BIR urges online sellers to honor senior citizen, PWD discounts

THE Bureau of Internal Revenue (BIR) said senior citizens and persons with disability (PWDs) cards can be used to obtain discounts on online purchases.

"Online platforms should recognize the mandatory discounts given to senior citizens and persons with disabilities," the BIR said.

"The signature of the senior citizen or PWD is not needed if the purchase is made through online means. The senior citizen or PWD identification card number should still be provided," it added.

The BIR said Revenue Regulations No. 8 clarifies the mandatory nature of senior citizen and PWD benefits for qualified purchases made through online or mobile applications.

Senior citizens and PWDs are entitled to a 20% discount and are exempt from value-added tax on certain goods and services. — **Luisa Maria Jacinta C. Jocson**

Sale of defunct GOCCs' assets expected to raise over P25B

THE GOVERNMENT may raise more than P25 billion by selling the assets of 31 defunct government corporations, the Governance Commission for Government-Owned or -Controlled Corporations (GCG) said.

In chance remarks to reporters on Tuesday, GCG Commissioner Gideon DV. Mortel said some of the corporations have been inactive since 2013, injecting a sense of urgency to the task of unlocking value from their assets.

"If you put together all the remaining assets, it's somewhere between P22 to P25 billion. But based on a recent assessments, *tataas pa 'yon* (the value could be higher)," Mr. Mortel told reporters.

"GCG Chairman Justice Alex L. Quiroz (wants) to prevent any dissipation or wastage of the remaining resources of these abolished Government-Owned and -Controlled Corporations (GOCCs)," he said.

During the coordination and preliminary meetings with these abolished GOCCs, the lack of personnel and absence of a quorum in the governing boards of abolished GOCCs became a challenge to the GCG, the GCG has said.

The GCG also announced last week that it is drafting an executive order to expedite the liquidation process.

According to Mr. Mortel, the GCG plans to complete the draft within the next two weeks and submit it to President Ferdinand R. Marcos, Jr. for approval.

He also said there is a need to harmonize the liquidation process as the conditions of asset disposal for many defunct GOCCs are governed by separate memoranda or executive orders issued at the time they were inactivated.

"Given these different approaches, we came up with the idea of having a single executive order that will govern all of this so we can liquidate all of them," he said.

Mr. Quiroz also told reporters that the GCG is in a hurry to process all of these assets.

"To avoid dissipation of funds of GOCCs, we need to move fast," he said.

As the GOCC regulator, the GCG is empowered to evaluate the performance of any state corporation to ascertain whether they should be reorganized, merged, streamlined, abolished or privatized.

This year, the Department of Finance's Privatization and Management Office is aiming to dispose of at least 143 properties worth P2.5 billion.

LANDBANK-DBP MERGER

Separately, Mr. Quiroz said the GCG's study on the merger of the Land Bank of the Philippines (LANDBANK) and the Development Bank of the Philippines (DBP) is still ongoing.

"There are a lot of things to be considered. First, the merger between United Coconut Planters Bank (UCPB) and LANDBANK is not yet finished," he said.

In June 2021, then-President Rodrigo R. Duterte signed an executive order approving the merger of the two major government banks, in which all assets and liabilities of UCPB will be transferred to LANDBANK. The merger took effect in March 2022.

Mr. Quiroz also noted that management, operations, and labor are the major considerations in the merger of DBP and LANDBANK.

Asked if the merger can happen by next year, Mr. Quiroz said "let's not rush and let's carefully study it first."

In May, Mr. Quiroz said a technical team from the GCG is currently working to calibrate the positions and classifications of the banks' workers.

Finance Secretary Benjamin E. Diokno has said that the merger between the two banks will likely be completed by the first half of next year.

Once combined, LANDBANK and DBP will have assets of P4.185 trillion and deposits of P3.588 trillion, according to the Finance department.

The merged entity will become the sole authorized government depository bank. — **Keisha B. Ta-asan**

PHL considering role for Singapore satellite company in digitization push

PRESIDENT Ferdinand R. Marcos, Jr. has directed two departments to pursue talks with Kacific Broadband Satellites Group to explore how it can aid in digitizing the government, the Palace said.

Mr. Marcos and the Secretaries of Information and Communications Technology and of Science and Technology met with the Kacific executives led founder and CEO Christian Patouraux to discuss the Philippines' plans for going digital, the Palace said in a statement.

Kacific, a Singapore broadband satellite operator based, is set to launch a second satellite, Kacific2, to expand and improve the reliability of its internet services.

