Coco fund law amendment seen boosting replanting

THE Department of Agriculture (DA) asked the 20th Congress to amend the Coconut Farmers and Industry Trust Fund Act to refocus the law to support replantings.

"We must revise the law to focus the trust fund's resources on the most critical needs — particularly replanting," Agriculture Secretary Francisco Tiu Laurel, Jr. said in a statement.

"Many of our coconut trees are senile. If we don't replace them immediately, we risk the industry's future."

Coconut trees over 50 years old produce less than half the typical yield. Younger trees produce around 80-100 nuts a year.

"While the fruit-bearing capacity of older trees may be temporarily boosted with salt fertilization, replanting is the only long-term solution to sustain the viability of the coconut sector," the DA said.

With 3 million farmers working on 3.6 million hectares of coconut plantations, the Philippines is the world's second-largest coconut producer and exporter after Indonesia.

But the DA said the sector is "underperforming," with only 134 processing plants operating — many at just 50% capacity — and 60 oil mills remaining well below their combined capacity of 3.7 million metric tons due to "low farm yields."

"These reforms are about more than productivity — they're about securing the livelihoods of millions of Filipino coconut farmers," the DA said.

Each year, the industry exports an average of $2 billion worth of crude and refined coconut oil, desiccated coconut, copra meal, and coconut water from about 14 to 15 billion nuts.

"If the Philippines can increase yields, it could ride the wave of increasing demand for coconut oil, particularly in Europe," the DA said.

"Although the yearly targets are expected to be met, the current pace of planting still needs to be accelerated to assure the industry's sustainability," it added.

The Philippine Coconut Authority (PCA) planted 8.6 million seedlings in 2024, exceeding the 8.5 target even during El Niño.

President Ferdinand R. Marcos, Jr. set a target of planting 100 million coconut trees by 2028.

For 2025, the government has allocated P1 billion for planting and P1.8 billion for fertilization.

"But to truly scale the effort, the P80-billion trust fund must be refocused toward high-impact programs that lift productivity and farmer incomes," the DA said.

"The proposed amendment will allow greater flexibility to ensure a more responsive and adaptive approach to the evolving needs of coconut farmers and the industry."

Aside from replanting, the proposed amendment to the trust fund law should also finance drip irrigation, water impounding, fertilization, and farmer welfare programs. — **Kyle Aristophere T. Atienza**

SC partly rejects VAT claim in Coral Bay Nickel ecozone case

THE Supreme Court (SC) rejected the applicability of the cross-border doctrine in the case of a nickel miner registered with the Philippine Economic Zone Authority (PEZA) that had been claiming exemption from value-added tax (VAT).

In a March 2025 decision written by Associate Justice Japar B. Dimaampao and only made public on Monday, the court partially granted a refund claim filed by Coral Bay Nickel Corp., a PEZA-registered exporter of nickel and cobalt sulfide, for unutilized input VAT on purchases consumed outside the ecozone but within Philippine territory.

"Having been consumed outside of the ecozone, the cross-border doctrine finds no application," according to the 15-page ruling.

"The same could not have been deemed 'exported' to Coral Bay. Having been rendered within the Philippines' customs territory, it is naturally subject to national internal revenue laws such as VAT," it added.

The High Court upheld the ruling and computation of the Court of Tax Appeals (CTA) Third Division, awarding the company the reduced refund amount of over P11.88 million, representing its unutilized input VAT attributable to its zero-rated sales for taxable year 2012.

The SC ruled that while ecozones are treated as foreign territory for tax purposes under the cross-border doctrine, VAT exemptions apply only to goods or services consumed within these zones or exported overseas.

Purchases made and consumed outside PEZA zones — even if within the Philippines — remain subject to VAT.

The decision reversed an earlier ruling by the full tax court, which had found Coral Bay to be fully VAT-exempt by virtue of its PEZA registration.

The SC said this interpretation was inconsistent with Republic Act No. 7916, which granted PEZA firms a preferential 5% tax on gross income in lieu of all national and local taxes, with the explicit exception of VAT.

"When the nuances of the foregoing pronouncements and issuances are taken together, two key concepts are established: one, PEZA-registered enterprises are not absolute VAT-exempt entities; and two, the VAT treatment of its transactions depends on whether the cross-border doctrine applies," it added. — **Chloe Mari A. Hufana**

DoT exploring ways to expand visitor traffic from India

TOURISM Secretary Ma. Esperanza Christina G. Frasco will meet with Indian counterparts to explore ways to increase two-way visitor traffic, according to a Facebook post by the Department of Tourism (DoT).

It said Ms. Frasco will be in President Ferdinand R. Marcos, Jr.'s entourage during his state visit to India beginning Monday.

"The DoT chief has important meetings lined up... including a meeting with the Federation of Indian Chambers of Commerce and Industry (FICCI)," the DoT said on Monday.

