

Marcos asked if he plans to raise taxes to fund priority programs

THE ADMINISTRATION has been asked for its funding plan for the priority programs spelled out by President Ferdinand R. Marcos, Jr. during his address to Congress delivered on Monday, particularly whether new taxes are to be imposed.

“The President has presented a very compelling vision of which the country should unite around,” Senator Francis Joseph G. Escudero said in a statement. “What follows is the hard part of funding those dreams.”

He was particularly concerned whether the Department of Finance will raise new taxes to meet its goals, which Mr. Escudero said will be a burden on the population.

During the President’s first State of the Nation Address

(SONA), Mr. Marcos promised to modernize and upgrade the healthcare system. He cited plans to devolve to the countryside specialty hospitals currently located in the capital like the Philippine Heart Center, National Kidney and Transplant Institute, and Lung Center of the Philippines — all built during his father’s presidency.

He also promised to expand the Build, Build, Build infrastructure program through public-private partnerships, spurring economic growth in remote areas.

“Every government program carries a price tag, often hidden, while the purported benefits are highly praised. Lost in the euphoria is the fact that it is the people, and nobody else, who

will eventually pay for them. The buck begins with the taxpayer,” Mr. Escudero said.

“How do they intend to fund the projects mentioned by the President? Will it be through new taxes or new borrowing? Will the people pay in pain right now through higher taxes or will the government just take out a mortgage on our children’s future?” he added.

At a news conference on Tuesday, Senator Ana Theresia N. Hontiveros-Baraquel called the economic roadmap laid out in the SONA “unclear” on the matter of how the targets will be achieved.

“There are so many priorities but when the plan is that ambitious, the revenue genera-

tion should also be ambitious,” she said.

Mr. Escudero said a clear and comprehensive proposal should be made on the proposed value-added tax on digital services and e-commerce transactions.

“There is no doubt that the people have united behind the President’s articulation of their aspirations. But unity is soluble in taxes — high and unfair taxes,” he said.

Congress will soon begin budget deliberations for the 2023 General Appropriations Act. Mr. Escudero said he was looking forward to receiving the proposed P5.2-trillion national budget to judge the adequacy of the funding for the government’s program. — **Alyssa Nicole O. Tan**



Globe ready to support digitalization in health, education, fintech

GLOBE Telecom, Inc. said it is ready to support the government’s digitalization efforts, particularly in government services, healthcare, education and fintech, for which its broadband and technology solutions will serve as critical infrastructure.

The company said Globe’s services are a good fit with the Marcos administration’s plan to digitalize government processes and provide universal connectivity, which President Ferdinand R. Marcos, Jr. highlighted in his address to Congress on Monday.

“The administration can count on the universe of Globe’s digital solutions — from new technologies our core telco business offers to our portfolio companies in and more — to provide innovative services to make its digitalization and connectivity goals a reality,” Globe President and Chief Executive Officer Ernest L. Cu said in a statement on Wednesday.

“Globe also fully supports the President’s call for an e-commerce law that aims to protect consumer rights, data privacy and intellectual property,” he added.

The group is intensifying its online anti-piracy campaign in conjunction with the Intellectual Property Office of the Philippines and the Asia Video Industry Association.

According to Mr. Cu, the President’s State of the Nation Address (SONA) “very much echoes Globe’s long existing programs on digital enablement,

intellectual property and clean energy, reflecting our shared goal to see a Filipino nation admired.”

“This fuels our fire in consistently bringing reliable services and solutions towards digital enablement.”

Mr. Marcos said he has tasked the Department of Information and Communications Technology to ensure digital connectivity across the archipelago.

“This will be done through the implementation of the National Broadband Plan, the common tower program, connecting our geographically isolated and disadvantaged areas (GIDA) via our ‘Broad Band ng Masa’ project,” he said in his SONA.

“These may be through a combination of terrestrial or submarine fiber optics, wireless and even satellite technology,” he added.

He called for the deployment of “breakthrough technologies” such as quantum computing, artificial intelligence, nanotechnology, the internet of things, robotics, self-driving electric vehicles, 3D printing, and virtual and augmented reality to revolutionize the way business is done.

The new administration is expecting an increase in direct investment from overseas as a result of the amended Public Service Act, which has opened doors and removed restrictions on foreign investment in key industries. — **Arjay L. Balinbin**



PHL posts decline in rice, corn inventory at start of June

THE Philippines’ inventory of rice fell 12.3% year on year to 2,220.21 thousand metric tons (MT) on June, according to the Philippine Statistics Authority (PSA).

