Shipbuilding holds potential to employ 100,000 — ambassador

By Justine Irish D. Tabile
Reporter

LARGE-SCALE shipbuilding in the Philippines has the potential to create 100,000 skilled jobs, Danish Ambassador to the Philippines Franz-Michael Skjold Mellbin said.

"We have this great shipbuilding initiative, which is aimed at bringing large-scale shipbuilding back to the Philippines," Mr. Mellbin told reporters on the sidelines of a seminar on Wednesday.

"We're very excited about that. We believe we can create maybe up to 100,000 jobs in the Philippines through shipbuilding. This is the most important initiative we have. And it will also bring new kinds of technology to the Philippines," he added.

He said the Philippines remains an attractive destination for shipbuilding due to its skilled labor and geographical location, serving as an alternative to shipbuilding in China.

"We actually have several Danish companies that are here either to demonstrate their skills, to share their technology, or actually to cooperate with Filipino companies on building ships here in the Philippines," he said.

"On the naval side, we have a shipbuilding company looking at the possibility of building ships together with our Filipino partners," he added.

However, he said the country needs to take more steps to attract more investment.

PHILSTAR FILE PHOTO

FORMER HANJIN SHIPYARD

"I think it's absolutely essential that on the regulatory side, the government improves the opportunities for doing business here. But there's a lot of work to do," he said.

"There are many steps on the way... but what we are happy about is that the government agencies have come together," he added.

He said corruption is a concern for Danish investors.

"Denmark is the least corrupt country in the world, and the first thing that investors ask me about is good governance and corruption. Unfortunately, there are challenges here in the Philippines, which are well known," he said.

"I'm happy to see that the president and the government have said that they're going to take specific steps to try to improve the situation. This is necessary. Good governance and anti-corruption measures would help improve doing business in the Philippines a lot," he added.

Government agencies are banking on the passage of the Shipbuilding and Ship Repair (SBSR) Development bill to drive investment in the industry amid increasing interest from Europe.

"Yes, this is really very important. In fact, this is being stressed also by our President Ferdinand R. Marcos, Jr.," Transportation Assistant Secretary for Maritime Villamor Ventura S. Plan said.

"*Nakikita niya 'yung importansya ng* maritime industry *natin dito. Ang daming mga* effects *nito sa ating* economy *kasi* (He sees the importance of the maritime industry, which will have substantial impact on the economy)," he added.

He said versions of the bill were filed at the House of Representatives. No similar bill has been filed with the Senate.

"We also have the commitments of several ambassadors from the European Union who will try to visit our legislators to push for this ... (For our part) we will be submitting an endorsement letter also," he added.

Anti-Red Tape Authority (ARTA) Secretary Ernesto V. Perez said the agency is strongly advocating for the passage of the SBSR bill.

"ARTA strongly advocates for the passage of the SBSR Development Act," he said.

He said incentives will likely adhere to the framework of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act, with investors also qualified for the Green Lane for Strategic Investments.

"Without the passage of this bill, we can still move forward because there are enough incentives ... These are all in place for availment by our industries," he added.

MARINA Administrator Sonia B. Malaluan said four versions of the bill were filed with the House of Representatives.

"I hope after all the flood control investigations and the budget hearings, the committee will start deliberating on bills filed," she said.

"There should be a good, consolidated version once the committee starts work. We still need more awareness and information dissemination for people to recognize how shipbuilding in the Philippines is very important and essential to our economy and nation building," she added.

DA farm-to-market road takeover expected to cut costs 20%, accelerate completion

THE Department of Agriculture (DA) said it expects to speed up construction and save at least 20% once it takes over the farm-to-market road (FMR) program from the Department of Public Works and Highways (DPWH) next year.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. was quoted in a statement as saying the savings could allow the DA to build more rural roads with its funding, helping farmers and fisherfolk cut production costs, reach markets faster, and ultimately lower food prices.

The DA said in a statement that building a kilometer of paved, two-lane FMR currently costs around P15 million. With improved internal management and the use of soil stabilizers, the DA aims to reduce the cost to P12 million or less.

The DA's master plan identifies about 131,000 kilometers of potential FMRs, with around 70,000 kilometers already completed.

At the current pace, completing the network could take 60 years, but the DA said it could cut the timeline in half with stronger coordination and smarter spending.

