Gov't 'working on' sovereign rating upgrade, Diokno says

THE Philippines' credit rating is not expected to worsen, with officials presenting the case to the rating agencies for an upgrade because of the attainability of the country's growth targets, the Department of Finance (DoF) said in a statement on Wednesday.

The DoF was quoting remarks delivered on Aug. 10 by Finance Secretary Benjamin E. Diokno in an appearance on a public affairs program.

"I think we are very confident that there will be no downgrades. In fact, it is notable that despite the two-year pandemic, the rating agencies have affirmed our investment-grade rating, and downgraded nearly one-third of the emerging economies and even some developed countries. We're confident that we have presented a medium-term fiscal plan, as stated by the President, that is credible and doable. So, we don't expect any downgrade within the next few years. In fact, we are working on an upgrade," Mr. Diokno said.

Fitch Ratings in February maintained the Philippines' investment-grade "BBB" rating, but retained a "negative" outlook, flagging uncertainties surrounding medium-term growth and hurdles to bringing down debt.

A negative outlook means a downgrade is possible within the next 12 to 18 months.

S&P Global Ratings last affirmed the Philippines' "BBB+" rating with a stable outlook in May 2021. Meanwhile, Moody's last affirmed its "Baa2" credit rating with a stable outlook for the Philippines in July 2020.

In July, the Marcos administration unveiled its medium-term fiscal strategy, with a target of 6.5-7.5% gross domestic product (GDP) growth this year, and 6.5-8% starting next year until 2028.

It also seeks to bring down the debt-to-GDP ratio to 61.8% by the end of 2022, from 62.1% at the end of the second quarter. The ratio is expected to drop to 61.3% by next year and 52.5% by 2028.

On Tuesday, National Treasurer Rosalia V. de Leon told the Senate Committee on Ways and Means that the debt load is sustainable and resilient to external shocks because 75% of the debt is expected to be sourced domestically by year's end.

In the first half, domestic debt accounted for 69% of the total, with the Treasury hoping to raise the share to 80% for borrowing in the second half.

"Because of our conscious practice of stretching our maturities, our debt portfolio provides sufficient time to expand our revenue base and our economy before principal payments fall due," Ms. De Leon said.

"Only 11.1% of our debt (has) variable interest-rate terms, minimizing our exposure to interest-rate resetting in light of the interest rate normalizations observed locally and abroad," she added.

Ms. De Leon said the borrowing requirement was reduced to P2.2 trillion this year from P2.5 trillion last year, with the government also aiming to gradually reduce the fiscal deficit from 7.6% this year to 6.1% next year, then to 3% by 2028.

With GDP growth averaging 7.8% in the first half, the economy in the second half would need to grow by 5.2% to attain the lower end of the end-of-year growth target, according to economic managers.

While Mr. Diokno acknowledged inflation as a hindrance to growth, he said inflation has peaked at 6.4% in July, the fourth consecutive month it exceeded the central bank's target.

"As you know oil prices have started to go down. So, we expect inflation to start to decelerate towards the end of the year. And in fact, we are confident that inflation will be within our target range of 2-4% next year," Mr. Diokno said.

At the same time, Mr. Diokno expects the peso to stabilize to P55 or even stronger against the dollar by year's end.

"As you know, there's usually an influx of overseas Filipino remittances towards the fourth quarter. The peso has actually stabilized and, in fact, it's strengthening, and so I bet it will be around P55 by the end of the year," Mr. Diokno said. — **Diego Gabriel C. Robles**

Port passenger volume up 144% in first half; cargo down

THE Philippine Ports Authority (PPA) said on Wednesday that passengers using its facilities in the first half rose by 144% with the resumption of domestic tourism, trade, and regular travel activity.

Passenger volume for the first half of 2022 rose to 26.053 million, from 10.692 million a year earlier, a PPA representative said in a phone message to *BusinessWorld*.

The agency said cargo throughput for the first half fell by 1.46% year on year to 125.485 million metric tons.

"Export volume posted the most significant decrease of 14.4%, dragging down foreign cargo volume by 5.5%," the agency noted.

"In terms of containerized cargo traffic, a 2.66% hike was recorded to 3.733 million twenty-foot equivalent units (TEUs), anchored on the 6.14% increase posted by imported boxed cargoes," it added.

The PPA said domestic box volume fell by 1.83% to 1.413 million TEUs.

"The agency continues to rebound from the effects of the global pandemic as net income increased by 9% in the first six months of the year," it also said.

Net income for the period rose to P5.024 billion from P4.611 billion a year earlier.

"Against the target of P4.056 billion, the actual figure is 24% higher," the PPA said.

