

# EO cuts tariffs on cement, plasterboard raw materials

THE ADMINISTRATION said it has reduced import tariffs to zero on two raw minerals used in the manufacture of building materials such as cement and plasterboard.

Natural gypsum and anhydrite were formerly charged a 3% tariff, which was reduced to zero by Executive Order (EO) No. 46.

EO 46 said there are currently no domestic sources for the two minerals in the absence of operating mines dedicated to their extraction.

EO 46 was signed by Executive Secretary Lucas P. Bersamin on Nov. 3 but released on Monday.

“(T)here are also no local substitutes for said products that are

available to domestic producers of plasterboard and cement,” it said.

The Palace said the move will “help revitalize and increase the competitiveness of the plasterboard and cement industries.”

The order also provides relief to housing and infrastructure projects in the Philippines, it added.

The order takes effect 30 days after its publication in the *Official Gazette* and will be in effect for five years.

The zero-tariff setting will be subject to annual review after Dec. 31, 2024. The National Economic and Development Authority had recommended the tariff reduction in September. — **Kyle Aristophere T. Atienza**

## Mideast markets seen opening up with lifting of Qatar seafood ban

THE lifting of Qatar’s ban on Philippine chilled seafood will open up export opportunities all over the Middle East, the Philippine Exporters Confederation, Inc. (Philexport) said.

“As an exporter we are very glad (that it was lifted) because when we are banned in a country, somehow, it affects other countries also,” Philexport President Sergio R. Ortiz-Luis, Jr. said in a phone interview.

“The lifting of the ban will not only provide opportunities in Qatar but also in other countries which hesitated because of the ban,” he added.

In an advisory, the Department of Trade and Industry (DTI)

said that the Ministry of Public Health of Qatar announced the lifting of its temporary ban on chilled seafood from the Philippines starting Nov. 15.

The chilled seafood products covered by the ban include fish, shrimp, squid, mussels, and oysters, the DTI said.

However, the Ministry still requires the submission of a certificate of conformity issued by third-party inspectors at the country of origin before the products are shipped for export.

“Philippine seafood exporters will now be able to resume exports to Qatar. However, they need to submit third-party cer-

tifications,” DTI Export Marketing Bureau Director Bianca Pearl R. Sykimte said in a Viber message.

She added that exporters have expressed concern over the additional cost of certification.

There are four authorized third-party inspectors that can issue certificates of conformity, three of which have a presence in the Philippines — TÜV NORD Philippines, TÜV Rheinland Philippines, and Intertek Testing Services Philippines, Inc.

Mr. Ortiz-Luis said that the Philippine industry considers the Middle East a large halal market.

He said any impact on export numbers will depend on when orders are placed.

“It may reflect this year if orders immediately come in, but if there is a need for certification, I think this will start to reflect next year,” he added.

The temporary ban was imposed in November as a precaution against contamination from *Vibrio cholerae* bacteria. The ban on frozen seafood products was lifted in February.

In 2022, bilateral trade between the Philippines and Qatar amounted to 979 million Qatari Riyal, according to the Qatar chamber of commerce. — **Justine Irish D. Tabile**

## Projects delayed by disasters invited to seek ITH adjustments

THE Board of Investments (BoI) said it may adjust the start date for tax holidays of projects that do not expect to begin commercial operations on time if the delays were caused by the extraordinary events of recent years.

The BoI said Fiscal Incentives Review Board (FIRB) Resolution No. 24-21, Series of 2021, authorizes it to adjust the start date for income tax holidays for project delays caused by extraordinary events that were affecting businesses at the time the resolution was issued, such as the pandemic, the African Swine Fever outbreak, or the Taal Volcano eruption.

The BoI will receive such applications until Nov. 20.

“The BoI has until Dec. 31 to act on said requests under FIRB Resolution No. 24-21. The affected RBEs must file on or before Nov. 20 to give sufficient time to evaluate and process such requests,” the BoI said.

A ruling to waive penalties for such delays is considered a “temporary measure” under the FIRB resolution.

The BoI said that its authority to act under Rule 23 or

the “Temporary Measures for Exceptional Circumstances” of the CREATE Act IRR (implementing rules and regulations) will be effective for as long as any of the exceptional circumstances covered are still affecting business.

Registered business enterprises (RBEs) that have not been able to commence commercial operations and projects that are still in the pre-operating stage may apply for the temporary measures.

The income tax holiday (ITH) adjustment will correspond to the duration that business activities have been affected or disrupted.

RBEs whose profitability is adversely affected because of continuing extraordinary circumstances may also defer their ITH incentive entitlement corresponding to the duration that operations were affected.

However, RBEs are liable for income tax due for the taxable year in which the deferment took place to avail of the temporary measures. — **Justine Irish D. Tabile**

# Wholesale goods price growth eases in September to 4% from 5% in August

GROWTH in the wholesale prices of general goods slowed in September to the weakest reading in three months, the Philippine Statistics Authority (PSA) reported on Monday.

