



Reinstating NFA powers can bring down rice prices — DA

LEGISLATORS need to consider reinstating the National Food Authority's (NFA) market regulatory functions as a means of making rice cheaper, Agriculture Secretary Francisco P. Tiu Laurel, Jr. said on Wednesday.

Speaking at a House committee hearing, Mr. Laurel said NFA regulation would help control retail rice prices, adding that he sees P42 to P49 per kilo as an appropriate price rather than the current P50 to P60.

"The NFA lost its power to intervene in the market as it used to. Along with this, the DA (Department of Agriculture) also lost its power to control and stabilize rice prices," he told legislators.

"If the NFA's power... could be restored, the DA would be more effective in curbing the abuses of rice traders and better influence rice prices," he added.

In November, the Philippine Statistics Authority reported an average price for regular-milled rice of P49.24 per kilo, with well-milled rice fetching P54.64. The average per kilo of special rice stood at P63.

Legislators are looking into the possibility that rice prices are being kept artificially high by a cartel, and have not been al-

Rice imports hit 4.35 MMT by early Dec.

PHILIPPINE rice imports amounted to 4.35 million metric tons (MMT) as of early December, the Bureau of Plant Industry (BPI) said.

According to the BPI, rice imports as of Dec. 5 had surpassed the 3.61 MMT total reported for the 2023 full year.

Rice shipments in November amounted to 434,655 MT, more than double the 250,895 MT reported a year earlier.

The Department of Agriculture (DA) is projecting that rice imports of 4.5 MMT for 2024 following the lowering of tariffs on rice imports, with demand for foreign rice spurred by an estimated decline in domestic production.

In June, the government lowered tariffs on imported rice to 15% from 35% until 2028

through Executive Order No. 62. It was billed as an inflation-containment measure.

In its Grain: World Markets and Trade Report, the US Department of Agriculture (USDA) said the Philippines is projected to import about 5.4 million MMT next year citing the prospect of "smaller crops."

The USDA's new forecast represents a 300,000 MT upgrade from the estimate of 5.1 MMT issued in November. The projection for next year is slightly higher compared to the 5.3 MMT forecast for 2024.

The DA said palay (unmilled rice) production will likely decline 3.63% to a four-year low of 19.3 MMT in 2024, after typhoons damaged the standing rice crop.

The BPI reported that Vietnam remained the top supplier of rice as of early December, accounting for 76.8% of all imports in the year to date, or 3.34 MMT.

Thailand supplied 556,248 MT during the period, or 12.9% of the total, followed by Pakistan with 224,629 MT, or 5.2%.

It added that Myanmar and India shipped 197,952 MT and 22,572 MT of rice, respectively.

The BPI issued 109 sanitary and phytosanitary import certificates, with approved applicants seeking to import 66,988 MT, in early December. Total permits issued in the year to date numbered 9,451 with applicants seeking to ship in 9.08 MMT. — **Adrian H. Halili**

ADB approves \$500-M loan for PHL financial management reform

THE Asian Development Bank (ADB) approved a \$500-million loan to help the Philippines carry out its public financial management (PFM) reform program.

In a statement on Tuesday, the Public Financial Management Reform Program (Subprogram 1) is expected to improve national budget frameworks, boost local government capacity, and establish a PFM system in the Bangsamoro Autonomous Region in Muslim Mindanao.

"This new program signifies the Philippine government's commitment to building an open government founded on the principles of efficiency, transparency, accountability, and good governance," ADB Philippines Country Director Pavit Ramachandran said in the statement.

Mr. Ramachandran said the project improves the use and transparency of public funds but also "promotes private sector roles in public services, as well as climate resilience."

The financing package aligns with the PFM Reforms Roadmap 2024-2028, developed in partnership with the ADB

and endorsed by President Ferdinand R. Marcos, Jr.

Among the roadmap's main points are the digitalization of PFM systems and the creation of an enabling regulatory framework for public-private partnerships.

"The program promotes the fair and effective devolution of public services under the Mandanas ruling and fosters local investments in climate resilience and disaster preparedness," the ADB said.

The ADB said the Supreme Court's Mandanas ruling "mandates that all national taxes and other taxes and fees collected by the National Government be considered in computing revenue allotments to local government units."

The project also supports the Bangsamoro government's own PFM systems, including local governance, budgeting, and revenue frameworks.

The ADB, along with the Public Expenditure and Financial Accountability (PEFA) Secretariat and other development partners, will perform a PEFA Assessment to guide local PFM reforms. — **Aubrey Rose A. Inosante**



Toyota Motor donates P3 million to Philippine tamaraw conservation fund



TOYOTA MOTOR Philippines Foundation (TMPF) said it is donating P3 million to the Department of Environment and Natural Resources (DENR) for the latter's Philippine Tamaraw (dwarf buffalo) conservation program.

In a statement on Wednesday, the foundation said that it signed a memorandum of understanding (MoU) with

DENR to support the Tamaraw Conservation Program to protect the critically endangered tamaraw species and its habitat, the animal after which Toyota named its newly launched pickup truck.

