

Gradual rise in rice tariff proposed for next harvest

THE Department of Agriculture (DA) said it will propose to economic managers a gradual increase in the rice import tariffs by the next harvest.

The DA said it wants the current 15% tariff to be retained until the end of the second quarter to keep rice prices from rising, Agriculture Secretary Francisco Tiu Laurel, Jr. told reporters.

He said the Philippine harvest ended last month.

“I will not increase for now because the harvest in the countries of origin is almost finished,” Mr. Laurel

said, adding that any tariff increase should be timed for the harvest seasons of rice exporters.

The government in July 2024 slashed tariffs on rice imports to 15% from 35% until 2028 to keep prices in check. The rate is subject to review every four months.

“We (will make the) recommendation that we can consider increasing it little by little,” Mr. Laurel said. “But it’s a matter of timing.”

Farmer groups, including the Samahang Industriya ng Agrikultura (SINAG), said in a recent petition to

the Tariff Commission that the declaration of the food security emergency, which triggered the release of the government’s rice reserves, and the maximum suggested retail price scheme for imported rice were “admissions of the failure” of the reduced tariff rate to bring down rice prices.

The Commission heard the petition in March.

SINAG said the tariff reduction resulted in P15 billion in foregone revenue between July and December 2024.

Mr. Laurel in March said any sudden restoration of the 35% tariff rate for imported rice could lead to market shocks.

Secretary Arsenio M. Balisacan of the Department of Economy, Planning and Development has said that the government is open to a seasonal tariff scheme for rice imports to “stabilize farmers’ incomes.”

Under the proposal of the Federation of Free Farmers, levies would be timed to not clash with the height of the harvest season. — **Kyle Aristophere T. Atienza**



PHILIPPINE STAR/JOEL B. MARALATE

FDA suspends new application fees

THE Food and Drug Administration (FDA) said it suspended the new registration and assessment fees for medical products after legislators said they were modified without sufficient consultation.

In a briefing at the House of Representatives, FDA Director-General Paolo S. Teston said the recommendation to suspend the new fees has been conveyed to Health Secretary Teodoro J. Herbosa, and will take effect after he gives his approval.

“After due deliberation of the management committee of the FDA last week, we have recommended to the Health secretary the suspension of its implementation of the administrative order,” Mr. Teston told legislators.

“The recommendation is to suspend its implementation for a period of 60 days, unless sooner lifted or extended upon the instruction of the Secretary of Health,” he added.

The FDA overhauled its fee structure in December, with changes including a hike in annual licensing fees for drug distributors to P8,000 per year from the previous two-tiered structure that charged P5,000 for an initial license and P10,000 for succeeding years.

“Despite the increase in fees and charges by the FDA, industry stakeholders decried the absence of any palpable improvements in the delivery of the FDA’s services,” Iloilo Rep. Ferjenel G. Biron, who heads the House trade and industry panel, said.

“The exorbitant fees remain a burden to stakeholders as the increase they pay is not commensurate with the services they receive,” he added.

There are about 3,000 permit applications pending with the regulator, FDA Director

Maria Cecilia C. Matienzo told the panel.

The delays in the processing of FDA permit applications have a “big effect” on medicine prices, Mr. Teston said, adding that his agency will come up with proposed solutions to clear the backlog.

“We recognize the effect of the slow processing of applications on the market prices of medicine,” he said. “But we’re a regulator, so we also need to ensure that the products entering the market are of quality, safe and effective.”

Meanwhile, the Philippine Chamber of Pharmaceutical Industry (PCPI) urged legislators to draft bills that will encourage the domestic production of medicine.

“We face challenges that hinder competition and growth, including regulatory disadvantages compared to foreign companies that no longer manufacture products in the Philippines,” it said in a document submitted to the House trade and industry panel obtained by *BusinessWorld*.

It called for express lanes to process the applications of domestically manufactured pharmaceutical products, the PCPI said.

It called for tax incentives for domestic drug manufacturers, such as the removal of value-added taxes and duties on imports of raw materials and pharmaceutical equipment.