The government initially proposed P16 billion for FMR projects in 2026, enough to construct around 1,000 kilometers of rural roads. The House of Representatives doubled the allocation to P32 billion, following President Ferdinand R. Marcos, Jr.'s directive to redirect flood control funds to priority farm infrastructure. — **Vonn Andrei E. Villamiel**

Subsistence fisherfolk to be enrolled in insurance plan offering quick payouts

THE GOVERNMENT has partnered with global conservation organization Rare and solutions company Willis to launch a pioneering parametric insurance program to protect subsistence fisherfolk affected by extreme weather.

The insurance program aims to cover 14,200 fisherfolk in 24 municipalities. The payout is $100 per policy cycle to compensate for income lost when rough seas, high winds, or heavy rainfall prevent fishing activities.

Parametric insurance pays out set amounts when certain pre-defined trigger events occur. It is not based on the value of actual damage incurred.

The project is supported by the Ocean Risk and Resilience Action Alliance and funding from the governments of Canada and the UK.

The Bureau of Fisheries and Aquatic Resources, which will serve as the policyholder for the pilot program, will provide coverage to registered fisherfolk who commit to sustainable practices.

The parametric product uses a weather index that measures wind speed, sea state, and rainfall to automatically trigger payouts when conditions exceed thresholds.

The coverage is backed by the Natural Disaster Fund, a public-private partnership between the UK and German governments.

"With over 1.9 million registered small-scale fishers relying on the nearshore for their livelihoods, the impacts of climate change, such as high winds, rough seas, and heavy rainfall, pose increasing risks to their safety and income," Christopher Au, head of Willis's Asia-Pacific Climate Risk Centre, was quoted as saying in a statement.

Rare CEO Brett Jenks said the pilot adapts parametric insurance, traditionally used for assets, to protect people directly, easing financial strain on fisherfolk and promoting ecosystem resilience.

The Philippine Crop Insurance Corp., which is also involved in the project, said the pilot results will be evaluated for possible national rollout. — **Vonn Andrei E. Villamiel**

BIR wants more agencies to participate in campaign to crack down on illicit tobacco

MORE AGENCIES need to be involved in the crackdown against illicit tobacco products trade, Internal Revenue Commissioner Romeo D. Lumagui, Jr. said.

"It's not just the BIR's (Bureau of Internal Revenue) responsibility," he told *BusinessWorld* on the sidelines of a House hearing on Tuesday.

"We're doing everything we can to monitor the illicit trade, but so much still gets through, and it's beyond our control," he added.

The Department of Finance has estimated that around P52 billion in revenue each year is foregone due to the illicit tobacco trade.

Asked about his views on adjusting taxes on novel tobacco products, Mr. Lumagui declined to answer, deferring to the Department of Finance.

Legislators have filed House Bills 5207, 5212, and 5364, which propose to lower taxes on vape and heated tobacco products.

The tobacco industry contends that high taxes are encouraging the illicit trade, though Action for Economic Reforms blames weak enforcement and governance gaps.

Tobacco taxation expert and former World Bank Senior Economist Roberto Iglesias said novel tobacco products may be ripe for higher tax rates as consumption rises, giving the government an opportunity to boost revenue.

"The problem is a governance problem, a law enforcement problem, not a tax policy problem, in and out," Mr. Iglesias said when asked if lowering rates could curb the illicit trade.

He warned against rate reductions, citing Brazil's experience.

"In Brazil, we tried reducing rates to fight illicit trade, (but they were still) much, much cheaper. So even with a tax reduction, (illicit traders were still) able to do business," he said.

Mr. Iglesias cited the need for cross-border cooperation with neighboring countries to address illicit trade.

He said bilateral diplomatic conversations with China and Indonesia are necessary to help the law enforcement effort. — **Aubrey Rose A. Inosante**

OPINION

The power of paper: Documenting tax compliance

TAXWISE OR OTHERWISE
MARVIN JOSEPH MANUEL

As the Halloween season ends, the Philippines continues to be haunted by "ghosts," manifested in the form of ghost projects or ghost receipts. While these issues may seem unrelated, they share a common challenge in ensuring that transactions are properly documented. Adequate documentation is crucial in preserving an audit trail that validates the construction of infrastructure and the payment of taxes, establishing transparency and accountability that are imperative for economic stability and governance.

