

Chamber wants next gov't to focus on agriculture

THE NEXT government needs to grant priority status of agriculture and education, according to the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII).
FFCCCII President Henry Lim Bon Liong said agriculture and education form the basis of the rise to power of the US and China.
“I think all candidates should prioritize (agriculture and education),” Mr. Lim Bon Liong said in a television interview on Monday.
He expressed hope for continuity with the approach taken by

the Duterte administration, especially its decision to seek friendly relations with China and other neighbors.
“We support whoever will be the duly elected president. But, as far as the different candidates are concerned, the federation is looking at a candidate that will continue the legacy of President Duterte in dealing with our neighbors,” Mr. Lim Bon Liong said.
He expressed the hope that the two candidates leading the surveys, former Senator Ferdinand R. Marcos, Jr. and Vice-President Maria Leonor G. Ro-

breto take a similar approach to China relations.
“Both Mr. Marcos and Ms. Robredo are acceptable to us. But, of course, hopefully both of them will have the same stand of trying to get as (many) possible concessions from our giant neighbor, China,” Mr. Lim Bon Liong said.
Mr. Lim Bon Liong said that the country is expected to be “back to normal” soon if drastic quarantine restrictions do not return.
“Right now, with Alert Level 1, a lot of people are going back to

work. We are fully open and we are back to business. Those that we have temporarily laid off, we are getting them back already. We hope that the government will not go back to Alert Level 2 or 3,” Mr. Lim Bon Liong said, referring to the quarantine settings with more restrictive caps on mobility and capacity of business establishments.
“As long as we are under Alert Level 1 or we can go to Alert Level 0 that would be even better. I think we will be back to normal pretty soon,” he added. — **Revin Mikhael D. Ochave**



Gov't seeking to revive Korean visitor market

THE Department of Tourism (DoT) said it is targeting a recovery in arrivals from South Korea in order to drive the tourism industry's recovery.
In a statement on Monday, the DoT said it met with the South Korean travel industry and regulators between March 28 and April 1 in a bid to increase visitor traffic from there.
The Philippine delegation included representatives from Philippine Airlines and Cebu Pacific Air, Inc., which met their counterparts from Asiana Airlines, Inc. and South Korean low-cost carriers Air Seoul, T'way, Jin Air, Jeju Air, and Fly Gangwon. The delegation also met with the South Korean Ministries of Foreign Affairs and Trade, Industry and Energy.
“The Philippines is more than ready to welcome our Korean tourists. Our entry requirements are one of the safest and most relaxed in Asia. It is understandable that some may still be reluctant to travel amid the pandemic but let me reassure you that the Philippine government and tourism industry have instituted measures to keep everyone safe,” Tourism Secretary Bernadette Romulo-Puyat said during a meeting with the South Korean travel industry on March 30.
Ms. Puyat said that 97% of the Philippines' tourism workers and other stakeholders are vaccinated.
“With the majority of the country's tourism workers being fully vaccinated, we have begun rolling out our booster shots for added protection. We hope that these efforts will help entice visitors to return, especially now that we have developed many new tourism circuits catering to the interests of tourists in this new era of travel,” Ms. Puyat said.
According to the DoT, visitor arrivals from South Korea amounted to 1.98 million in 2019, making it the Philippines' leading source of tourists.
Since the borders reopened on Feb. 10, the Philippines has tallied 5,551 visitors from South Korea.
“Other than its natural beauty, the lure of the Philippines to South Korean tourists can be partly attributed to the proximity of the Philippines, which takes only three and a half hours by air. The emergence of low-cost carriers, resulting in frequent flights and reasonable travel costs, and good quality of service have also attracted Korean tourists to the Philippines,” the DoT said.
In a television interview, Ms. Puyat said that the Philippines has logged 176,857 visitor arrivals since it reopened its borders on Feb. 10 with eased quarantine requirements for vaccinated travelers.
She said the top source of visitors since the reopening are the US, Canada, and the UK.
“The requirement to enter the Philippines is to be fully vaccinated and have either a negative reverse transcription-polymerase chain reaction (RT-PCR) test 48 hours before going here or negative lab-based antigen test 24 hours before departure,” Ms. Puyat said. — **Revin Mikhael D. Ochave**

SIPP draft lists ‘green’ projects, R&D as eligible for incentives

A DRAFT of the Strategic Investment Priority Plan (SIPP) retains all the priority industries listed in the 2020 plan while creating two other tiers for “green” industries and research and development (R&D) activities, among others.
The draft, which was released to the media by House Ways and Means Committee Chairman and Albay Rep. Jose Ma. Clemente S. Salceda, remains unsigned but appears to be set for implementation via executive order (EO). The draft itself that Mr. Salceda released appears to be set to go out initially as a memorandum order to be issued by the Office of the President (OP), over the signature of Executive Secretary Salvador C. Medialdea.
The latest version of SIPP will be a companion document to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law and seeks to identify the industries to which the government hopes to attract investment by offering tax incentives.

