

# Heritage-focused tourism campaign due to kick off in early 2023

THE Department of Tourism (DoT) said it will roll out a cultural-tourism campaign in the first quarter of 2023 by sending out caravans to raise awareness among domestic travelers of heritage destinations.

The Philippine Experience Program Culture, Heritage, and Arts Caravans aim to “diversify the cultural tourism product offerings of the country, equalize opportunities across the regions, support the preservation of the country’s heritage, artistic

resources and assets, and instill a sense of pride and patriotism among the Filipino people through a greater appreciation of the country’s inheritance and legacy,” the department said, quoting Tourism Secretary Maria Esperanza Christina G. Frasco.

The campaign was announced on Oct. 17. The DoT said the campaign hopes to stimulate activity in the beach, diving, nature, food, farm and MICE (meetings, incentives, conferences, exhibitions) segments of the tourism market.

“The Philippines ushers in a new era for tourism built upon the strength of our cultural identity, our unity as a nation and renewed global interest in our country’s offerings,” Ms. Frasco added. — **Revin Mikhael D. Ochave**

# PCCI calls for review of K-12, citing rapid pace of tech dev’t

THE Kinder to Grade 12 (K-12) basic education system needs to be reviewed to ensure that it keeps pace with the digitalization of the economy, according to the Philippine Chamber of Commerce and Industry (PCCI).

PCCI President George T. Barcelon added on the first day of the 48<sup>th</sup> Philippine Business Conference & Expo in Manila on Wednesday that “our teachers must be re-trained to keep pace with technological developments.”

“Children now need connectivity to the internet; they need computers and modern educational tools so that they can par-

ticipate fully in this digital world we now live in,” he added.

The K-12 program added two years to basic education with the intent of making graduates employable after graduation.

Mr. Barcelon said the resumption of face-to-face classes in November is expected to boost the economy.

“Next month, our children will go back to school to attend face-to-face classes. Two years of proper learning were disrupted due to the pandemic. Looking at the positive side, the reopening of schools will help stimulate the economy as consumption increases and more small businesses also open

up that cater to this sector of our economy. The transport sector and school bus services will also revive,” Mr. Barcelon said.

The resumption of face-to-face schooling is part of a broader economic revival with the apparent waning of the pandemic, and propelled by government spending and tax reform, Mr. Barcelon said.

“We believe that the Philippine economy’s growth momentum will accelerate especially since the government is expected to sustain public spending on priority infrastructure projects under the Build Better, and More program. Also noteworthy is the tax reform all designed to jump

start the investment climate,” Mr. Barcelon said.

Mr. Barcelon said the Philippines needs to “future-proof” its workforce by equipping them with upgraded skills.

“It is equally important and necessary for the Department of Education to be in sync with our long-term goals and adopt education strategies taking into consideration what will be tomorrow’s jobs,” Mr. Barcelon said.

“As for the future of business, we must build a resilient future through digitalization, enabling enterprise growth especially in the regions, and fostering innovation,” he added. — **Revin Mikhael D. Ochave**

# DBM’s Pangandaman sees Procurement Service delivering more savings as government digitizes

THE Department of Budget and Management (DBM) said its Procurement Service (PS) is expected to deliver on its potential to realize significant cost savings for the government with further digitalization, despite recent questions about its performance with regard to a laptop computer order for the Education department.

Budget Secretary Amenah F. Pangandaman said in a statement that “I’ve always expressed my full support for the Procurement Service... I still believe in the potential of PS to deliver on its

objective to save the government billions of pesos through bulk procurement and market price monitoring and validation, ensuring that the Filipino people get the most of every peso entrusted to the government.”

The PS focuses on procuring items needed across the entire government, with the bulk orders giving it the bargaining power to obtain favorable prices from suppliers.

The Department of Education’s laptop order was questioned because the devices’

specifications were deemed too low-end for the price paid.

In the wake of the laptop controversy, the PS declared in August that it suspended transactions involving non-common use supplies and equipment until further notice. It is currently focusing on common-use supplies and equipment.

The creation of the PS “is consistent with the adoption of a procurement policy of economic and efficient manner of purchasing government materials,” the DBM said in its statement.