According to preliminary PSA data, the general wholesale price index (GWPI) eased to 4.4% year on year, from the 5% posted in August and 8.2% a year earlier.

The recent low for the indicator was 4% in June.

Year to date, GWPI averaged 5.1%, much lower than the 7.4% a year earlier.

“A possible reason for the easing could be a decrease in demand, leading to an excess supply of goods,” Robert Dan J. Roces, chief economist at Security Bank Corp., said in a Viber message.

Mr. Roces added that the September slowdown may also be due to a stabilization or reduction in the cost of production or logistics, possibly, as a result of improved supply chain efficiency and lower input costs.

He said the indicator could also be reflecting base effects from a year earlier.

“The lower annual growth of GWPI in the country were primarily brought about by the downtrends in the indices of the heavily weighted food at 7.3% in September 2023 from 7.9% in the previous month,” the PSA said.

This was followed by chemicals including animal and vegetable oils and fats easing to 1.3% in September from 3.4% in August, then beverages and tobacco with a 5.9% gain during the period compared with 6.2% in August.

Other commodities that logged slower growth were machinery and transport equipment (1.4% in September from 1.6% in August) and miscellaneous manufactured articles (3.6% from 4.4%).

Bulk prices in Luzon and Mindanao eased while price growth in the Visayas accelerated.

Wholesale price growth in Luzon slowed to 4.6% from 5% in August and 8.5% from a year earlier.

“The downtrend of the GWPI in Luzon was primarily caused by the slower annual increases re-

corded in the indices of chemicals including animal and vegetable oils and fats at 1.8% in September 2023 from 4.0% in the previous month,” the PSA said.

In Mindanao, the GWPI eased to 3.2% from 3.4% in August and 4% in September 2022.

The PSA attributed the slowdown to the food index, which came in at 5.8% from 6.7% a month earlier.

Meanwhile, price growth in the Visayas picked up to 4.6% from 4.2%. This was also lower

than the 6.9% posted in September last year.

“The higher annual growth of the food index at 9.1% in September from 8.3% in the previous month primarily caused the uptrend in the annual rate of GWPI in Visayas,” the PSA said.

Mr. Roces said that if the factors that led to the September price slowdown continue, we might expect the moderation in wholesale prices to persist into the next month and potentially throughout the year. — **Abigail Marie P. Yraola**

### OPINION

## What to expect when Ease of Paying Taxes bill becomes law

The Ease of Paying Taxes (EoPT) bill, which seeks to improve tax compliance, was recently approved by the bicameral conference committee. According to Sen. Sherwin T. Gatchalian, EoPT is expected to drive foreign direct investment (FDI) and enhance the country’s competitiveness as an investment destination.

In this article, we will navigate the significant proposed amendments to the National Internal Revenue Code (NIRC) of 1997, as amended, that are intended to make the taxpaying experience more positive.

#### FOUR CATEGORIES OF TAXPAYER

For purposes of responsive tax administration, taxpayers will be classified into 4 categories: (1) Micro, with gross sales of less than P3 million; (2) Small, with gross sales of between P3 million and less than P20 million; (3) Medium, with gross sales of between P20 million and less than P1 billion; and (4) Large, with gross sales of P1 billion and above.

#### FILE AND PAY ANYWHERE

The bill proposes that tax returns can be filed, either electronically or manually, with any authorized agent bank, Revenue District Office through the Revenue Collection Officer, or authorized tax software provider. This is the development that taxpayers have long been waiting for. This gives taxpayers flexibility and convenience in filing and paying taxes. Eventually, taxpayers won’t have to worry about the imposition of surcharges for filing tax returns in the wrong venue.

#### SIMPLIFIED TIMING OF WITHHOLDING TAXES

The existing “whichever comes first” rule of withholding (i.e., the time when an income payment is paid or becomes payable, or when the income payment is accrued or recorded as an expense or asset, whichever is applicable) will no longer apply. Finally, the bill provides

for the simplified timing of withholding taxes (i.e., the obligation to deduct and withhold the tax arises at the time the income has become payable).

The existing regulations define the term “payable” as referring to the date the obligation becomes due, demandable, or legally enforceable.

We hope that by simplifying the timing of withholding taxes, the withholding agent, income recipient and the BIR are all on the same page.

#### SIMPLIFIED VAT RULES AND DOCUMENTATION

The bill proposes a uniform VAT system covering sales of goods or property, sales of services, and the lease of property which is “gross sales.” Under the existing rules, “gross sales” are the basis for the sale of goods or property while “gross receipts” are the basis for the sale of services and use or lease of property.