"The agency's net income is now only 13% down compared to the pre-pandemic figure. PPA's net income declined by as much as 50% during the onslaught of COVID-19 in 2020," it added.

Revenue rose by 14.28% year on year to P9.438 billion in the first half.

Expenses rose by 14% to P4.413 billion, it said. — **Arjay L. Balinbin**

House ways and means panel OK's bill imposing VAT on digital transactions

THE House Committee on Ways and Means said it approved a measure on first reading that would impose value-added tax (VAT) on digital transactions.

On Wednesday, the panel approved a substitute bill consolidating House Bills (HB) 372, 3253, and 3341.

If passed, the bill would subject to 12% VAT on the sale of digital services such as online advertisements, subscription services, and others that can be delivered through the internet.

The measure would add a new section in the National Internal Revenue Code of 1997 that would require foreign digital service providers to collect and remit VAT for all transactions.

"This measure seeks to level the playing field between traditional and digital businesses by clarifying the imposition on VAT on (digital service providers)," Albay Rep. Jose Ma. Clemente S. Salceda, who chairs the House Ways and Means Committee, said in HB 372's explanatory note.

A similar bill, HB 7425, was approved on third reading in the House during the 18th Congress but was not passed by the Senate. — **Matthew Carl L. Montecillo**

Bill on ease of paying taxes hurdles House committee

A MEASURE seeking to ease the process of paying taxes has been passed at the House Committee on Ways and Means.

At a hearing on Wednesday, the committee approved a substitute bill consolidating House Bills (HB) 53 and 2823.

The measure hopes to modernize tax administration as a means of improving taxpayer compliance, specifically by simplifying the process of filing tax returns on the part of small taxpayers.

If passed, the bill will also remove the P500 annual taxpayer registration fee, introduce a medium-sized taxpayer classification, and remove the distinction between sales invoices and official receipts for purposes of recognizing VAT transactions.

"The bill aims to simplify tax filing and payment, and address burdensome tax compliance which affects our small and medium enterprises and turns off our investors," the committee's chairman, Albay Rep. Jose Ma. Clemente S. Salceda, said in a statement on Viber.

A similar bill, HB 8942 or the Ease of Paying Taxes Act, was approved on third reading at the House during the 18th Congress. — **Matthew Carl L. Montecillo**

'High-risk' warning prompts DoT to tout safety measures at destinations

PHILIPPINE STAR/K. ROSALES

TOURISM SECRETARY MARIA ESPERANZA CHRISTINA G. FRASCO

THE Department of Tourism (DoT) said health protocols remain in force at all destinations after the Philippines was classified as a "high-risk" country for the coronavirus by the US Centers for Disease Control and Prevention (CDC).

"The global pandemic continues to expose the tourism industry to challenges, but our travelers can rest assured that the Philippine government continues to ensure that minimum public health and safety standards are in place, coupled with the precautionary measures observed by our partners from the private and public sectors," Tourism Secretary Maria Esperanza Christina G. Frasco said in a statement.

"Therefore, our guests can safely enjoy any of our 7,641 islands even in the time of the COVID-19 pandemic. We are confident of the measures and guidelines that we have instituted to strike a balance between safety and travel in the new normal," she added.

The CDC warning applies to countries with more than 100 infections per 100,000 population in the past 28 days.

Citing a bulletin from the Health department, the DoT said that the Philippines has a 92.3% vaccination rate, equivalent to over 72 million fully vaccinated Filipinos as of Aug. 14.

It added that the bulletin indicates that intensive care unit (ICU) bed space was 28% utilized (719 of 2,571) while the corresponding utilization was 30.9% (6,781 of 21,968) for non-ICU beds.

Health department Officer-in-Charge Maria Rosario S. Vergeire has said that the Philippines is currently assigning more weight to the hospital bed utilization rate rather than new coronavirus disease 2019 (COVID-19) cases.

"There is also a stark difference between the COVID-19 positivity rate of the Philippines which is now averaging at 4,001 daily compared to that of US which recorded 13,609 new cases in the last 24 hours (Aug. 16, 7:20 PM Philippine time) according to the World Health Global Organization (WHO) website," the DoT said.

Ms. Frasco said that the Philippines cannot continue to allow COVID-19 to disrupt travel.

"So much has been lost to this pandemic. We need to revise our perspective and learn how to live with this virus in a manner that is reasonable, rational, as well as responsible (in terms of following) health protocols, so not only lives, but livelihoods of people dependent on tourism may be saved in the process," Ms. Frasco said. — **Revin Mikhael D. Ochave**

OPINION

Removal of 5-year validity period of receipts/invoices

TAXWISE OR OTHERWISE

RUTHIE MAE G. CLEMENTE

The emergence of various digital platforms has contributed to the increase in the number of SMEs in recent years. Budding entrepreneurs may feel overwhelmed by the numerous regulatory and tax requirements, such as those governing the issuance of valid receipts and invoices. But these problems may soon ease.

