budget approved is not enough. We will look into that," Ms. Magsino said.

Under the BLT agreement, the DoTR holds the franchise and also handles the operations and fare collection. The MRTC built and maintains the system in exchange for a payment from DoTr. — **Ashley Erika O. Jose**

Agriculture, Education secretaries appointed NEDA Board members

THE secretaries of Agriculture and Education have been made members of the National Economic and Development Authority (NEDA) Board, NEDA Secretary Arsenio M. Balisacan said.

Their membership ensures that the administration's priorities "with respect to agriculture and food security, as well as education and the development of skills for a competitive economy, are properly attended to," Mr. Balisacan told reporters at the Palace on Wednesday.

He said the proposed Philippine Civil Service Modernization Project — an "important project for the development of human resource management processes in the public sector" — was also discussed during Wednesday's NEDA Board meeting.

The Board also approved a request to increase the project cost of the Metro Manila Priority Bridges Seismic Improvement Project and also extend the corresponding implementation period and loan validity of the project.

It seeks to "strengthen the resilience of the transport network in Metro Manila by replacing two major bridges, Lambingan Bridge and Guadalupe Bridge, on the arterial roadways with the improved seismic bridge design specifications," according to a website post by the Japan International Cooperation Agency, which funds the project.

The Department of Public Works and Highways in April said the seismic improvement project will ultimately help decongest Metro Manila roads.

The Board also tackled the proposed upgrade and expansion of both the Bohol International Airport and Northern Mindanao's Laguindingan International Airport, Mr. Balisacan said.

"We also reported on the progress in the implementation of the 186 infrastructure flagship projects," he said, citing an earlier NEDA statement that 45 projects funded through foreign loans or grants were classified as problematic.

Meanwhile, Mr. Balisacan said NEDA was determining the process for undertaking the review of rice tariffs every four months. Rice import tariffs were cut to 15% following the issuance of Executive Order No. 62, but are subject to periodic review.

"We are already preparing the methodologies on how to undertake that review, so we don't necessarily waste time," he said, adding that NEDA should be able to give the President timely updates. — **Kyle Aristophere T. Atienza**

PHL to allow yellow onion imports of up to 16,000 MT

THE Department of Agriculture said on Wednesday that it will allow yellow onions imports of up to 16,000 metric tons (MT) until the end of the year.

"We approved it on Monday because our stocks will be depleted, but we still have ample supply of red onions," Agriculture Secretary Francisco P. Tiu Laurel, Jr. told reporters on the sidelines of a poultry and livestock event.

"Our red onion is good until March. So only a limited quantity of yellow onion will be imported, to stabilize prices," Mr. Laurel added.

In July, Mr. Laurel extended the import ban on red onion until the end of August, with supply deemed sufficient until February 2025.

He said however that the supply of domestic yellow onions is sufficient only until the end of August.

In a draft memorandum, the Bureau of Plant Industry (BPI) said it will be issuing sanitary and phytosanitary import certificates (SPSICs) for the 16,000 MT of yellow onion, which is deemed sufficient until the end of 2024.

"With the upcoming holiday season and harvest commencing in January 2025, it is expected that the demand for yellow onion will increase. Given that the supply is very limited, it can lead to an increase of price in the market," it said.

Mr. Laurel said the import order is timed not to disrupt the market during the harvest early next year.

"By the end of this week or early next week, the imports will come in but in limited quantities. We are doing it in batches, so the market won't be flooded," he added.

Mr. Laurel said SPSICs will be issued every two weeks.

The national inventory of yellow onion amounted to 1,642.31 MT as of Aug. 9, according to the BPI. On the other hand, red onion volume was 99,512.1 MT.

The BPI added that the imports were calibrated with reference to monthly per capita consumption, and will serve as a buffer to stabilize market prices.

"Possible extension of the must-arrive date will still be subject to change depending on the availability of stocks and prices," it added. — **Adrian H. Halili**

Labor rights violations seen requiring more CHR funding

BUSINESS GROUPS and unions expressed support on Wednesday for increasing the budget of the Commission on Human Rights (CHR) to allow it to look into more labor-related human rights violations and provide support to victims.