“Relative to the May 2022 inventory level of 2,279.96 thousand MT, the current rice stocks inventory dropped by 2.6%,” the PSA said in a report.

Rice declined across all three categories holding inventory. Stock held by the National Food Authority (NFA) was down 22% year on year, by commercial warehouses/wholesalers/retailers down 15.2%, and by households down 7.3%.

Some 47.3% of all inventory was held by households, 44.8% by commercial warehouses/wholesalers/retailers, and 7.9% by the NFA.

Meanwhile, the corn inventory as of June 1 dropped 9.2% year on year to 873.48 thousand MT.

Month on month, corn stocks rose 12% from 779.79 thousand metric tons at the start of May.

Corn held by households and commercial warehouses/wholesalers/retailers fell 48% and 2.7% year on year, respectively.

Commercial warehouses/wholesalers/retailers held 91.7% of the inventory while 8.3% was held by households. — **Luisa Maria Jacinta C. Jocsen**

JOB OPENING

Company Name and Address
NTT World Engineering Marine Corporation
Unit 1903 19/F L.V. Locsin Building, 6752 Ayala Ave.,
San Lorenzo, Makati City

Contact details of the company
Angelica France Peralta
angelicafranceperalta@nttwem.com.ph
8848-2675

Available Job Vacancy/Position General Manager

Job Description

- Manage and operate the daily activities of NTT WEM Manila Branch
- Hire, monitor and train the local team to ensure they meet the team goal
- Build and develop strategic business plans in the Philippines
- Gain and maintain customers to improve the
- Ensure the implementation of projects utilizing affiliates in the Philippines
- Understand the corporate strategy at the head office in Japan and feedback to business in Philippines

Basic Qualifications for the Position

- Has a bachelor’s degree in Electronics
- At least 8 years of work experience in managing a team
- Has proven track record in developing and implementing integrated business development strategies
- Has extensive knowledge and experience in network and router development
- Maintain close communication in Japanese with head office in Japan
- Has extensive knowledge and experience in submarine cable laying business

Pharma industry sees drug prices falling with playing field leveled

THE Pharmaceutical and Healthcare Association of the Philippines (PHAP) said it welcomes the government’s plan to encourage “vibrant competition” in the industry, saying that such market dynamics, as well as high-volume procurement, are expected to lower drug prices.

The industry association said in a statement on Wednesday that the plan by President Ferdinand R. Marcos, Jr. to increase competition in the industry will lead to more affordable medicine and boost economic activity.

“PHAP shares the goal of the government to ignite competition in the pharmaceutical industry as the primary means to lower medicine prices. The market dominance of generics by volume to date is driving medicine prices down and providing a broad price range and treatment options to government, physicians, and patients,” it said.

Mr. Marcos said during his first State of the Nation Address on July 25 that the government is in talks with drug manufacturers to lower medicine prices, adding that he has instructed the Philippine Competition Commission to ensure that industry participants operate within a level playing field.

According to the PHAP, a “vibrant biopharmaceutical industry” generates employment, investments, and revenue for the government.

“PHAP reiterates its confidence that the country could position itself as a regional and competitive hub for biopharmaceutical innovation under the current leadership,” it said.

“PHAP also welcomes the directive of President Marcos to align health protocols as well as to strengthen cooperation with the private sector to enable full capacity for businesses,” it added.

It added that mechanisms in place under Republic Act No. 11223 or the Universal Health Care Act and Republic Act 11215 or the National Integrated Cancer Control Act will encourage further competition to lower drug prices.

“Price negotiation, pooled procurement, and private sector partnership are mechanisms that must be implemented to drive medicine prices down. Countries with low medicine prices employ a single-payer system where the government negotiates and purchases on behalf of their people,” the PHAP said.

The association noted that the Integrated Roadmap of the Philippine Pharmaceutical Industry, drafted by the pharmaceutical industry with the Department of Trade and Industry, projects the drug market as benefiting from “vibrant and agile” pharmaceutical companies.

The roadmap seeks to support the pharmaceutical industry en route to becoming a global player in innovation. — **Revin Mikhael D. Ochave**

OPINION

Cryptocurrency accounting and taxation

As the national debt ballooned to P12.50 trillion in May 2022, the previous government’s Finance department proposed new tax measures to the successor administration. One such proposal is to tax cryptocurrency.

DEALING WITH CRYPTOCURRENCY

Cryptocurrency is a type of virtual currency (VC) that exists on a blockchain and relies on a cryptographic protocol to regulate its creation and exchange. Unlike conventional currency, cryptocurrency operates independently of central banks.