"Under the MoU, TMPF will donate a brand new Tamaraw vehicle and half-a-million-pesos worth of "Bantay Tamaraw" kits for rangers as well

as supplies. The resources will help the Bantay Tamaraw rangers conduct regular patrols at all known tamaraw sites," the foundation said.

TMPF also pledged a P3 million for tamaraw habitat monitoring and research, to support programs for barangay and indigenous-people volunteers, and to equip the Tamaraw Research and Conservation Center.

The Tamaraw Conservation Program was created in 1979 through Executive Order No. 544.

The Philippine Tamaraw, which is endemic to Mindoro Island, was classified by the International Union for Conservation of Nature as critically endangered with 500-600 individuals remaining in the wild as of 2024. — **Justine Irish D. Tabile**

OPINION

Throwing good money after bad: The deductibility of bad debts

Rapid advances in technology present businesses with unique opportunities and challenges they must navigate to maintain a competitive advantage. As businesses leverage technology to expand their avenues for profit, they also face an increased potential for losses. An example of this can be seen in the e-commerce industry. While the use of technology has led to a boost in sales volume, this naturally results in a rise in potential uncollectible receivables. Thankfully, taxpayers are offered some relief from paying income taxes on revenue which is uncollectible.

The Tax Code allows taxpayers to claim a deduction for debts that are actually ascertained to be worthless and charged off within the taxable year. In applying the law, the Supreme Court case of Philippine Refining Co. vs. Court of Appeals, et. al. (PRC case) is often cited. This case requires that the taxpayer show that: (1) there is a valid and subsisting debt, (2) the debt must be actually ascertained to be worthless and uncollectible during the taxable year, (3) the debt must be charged off during the taxable year, and (4) the debt must arise from the business or trade of the taxpayer. Additionally, before a debt can be considered "worthless," the taxpayer

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must also show that it is indeed uncollectible even in the future.

The Court also outlined steps to prove that a taxpayer/creditor has exerted diligent efforts to collect the debts, such as sending a statement of account, sending collection letters, giving the account to a lawyer for collection, and filing a collection case in court.

Considering the steps outlined by the court, the question arises: Is it necessary to complete all these steps to prove that the taxpayer exerted diligent efforts to collect the debt? Will the absence of any of the steps disqualify the bad debt from being deductible?

Based on the facts in the PRC case, it would appear that not all the steps need to be completed. In the PRC case, most of the bad debts that were disallowed were due to the lack of adequate documentary evidence. In justifying the bad debts, only explanations or justifications were provided. As such, in disallowing the bad debts, the court noted the lack of documentary evidence

such as demand letters, police reports, policy regulations, or written reports of investigations conducted. The court did not disqualify any deduction due to the absence of a collection case in court for some of the receivables. In fact, in evaluating one of the receivables, the court stated that "while it is not required to file a suit, it is at least expected by law to produce reasonable proof that the debts are uncollectible although diligent efforts were exerted to collect the same."

In the case of Collector of Internal Revenue v. Goodrich International Rubber Co. (Goodrich case), which was also cited in the PRC case, certain accounts were found to have been properly written off even if no collection cases were filed in court. In justifying the write-off, one of the accounts was only supported by demand letters. For another account, the taxpayer interviewed the debtors, investigated their ability to pay, and even threatened lawsuits. However, the advice of the taxpayer's counsel to write off the bad debts without going to court was considered sufficient basis for the write-off.

The Bureau of Internal Revenue (BIR) also released Revenue Regulations (RR) Nos. 05-99 and 25-2002 after Goodrich and PRC were decided.

In those regulations, to claim a deduction for bad debt: (1) There must be an existing indebtedness due to the taxpayer which must be valid and legally demandable; (2) The debt must be connected with the taxpayer's trade, business, or practice of profession; (3) It must not be sustained in a transaction entered into between related parties enumerated under Sec. 36(B) of the Tax Code; (4) It must be actually charged off in the books of account of the taxpayer as of the end of the taxable year; and (5) It must be actually ascertained to be worthless and uncollectible as of the end of the taxable year.

In defining the term "actually ascertained to be worthless," the regulations stated that the determination of worthlessness in a given case depends upon the particular facts and circumstances of the case. In addition, accounts receivable which are insignificant in amount where the collection through court action may be more costly to the taxpayer may be written off as bad debts even without conclusive evidence that the taxpayer's receivable from a debtor has definitely become worthless.

Technology has undoubtedly increased the capabilities of business throughout the years. Automating pro-

cesses such as sending statements of account and collection letters have become common. However, does this automation diminish its value as a diligent effort to collect? Must taxpayers incur significant expenses by hiring lawyers for collection or filing a collection case in court? Based on the court cases and the regulations, I don't believe so. There is some flexibility given the varied ways and documents that can be used to support the worthlessness of a debt. I would like to think that in formulating the guidance provided, the authorities also exercised good business sense because it is never wise to throw good money after bad.

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