After the meeting, the president directed the two departments to "continue with the talks with Kacific to determine the specific terms on how the company can boost the country's digital capability," the Palace said.

Information and Communications Technology Secretary Ivan John E. Uy said Kacific2 "could benefit the Philippines with additional bandwidth to help the economy through the propagation of the digital economy."

The Palace said state-owned National Development Co. (NDC) is considering an investment in Kacific2 "through the acquisition of frequency block, including the naming rights to the broadband satellite."

It said the NDC will partner with a Philippine company to roll out broadband satellite services from the Kacific2 to rural areas.

"Broadband services offered by Kacific2 could enable government-to-government communications from specific central offices to remote constituents and also support the existing government initiatives that promote better internet connectivity such as Free WiFi for All Program, the National Broadband Program, and the eGOV PH super app," the Palace said.

Kacific Broadband Satellites, founded in 2013, aims to provide reliable, fast, and low-cost satellite internet to homes, businesses, and public agencies in the Asia-Pacific.

In 2019, the company launched Kacific1, a High Throughput Satellite providing high-speed, low-cost, and reliable broadband to rural and suburban areas of the Pacific and Southeast Asia. — **Kyle Aristophere T. Atienza**


PHILSTAR FILE PHOTO

PHL LPG import dependence expected to increase in 2023

THE Philippine dependence on imported liquefied petroleum gas (LPG) is expected to increase further going forward, with the country becoming the second-largest LPG importer in Southeast Asia, Fitch Solutions BMI said on Wednesday.

"The Philippines is significantly exposed to the spot LPG market since the bulk of LPG is imported on a spot basis," Fitch Solutions BMI Country Risk & Industry Research said in a report.

Fitch Solutions unit BMI said the country's strong economic growth along with rising urbanization points to further growth for the LPG market in the Philippines.

BMI said LPG imports by the Philippines are expected to increase further to 55,000 barrels per day (b/d) in 2023 from 51,000 b/d in 2022.

"The dynamics of the LPG import market in the Philippines is changing fast with many industry players participating in import, wholesale and retail areas," BMI said.

However, it cited the weakness of the transportation sector as a downside risk to overall LPG consumption.

The report said LPG is one of "promising energy sources" set for growth in the long run as the Philippines does not have many alternatives to imports.

"The Philippines with a population of 114 million will continue to present short- and long-term opportunities for LPG exporters and traders in view of strong LPG demand growth outlook and shortfalls in supplies," BMI said.

BMI said that LPG use in the transport sector will likely fall further, with demand estimated to decrease to 100 b/d in 2022 from 1,200 b/d in 2015. It said that the transport sector only accounts for a small share of overall demand and consumption.

For residential and commercial use, LPG will likely be favored over liquefied natural gas (LNG), BMI said.

"Though the government is willing to develop the city gas market, the impact on LPG consumption will remain limited due to the lack of extensive city gas distribution infrastructure. More importantly, LNG may not be able to compete with LPG in residential and commercial sectors with LPG being more favored over LNG for commercial and residential use," BMI said.

The Oil Industry Management Bureau of the Department of Energy estimates that in 2022, LPG demand was 3,418 million liters, against 3,272 million liters in 2021. Estimates for the first six months to June 2023 are not yet available.

Meanwhile, BMI said the residential and commercial segments are the growth drivers of the LPG sector, with commercial accounting for 89% of overall LPG consumption in 2022.

BMI estimates that the LPG consumption by the residential and commercial segments will likely account for about 92% of all consumption.

"Prospects for strong demand growth from residential and commercial sectors will continue to be supported by improving access to LPG, rising urbanization and a strong population and economic growth outlook," the report said. — **Ashley Erika O. Jose**

OPINION

The role of transfer pricing in exchange of information

TAXWISE OR OTHERWISE

JOYCE ANNE BOALOY

To help strengthen and support initiatives addressing base erosion and profit shifting (BEPS) concerns, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 11-2022. The RR prescribes guidelines and procedures for the spontaneous exchange of taxpayer-specific rulings, which framework provides tax administrators with access to timely information on rulings that have been granted to a foreign related party or a permanent establishment (PE) of their resident taxpayer, which can be used for risk assessments.

The exchange of information (EoI) provision in international exchange agreements, such as Double Taxation Agreements (DTAs), serves as the legal basis for the exchange between competent authorities of the contracting states as is necessary for carrying out the provisions of the DTA, or of domestic laws concerning the taxes to which the DTA applies.

