

PUV modernization to proceed after being left off 2023 budget

By Arjay L. Balinbin
Senior Reporter

THE Transportation department said it will proceed with the public utility vehicle modernization program (PUVMP) after funding for the program was left off the department's 2023 budget proposal.

"Kung sakaling hindi mabigyan ng pondo o hindi magkaroon ng amendment upang magkaroon ng budget ang PUVMP, hindi pa rin magkakaroon ng suspensyon sa implementasyon ng programa (In the event that no funds are allocated or an amendment in the budget does not materialize to allow funding for the Public Utility Vehicle Modernization Program, it will not be suspended)," Transportation Undersecretary Mark Steven C. Pastor told *BusinessWorld* recently.

The department had proposed a P788-million 2023 budget for the program, but this item was

not included in the National Expenditure Program, the document outlining the government's budget proposal to Congress.

Mr. Pastor said the requested funding was meant to support the PUVMP's "stakeholder support programs and the operationalization of PUVMP Project Management Offices."

"Kaya naman patuloy na lobby ng DoTr ang kaukulang pondo para sa PUVMP upang walang maantulang mga aktibidad (The DoTr continues to lobby for funding to ensure the program is not disrupted)," Mr. Pastor said.

He said the department remains hopeful for funding. The project was one of the previous administration's leading modernization initiatives.

"Naniniwala ang Department of Transportation (DoTr) na mabibigyan pa rin ang programa ng kinakailangan nitong budget sa tulong at suportang mga mambabatag through an amend-

ment (The DoTr believes legislators will support the program by intervening via amendments to the budget)," he said.

Last week, Transportation Secretary Jaime J. Bautista welcomed the House's approval of the 2023 DoTr budget, which amounts to P167.12 billion.

The PUVMP calls for a "restructured, modern, well-managed and environmentally sustainable transport sector where drivers and operators have stable, sufficient and dignified livelihoods while commuters get to their destinations quickly, safely and comfortably," according to a Land Transportation Franchising and Regulatory Board (LTFRB) description of the program on its website.

In an appearance on Monday on the *One Balita Pilipinas* program of One PH, the Filipino-language cable news channel of Cignal TV, Elvira Medina, chairperson of the National Center for Commuter Safety and Protection,

said the commuters she represents want "full modernization" of PUVs.

Liga ng Transportasyon at Operators President Orlando Marquez said 50% of the traditional jeepneys have yet to display the new fare matrix.

LTFRB Chairperson Cheloy Velicaria-Garafil has required PUVs to display prominently the new fare matrix before they are allowed to collect new fares.

The LTFRB announced on Sept. 16 new fares for PUVs to take effect on Oct. 3.

The minimum fare for traditional jeepneys is now P12, up from P11 previously. Modern jeepneys can charge P14, up from P13; ordinary city buses P13 (from P11), air-conditioned city buses P15 (from P13), ordinary provincial buses P11 (from P9), and deluxe provincial buses P2.10 per kilometer (from P1.55).

The flag-down rate for taxis is now P45, up from P40 previously.

OPINION

Ease of Paying Taxes bill approved in House

The digitalization of the tax agencies finds Congress eager "to modernize the labyrinthine tax administration procedures by simplifying tax compliance, removing redundant and obsolete tax requirements, and lifting restrictions that prevent taxpayers from complying with tax laws remotely."

With a vote of 250 "yes," zero "no," and zero abstentions, the 19th Congress approved on Sept. 26 on third and final reading House Bill (HB) 4125, or the proposed Ease of Paying Taxes Act (EoPT). The bill seeks to amend the National Internal Revenue Code, as amended (the Tax Code) and introduce administrative reforms that will ultimately reduce the burden of paying taxes while strengthening taxpayer rights.

The bill is now pending at the Senate.

The salient features of the approved House Bill are as follows.

CRITERIA FOR TAXPAYER CLASSIFICATION

The bill authorizes the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, to establish reasonable criteria for taxpayer classifications. The criteria will consider the taxpayer's capacity to comply with tax rules and regulations, the amount and type of taxes to be paid, the volume of gross sales and/or receipts, inflation, the volume of business, wage and employment levels, and similar economic and financial factors.

LET'S TALK TAX AZANITH ANN B. PAYAD

At present, laws and regulations only provide for the classification of large taxpayers. All large taxpayers report to the Large Taxpayer's Service (LTS) at the Bureau of Internal Revenue (BIR) National Office. A proposed amendment seeks to introduce small and medium taxpayer categories and a corresponding BIR special unit dedicated to servicing them. The proposal seeks to introduce simplified tax returns and processes for smaller taxpayers to ease compliance.

The bill also proposes that withholding of creditable tax at source not be required for taxpayers classified as small.

