

Scammers deemed likely to obtain leaked PhilHealth data

THE Department of Information and Communications Technology (DICT) said data on “millions” of members who were exposed in the Philippine Health Insurance Corp. (PhilHealth) data breach could eventually be sold on to scammers after the government refused to pay ransom.

“I would not put it past them for as long as there is an opportunity because they were unable to get ransom from the government... they will try to monetize the information by selling

to scammers (and) phishers,” Information and Communications Technology Secretary Ivan John E. Uy said.

The estimate of the number of affected PhilHealth users was given by Undersecretary Jeffrey Ian C. Dy, who was speaking to reporters on the sidelines of the DICT’s Cybersecurity Month 2023 event on Monday.

“Unfortunately, it is a significant amount — millions. We are 90% done (analyzing the breach) but the numbers could

be trimmed down (to eliminate duplicate cases),” he said.

In September, PhilHealth was hit by a ransomware attack, with the hackers demanding \$300,000 from the government in exchange for decryption keys to the data that had been held hostage.

Last week, the hackers started publishing personal data including employee records, pictures, payroll details, and hospital bills.

Mr. Uy said about 600 gigabytes of data had been taken from PhilHealth.

He said that the DICT is still looking into the possibility that the hackers had obtained more than the 600 gigabytes as initially estimated.

The DICT is still trying to determine the identity of the hackers behind the attack, Mr. Uy said.

“If these are operating from third countries that are safe havens, we will not be able to pin them down but we can identify them. I think local groups are not as confident because we can pin them down; they are within our jurisdiction,” he said.

— **Ashley Erika O. Jose**

NGCP wins approval for 4 ancillary services contracts

THE National Grid Corp. of the Philippines (NGCP) has received provisional authority from the Energy Regulatory Commission (ERC) to implement four ancillary service procurement agreements (ASPAs).

In separate filings, the grid operator said that the ERC approved ASPAs the NGCP entered into with Universal Power Solutions, Inc. (UPSI), Therma Visayas, Inc. (TVI), SN Aboitiz Power-Magat, Inc. (SNAP-MI), and Masinloc Power Partners Co. Ltd. (MPPCL).

According to Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001, ancillary services are “necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code.”

The NGCP said the new AS suppliers include the 388-megawatt (MW) Magat hydroelectric power plant, operated by SNAP-MI located on the border of Isabela and Ifugao provinces.

The hydro power plant was privatized in 2007 and is now owned by SNAP, a joint venture between Norwegian renewables company Scatec and Aboitiz-Power Corp.

Other AS sources are the 20-MW battery energy storage system (BESS) power plant of UPSI in Toledo City, Cebu, the 10-MW BESS power plant of MPPCL in Masinloc, Zambales, and TVI’s 353.94-MW circulating fluidized bed coal-fired power plant in Toledo City, Cebu.

“NGCP is directed to optimize economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability, and integrity of the grid,” according to the filings. — **Sheldeen Joy Talavera**



PHILIPPINE STAR/EDD GUMBAN

Pork inventory seen sufficient until first quarter of 2024

THE supply of pork is expected to be ample until the first quarter of 2024, despite the expected increase in year-end demand, an industry group said on Monday.

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said there are no supply issues with pork, though farmgate prices remain out of step with retail prices.

“(For) stocks and supply we aren’t seeing a problem but farmgate prices for pork is declining, and yet retail prices are getting higher,” Mr. Cainglet told *BusinessWorld* by phone. “We really have a lot of stock until the first quarter of next year.”

Mr. Cainglet said farmgate prices of pork were now hitting P150 to P160 per kilogram.

“This means that the procurement of hogs is slow because there are many pigs in the market, either live or frozen,” he added.

The farmgate price of backyard hogs, as of Oct. 9, was P140-160 per kilo, while the farmgate price for commercial hogs was P130-180 per kilo, according to Department of Agriculture’s (DA) price monitors.

He said shipments of pork will increase towards the end of the year, further boosting supply.

