FREEPIK

New mining rules expected to boost investor confidence

By Adrian H. Halili
Reporter

MINERS said that the new reporting rules for mining companies are expected to improve mineral reporting, thereby boosting investor confidence in the industry.

Chamber of Mines of the Philippines (CoMP) Chairman Michael T. Toledo said via Viber that the new rules help raise the quality of reporting when miners disclose output tonnages, grades and estimated reserves.

The implementing rules and regulations (IRR) of the Philippine Mineral Reporting Code 2020 (PMRC) now require miners to submit quarterly and annual exploration results, exploration targets, mineral resources, and mineral reserves.

The Securities and Exchange Commission has recently approved the IRR, according to a memorandum from the Philippine Stock Exchange (PSE). The rules took effect on Monday, Jan. 13.

"This will help advance investor confidence through a balanced presentation of risks, challenges, along with the technical, environmental, social, and economic aspects prepared by accredited competent persons," Mr. Toledo added.

"These developments will help achieve PMRC 2020's primary purpose of protecting the investing public through transparency and consistency in promoting a common understanding in public reporting of minerals comparable with global standards," he said.

He added that investors interested in mining can now make informed and balanced judgments regarding reported exploration results, mineral resources or reserves.

CoMP was among the members of the committee which drafted the PMRC alongside the PSE, the Philippine Society of Mining Engineers, the Geological Society of the Philippines, the Society of Metallurgical Engineers of the Philippines, the Philippine Mining and Exploration Association, and the Philippines-Australia Business Council.

Mr. Toledo said that the PMRC served as the primary basis for the formal admission of the Philippines into the PMRC Committee.

"This underscores that the PMRC has the same level of detail and transparency in reporting mineral resources and mineral reserves as those of its global counterparts in Australia, Canada, Chile, South Africa, Europe, and the US, among others," he added.

Separately, Philex Mining Corp. President and Chief Executive Officer Eulalio B. Austin, Jr. said via Viber that "mineral resources and reserves for sure should be declared (after undergoing) technical evaluation."

However, Mr. Austin added that publicizing exploration reports may be taken negatively by the public.

"Reporting exploration projects, however, might be too early but it can be articulated in such a way that the public is not being assured of its viability. It can be reported in broad terms and not forward-looking," he said.

According to the Mines and Geosciences Bureau, the value of metallic mineral production rose 3.17% to P195.92 billion in the first nine months of 2024.

The rise in mineral value was mainly due to the increased in the value of gold and silver during the period.

MPIC unit Landco's Baguio foray a play for strong leisure market

By Justine Irish D. Tabile
Reporter

THE interim management contract awarded to Metro Pacific Investment Corp. (MPIC) unit Landco Pacific Corp. for Camp John Hay is a play on the leisure segment, where interest is currently high, analysts said.

"The MVP group has been pushing to boost its property and hospitality business through Landco Pacific Corp., and this potential Baguio deal looks like a good opportunity for expansion," China Bank Capital Corp. Managing Director Juan Paolo E. Colet said via Viber, referring to the group run by MPIC Chairman and President Manuel V. Pangilinan (MVP).

"MVP clearly sees the growth potential of the tourism industry. We expect that he will turn Camp John Hay into a sustainable world-class destination," he added.

Last week, the Bases Conversion and Development Authority named Landco the interim manager of the Manor and Forest Lodge at Camp John Hay.

Under the agreement, Landco will operate the two facilities for one year, extendable to two.

Asked to comment, Colliers Research Director Joey Roi H. Bondoc described Landco's decision as a "strategic move."

"Now is an opportune time to invest in leisure-themed developments, and Baguio is definitely one of the ideal locations that developers should further explore," he said via Viber.

"Landco has always been known for these developments, and the focus on Baguio complements the launch of the Spinnaker, a beachside property in Batangas," he added.

The Department of Tourism reported that visitors spending at least a night in Baguio City numbered 1.31 million in 2023, accounting for 2.37% of all overnight travelers during the period.

"I think the interim management of the Manor is a good opportunity for Landco to assess further expansion into similar developments that are resort- or leisure-themed developments, as these projects cater to a thriving domestic and foreign tourism market," Mr. Bondoc said.