"The meeting will zero in on strategies to boost the number of Indian visitors to the Philippines and explore ways to encourage Filipinos to travel to India, among others," it added.

She is also set to meet with executives from the aviation industry, including flag carrier Air India and budget airline IndiGo.

Meetings are also scheduled with the Indian hotel, resort, and accommodation industry, as well as travel companies.

"The tourism secretary will also have a meeting with the National Film Development Corp. Ltd. (NFDC), a film producer based in India, for potential areas of collaboration," the DoT added.

India was the Philippines' 13th largest source of visitors in the four months to April, accounting for 28,842, or 1.37%, of the total arrivals.

Last year, arrivals from India hit 78,995, up 12.4%.

In his pre-departure message, Mr. Marcos cited "much potential for cooperation with India."

"We intend to explore these by charting a plan of cooperation across a broad spectrum of shared interests: from defense to trade, investment, health, pharmaceuticals, connectivity, agriculture, tourism, and many other areas," he said.

"In the lead-up to this visit, we have already announced our grant of visa-free privileges for Indian travelers, which we expect will boost our tourism-related industries and further bring mutual understanding and mutual benefits," he added.

India, together with the Middle East and the Gulf Cooperation Council, is among the markets being explored by the DoT to compensate for the fall-off in arrivals from China.

China visitors amounted to 92,659 in the first four months, down 34.4% from a year earlier.

In the first four months, total arrivals hit 2.1 million, against 2.12 million in the same period last year. — **Justine Irish D. Tabile**

Farm output likely benefited in Q2 from weak year-earlier base

By Kyle Aristophere T. Atienza *Reporter*

AGRICULTURE OUTPUT likely grew in the second quarter after year-earlier production was held down by the El Niño, analysts said, adding that high-value crops like rice and corn are believed to have driven growth.

The second-quarter result also came in before consecutive tropical storms traversed the Philippines in July.

Federation of Free Farmers (FFF) National Manager Raul Q. Montemayor said via Viber that the second quarter data will reflect a "slight increase" because of base effects. The year-earlier result had been "relatively low" because of dry conditions resulting from El Niño.

"Crops may exhibit a slight rebound, while poultry will continue to be the lone bright spot in the agricultural sector," he said.

The value of production in agriculture and fisheries at constant 2018 prices dropped 3.3% to P413.91 billion in the second quarter of 2024, with crops and livestock production leading the declines.

It was the biggest drop since the 3.4% contraction posted in the first quarter of 2021.

Former Agriculture secretary William Dar said via Viber that crops like vegetables likely performed in the second quarter because of favorable weather.

Corn and rice are believed to have driven growth in the crops sector, former Agriculture undersecretary Fermin D. Adriano said via Viber.

"Vegetable production will likely increase given good weather," he added.

Crop output, which accounts for half of agricultural production, fell 8.6% year on year in the second quarter of 2024, with production of palay and corn declining 9.5% and 20.3%, respectively.

Sugarcane, onion, tomato, mung bean (*monggo*), and abaca also posted double-digit declines in production.

The Philippine Statistics Authority said last week that palay (unmilled rice) harvest may have increased 13.2% to 4.35 million metric tons (MMT) in the second quarter.

It said as of June 1, almost 90% of the 972,750-hectare standing crop was harvested, yielding palay output of 3.89 MMT.

Mr. Montemayor of the FFF said poultry likely continued to be the "lone bright spot" in agriculture in the second quarter.

"Poultry and fishery production might rebound again because of good weather compared to the same quarter last year when El Niño struck the country," Mr. Adriano said.

Poultry output rose 8.7% year on year in the three months to June 2024, with chicken egg, chicken, duck, and duck egg production rising.

Fisheries output, meanwhile, rose 2.2% in the second quarter of 2024, a turnaround from the 13.8% decline a year earlier, amid gains in the catches of skipjack or *gulyasan*, bigeye tuna, yellowfin tuna, frigate tuna or *tulingan*, P. Vannamei, blue crab, fimbriated sardines, and cavalla or *talakitok*.

"The fisheries sub-sector will likewise post minimal growth," Mr. Dar said.

The analysts said livestock output likely contracted in the second quarter of 2025.

"The piggery sub-sector continues to be posting dismal output due to the prevalence of the African Swine Fever (ASF)," Mr. Dar said.

Hogs account for 12.4% of livestock production.

The Food and Drug Administration has yet to approve a Vietnamese vaccine against ASF for commercial rollout, though Agriculture Secretary Francisco Tiu Laurel, Jr., said in late July that the first 150,000 doses of the AVAC have been distributed.

"Livestock will continue its downward trend due to the persistent spread of ASF," Mr. Adriano said.

The Bureau of Animal Industry reported active ASF cases in 32 barangays across the country as of June 20, down from 64 a week earlier.

As of July 11, the number of affected barangays had declined to 28.