Mr. Cainglet said the industry has adjusted after the outbreak of African Swine

Fever (ASF), particularly commercial hog raisers.

“We would rather have the backyard (hog raisers) make a comeback. But because of ASF, it is more difficult for (them) to return compared to commercial growers,” he added.

The DA said it has distributed 85,601 sentinel pigs as of Sept. 15, to over 32,437 ASF-affected farmers through its National Livestock Program (NLP). Sentinel pigs are so called because their presence in farms that had been decontaminated will serve as early warning if the disease lingers.

“At the start of the second quarter of 2022, the growth of our swine industry has been positive. And of course, our department took the lead so that our pig farmers can recover from ASF,” NLP Director Ruth S. Micalat-Sonaco said in a statement.

The DA added that 56 farmers’ cooperatives and associations had been given grants to procure 9,240 breeders.

Philippine pork production is expected to hit 925,000 metric tons representing a 5% downgrade of a previous forecast due to the continued presence of ASF in top producing regions, the US Department of Agriculture said. — **Adrian H. Halili**

District cooling tech being studied for New Clark City

THE Bases Conversion and Development Authority (BCDA) said it has entered into an agreement with Qatar’s United District Energy International LLC (UDEI) and Marubeni Corp. to explore district cooling for New Clark City, which promises to meet the economic zone’s cooling needs with a lower carbon footprint.

According to a memorandum of understanding, the two companies will conduct a technical and feasibility study to explore the viability of such a system.

“A district cooling system in this sustainable metropolis will enable us to provide the most environmentally friendly and cost-efficient solution to future residents and locators,” BCDA President and Chief Executive Officer Joshua M. Bingcang said in a statement on Monday.

According to the BCDA, district cooling systems are a greener alternative to decentralized air conditioners, being capable of greater scale, promising potential savings, and reduced emissions.

It is expected to cut carbon dioxide emissions and pollu-

tion of future residents and locators by as much as 50%.

The partnership is expected to run for a year.

UDEI Director Yasser Al Jaidah said that the partnership is a milestone because of the need for sustainable cooling solutions.

“We envision a future where our technology, in collaboration with BCDA and Marubeni, continues to pave the way for positive change, transforming challenges into opportunities and inspiring progress for generations to come,” Mr. Al Jaidah said.

“Our commitment to BCDA’s New Clark City underscores our dedication to fostering lasting relationships and making a meaningful impact on the community and economy,” he added.

TaiMiura, Marubeni deputy general manager for overseas power, said the incorporation of district cooling technologies will make New Clark City one of the smartest and greenest cities in Southeast Asia.

“Marubeni is fully committed to providing maximum support to help BCDA make its vision for New Clark City a reality,” he added. — **Justine Irish D. Tabile**

Rice inventory declines in early July; corn higher

THE national rice inventory declined 11.3% year on year, while corn stocks rose 10.3% in early July, the Philippine Statistics Authority (PSA) said.

In a report, the PSA said the rice inventory was 1.80 million metric tons (MT), with the sharp fall in rice volume held by the National Food Authority (NFA) driving the decline.

“Of this month’s total rice stocks, 54.6% were from the commercial sector, 42% were from the households, and 3.4% were from NFA depositories,” the PSA said.

Rice held by the NFA fell 62.1% year on year to 60.84 thousand MT, while household rice stocks fell 28.7% to 771 thousand MT.

Commercial warehouses held 984.76 thousand MT for the

period, rising 21.6% from a year earlier.

On a month-on-month basis, the rice inventory fell 0.04% compared to June.

“Month-on-month decreases in rice stocks were noted in both NFA depositories and household sector at 28.5% and 14.3%, respectively. Meanwhile, rice held by commercial entities increased 16.1%,” it said.

Meanwhile, the PSA said that the inventory for corn rose to 833.76 thousand MT in early July from 746.92 thousand MT a year earlier.