COVERED RULINGS

RR 11-2022 specifically covers past and future rulings related to certain preferential regimes; unilateral advance pricing arrangements (APAs) or other cross-border unilateral rulings in respect to transfer pricing; rulings providing for a downward adjustment of taxable profits; PE rulings; and related party conduit rulings.

Past rulings in this case only refer to PE rulings or rulings concerning the existence or absence of a PE of a foreign enterprise in the Philippines that were issued either: on or after Jan. 1, 2015 but before Sept. 1, 2017; or on or after Jan. 1, 2012 but before Jan. 1, 2015, provided that they were still in effect as of Jan. 1, 2015. Future rulings refer to rulings issued after such periods.

TIMELINE

The International Tax Affairs Division (ITAD) of the BIR, through its EoI Section, is responsible for sending the taxpayer-specific rulings to the foreign tax authority within three months from issuing a future ruling. For past rulings, the information must be sent as soon as possible after identifying the potential exchange jurisdictions.

The office must likewise ensure that subsequent requests by another jurisdiction for a copy of the taxpayer-specific ruling is responded to, or a status update is provided, within 90 days upon receipt of the request.

FORMAT AND CONTENT

The template to be used is designed by the Forum on Harmful Tax Practices and the Inclusive Framework on BEPS (attached as Annex A to the RR). It contains information on the parties to the transaction, the type of transaction and amounts involved, as well as the reason for the exchange.

The information may either be sent by registered mail or encrypted electronic mail which should be password-protected.

POTENTIAL EXCHANGE JURISDICTIONS

Generally, the potential exchange jurisdictions are the countries of residence of all related parties with whom the taxpayer has the transactions that are covered by ruling, as well as those of the ultimate parent company and the immediate parent company.

• In case the past ruling does not contain sufficient information to enable identification of all the relevant countries with which the information needs to be exchanged, the tax authorities must exert best efforts to identify them. They may check the information included in the file supporting the tax treaty relief application, BIR Form 1709, and any relevant transfer pricing documentation, if available. They may likewise obtain information from the domestic withholding agent, foreign taxpayer or its representative in the Philippines, the Securities and Exchange Commission or other possible information holders.

TRANSFER PRICING CONSIDERATIONS

Clearly, the EoI covered by the RR primarily focuses on related parties. In either past or future rulings, transfer pricing documentation and the Information Return on Related Party Transactions (BIR Form 1709) may be requested by the BIR, especially if the documents provide sufficient information to carry out the EoI.

On that point, Philippine taxpayers, especially those belonging to a Multinational Group with members heavily dealing with cross-border transactions, must ensure their adherence to the arm's length principle as provided in the Philippine Transfer Pricing Regulations and International Guidelines. Arm's length means that the charge for intercompany transactions should be that which would have been made and accepted between independent parties in comparable circumstances. Compliance with the arm's length principle can be demonstrated by ensuring that required information in transfer pricing documentation is properly incorporated and discussed as provided in the Philippine rules.

Considering that transfer pricing documentation is expected to contain complete information about related party dealings, including all the transacting related parties and overview of their operations, the document may provide additional reference for the BIR to identify potential foreign jurisdictions for EoI purposes.

The RR likewise states that the EoI can be used by tax administrators in conducting risk assessments. One of the rulings covered by the EoI are those providing for a downward adjustment of taxable profits. In view of this, in preparing their transfer pricing documentation, Philippine taxpayers should likewise consider how they can demonstrate the reasonableness and compliance of their transactions, especially for those transactions that are covered by such rulings.

On that same premise, taxpayers must likewise be able to explain in the transfer pricing documentation the rationale for entering into transactions with affiliates. It is necessary to maintain the supporting analysis for their intercompany arrangements (e.g., contracts, benchmarking study, etc.), as well as the basis for the applied transfer pricing policy to defend its reasonableness and compliance with the arm's length principle.

While the BIR may still request documents other than the transfer pricing documentation, the above considerations may be helpful in the taxpayer's position in case there is a need to apply for such covered rulings.

Finally, considering the continuous efforts of the BIR to address transfer pricing concerns, taxpayers must ensure that as early as possible, all the required information is addressed and maintained head on. With the growing means of tax administrators to access information on cross-border transactions, taxpayers must be one step ahead and should be able to establish that their tax practices are not just reasonable and compliant with Philippine regulations, but also with the relevant international rules.

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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