The PS realized government savings of P18 billion during the term of then-Budget Secretary Benjamin Diokno, according to the DBM. Mr. Diokno is currently the Secretary of Finance.

Ms. Pangandaman said that she recently met with World Bank officials to discuss prospective collaboration in reforming Philippine procurement law.

She added that the government intends to maximize digitalization to ensure transparency and efficiencies in public procurement. — **Luisa Maria Jacinta C. Jocsion**

# Permit dispute with Pampanga town halts construction of NGCP substation

THE National Grid Corp. of the Philippines (NGCP) said on Wednesday that households in Pampanga face possible power interruptions after the municipality of San Simon halted construction of a 230-kilovolt (kV) substation in that town.

“Without this substation, the reliability of transmission services

in the Pampanga area is threatened, and power interruptions are a real possibility,” the NGCP said in a statement on Wednesday.

The San Simon 230-kV substation is designed as an alternate source of power for customers connected to the Mexico substation. The NGCP said this will reinforce the reliability and

stability of power transmission services in the Luzon grid.

The NGCP said that the order to stop construction was due to incomplete permits and clearances, a claim which the company disputes. The NGCP said it plans to appeal the order.

The San Simon 230-kV substation was among the 29 projects

declared by the Energy Investment Coordinating Council as Energy Projects of National Significance (EPNS) in 2019. EPNS status gives projects expedited access to permits.

The Department of Energy said EPNS projects are entitled to fast-track permitting under Executive Order No. 30. — **Ashley Erika O. Jose**



# World Bank supports entrepreneurship push enabled by e-commerce

THE World Bank said entrepreneurship is becoming a more viable route to economic recovery and growth with the rise of e-commerce, which is giving sellers broader market reach no matter their size.

“To drive innovation and job creation, make the environment for entrepreneurship more supportive. The pandemic accelerated the pace of digitalization, expanding both the volume and the reach of e-commerce and digital services,” the bank said in a report.

“This opens up a valuable opportunity for the growth of new enterprises and could be useful in helping raise women’s participation in the labor force. Hence, policies that encourage female entrepreneurship, such as facilitating credit access and business development programs, can also help close the gender gap for poor women,” it added.

According to the report, the Philippines has made progress in poverty reduction and income growth, though inequality remains persistent.

“Driven by high growth rates and structural transformation, between 1985 and 2018 poverty fell by two-thirds. By 2018, the middle class had expanded to cover nearly 12 million people and the economically secure encompassed 44 million,” the report read.

“However, although the decline in poverty accelerated between 2012 and 2018, income inequality remains high, with the top 1% of earners capturing 17% of national income and the

bottom 50% collectively earning only 14%,” it added.

It added that the pandemic triggered a significant shift in the workforce toward less productive sectors and occupations. “These trends have been concentrated among youth and the workers with the lowest levels of education; this suggests that recovery will be uneven and income.”

“The Philippines can leverage the crisis generated by the pandemic to promote necessary reforms to support skills development and promote inclusive recovery,” the World Bank reported.

It recommended increasing the booster vaccine uptake, training programs to reskill and upskill workers, and supporting entrepreneurship to drive innovation and job creation.

It also recommended closing the quality gap in tertiary education to narrow the skills disparity in poor students and raising the productivity of agriculture.

The report said that the government must leverage technology to streamline the process of opening and operating new enterprises to help steer employment generation to highly productive sectors.

“Policies should aim to support skills development, promote inclusive recovery, foster an environment that encourages entrepreneurship, promote inclusive structural transformation, and encourage the growth of high-productivity sectors,” it added. — **Luisa Maria Jacinta C. Jocsion**

## OPINION

# Where are we on the MAP?

Cross-border transactions are now more prevalent than ever. Though difficult to measure, the economic interdependence of countries is so deeply entrenched that an event on the other side of the globe may certainly have an impact on our prices and supplies in a few days’ time.

Persons undertaking transactions across multiple locations may easily be subjected to rounds of taxes imposed by various jurisdictions. To address this, most countries have adopted Double Tax Agreements (DTAs), more commonly known as tax treaties, with the goal of avoiding double taxation of income.

As of writing, the Philippines has DTAs with 43 countries, including Japan, the US, and China. These DTAs are vital in facilitating international transactions and the Philippines is obligated to follow its provisions. However, with transactions becoming increasingly complex, there are instances where the application of the DTA could result in varying interpretations even by the tax authorities themselves.