According to Mr. Bondoc, leisure-oriented developments in the Philippines are being buoyed by the tourism rebound.

"This kind of project is popular. One developer's project in Makati had a slow take-up, but its condotel in Batangas is sold out," he said.

"These projects also benefit from the rebound of tourism. Note that foreign ownership for vertical development is allowed up to 40%," he added.

Colliers reported that The Spinnaker, Pico Terraces, and Solmera Coast in Batangas have sold over 50% of launched units, while Escana in Boracay has sold over 70%.

Launched units at Villas at Aruga of Cebu and the Dusit Thani Residences in Davao were sold out.

Meanwhile, Alpine Villas-Basel in Cavite had a take-up rate of 43%, and The Crown Residences and Bridgeport Park Sapphire Tower in Davao are at 69% and 81% sold, respectively.

Rice price ceiling could be adjusted to reflect declining international prices

PHILIPPINE STAR/EDD GUMBAN

WEAKER international rice prices could cause the proposed price ceiling on imported rice to be set lower, the Department of Agriculture (DA) said on Monday.

"The maximum suggested retail price (MSRP) for imported rice... most likely, in the coming days will further go down," Agriculture Assistant Secretary and Spokesperson Arnel V. de Mesa said in a briefing.

The DA had set the MSRP at P58 per kilogram for imported rice with broken-grain content of 5%. A price ceiling has not yet set for imported 25% broken rice. The price ceiling is expected to take effect on Jan. 20, initially in Metro Manila.

He estimated an MSRP for 25% broken rice of below P50 per kilo.

Last week, the DA announced plans to set an MSRP for imported rice to further lower rice prices and curb profiteering from rice traders.

It also set labeling rules for imported rice identifying country of origin, type, and broken-grain content. The DA had noted that prices of some imported rice brands remained elevated despite lower import tariffs.

President Ferdinand R. Marcos, Jr. last year issued Executive Order No. 62 which slashed tariffs on rice imports to 15% from 35% previously until 2028.

The lower tariff rates on rice, which took effect on July 5, were intended to bring down prices and curb inflation.

The Philippines imported a record 4.78 million metric tons (MT) of rice in 2024, according to the Bureau of Plant Industry (BPI).

Mr. De Mesa said that there was an upward revision of the 2024 data due to "delayed counting." Last week, the BPI reported rice imports of 4.68 million MT.

The BPI had issued 9,795 sanitary and phytosanitary import certificates (SPSIC) last year, equivalent to about 9.37 million MT of rice. Utilization by rice importers was about 66.13% or 6,477 SPSICs used.

He added that not all issued SPSICs will be fully utilized by rice traders due to factors like delayed shipping and schedules.

"There are applications which were not acted upon by the BPI, after seven days they will be deemed approved," Mr. De Mesa said.

He added that international rice prices have declined, setting the tone for domestic rice prices.

Citing data from Vietnam as of Jan. 10, he added that the price of 5% broken rice dropped to $434 per MT from $510 per as of Dec. 10, while 25% broken rice fetched $409 per MT, down from $454.

According to DA price monitors, as of Jan. 10, a kilogram of imported special rice in Metro Manila markets sold for between P53 and P65 per kilo, while imported premium rice fetched between P52 and P60 per kilo.

The Philippines remains the world's top importer of rice, according to the USDA. The Philippines is projected to import 5.3 million MT of rice in 2025. — **Adrian H. Halili**

OPINION

Inventory list and schedules for real estate, construction firms

LET'S TALK TAX
RICHARD R. IBARRA

Traditionally, the Bureau of Internal Revenue (BIR) inventory list is associated with taxpayers in manufacturing and retail, where inventories form part of the cost of goods sold, which is a critical component of major deductions on the income tax return.

However, when the BIR issued Revenue Memorandum Circular (RMC) 57-2015, it significantly broadened the scope, requiring other types of businesses, including those in the real estate and construction industries, to submit an inventory list along with the schedules.

The RMC requires all businesses with "tangible asset-rich" balance sheets to submit an annual inventory list along with schedules in the format prescribed by the BIR. Accordingly, a tangible asset-rich balance sheet is defined as at least 50% of the total assets composed of working capital, such as accounts receivable and inventory. This requirement has consequently brought real estate and construction businesses into the fold of compliance if they meet the criteria. If qualified, they must submit the required inventory list and schedule within 30 days after the close of a taxable year.