In a joint statement, six business groups led by the Philippine Chamber of Commerce and Industry (PCCI) said more funding will give the CHR the resources to better monitor labor-related human rights violations.

They said more funding is needed to support a witness protection program pending the resolution of the cases, as well as to expedite the release of reparations to victims.

"We reiterate our earlier call for the government to continue the investigation, prosecution, and disposition of all labor-related cases affecting freedom of association and collective bargaining, without delay and in the interest of justice," according to the joint statement.

The Department of Budget and Management approved a budget of P1.07 billion for the CHR in the National Expenditure Program 2025.

This excludes the P53.55 million for the Human Rights Violations Victims' Memorial Commission, bringing total appropriations for the CHR to P1.12 billion.

The groups also proposed that the Inter-Agency Committee (IAC) for the Protection of the Freedom of Association and Right to Organize of Workers, which was established through Executive Order No. 23, offer quarterly progress reports.

"Such a regular interface may serve as a means to be updated and apprised on the progress made by the IAC in the discharge of its functions," the groups said.

The six groups also requested a review of the continued operations of the National Task Force to End Local Communist Armed Conflict to avoid overlaps with other agencies.

The joint statement was also signed by the Employers Confederation of the Philippines, Philippine Exporters Confederation, Inc., the Federation of Free Workers, Sentro ng mga Nagkakaisa at Progresibong Manggagawa, and the Trade Union Congress of the Philippines. — **Justine Irish D. Tabile**

Contract awarded to expand, improve Butuan's Masao port

MINDANAO-BASED contractors have won the P498.09-million contract to expand and improve Butuan's Masao port, the Philippine Ports Authority (PPA) said.

In a notice of award, PPA said the winner is the joint venture of Evenpar Construction and Development Corp. and UKC Builders, Inc.

"You are hereby instructed to formally enter into contract with us and to post the required performance security in the form and the amount stipulated in the instruction to bidders, within 10 days from the receipt of this notice of award," PPA General Manager Jay Daniel R. Santiago said.

PPA said failure to enter into the contract and to provide the performance security will cancel the award. The contractor is required to complete the project within 720 calendar days, the PPA said in its invitation to bid.

In the next four years, or until 2028, the PPA is allocating about P16 billion to fund infrastructure works, including 14 flagship projects. — **Ashley Erika O. Jose**

DTI, ARTA to streamline process for movements of MSME goods

THE Department of Trade and Industry (DTI) will sign an agreement with the Anti-Red Tape Authority (ARTA) to streamline the process for micro, small and medium enterprises (MSMEs) seeking to export goods or distribute them domestically.

"We have to make business easy... and for those that want to export, we also have to (ensure they can) also export quickly," DTI Acting Secretary Cristina Aldeguer-Roque told reporters on Wednesday.

She said that the memorandum of agreement (MoA) to be signed soon is a result of her meeting with ARTA Secretary Ernesto V. Perez on Tuesday.

"The goal is to ease doing business locally and also ease getting the papers ready so that they will be ready for exports also," she said.

"Aside from the big industries, which we really support, we also have a push for the MSMEs, those who are really ready to conquer the global arena," she added.

She said that there is a need to streamline processes not only for export but also in distributing products on the domestic market to help businesses tap the big potential in the Philippines.

"Our population is so big, and that is also the reason why a lot of investors want to come in. So that's one of our strengths," she said.

The MoA seeks to reduce the steps that businesses will have to go through before being cleared to distribute products, whether for export or not. — **Justine Irish D. Tabile**

OPINION

Chasing after ghosts for tax purposes

TAXWISE OR OTHERWISE
PAOLO JOHN DANTES

Since 2023, the Bureau of Internal Revenue (BIR) has intensified its efforts to weed out and file cases against alleged violators of the provisions of the National Internal Revenue Code of 1997, as amended, (Tax Code). In fact, through its Run After Fake Transactions (RAFT) program, the BIR has filed multiple civil and criminal cases against approximately 70 taxpayers for allegedly selling or buying and using fake/"ghost" receipts to substantiate the expenses and corresponding input Value-Added Tax (VAT) claimed for tax purposes. The BIR also filed administrative cases against Certified Public Accountants allegedly involved in these schemes, moving to have their licenses revoked by the Professional Regulation Commission.