A taxpayer directly affected by a flawed or inaccurate interpretation of a DTA by a taxing authority such as our Bureau of Internal Revenue (BIR) may invoke the Mutual Agreement Procedure (MAP) as a remedy. The MAP is a remedial tool available in almost all DTAs. It is a set of procedures that allows

the Competent Authorities of the contracting countries to a DTA to resolve by mutual agreement any difficulties or doubts on a tax treaty’s interpretation or application. Stated another way, it is a conflict resolution tool for international

tax — a mechanism by which the parties to the treaty may confer with each other to potentially resolve disputes.

Earlier this year, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 10-2022 which sets out the guidelines and procedures for taxpayers seeking MAP assistance in the Philippines. Although the MAP provisions have been in place in Philippine DTAs as early as the 1970s, this is the first time implementing guidelines for the MAP have been issued by the BIR.

The RR designates the Commissioner of Internal Revenue as the Philippine Competent Authority to implement the MAP provisions. The Commissioner is supported by the BIR’s International Tax Affairs Division (ITAD), the Assistant Commissioner for Legal Service, and the Deputy Commissioner for the Legal Group.

Taxpayers seeking to avail of the MAP are allowed to consult with the ITAD prior to making a formal request to determine whether the issue may be resolved through MAP. If so, the MAP request and supporting documents

must be submitted to the BIR within the time limit prescribed in the DTA, which is often two to three years from the first notification of the contentious action to the taxpayer (e.g., negative BIR ruling, Final Assessment Notice).

The MAP may cover, but is not limited to, the following issues:

- The withholding tax imposed on income earned by a resident citizen or domestic corporation exceeds the maximum amount under the DTA;
- The taxpayer is considered a resident under both jurisdictions’ domestic tax laws;
- The applicability of the DTA to cross-border income or the characterization thereof is uncertain; or
- The attribution of profits to a permanent establishment is inconsistent with the DTA.

It should be noted that a MAP request is different from a tax treaty relief application (TTRA). In a MAP, there is a perceived conflict in the interpretation or application of the provisions of the DTA as a result of an unfavorable action to a taxpayer (such as a tax assessment or a tax ruling), whereas a TTRA generally involves the application of an established rule or principle thereunder.

A MAP request may be pursued even where there is a pending judicial or administrative appeal, or where a decision or final assessment has been issued by the BIR. It is only until the issue has been decided by the courts

with finality that a MAP request is no longer allowed.

RR No. 10-2022 makes it clear that the resolution of a MAP request takes time — it provides an average of 24 months’ processing time, depending on the complexity of the issue and cooperation of the parties involved.

The discussions between the Competent Authorities are confidential until such time that a resolution is reached. The taxpayer’s visibility into the process is limited — participation is only to the extent of providing the needed information and its position thereon. It is generally only at the time that an outcome is reached that a taxpayer is notified. At this point, the MAP rules mention several possible outcomes which include: an agreement to remove the double taxation, a grant of unilateral relief to the taxpayer, or a finding that there is no double taxation contrary to the DTA. The Competent Authorities may also end up agreeing to disagree, perhaps in deadlocked cases.

Interestingly, RR No. 10-2022 points out that a MAP case cannot simultaneously proceed with judicial or administrative appeals. It appears then that a taxpayer has the option of suspending either the MAP process or the relevant judicial or administrative proceedings. In case the MAP is chosen, the taxpayer must submit proof of the judicial or administrative suspension to the Competent Authority. This may be a duly is-

sued BIR order or court resolution. For tax assessments, a taxpayer may also seek the suspension of tax collection until the MAP request is resolved. It is not yet clear, however, how documentation of such suspension can be secured and how the suspension will affect the prescribed statutory deadlines at the administrative and judicial level.

While it is still in its early stages, the MAP Guidelines are a welcome development. At a time where cross-border transactions continually become more sophisticated, they give taxpayers a clearer way of settling issues which may not have been squarely covered in the tax treaties. It demonstrates our commitment to our obligations with regard to international tax agreements and our intention to resolve any conflicts which may arise therefrom. True to its acronym, the MAP might just show us the way to go.

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