For context, the BIR previously required all receipts and invoices to have a five-year validity period as reflected by the Authority to Print (ATP). The same requirement applies to system-generated receipts/invoices issued from Cash Register Machines (CRMs), Point-of-Sale (POS) Machines, and other sales receipting system software. At the end of the five years, even if there are unused receipts/invoices available, taxpayers need to secure new sets of receipts and invoices thereby incurring additional costs. Moreover, all unused/unissued receipts and invoices, together with an inventory listing of the same, need to be surrendered to the BIR for proper destruction. Otherwise, taxpayers are penalized for failure to issue valid receipts or invoices.

Indicating the five-year period on the receipts/invoices is a prerequisite for its validity, which is critical for tax purposes. For instance, the deductibility of allowable expenses and recovery of input value-added tax (VAT) refund claims, among others, heavily rely on validly issued receipts and invoices.

Recently, the Bureau of Internal Revenue (BIR) revisited its policy after giving way to taxpayers' clamor to remove the five-year validity period of receipts and invoices. This move, consistent with Republic Act (RA) No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, relieves taxpayers from the cyclical cost of reprinting their receipts/invoices upon expiration. It is also a win for the environment as it avoids unnecessary paper waste, among others.

The lifting of the expiration period was detailed in Revenue Regulations (RR) No. 6-2022, amending RR No. 18-2012, which took effect on July 15. This policy also covers taxpayers who will apply for (1) ATP official receipts, sales and other commercial invoices; (2) Registration of Computerized Accounting System (CAS)/Component of CAS; and (3) Permit To Use (PTU) CRMs and POS machines.

The phrases "*THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE OF THE PERMIT TO USE*" and "Valid Until" are to be omitted from the bottom portion of newly issued manual and system-generated receipts/invoices. Accordingly, the five-year validity rule is no longer in force.

On the other hand, taxpayers with existing unexpired and unused receipts and invoices may still utilize these until fully exhausted, and simply disregard the above-mentioned phrases. Notably, the RR provides for an additional requirement specifically for system/software generating receipts/invoices from CAS, component of CAS with PTU or Acknowledgment Certificate, and CRMs and POS machines with PTU to be reconfigured to omit the abovementioned phrases.

Under the RR, all PTUs to be issued will be valid unless revoked by the BIR based on valid grounds, such as the following:

A. Tampering of sales data/integrity of the data and/or software specification/features to alter/avoid the recording of a sale transaction;

B. Any major repair, upgrade, integration and modification/alteration without prior notification and approval by the BIR office concerned, including the items enumerated in Section V, Item No. 8 of RMO No. 9-2021, to wit:

i. Change in the functionalities of the system, particularly on enhancements that will have a direct effect on the financial aspect of the system, that includes modified computations and other financial-related issues that were considered;

ii. Addition or removal of modules or submodules within the system that will have a direct impact on the financial aspect of the system;

iii. Change in the system/software version or release number that will result in enhancements on the financial aspect of the system; and

iv. All other enhancements that will be deemed a major system enhancement based on the recommendation of the technical evaluators of the BIR.

C. Any violation(s) of the policies and procedures for registration under RMO No. 10-2005 and RMO No. 9-2021, and other related revenue issuances.

As with any newly revised policy, there may be other considerations for further clarification; expect the BIR to provide further details for implementation and monitoring. Particularly on the reconfiguration of systems/software on systems-generated receipts/invoices, one might ask how to go about it and how the BIR would monitor compliance by the taxpayers.

For instance, is there a prescribed timeline for the implementation of the reconfiguration? It has been a few months since the RR was issued, and some taxpayers may have already proceeded with the reconfiguration to comply with the transitory provision. Should further clarifications be released later on and an earlier timeline provided for taxpayers to observe, it is hoped that no penalties will be imposed on those who simply complied with the RR in good faith.

Another consideration involves the requirement of pre-approval from the BIR. Will this be examined post-implementation? Is there a need for a system walk-through, pre-, or post-approval? Based on the existing guidelines on CAS registration, reconfiguring the system to simply omit the abovementioned phrases as regards the five-year validity may be considered a minor enhancement as this does not affect any financial aspect on the system/software. Accordingly, such should not require prior notification or approval from the BIR, bearing in mind that the purpose of the RR was primarily to ease doing business.

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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