According to the draft, Tier I consists of industries included in the 2020 version of the SIPP. The 2020 SIPP was carried over as a transitional list pending the release of a new SIPP that conforms to the provisions of CREATE, which took effect in April 2021.
Tier II was defined as activities “that are supportive of a competitive and resilient economy and will fill in gaps in the Philippines’ industrial value chains, which are critical in promoting green ecosystems, ensuring a dependable health system, achieving robust self-reliance in defense systems, and transforming industrial and agricultural sectors to being modern, competitive, and resilient,” according to the draft.
Tier III will include activities which are “supportive of the acceleration of the transformation of the economy primarily through the application of research and development (R&D) and attracting technol-

ogy investments.” The tie also proposes to incentivize equipment and parts manufacturing and services related to new technologies, as well as the commercialization of R&D.
A draft foreword to the SIPP that was to go out in the name of Trade Secretary Ramon M. Lopez listed the Tier I projects as follows: various manufacturing activities including agro-processing projects; strategic services; healthcare and disaster risk reduction management services; mass housing; infrastructure and logistics projects including public-private partnerships entered into with local governments; innovation drivers, innovative business models, environment or climate-change-related projects; and energy.
Tier I also incentivizes export activities and other projects granted incentives by special laws.
According to a draft message that was to go out in the name of President Rodrigo R. Duterte that

was attached to the draft SIPP, the President expressed hope that the plan will allow the Philippines to “attract more investments that will help propel economic recovery beyond the pre-pandemic levels while promoting sustainable inclusive growth, which will put us back on track towards upper-middle income country status in the long term.”
CREATE is the second package of the Comprehensive Tax Reform Program. It reduces the corporate income tax rate to 20% from 30%, and makes fiscal incentives more time-bound and performance-based.
According to Mr. Lopez of the Department of Trade and Industry, the Palace is due to receive a draft EO this week to implement the SIPP.
“The details of the executive order have been finalized also by the technical working group, and the draft EO on SIPP will be transmitted to OP this week,” Mr. Lopez said in a Viber message. — **Jaspearl Emerald G. Tan**

Anti-counterfeiting activities planned for rest of Philippines

THE National Committee on Intellectual Property Rights (NCIPR) said it will expand its activities to the rest of the country soon in order to address what it considers to be the proliferation of counterfeit goods.
According to the Intellectual Property Office of the Philippines (IPOPHL), which is one of the 15 members of the NCIPR, the next target area will be Baguio.
IPOPHL Deputy Director General Teodoro C. Pascua said in a virtual press conference on Monday that planned activities in Baguio include inspections and possible raids of establishments selling counterfeit items.
“We are going out. We are reaching out to the other outskirts. We are focusing on Metro Manila first because this is the center (of counterfeiting),” he added.
IPOPHL has announced that the NCIPR seized P24.9 billion worth of counterfeit goods in 2021, against P9.8 billion in 2020.
Mr. Pascua noted that sellers of counterfeits have taken advantage of ease-of-doing-business rules.
“Our desire to facilitate business sometimes is also being abused by these counterfeiters,” Mr. Pascua said, without elaborating.
Mr. Pascua disclosed that the National Bureau of Investigation executed a search warrant in Greenhills Shopping Center in San Juan on Monday, while the Bureau of Customs conducted a raid in an unspecified location.
Greenhills Shopping Center was listed among the 35 physical markets known for counterfeiting and piracy in the 2021 Review of Notorious Markets for Counterfeiting and Piracy issued by the US Trade Representative.
The report found that sellers of counterfeit goods in the mall are growing bolder in displaying the items compared to previously, when they were more discreet. — **Revin Mikhael D. Ochave**



JOB OPENING
OPERATION MANAGER
Qualifications:
• Bachelor's/College Degree in any field
• Knowledge of organizational effectiveness and operations management
• Familiarity with business and financial principles
RICEMAC PHILTRADE CORP.
General Luis Street, Brgy. Nagkaisang Nayon, Novaliches, Quezon City
#190 Unit A1, Send your resume to ricemacphiltrade@gmail.com