Livestock production fell 0.3% in the second quarter of 2024, reversing the 0.7% expansion a year earlier, led by weak goat, carabao, and hog production.

OPINION

Typhoons, losses, and taxes

LET'S TALK TAX
EDWARD L. ROGUEL

The Philippines, being an archipelago in the Pacific Ring of Fire and a frequent target of tropical cyclones, faces recurring challenges from natural disasters. Just last month, our country was devastated by typhoons Crising, Dante, and Emong, plus the southwest monsoon (*Habagat*), which caused widespread flooding. We are just in the second half of the year, and unfortunately, the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA), is projecting up to 16 cyclones between August and December.

Natural disasters bring not only humanitarian crises but also significant economic disruption. For businesses, the damage can be extensive — destroyed assets, halted operations, and financial losses. While recovery is paramount, understanding the tax implications of such losses is essential for financial resilience.

Typhoons affect businesses in multiple ways, such as damage to property (inventory, building, and equipment, among others), operational downtime, and financial losses. These losses, if properly documented, may be claimed as deductions for income tax purposes. Please note, however, only property used in business may be eligible for deductions.

Under the 1997 Tax Code, as amended, losses to property connected with the trade, business, or profession actually sustained in a taxable year and not compensated for by insurance or other forms of indemnity can be claimed as deductions for income tax purposes. These losses could arise from even ordinary and casual losses.

Casualty losses refer to damage or destruction of property due to unexpected events like typhoons. Taxpayers may deduct such losses from gross income, provided they meet specific criteria.

To be deductible for income tax purposes, the following criteria must be met for losses, whether they are ordinary or casualty losses:

- They must be related to trade, business, or profession;
- They should be actually sustained and written off during the year;
- They should not be compensated for by insurance; and
- They must be evidenced by closed and completed transactions.

It is important to note that the amount of loss that is compensated for by insurance coverage cannot be claimed as a deductible loss. If the insurance proceeds exceed the net book value of the damaged properties/assets, such excess shall be subject to the regular income tax but not to the VAT since the indemnification is not an actual sale of the goods.

Aside from the foregoing requirements, for casualty losses, the taxpayer must also file a sworn declaration of loss within 45 days from the date of the event. The declaration of loss must contain, among others, the nature and timing of the event, a description and location of damaged property, and details necessary to compute the losses (i.e., cost or basis of the property, depreciation allowed value before and after the event, cost of repair, and insurance or compensation received or receivable, among others). It must also be accompanied by supporting documents such as financial statements for the year preceding the event, insurance policies (if applicable), photographs before and after the event, receipts, vouchers, cancelled checks, and police reports (for theft or looting). These documents must be retained and made available during audits of the Bureau of Internal Revenue (BIR).

The deduction of assets as losses must be properly recorded in accounting records, with the adjustment of the applicable amounts and the restoration of the damaged property or the acquisition of the new property to replace it properly recorded and recognized either as repair expenses or capitalized as an asset.

In the event of total loss or destruction, the net book value immediately preceding the natural disaster should be used as the basis for claiming casualty losses and must be reduced by the amount of insurance proceeds received.

While casualty losses affect income tax computations, they also have VAT implications. Insurance proceeds received as indemnification for damaged assets are not subject to VAT. This is because the transaction is not a sale of goods or services but a reimbursement. In BIR Ruling No. OT-406-2022, the BIR also opined that inasmuch as indemnification cannot be regarded as an actual sale of goods, the insurance proceeds derived/to be derived by the taxpayer due to the destruction of its insured assets does not form part of gross sales for VAT purposes pursuant to Section 105 of the Tax Code, as amended.

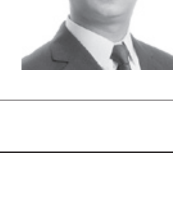
Casualty losses also do not generate output VAT since there is no sale or exchange of goods or services. However, the sale of damaged goods may be subject to VAT.

On the other hand, taxpayers may also claim input VAT on expenses incurred for repairs or replacement of damaged assets, provided such are used in VAT-registered activities and these are supported by VAT invoices containing all information required under the invoicing regulations.

Typhoons are an unfortunate but recurring reality for businesses operating in the Philippines. Beyond the immediate physical and financial damage, these events pose long-term challenges to business continuity and fiscal health. However, with proper documentation and strict adherence to tax regulations, businesses can mitigate some of the financial impact through allowable deductions and VAT considerations. Casualty losses — when substantiated with complete and accurate records — can be deducted from taxable income, offering a measure of relief during recovery. It is essential that businesses maintain a robust system for tracking asset values, insurance coverage, and repair costs to ensure compliance and maximize tax benefits.

Incorporating tax planning into your disaster recovery strategy is not just smart — it's essential. Engage your finance and legal teams to align on documentation, insurance, and tax compliance before the next storm hits. Preparedness is key to resilience.

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.



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