The business group also urged legislators to consider adopting some regional regulatory practices like the preferential treatment of domestic pharmaceutical companies, citing the advantages granted to Indonesian, Vietnamese and Thai manufacturers. — **Kenneth Christiane L. Basilio**

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- Retail Launch Planning & Execution. Plan and oversee the retail launch of new mobile phone products, ensuring timely and effective execution across all stages.
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jemarie.torlao@biposervice.com

COMPANY / EMPLOYER	NAME OF FOREIGN NATIONAL INTENDING TO APPLY FOR THE POSITION
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BIPO Service Philippines Inc. hereby declares that the above-named foreign national is able, willing, and qualified to perform the services and job description for this position. The company has the intention to employ the said foreign national and apply for an Alien Employment Permit with the **Department of Labor and Employment – National Capital Region** located at **967 Mallsaya Street, Malate Manila**.

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Career Opportunity in **JOHN CLEMENTS CONSULTANTS, INC.**

Company Name: JOHN CLEMENTS CONSULTANTS, INC.
Address: 14th Floor LKG Tower, 6801 Ayala Avenue, Makati City
Nature of Business: Management Consultancy

Contact details of the Company: Mariolu Antonio | mariolu.antonio@johnclements.com

Job Position: Japanese Client Coordinator

Job Description:

- Identify prospective Japanese clients.
- Responsible for providing client support services in timely and accurate manner.
- Develop process improvement to improve response time and service quality to Japanese clients.
- Sets service goals to meet or exceed the target and client expectations.
- Schedules regular client meetings to strengthen client relationships.
- To produce Japanese and/or English reports or documents as needed in the project.

Qualifications:

- Excellent in strong verbal and written communication skills in Japanese and English language.
- At least two (2) years of work experience in business coordination and client support.
- Proficiency in computer skills (MS Word, Excel, PowerPoint).
- Relevant experience in operations or in a directly related business/function in addition to successful experience in leading a team.
- Strong negotiation and influencing skills.

Workplace Address: Makati City

Name of Foreign National: Hiraoki Ozawa
City of Residence: Makati City
Nationality: Japanese
Intended period of employment: 1 year

JOHN CLEMENTS CONSULTANTS, INC. hereby declares that the above-named foreign national is able, willing, and qualified to perform the services and job description for this position. The company has the intention to employ the said foreign national and apply for an Alien Employment Permit with the **Department of Labor and Employment - National Capital Region** located at **967 Mallsaya Street, Malate, Manila**.

Budget utilization rate hits 92% at end of April

THE Department of Budget and Management (DBM) said the cash utilization rate posted by government agencies hit 92% in April.

The National Government (NG), local governments, and government-owned and -controlled corporations used P1.49 trillion worth of notices of cash allocation (NCAs) issued as of the end of April.

It was behind the 93% pace set in April 2024.

An NCA is a cash authority issued by the DBM to central, re-

gional and provincial offices and operating units through government banks to cover the cash requirements of the agencies.

Unused NCAs amounted to P132.41 billion out of the P1.63 trillion released.

Line departments used 89% of their allotments or P1.07 trillion, with about P129.41 billion remaining.

In April, only the Commission on Audit had fully utilized all of its NCAs. This was followed by the Office of the Vice-President and the Department of Migrant

Workers, which used 99% of their cash.

Meanwhile, the Department of Information and Communications Technology and the Department of Agriculture both had the lowest utilization rate at 66%.

Budgetary support to government-owned companies was 98% used, while the corresponding rate for local government units was 100%.

Government agencies utilized P371.75 billion, posting a 92% usage rate in April. This was lower than the 99% utilization rate in March.

In the first quarter, government spending rose 18.7%, against the 2.6% posted a year earlier and 9% in the fourth quarter. The growth rate was the strongest since the second quarter of 2020.

The NG frontloaded infrastructure spending ahead of the 45-day election ban on public works that started on March 28.

