

Pandemic-related insurance payouts top P16B

INSURANCE PAYOUTS associated with the pandemic since the start of the public health crisis amounted to P16.71 billion by the end of 2021, with paid claims during the year more than triple the 2020 level, the Insurance Commission (IC) said.

An IC survey of 130 insurance firms, health maintenance organizations, and mutual benefits associations found that payouts totaled P12.82 billion in 2021, against the P3.89 billion disbursed in 2020.

"It is amazing to note that claims paid in 2021 (are) more than triple the total claims paid for the year 2020," Insurance Commissioner Dennis B. Funa said in a statement on Monday.

Life insurance companies issued payouts of P9.05 billion in total coronavirus disease 2019 (COVID-19)-related claims in both years.

Health maintenance organizations accounted for P6.45 billion, while mutual benefit associations

and non-life insurance companies paid out P833 million and P382 million, respectively.

"The figures as regards pandemic-related claims paid show an upward trend for the months of January to May 2021, dipping slightly in June," Mr. Funa said.

Claims paid increased before peaking in September, then fell again in the last three months of last year.

During the September 2021 peak, claims paid hit P1.4 billion.

More than half of the claims last year — P6.85 billion — were death benefits. In-patient benefit amounted to P3.37 billion, or more than a quarter of the 2021 total. Outpatient claims were P1.93 billion.

"This latest survey conducted by the IC highlights the sustained resilience of our regulated entities against the challenges posed by the COVID-19 pandemic," Mr. Funa said. — **Jenina P. Ibañez**

Spot market prices fall in Feb. as power firms resume operations

THE AVERAGE wholesale electricity spot market rate fell 13% in February following the improvement of supply with several power generators returning from outages, the Independent Electricity Market Operator of the Philippines (IEMOP) said on Monday.

Rates fell to P6.09 per kilowatt-hour as of late February from P7.07 in January, after the supply of power increased by 5.86% or 771 megawatts (MW), the market operator said in a statement.

"We have experienced a sufficient level of supply throughout

the month of February. Of course, as a normal trend every February, we experienced new increase in demand as compared to the previous month from January," according to John Paul S. Grayda, IEMOP Manager for Market Simulation and Analysis, said in a virtual briefing.

Mr. Grayda said demand also rose to 9,700 MW from 8,500 MW previously as economic activity picked up.

In December, the Energy Regulatory Commission (ERC) suspended market operations on the Visayas grid after Typhoon

Odette (international name: Rai) damaged transmission facilities in the region. The market returned to operations on Feb. 9 after Bohol was reconnected.

Separately, the second unit of GNPower Dinginin Ltd. Co.'s (GNPD) supercritical coal-fired power plant will enter the testing phase on the first week of May.

GNPower Dinginin, located in Mariveles, Bataan, has two units rated at 668 MW each.

The first unit commenced operations in January. The second unit's timetable for entering commercial operations will depend

on the results of testing and the timing of the ERC's issuance of a Certificate of Compliance, GNP Vice-President Roberto B. Racelis, Jr. told *BusinessWorld* by phone on Monday.

Once the second unit starts operating, no other major capacity additions are expected this year, the market operator has said.

The IEMOP has projected 929.5 MW of additional capacity coming onstream in Luzon, 34.67 MW in the Visayas, and 143.60 MW in Mindanao by June, including GNP's output. — **Marielle C. Lucenio**

Revenue from marked fuel tops P378B

TAXES collected from marked fuel products amounted to P378.35 billion as of last week, counting back to 2019 when the program started, the Department of Finance said.

The volume of marked fuel exceeded 37 billion liters dating to Sept. 4, 2019, Finance Secretary Carlos G. Dominguez III said in a Viber message.

As of Feb. 24, revenue collected included P348.54 billion in Customs duties, along with P29.81 billion in excise tax.

Almost three-quarters of the fuel was marked in Luzon, with more than a fifth in Mindanao and 5% in the Visayas.

Diesel accounted for more than 60% of the total, while gasoline had a 39% share. Kerosene accounted for the remainder.

The program seeks to deter fuel smuggling by injecting a special dye into the products to signify tax compliance. The absence of the dye is an indication the fuel was smuggled.

In 2021, the Bureau of Customs (BoC) collected nearly P166 billion in duties from the fuel marking program.

The BoC last year marked over 17 billion liters of gasoline, diesel, and kerosene.

In total, Customs collections in 2021 hit P645.77 billion, or 20% higher than the previous year and 4.7% above the bureau's target as international trade rebounded after the pandemic-driven economic downturn. — **Jenina P. Ibañez**



Crowdfunding licenses issued to SeedIn Technology, Eastern Securities



SEEDIN TECHNOLOGY, Inc. and Eastern Securities Development Corp. have received permanent crowdfunding licenses from the Securities and Exchange Commission (SEC) in lieu of one-year provisional licenses.

"The grant of the permanent license to crowdfunding intermediaries and funding portals is part of the Commission's efforts to promote crowdfunding as a safe and sustainable investment option for Filipino investors and to provide more fundraising options

for the country's SMEs (small and medium enterprises)," the SEC said in a statement on Monday.

SeedIn Technology and Eastern Securities' applications to register as crowdfunding intermediaries were approved during the Feb. 23 meeting of the commission, sitting en banc. The companies now have to comply with the remaining requirements.