“About 92.9% of this month’s total corn stocks were held by the commercial sector, while the remaining 7.1% were held by households,” it added. — **Adrian H. Halili**

OPINION

BIR audit: Common reconciliations on per books vs per tax returns

Many taxpayers have recently received a Letter of Authority (LoA) from the Bureau of Internal Revenue (BIR), which may have caused anxiety. Normally, significant findings are initially identified and alleged in a BIR audit. Often, such findings come after the BIR compares the taxpayers’ books against tax returns. Out of this approach, millions or hundreds of millions, or even billions of alleged discrepancies are frequently left to the taxpayers to reconcile. No wonder taxpayers face elevated stress levels during BIR audits.

What are examples of the discrepancies cited during a BIR audit, and what may a taxpayer do about these?

One of the very common procedures during BIR audits is the comparison of the expenses recorded per book against the tax base reported in the withholding tax returns. The differences that arise are assessed for non-withholding of tax on expenses with the corresponding disallowance of the expenses as deductions for income tax purposes. That gives rise to an alleged withholding tax deficiency and an alleged income tax deficiency.

For the above-mentioned differences, it is worth checking whether there are expenses which are exempt from withholding taxes. For expanded withholding tax, some exempt transactions are payments to GPPs and payments to PEZA entities under ITH or 5% SCIT. For final withholding tax, transactions

that are incurred outside the Philippines are some of the possible reconciliations. On the other hand, for withholding tax on compensation, the reconciliations could come from the employer’s share in government mandatory contributions, HMO premiums for group insurance, or de minimis benefits.

Another comparison being made by the BIR is the taxpayer’s income and expenses per book against those reported in the income tax returns (ITR) and value-added tax (VAT) returns. Any differences may be assessed for deficiency income tax or deficiency VAT.

In this type of finding, more often than not, discrepancies are due to the timing differences in the reporting of the income and expenses between the books and the tax returns. For instance, if you are engaged in the sale of real estate, the recognition of taxable income from such sales could be different based on the tax rules and the accounting rules. Unlike in the accounting rules, there is an installment method in the tax rules that may be applied for sale of real estate if the initial payment does not exceed 25% of the contract price.

In addition, another timing difference that may occur is the lease expense recognized by the taxpayer. Amortization of recognized right-of-use asset (ROUA) and interest expense on lease liability are the expenses recorded per books, while for income tax purposes, the lease expense deductible is the amount in-

curred during the period based on the lease contract.

There could be other reconciliations apart from the mentioned above; hence, taxpayers may want to be proactive and consider preparing ahead to deal with possible tax findings even before the LoA is served.

• Periodic reconciliation of books versus tax returns

It is prudent to have the books versus tax returns reconciled on a periodic basis, be it monthly or quarterly, so that the taxpayer is not surprised by the findings of a BIR audit. It will benefit the taxpayer to spot the discrepancies that need to be properly addressed ahead of the BIR audit.

• Supporting documents

To ease the burden of collating the documents that BIR may request during the BIR audit, it is best to prepare the proper documentation and to maintain an organized system of record-keeping. Invoices, receipts, contracts, or other pertinent documents related to the transactions should be kept and secured in a manner that is easy to retrieve. These documents will help taxpayers address the nature of the discrepancies that may be alleged by the BIR in an audit.

• Stay informed of recent tax updates and developments

Being informed of tax updates and the changes in the tax rules and procedures is crucial. With numerous tax rules and updates, it will be helpful for a taxpayer to attend tax seminars held by the BIR or by tax consultants. The knowledge of the tax rules will lead a taxpayer to

identify the possible reasons why certain amounts in the books are different from the amounts per tax returns.

• Conduct a tax health check

Just as we give importance to our physical well-being by undergoing a regular medical check-up, it is also important that, as a taxpayer, a periodic tax health check conducted by the company’s tax team or by the company’s tax consultant is conducted periodically. This preemptive practice could immediately address the possible tax issues that may arise during a BIR audit.

Being proactive will surely reduce unnecessary stress and can help the taxpayers address issues that might be raised by the BIR in an audit process. By anticipating the potential discrepancies, taxpayers will face a less daunting BIR audit, thereby reducing anxiety.

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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