There are currently thousands of cryptocurrencies circulating worldwide, the most popular of them being Bitcoin and Ethereum. Cryptocurrency is widely used for speculative purposes like stock trading, but some countries have adopted them as legal tender.

In other countries, such as the US, VC is treated as property. The general tax principles applicable to property transactions are applied to transactions involving VCs. Hence, if the fair market value of property received in exchange for the VC exceeds the taxpayer’s adjusted basis (cost basis adjusted by certain expenditures and deductions) of the VC, the taxpayer has taxable gain. On the other hand, the taxpayer incurs a loss if the fair market value of the property received is less than the adjusted basis of the VC.

In Italy, cryptocurrency is treated like foreign currency. Meanwhile, Germany views cryptocurrency as private money, which will trigger tax if held for more than one year, for later sale or spending.

The Philippine treatment of cryptocurrency, however, remains vague. The Bangko Sentral ng Pilipinas (BSP) has yet to issue guidelines to regulate cryptocurrency, although it advises the public of the features, benefits, and risks of dealing with it. So far, a formal regulatory framework was issued for VC exchanges and companies or businesses engaged in changing VCs into fiat currency (and vice versa), requiring their registration with the BSP as remittance and transfer companies.

For now, the Philippines characterizes cryptocurrency as digital or virtual assets. As assets, cryptocurrency may be the object of taxation either as an ordinary asset

TAXING CRYPTO TRANSACTIONS

Despite the lack of clear guidelines from the Bureau of Internal Revenue (BIR), investors should expect their income from dealing with cryptocurrency to be subject to taxation. But the question is, what type of taxes apply?

Section 32 (A) of our Tax Code states that for purposes of tax computation, gross income means all income derived from whatever source. Meanwhile, Section 43 of the code provides in part that taxable income is computed based on the annual accounting period observed and following the method of accounting regularly employed in keeping the taxpayer’s books. Thus, in the absence of specific tax guidelines, the taxation of cryptocurrency will generally depend on whether it is treated as an ordinary asset or capital asset.

In Philippine Interpretation Committee (PIC) Q&A 2019-02, the accounting treatment for cryptocurrency can follow the rules governing inventory or intangible assets.

Under Philippine Accounting Standard (PAS) 2, inventory is not required to be in physical form, but should consist of assets held for sale in the ordinary course of business. Hence, inventory accounting might be appropriate if an entity holds cryptocurrency for sale in the ordinary course of business. An entity that actively trades cryptocurrency, purchasing them with a view to their resale in a short period of time, and generating a profit from fluctuations in the price or traders’ margin, might consider whether the guidance in PAS 2 for commodity broker-traders should be applied.

If treated as inventory, cryptocurrency may be considered ordinary assets subject to ordinary income tax on the total amount of income.

Does it follow then that its sale or exchange is subject to value-added tax (VAT)? Technically, the sale or exchange of goods and services in the ordinary course of trade or business, and those that are incidental to it, is subject to 12% VAT. Hence, when cryptocurrency is treated as inventory, sale or exchange may be subjected to VAT if the VAT threshold is satisfied.

However, if the entity holds cryptocurrency for investment purposes (capital appreciation) over extended periods, it will not likely meet the definition of inventory, but that of an intangible asset.

In the Q&A, the PIC explained that cryptocurrency can also be treated as intangible assets since they are non-monetary assets, which are without physical substance and are identifiable. An asset is identifiable if it is separable (i.e., it is capable of being separated or divided from the entity and sold, transferred, etc.) or if it arises from a contractual or legal right. Cryptocurrency for investment purposes would likely meet the definition of an intangible asset.

If treated as an intangible asset, cryptocurrency is considered a capital asset for tax purposes. The term capital asset includes property held by the taxpayer, whether or not connected with his trade or business, but excludes stock in trade or property for sale to customers in the ordinary course of business.

As a capital asset, net capital gains derived from sale or exchange are subject to ordinary income tax after considering the holding period in proper cases; however, capital losses are deductible only to the extent of the capital gain.

Likewise, there is a basis for arguing that the sale or exchange of cryptocurrency treated as intangible/capital assets is not subject to VAT since the transaction is not in the ordinary course of a business nor incidental to it.

Lacking clear guidelines in the taxation of crypto-related transactions, BIR officials may have differing interpretations on the matter. Nevertheless, a taxpayer receiving income from cryptocurrency is still required to contribute to the government — the inevitable and indispensable bidding of taxation.

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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