SeedIn Technology raises funds from investors for lending to Philippine SMEs. Singapore-based SeedIn Technology Hold-

ing Pte. Ltd. owns a majority stake in the firm.

The SEC said SeedIn Technology's platform matches borrowers with registered investors, who are required to have bank accounts with a Philippine financial institution. Investors may also lend money through the platform via a foreign bank, subject to certain rules.

SeedIn Technology's operations will be monitored by the SEC Markets and Securities Regulation Department for a year.

Eastern Securities is a stockbroker. Its Round One Platform will be the first equity-based crowdfunding platform to be licensed in the Philippines. It is also subject to initial monitoring, with the commission authorized to request data from the company for the first two years of its operations.

Both equity issuers and investors can use its Round One Platform, where issuers can conduct their fundraising activities. — **Keren Concepcion G. Valmonte**

OPINION

New year, new corporate income tax rate for ROHQs

It has been almost a year since Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. It took effect on April 11 last year. Its central focus is to lower corporate income tax rates for domestic and foreign corporations to mitigate the effects of the COVID-19 pandemic on our economy. However, this is not the case for Regional Operating Headquarters (ROHQs), which in the past

enjoyed a preferential income tax rate of 10%. With the passage of the CREATE Law, effective Jan. 1, 2022, ROHQs shall now be taxed at 25% Regular Corporate Income Tax (RCIT) or 1% (until June 30, 2023) / 2% Minimum Corporate Income Tax (MCIT), whichever is higher.

ROHQs AS DEFINED

Section 22 (EE) of the National Internal Revenue Code (NIRC) of 1997 defined ROHQs as branches established in the Philippines by multinational companies which are engaged in the provision of the following services to its affiliates, subsidiaries, and branches in the Philippines: general administration and planning; business planning and coordination; sourcing and procurement of raw

materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistics services; research and development services and product development; technical support and maintenance; data processing and communication; and business development. The company shall not

directly and indirectly solicit or market goods and services, whether on behalf of the parent company, branches, affiliates, subsidiaries, or any other company. In the same manner, it cannot directly or indirectly engage in the sale and distribution of goods and services of its mother company, branches, affiliates, subsidiaries, or any other company. In the eyes of our existing tax laws, ROHQs are treated as resident corporations that are taxable only on their income derived from sources within the Philippines.

PREFERENTIAL INCOME TAX RATE OF 10% PRE-CREATE

Before the passage of the CREATE Law, ROHQs were subjected to 10% preferential income tax rate on their taxable income derived from all sources within the Philippines. Hence, income earned outside the Philippines was treated as

exempt for income tax purposes. Meanwhile, ROHQs subject to the preferential income tax rate under Section 28 (A)(5) of the Tax Code are not liable for the MCIT of 2%, nor are they entitled to elect the Optional Standard Deductions as their method of deduction in their income tax return.

REGULAR CORPORATE INCOME TAX OF 25% UNDER CREATE

Effective Jan. 1, 2022, pursuant to the CREATE Law and Revenue Regulations No. 05-2021, ROHQs are subject to 25% RCIT. As a result, just like other resident foreign corporations, in general, pursuant to Section 28(A)(2) of the Tax Code, ROHQs are subject to 1% (until June 30, 2023) and 2% MCIT. MCIT is computed based on the cumulative gross income multiplied by the applicable MCIT rate. It is applicable only on the fourth taxable year immediately following the taxable year in which the company commenced its business operations.

In the Revenue Regulations, the BIR issued guidelines on how to compute income tax due using the revised rates. If the company follows a calendar year, for the taxable year ending Dec. 31, 2022, the company must pay income tax equivalent to the RCIT or MCIT, whichever is higher. However, in computing

the income payable for 2023, the MCIT rate from Jan. 1 to June 30, 2023 is 1%, and for July to Dec. 31, 2023, 2%. Thus, the MCIT rate to be used would average 1.5%. Any excess of the MCIT over the normal income tax is to be carried forward and credited against the normal income tax for the three immediately succeeding taxable years.

As a result of the change in the corporate income tax rate for ROHQs, under Section 34 (L) of the Tax Code, in lieu of the allowed itemized deductions under the same section, ROHQs may now elect a standard deduction in an amount not exceeding 40% of its gross income. "Gross income" means gross sales or receipts less sales returns, allowances, discounts, and cost of goods sold or cost of services. The corporation needs to signify in its first quarter income tax return its intention to elect the optional standard deduction. Otherwise, it will be considered as having availed itself of the allowed itemized deductions. Such election, when made in the return, is irrevocable for the taxable year for which the return is made. Provided, that except when the Commissioner of the Internal Revenue otherwise permits, the corporation must keep records pertaining to its gross income as defined in Section 32 of the Tax Code during the taxable year, as

may be required by the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

The preferential tax rate is one of the most beneficial incentives for ROHQs. The removal of this incentive might have consequences such as reduced operations, loss of jobs, decreased spending, and lower competitive advantage. On the other hand, such a preferential tax is disadvantageous to local investors. Hence, removal of such incentives will level the playing field for foreign and local companies. But at the end of the day, what we hope to see is that such tax reforms help our economy thrive especially during trying times.

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TRISHA AMOR M. GATDULA is a senior in charge from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd. pagranthornton@pgt.com