Budget Secretary Amenah F. Pangandaman said disbursements “tend to pick up strongly” in May and June as construction activity peaks. — **Aubrey Rose A. Inosante**

OPINION

Actual TP Audit: What the BIR flags and key takeaways

LET'S TALK TAX LORENZO MIGUEL A. SORIANO

business reasons, such as startup losses, market penetration costs, and research and development failures. However, an independent company typically would not endure continuous losses without taking appropriate measures to correct the situation within a reasonable time. The fact that a related or associated company continuously suffers losses may be an indication that it is not being compensated fairly.

In determining whether the losses are acceptable, it is important to ensure that the controlled transaction entered into is commercially realistic and makes economic sense. A taxpayer needs to establish that the losses are commercial in nature within the context of its characterization. In this regard, a taxpayer is expected to maintain contemporaneous documentation which outlines the non-transfer pricing factors contributing to the losses incurred.

RESOLVING THE TP AUDIT

a. On the fully loaded costs

In the case at hand, the taxpayer's transfer price to its parent company was based on fully loaded costs, excluding non-recurring startup expenses, plus a markup. However, the BIR, in its audit, failed to exclude these non-recurring startup costs from the P100 million fully loaded costs reported in the AFS before applying the industry-standard BPO markup.

Fortunately, the taxpayer had prepared a comprehensive transfer pricing policy and intercompany agreement that clearly outlined its fee structure. The taxpayer said that startup costs are not subject to arm's length markup, citing the Organisation for Economic Co-operation and Development's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2022), which provide that a taxpayer seeking to enter a new market or expand (or defend) its market share might temporarily incur higher costs (e.g., due to startup costs or increased marketing efforts) and hence achieve lower profit levels than other taxpayers operating in the same market. Additionally, it is typical that startup costs may result in temporary losses within that period. As stated in OECD Guidelines: “...associated enterprises, like independent enterprises, can sustain genuine losses, whether due to heavy startup costs, unfavorable economic conditions, inefficiencies, or other legitimate business reasons.”

Moreover, the application of the arm's length principle ensures similar tax treatment between members of multinational groups and independent enterprises. In practice, an independent enterprise would not be expected to bear the startup costs of a contracted, unrelated service provider.

The taxpayer's TP documentation (TPD) played a crucial role in explaining the pricing methodology to the BIR.

That said, it is essential for taxpayers to ensure that the terms of their agreements — particularly pricing provisions — are consistent with the actual conduct of the parties. To mitigate future risks, taxpayers are strongly advised to conduct an annual review of their operations to confirm that the actual financial results reported in the AFS align with the terms of their transfer pricing agreements.

b. On the markup rate

Regarding the appropriateness of the 10% standard BPO markup rate imposed by the BIR, the taxpayer was able to present robust TPD demonstrating that the actual markup it applied to its fully loaded costs fell within the arm's length range observed among independent comparable companies.

The 10% rate cited by the BIR was at the higher end of that range and, therefore, not reasonable to impose on the taxpayer. This is particularly true given the taxpayer's business profile as a captive or limited-risk service provider, which typically warrants a lower markup. Additionally, the taxpayer was newly established, in contrast to the mature, independent companies used as comparables. These factors supported the propriety of the taxpayer's actual markup and helped justify its pricing position during the audit.

KEY TAKEAWAYS

Many taxpayers still fail to maintain proper TPD, such as benchmarking analyses, often due to the perceived complexity, lack of awareness, or the belief that non-compliance penalties are minimal. However, maintaining robust documentation is essential. It not only supports the arm's length nature of related party transactions but also provides a clear audit trail and strengthens a taxpayer's position during BIR audits.

Taxpayers should avoid complacency in dealing with related parties. Cost and pricing arrangements must be backed by written agreements and aligned with actual business operations. While we commend BIR's efforts to look at the dealings among related parties, it's equally important that assessments are grounded in a thorough understanding of taxpayer data.

Ultimately, tax audits should be seen as opportunities by taxpayers to enhance compliance and by the BIR to foster greater awareness and promote responsible tax practices among businesses.

Let's Talk TP is an offshoot of Let's Talk Tax, 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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