

# Economist wants to tie tax cuts to solar investment

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*BW FILE PHOTO*

THE PROPOSED five percentage point reduction in corporate income tax should be conditional on major firms investing the savings on job-generating projects like green energy, economist and National Scientist Raul V. Fabella said.

The government could require the top 1,500 corporations to install rooftop solar panels before they can avail of the reduced 25% income tax rate, according to Raul V. Fabella, a former professor at the University of the Philippines School of Economics.

Mr. Fabella said the energy generated can be held in storage and account for 20% of the company's daytime power use.

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“This will open up a new investment avenue for large businesses and provide a new growth spark for the recovering Philippine economy. The 5% tax differential will serve as a contingent tax on idle rooftops, which tax liability disappears as soon as the condition of solar PV installation and storage is met,” he said in a note sent to journalists Wednesday.

The Corporate Recovery and Tax Incentives for Enterprises Act bill is currently pending in Congress. It seeks to lower the corporate income tax to 25% from 30% and reform the fiscal incentive system.

The measure forms part of the economic team’s recovery plan and is expected to cost the government P625 billion in foregone revenue over the next five years.

Private companies are unlikely to boost production while demand is weak, Mr. Fabella said, but they might consider investments that will reduce production costs to prepare for when the economy starts to fully recover.

He added businesses will remain risk-averse during an economic downturn and may end up parking their funds in risk-free assets such as government securities and central bank deposits.

“While this can be done in other ways, installing rooftop solar PV (photovoltaic) generation and storage ensures an investment that is socially beneficial, market guided and of short gestation,” he said.

He said similar alternatives can be offered to companies that do not have rooftop space, provided these meet the required market sustainable investment criteria.

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Companies can also rent idle rooftops to install solar panels, or establish independent power storage or rooftop rental businesses that will serve the grid.

In a report last month, ING Bank NV Manila Branch said the government's budget allocation for "green" projects in its stimulus package was zero.

"The private sector has for decades complained but left the government to solve the poor quality and high cost of power in the country. Now is the time to be part of the solution. Resilience will be best served when large corporations twin the solar PV installations with a battery storage facility," Mr. Fabella said.

He said the bill can also expand its scope and include the condonation of loans of agrarian reform beneficiaries worth P58 billion to make the industry "fairer and more investment-inducing."

Second-quarter gross domestic product (GDP) contracted by 16.5%. Economic managers are expecting 2020 GDP to settle between -4.5% and -6.6%. —

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