Clarifications on tax treatment of PAGCOR, its licensees and contractees

OPINION

Under its Charter, the Philippine Amusement and Gaming Corp. (PAGCOR) was given the mandate to regulate, operate, authorize, and license games, particularly casino gaming. Through this mandate, PAGCOR is expected to generate revenue for the government's socio-civic and national development programs, as well as help promote the tourism industry.
Not known to everyone, PAGCOR paid a staggering P5.2 billion worth of taxes to the Bureau of Internal Revenue (BIR). This amount represents the 5% franchise tax on PAGCOR and its Licensees/Proponents based on its annual audit report for the year 2020 posted on PAGCOR's website.
In a bid to collect correct and complete taxes, the BIR issued last March 29 Revenue Memorandum Circular (RMC) No. 32-2022 with the purpose of clarifying the tax treatment of PAGCOR and its licensees and contractees on their income derived from gaming/casino operations and from other related services.
Below is a summary of the RMC:

LET'S TALK TAX NIKKOLAI F. CANCERAN

license fees from private casino gaming, internet sports betting, and private mobile gaming operations; regulatory/license fees from private poker operations; regulatory/license fees from private junket operations; regulatory/license fees from SM demo units; regulatory/license fees from all other electronic derivatives of brick-and-mortar games regulated by PAGCOR; and income from other necessary and related services, shows, and entertainment.
Likewise, PAGCOR's other incomes that are not connected with the above operations are also subject to CIT, VAT, and other applicable taxes under the Tax Code.
Constituted as a withholding agent, PAGCOR shall withhold the appropriate taxes on compensation given to its employees and on income payments to local and foreign suppliers. Moreover, PAGCOR must also collect a qualifying fee from players and remit the same in accordance with the existing laws and regulations.
TAX TREATMENT OF PAGCOR'S LICENSEES
a. *Income from gaming operations*
PAGCOR's licensees' income from the operation of casinos shall be exempt from regular CIT upon payment of the 5% franchise tax since the law is clear that said exemption inures and extends to their benefits.
For VAT purposes, however, the exemption extends only to those individuals or entities that have contracted with PAGCOR; hence, PAGCOR contractees and not licensees. As such, the licensees' revenue from gaming operations, involving sale of goods and/or services in the course of trade or business, are generally subject to VAT. But should the licensees be contracted with PAGCOR in connection with the latter's gaming operations, then the sale of goods and/or services performed with PAGCOR in relation to such gaming operations is subject to 0% VAT.
b. *Income from other related services/operations*
Income realized by PAGCOR's licensees from other related services/operations shall be subject to regular CIT, VAT, and other applicable taxes under the Tax Code.
TAX TREATMENT OF PAGCOR LICENSEES LOCATED IN ECOZONES/FREEPORTS
a. *Income from gaming operations*
Income from gaming operations shall be subject to 5% franchise tax. For VAT purposes, the sale of goods and/or services in the course of trade or business is generally subject to VAT. However, if the Licensees are also contracted with PAGCOR in connection with

the latter's gaming operations, then the sale of goods and/or services performed with PAGCOR in relation to such gaming operations is subject to 0% VAT.
b. *Income from registered other services/operations*
For licensees that are located in ecozones/freeports, their income realized from services/operations that are duly registered with their concerned Investment Promotion Agency (IPA) shall be subject to either 5% gross income tax (GIT) or income tax holiday (ITH), whichever is applicable.
Under the 5% GIT, the licensees are exempt from regular CIT and VAT. On the other hand, under ITH, they are exempt from regular CIT but subject to VAT.
c. *Income from unregistered other services/operations*
Income realized from related services/operations that are not duly registered with the concerned IPA shall be subject to regular CIT, VAT, and other applicable taxes under the Tax Code.
TAX TREATMENT OF PAGCOR CONTRACTEES
a. *Income from contract with PAGCOR*
PAGCOR contractees' revenue derived from their contract with PAGCOR in connection with the latter's gaming operations shall be exempt from regular CIT upon payment of the 5% franchise tax. However, for VAT purposes, the goods they provided to and/or services they performed for PAGCOR in relation to such gaming operations are subject to 0% VAT.
b. *Income from non-gaming revenues or from other related services*
These incomes are subject to regular CIT, VAT, and other applicable taxes under the Tax Code.
REMITTANCE OF THE 5% FRANCHISE TAX
The 5% franchise tax shall be payable directly to the BIR, specifically to the concerned Revenue District Office (RDO) where the licensee is registered. This franchise tax is different and distinct from the license/regulatory fees paid by licensees to PAGCOR.
All concerned taxpayers are enjoined to be guided accordingly.
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.
.....
NIKKOLAI F. CANCERAN is a partner from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd. **pagnanthornton@ph.gt.com**