Based on the BIR's assessment, billions in taxes have been lost due to the proliferation of fraudulent receipts. Hence, chasing after the taxpayers who further propagate this practice is a key priority and driver in the BIR's strategy to plug this tax leakage. While the BIR has not fully disclosed the details of its investigations on how it was able to detect when fake receipts were used and how it was able to trace the alleged violators, the BIR proposed several theories. Such theories include alleged collusion between business owners and accountants, and the existence of a syndicate that registers ghost companies whose sole business purpose is to sell original receipts so that their buyers can illegally reduce their tax liabilities.

Following these tax investigations and news about ghost receipts, I began to wonder about the possible ways for the BIR to detect such receipts. Section 248(B) of the Tax Code governs when the 50% surcharge may be imposed and lays down the test for prima facie evidence of a false or fraudulent return that merits the application of such a 50% surcharge on the deficiency tax assessed. The prima facie evidence test or the 30% threshold test provides that a substantial underdeclaration of taxable sales, receipts, or income, or a substantial overstatement of deductions constitutes prima facie evidence of a false or fraudulent return. Under this context, failure to report sales, receipts, or income in an amount exceeding 30% of that declared per return, and a claim of deductions in an amount exceeding 30% of actual deductions, renders the taxpayer liable for substantial underdeclaration of sales, receipts, or income or for overstatement of deductions.

Even though Section 248 only discusses the imposition of a 25% or 50% surcharge, the 30% threshold test in this Tax Code provision has also been applied by the BIR and the courts to evaluate whether a taxpayer's case would fall under the exceptions to the general three-year prescriptive period to assess potential deficiency taxes as provided under Section 222(a) of the Tax Code.

In the case of McDonald's Philippines Realty Corp. vs. Commissioner of Internal Revenue (G.R. No. 247737 dated Aug. 8, 2023), the Supreme Court (SC) considered the 30% threshold test as one of the factors to determine whether the BIR's observance of the extraordinary 10-year assessment period is warranted. The SC also established in this case the requirements to properly invoke the 30% threshold test and its effect of shifting the burden to the taxpayer to refute the legal presumption that a false or fraudulent return was filed based on the alleged substantial underdeclaration of sales, receipts, or income or overstatement of expenses or other deductions.

As a brief backgrounder on the 30% threshold test, this statutory provision was actually formally introduced in the 1997 version of the Tax Code. Prior to this, the SC had to rely on jurisprudence and the particular circumstances of each taxpayer to determine whether there is substantial underdeclaration of sales, receipts, or income. With the inclusion of the 30% threshold test in the Tax Code, there is now a statutory measure for checking whether an underdeclaration or overstatement is substantial, resulting in an express presumption that a false or fraudulent return has been filed based on its face.

While the discussion on the 30% threshold test in the above SC case focused on whether there is substantial underdeclaration of sales, receipts, or income, there is another side of the coin to the 30% threshold test which deals with the overstatement of deductions. Relating this to the BIR's RAFT program, the BIR may also use the 30% threshold test on a taxpayer's expenses as a tool to detect whether there are indications of possible overstatement/over-claiming of deductible expenses and/or input VAT. Further, the BIR may leverage its current database containing the list of proven ghost receipts suppliers to check whether these sellers are also vendors of the taxpayers being investigated via a regular tax audit.

In the interest of fairness to all taxpayers and paying what is rightfully due as our collective contribution to nation-building, I support and welcome the RAFT program initiative of the BIR. I find it justified for the BIR to use all legal tools and means at its disposal to chase down those who intentionally impede the proper and full collection of taxes and those who intentionally cheat the system, including professionals who use their knowledge/expertise to aid or abet these violations. As taxpayers, on the other hand, we implore the BIR to exercise its powers with proper caution and within reason as provided under the law.

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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