The Bureau of Internal Revenue (BIR) has taken significant steps against ghost receipts through its Run After Fake Transactions (RAFT) program. This initiative has resulted in the filing of multiple criminal and civil cases against those who have allegedly bought and sold fake receipts to illegitimately inflate their expenses or claim undue input VAT credits. The proliferation of fake receipts unjustly reduces the income tax and VAT liabilities of those who use them. While cracking down on fake receipts addresses tax leakages caused by overstated expenses, it may not be as effective in tackling leakages through understated revenue.

There are multiple ways to fight understated revenue. Tax auditors usually compare the differences between financial statements and tax returns to help identify misstatements and underreporting. Since financial statements are presumed to fairly present the financial position of the taxpayer, any irreconcilable discrepancies in the revenue reported in the financial statements with that reported in tax returns are indications of possible understatement.

The BIR may also resort to using third-party information under the BIR's Reconciliation of Listings for Enforcement (RELIEF) System, where any inconsistencies reported by the taxpayer and those by third parties are assumed to indicate possible underdeclaration of revenue. Theoretically, every transaction results in revenue on the part of the seller and expenses on the part of the buyer. While buyers have the option to claim a lower expense, more often than not, buyers are likely to report their expenses in full to offset against revenue and reduce tax liabilities. This information may then be compared against the revenue reported by the seller. In such cases, the seller is usually left with the burden of reconciling differences based on the disclosures of other taxpayers.

In theory, the RELIEF system is a valuable tool in ascertaining a taxpayer's tax liabilities. However, it is not without downsides. Since the taxpayer is often not privy to the facts behind the third-party information, it is generally unable to accurately address the discrepancies identified. Moreover, RELIEF effectively assumes that the third-party information is accurate while the disclosures of the taxpayer being audited are not. As repeatedly held by our courts, tax assessments should not be based on mere presumptions no matter how reasonable or logical such presumptions may be. The presumption of correctness cannot be made to rest on another presumption. Thus, findings primarily based on RELIEF can be refuted solely on this ground, unless further supplemented by other information which will give the taxpayer sufficient information to provide a reconciliation.

Intense enforcement operations have been implemented by the BIR through its Oplan Kandado program, which imposes administrative sanctions for non-compliance with essential requirements such as the issuance of receipts, filing of returns, declaration of taxable transactions, among others. This is primarily implemented through covert surveillance, overt surveillance, or short-duration surveillance. In case the taxpayer is found with certain violations, such as the non-issuance of receipts of a VAT registered taxpayer, the BIR may ultimately order the closure of the establishment for not less than five days, to remain in force until the violation is rectified.

Aside from the usual audit, technological innovations like the Electronic Invoicing/Receipting System (EIS) aim to ensure the reliability of sales and purchase data, which may further reduce opportunities for tax evasion. Under the EIS, taxpayers engaged in the export of goods and services, electronic commerce, and large taxpayers are required to issue electronic receipts and invoices, which allow the transmission of sales data directly to the BIR. Strengthening the integrity and reliability of sales data should provide a more accurate way of investigating tax liabilities. However, implementation of the EIS has been a bit slow.

More interesting measures have been implemented in other countries such as Taiwan's receipt lottery system. Instead of imposing penalties and empowering the tax agency with broader audit functions, Taiwan has approached the issue more positively. The receipts issued by establishments contain lottery numbers. This encourages consumers to ask for receipts, ensuring that a paper trail is available for tax purposes. The lottery ticket embedded within the receipt is claimed to increase tax compliance passively, by embedding it in consumer behavior. Similar campaigns have been launched by the BIR in the past which require the registration of the receipt through Short Messaging System (SMS) to qualify as a valid entry. Given the success of the previous campaigns, it may be worthwhile to consider incorporating a similar program during the development of the Electronic Invoicing System.

Ideally, there should be no need to coerce or incentivize people to pay their taxes. However, it is equally understandable why some hesitate when trust in the system is compromised. The power of paper is clear; it can either be a conduit of corruption or a catalyst for progress. When taxpayers truly feel the benefits of their contributions, compliance feels less like an obligation and more like a civic duty.

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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