TAXES CAN BE PAID ANYWHERE

The EoPT bill also makes tax transactions portable by removing the restrictions on payment venues. This applies to all internal revenue taxes (income tax, value-added tax, estate tax, donor's tax). The proposal removes the requirement that taxes be paid in the BIR office or banks in the tax district of the taxpayer's residence, principal place of business, or principal office, thereby allowing for flexibility of payment. These amendments pave the way for full digitalization of the taxpayer experience.

SIMPLIFIED VAT RULES

The distinction between sale of goods and sale of services subject to value-added tax (VAT) is removed. Current tax law requires that the sale of services be documented by an official receipt, and the sale of goods by a sales invoice. Consequently, current tax law also makes the time of VAT reporting subject to the type of transaction. On the sale of goods, VAT is reported upon consummation of the sale, as reflected in an invoice. On the other hand, VAT on the sale of services is reported upon payment, supported by an official receipt.

The EoPT bill seeks to provide for a uniform and simplified documentation of transactions subject to VAT, in which the sales invoice is to substantiate transactions involving goods or services. Thus, VAT-registered persons will have to issue only one type of document, the VAT invoice, for every sale, barter, exchange, or lease of goods or property, and for every sale, barter, or exchange of service. Taxpayers will also be required to monitor only the timing of the consummation of the sale. The proposed amendment likewise provides that VAT be chargeable at the time of the issuance of the invoice, regardless of the time that the accrued sale is recorded in the books of account. The EoPT bill also increased the amount involved in the sales transaction that must be evidenced by a sales invoice from P100 to P500.

Additionally, the EoPT bill also proposes to index to inflation the P3-million VAT threshold, which was increased by Republic Act 10963 (the TRAIN Law), on Jan. 31, and every three years thereafter. The reference value for inflation is the consumer price index (CPI) published by the Philippine Statistics Authority.

Taxpayers who are required to pay percentage taxes in lieu of VAT under Section 116 of the Tax Code will also be required to pay and file their tax returns semi-annually, instead of quarterly.

EASING THE REGISTRATION BURDEN

As to the registration requirements, the EoPT bill proposes to remove the requirement of indicating a business style in the taxpayer's registration with the BIR. The bill likewise seeks to remove the imposition of the annual registration fee currently imposed under Section 236(B) of the Tax Code. The removal of the annual P500 taxpayer registration fee alone is expected to be of value for the smallest of businesses.

The bill also seeks to ensure that registration facilities are available to taxpayers not residing in the country.

Furthermore, the BIR registration of a taxpayer may be canceled simply by filing the registration information update form, as proposed in the EoPT bill. Any audit that the BIR conducts, where a registration has been canceled, will be made based only on a risk assessment evaluation.

LOWERING PENALTIES

The bill also proposes to lower the surcharge for failure to file and pay taxes from the current rate of 25% to 12%. This will substantially ease the burden on taxpayers who were unable to fully comply with their tax obligations.

TAXPAYER'S BILL OF RIGHTS

Finally, the EoPT bill contains a Taxpayer's Bill of Rights and designates a Taxpayers' Advocate Office. It proposes the enumeration of additional fundamental rights to further promote fair treatment to taxpayers and puts in place protections against wrongful assessments. Meanwhile, the taxpayers' advocate office is tasked with ensuring that taxpayer rights are protected, and due assistance is provided.

Altogether, the EoPT bill seems to be a great step towards modernized tax administration. Since the bill simplifies tax compliance and limits face-to-face transactions with the BIR, the cost of compliance will be reduced and will be appreciated especially by small business enterprises and starting professionals.

The approved EoPT House Bill was transmitted to the Senate on Sept. 27. The Senate may still introduce changes to the bill which we hope will further ease tax compliance rules.

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.

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Prices steady for Christmas feast goods, supermarket industry says

PRICES are steady for groceries associated with the traditional Christmas feast, known in the Philippines as "noche buena," the supermarket industry said on Monday.

Steven T. Cua, Philippine Amalgamated Supermarkets Association president, said in an interview on One News Channel's *BusinessWorld Live* program that it is "too early" for noche buena goods prices to rise.

"No prices increases yet. It is still a bit too early. The advice of the Department of Trade and Industry (DTI) is to go out and buy if you can, if you have the money — that may be a good idea this year in particular because we do not know what's going to happen," Mr. Cua said.

"If consumers go out and buy now and manufacturers see that there is demand, maybe they will be reluctant to increase prices," he added.

The DTI has advised consumers to start stocking up on ingredients for the Christmas

feast to take advance of these products' long shelf lives. It also urged manufacturers of noche buena products to cap their price hikes to 10%.

Separately, Mr. Cua said the price of the most popular brand of imported US luncheon meat has risen 15% in the last two weeks due to the weaker peso.

"Businesses will take advantage of the fact that there are increases in the prices of imported goods," Mr. Cua said, noting that domestic brands can offer alternatives that are still priced competitively.