The definition of “gross sales” for the sale of goods or property will change substantially. However, for the sale of services and use or lease of property, “gross sales” will mean the total amount of money or its equivalent representing the contract price, compensation, service fee, rental or royalty, including the amount charged for materials supplied with the services for another person which the purchase pays or is obligated to pay to the seller in consideration of the sale, barter, or exchange of services that has already been rendered by the seller and the use or lease of property that has been supplied by the seller, and excluding VAT and those amounts earmarked for payment to third party or received as reimbursement for payment on behalf of another which do not redound to the benefit of the seller. Provided that for long-term contracts for a period of one year or more, the invoice must be issued on the month in which the service, or the use or lease of property, is rendered or supplied.

With this change, the Value-Added Tax (VAT) official receipt will be removed when the EoPT bill becomes law;

hence, the VAT invoice will be the sole supporting document required in declaring output taxes and claiming input taxes for both the sale of goods and services. Additionally, the change seeks to align the accrual basis of accounting for both income tax purposes and VAT purposes. As such, it is expected that there will be no more discrepancy between the gross sales declared in the Income Tax Return (ITR) and VAT returns.

While this will simplify the VAT reporting procedure, this may also potentially harm the taxpayer’s cash flow as it will be required to remit output taxes on gross sales regardless of type and probability of collection in the future. Worry not, because the EoPT bill provides a remedy for this instance, which is to treat the output tax on the uncollected invoices as a tax credit in the succeeding quarter’s VAT return, provided that the agreed upon period to pay has lapsed. Nevertheless, in case of the recovery of uncollected receivables, the output tax pertaining thereto shall be added to the VAT return during the period of recovery.

On the other hand, the business style, which caused confusion among taxpayers despite the issuance of clarifying guidelines by the BIR, will be removed. This conveys that taxpayers will no longer need to watch out for this information in the VAT invoice when claiming input tax credit.

Further, the threshold for the issuance of duly registered sales invoices will be increased from P100 to P500. Also, the P3-million VAT threshold will be tied to the movement of the consumer price index, as published by the Philippine Statistics Authority, every three years.

#### CHANGES TO VAT REFUND RULES

VAT refund claims will be classified into low-, medium-, and high-risk claims. Medium- and high-risk claims will be subject to audit and verification processes. In case of denial, the Commissioner should state in writing the legal and factual basis of denial within the 90-day period. In case of full or partial denial, or failure on the part of the Commissioner to act on

the application within the 90-day period, the taxpayer may, within 30 days from receipt of the denial or after the expiration of the 90-day period, appeal the decision with the Court of Tax Appeals.

#### REMOVAL OF EXPENSE DISALLOWANCE DUE TO NON-WITHHOLDING

Section 34 (K) of the NIRC, as amended, which requires withholding of taxes as an additional requirement for deductibility of expenses from gross income, will be repealed. This means that taxpayers will no longer see this as one of their tax assessments (i.e., disallowance of expenses due to non-withholding). But of course, the general rule of substantiation requirements as provided in Sec. 34 (A) (1) (b) of NIRC, as amended, should still be observed. It is also worthy to note that repealing this clause does not eliminate a taxpayer’s obligation to withhold and remit taxes, except for micro taxpayers, because micro taxpayers will not be required to withhold taxes.

#### PRESERVATION OF BOOKS OF ACCOUNT

The EoPT bill specifically provides the period for preserving the taxpayer’s books of account and other accounting records — five years reckoned from the day following the deadline for filing a return, or if filed after the deadline, from the date of the filing of the returns, for the taxable year when the last entry was made in the books of account. Note that this does not remove the requirement to preserve the books of account for up to 10 years in cases of tax audit due to fraud.

#### EASE OF REGISTRATION AND UPDATE

Registration facilities will also be available to all taxpayers, including those not residing in the country. Those taxpayers who register, either electronically or manually, with the appropriate RDO will no longer need to pay the annual registration fee of P500.

Any update to the registration status may be done by merely filing, either electronically or manually, an application for registration information update.

#### RELIEFS FROM BURDEN OF TAX ADMINISTRATION

As mentioned, micro taxpayers will be relieved of the burden of withholding taxes.

Overseas Contract Workers, as defined in NIRC or Overseas Filipino Workers, as defined in Republic Act (RA) No. 11641, will no longer be required to file an income tax return.

Micro and small taxpayers will benefit from the following reliefs, as proposed in the EoPT bill:

- the ITR consists of a maximum of 2 pages.
- a reduced civil penalty of 10% from 25% on failure or neglect to file a correct tax return and/or failure to pay the correct taxes;
- a 50% reduction on the interest rate and fine (from P1,000 to P500) for failure to file certain information returns; and
- a reduced compromise penalty of at least 50% for violations of the invoicing requirement, issuance, and printing of sales invoices.

With all these proposed amendments to ease the complexities associated with tax payments, we are hopeful that the BIR will develop a roadmap and provide clear guidance on the implementation of EoPT.

*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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