Moreover, the preparation of the required list and schedules for these industries must conform with the prescribed format, specifically dedicated to real estate and construction, under Annexes B and C of RMC 8-2023, respectively. Non-compliance with these formats will result in the submission being considered as not received by the BIR and subject to penalties.

If we look into the aforementioned annexes, it is clear that the information needed is significantly more data-intensive, as compared to a typical manufacturing or retail business, where taxpayers simply need to report basic details such as the inventory on hand, the valuation method, unit prices, quantity in stock, and total cost. For taxpayers involved in real estate, there is a detailed disclosure of the individual projects involved, contracted sales, and movement of the beginning and ending accounts receivable.

Similarly, for construction businesses, taxpayers must provide detailed information such as client names per project, the contracted price, the movement of the beginning and ending accounts receivable, billings and collections for the year, the estimated gross profit, and the percentage of completion, among others.

Based on my experience with these industries, gathering and preparing the required information for the list and schedule, while ensuring accuracy, could pose significant challenges, especially when aiming to meet the deadline within the 30th day after the close of the taxable year.

Real estate and construction companies typically have numerous transactions and projects, making it difficult to accurately account for the transactions with clients, track the movement of their accounts receivable, and reconcile their cash collections. Additionally, for construction companies, obtaining the percentage-of-completion reports from the engineers on time is critical for calculating the estimated project cost and profit as part of the schedule. Thus, we cannot discount the significant time and effort that goes into preparing and organizing the information into the required BIR format.

Hence, it is important that these taxpayers should employ a computerized accounting system capable of generating the necessary data and timely report preparation. Additionally, effective coordination among the accounting, operations, and procurement departments is essential to prevent any miscommunication or inconsistent data entry, which could lead to errors and delays in compliance.

Another challenge is that the information available during the preparation and submission to the BIR on Jan. 30 may be based on unaudited account balances. As such, the reported figures in the schedules could still change due to adjustments made during the finalization of the financial statements (FS). These adjustments may be attributed to client's adjustments (CAJE), external auditor's adjustments (PAJE), or a combination of both, aimed at correcting the account balances.

In this light, it is crucial for taxpayers to assess the impact of any changes. If the adjustments are significant, it would be prudent for the taxpayer to refile and amend the previously submitted inventory list and schedule to the BIR. The main goal is to ensure that the submitted inventory list and schedules are accurate and would line up with the amount in the audited FS and Annual Income Tax Return (ITR) since the BIR uses this information in audits.

Normally, the BIR uses the inventory list and its schedule to identify any discrepancies that might indicate under-declaration of revenue when the BIR cross-checks the amount in the AFS and ITR. It may also include procedures of recalculating and analyzing the relationship between the accounts receivable movements, cash collections, gross profit recognized in the previous and among others. Any discrepancies identified must be adequately explained by the taxpayer. Otherwise, failure to provide a satisfactory explanation could result in the imposition of deficiency taxes.

It is worth noting that some taxpayers choose to pay the administrative penalties of P25,000 for failing to comply with the submission of the inventory list and schedule, as the fine may be relatively low compared to the cost and/or difficulty of preparing the report. However, these taxpayers should be cautious, as the BIR may view such non-compliance as willful. If deemed intentional, this act could be grounds for a mandatory tax audit.

In conclusion, while complying with BIR inventory list and schedule submission requirements may be cumbersome, particularly for the real estate and construction business, taxpayers should explore strategies to automate record-keeping and monitoring processes to efficiently capture the necessary information. Beyond fulfilling this annual statutory submission, the preparation of the list and schedule should offer a valuable opportunity to pinpoint areas for improvements and enhance transparency, ultimately fostering sustained growth of the business.

RICHARD R. IBARRA is a director of the Tax Advisory & Compliance Practice Area of P&A Grant Thornton.
Tweet us: @GrantThorntonPH
Facebook: P&A Grant Thornton
pagrantthornton@ph.gt.com
www.grantthornton.com.ph