"Everyone's going to be more creative in stretching their pesos... We can still have a Merry Christmas. Just keep it simpler and be more creative. There will be some good buys in the market for sure," he added.

The Bankers Association of the Philippines said the peso closed at P59 against the dollar on Monday, against its P58.625 finish on Friday. — **Revin Mikhael D. Ochave**

BIR says small taxpayers won't be focus of agency's enforcement efforts

THE Bureau of Internal Revenue (BIR) said on Monday that small taxpayers will not bear the brunt of its enforcement actions, adding that its efforts will be focused on medium-sized and large companies.

"In this administration, we will really focus on large taxpayers and medium taxpayers," BIR Commissioner Lilia Catris Guillermo said at the Senate budget hearing for the Department of Finance (DoF). "The ease of paying taxes bill will segment taxpayers into small, medium and large, and the requirements for small taxpayers will be simplified."

"We really will not hold anything against small taxpayers; instead, we will give them good service so that their businesses will grow — only then will we (exert more effort in) taxing them," she added.

Senator Rafael T. Tulfo, speaking at the hearing, alleged that the bureau is placing undue burdens on pedicab drivers, bicycle drivers, thrift stores, and bloggers.

"Whenever the BIR needs to increase tax collection, it's the poor that are being targeted," he said. "If the BIR really wants to raise collections, why doesn't it target the rich, like oil companies."

Mr. Tulfo noted in particular the proliferation of smuggled oil products, which generate no taxes for the government.

"The basic principle of taxation is to be just and fair, so it's not true that small taxpayers are our focus. In fact, we have (an agency) which is focusing on large taxpayers," Ms. Guillermo said, referring to the BIR's Large Taxpayers Service.

"Small taxpayers are not being singled out; everyone must issue receipts, whether small, medium or large taxpayers," she added. However, she specified that the agency is not strict with pedicab drivers' transactions.

Senate Minority Leader Aquilino Martin L. Pimentel III said "the impression is that we would rather squeeze... those who want to follow the law since they are the ones in our database."

"But the brave syndicates who have not been paying tax for years remain out of the system, undetected, unfelt by the revenue collection agencies," he added in a mix of English and Filipino.

Ms. Guillermo said taxpayers currently filing manually are slowly being incorporated into the database to allow them to be served more efficiently in the future.

Finance Secretary Benjamin E. Diokno said the efforts to collect such data are part of a broader effort to expand the tax base. "When you have a broader base, you can lower the tax rate because revenue is rate times base."

Mr. Tulfo said he has been receiving many complaints from business owners, particularly Chinese-Filipinos in the provinces, who are visited by revenue agents presenting letters of authority (LoA) as a preliminary to an audit.

"Most of the time, once a business is issued an LoA, this means money for the (official)," he said. "On the other hand, the big companies are often not (targeted). They will instead have discussions on the side (with the auditor)... where they can make arrangements. Sorry again for saying this, but this is the reality."

Ms. Guillermo said the BIR's digitalization efforts will resolve such issues.

"Our first program right now is digitalization, and new audits are currently suspended because our plan is for LoAs to become automated," she said. "These can no longer be issued by auditors whenever."

"We have a risk-based criteria (for determining which taxpayer to audit), and we are already preparing the program for this. What the auditors are doing now is clearing their backlog (of) prescribing... and that is being monitored properly using technology," she added.

The DoF's proposed 2023 budget allocates the most funding to three of the government's leading money-generating agencies, with the BIR getting P13.1 billion, the Bureau of Customs P6 billion, and the Bureau of the Treasury P4.2 billion. — **Alyssa Nicole O. Tan**



ERC expecting transmission charges to fall

THE Energy Regulatory Commission (ERC) said on Monday that transmission charges are likely to fall after revamping the process for computing the fees collected by the National Grid Corp. of the Philippines (NGCP).

In a briefing, ERC Chairperson and Chief Executive Officer Monalisa C. Dimalanta said that the commission is expecting to complete by year's end the reset of the NGCP's transmission charge for 2023-2027.

Ms. Dimalanta said the impact of the reset will be apparent by January.

"We are targeting to complete (the review) by the end of the year so we can start with new rates in January," Ms. Dimalanta said.

On Sunday, the ERC said it promulgated the Amended Rules for Setting Transmission Wheeling Rates (RTWR), which triggers the rate reset process for the NGCP.

Transmission wheeling rates are the direct charge for the use of transmission facilities in delivering electricity.

"The science behind rate setting is not perfect because it is based on forecasts, but for this regulatory review, it will be based on actual figures," Ms. Dimalanta said.

Ms. Dimalanta said the reset was long overdue and that rates needed to be adjusted for current conditions.

The ERC said on Sunday that the amended RTWR will eliminate over recoveries, double compensation, and redundant inflationary considerations. — **Ashley Erika O. Jose**

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