

PPA awards P273-million Oriental Mindoro project

THE Philippine Ports Authority (PPA) said it awarded the P272.92-million Bulalacao Oriental Mindoro port expansion project to Orient Star Construction, Inc. According to a notice of award dated Feb. 12, the Mindoro-based construction company was awarded the contract after passing the post-qualification evaluation of PPA's bids and awards committee.

The company also submitted the lowest bid among five bidders for the project, the PPA said. The PPA said only five of the initial six bidders submitted financial and technical proposals for the Bulalacao port expansion project after Luzviminda Engineering withdrew. The other four companies that submitted bid proposals are Vicente T. Lao Con-

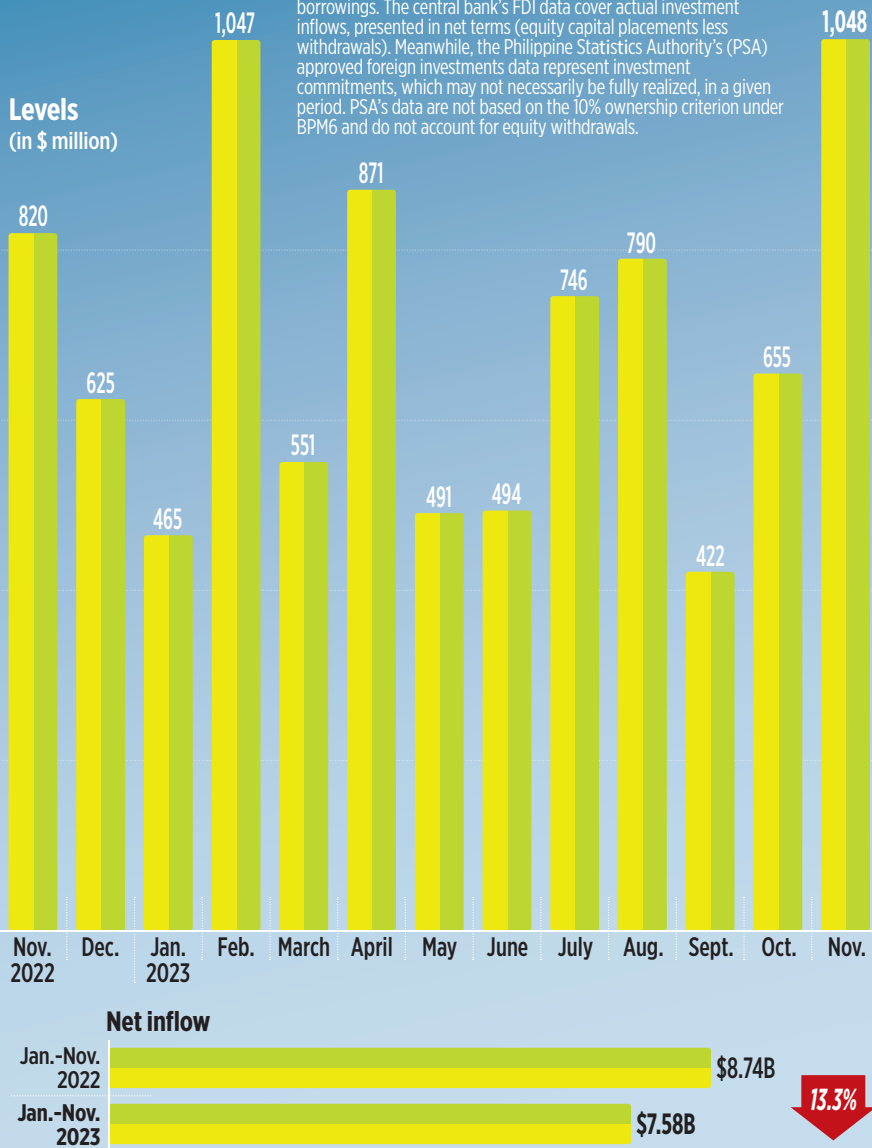
struction; MAC Builders Corp.; J.C. Piñon Construction, Inc.; and Sunwest, Inc. Jay Daniel R. Santiago, PPA general manager, has ordered the company to conclude a contract with the agency and post a performance security within 10 days from the receipt of the notice of award. "Failure to enter into the said contract or provide the Performance Security shall

constitute sufficient ground for the cancellation of the award and forfeiture of your Bid Security," Mr. Santiago said. The port expansion project must be completed over 480 days or 16 months. The project includes removal and excavation and work on the port operations area and covered walkway, passenger terminal building and pump house. — Ashley Erika O. Jose

NET FOREIGN DIRECT INVESTMENTS (November 2023)



Note: Under the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6), foreign direct investment (FDI) includes direct investments made by a foreigner in a local enterprise, whose equity capital in the latter is at least 10%, and investment made by a foreign subsidiary/associate in its local investor. FDI can be in the form of equity capital, earnings reinvestment, and borrowings. The central bank's FDI data cover actual investment inflows, presented in net terms (equity capital placements less withdrawals). Meanwhile, the Philippine Statistics Authority's (PSA) approved foreign investments data represent investment commitments, which may not necessarily be fully realized, in a given period. PSA's data are not based on the 10% ownership criterion under BPM6 and do not account for equity withdrawals.



Source: Bangko Sentral ng Pilipinas (Preliminary data as of Feb. 12, 2024)
BusinessWorld Research: Mariedel Irish U. Catilogo BusinessWorld Graphics: Bong R. Fortin

Gradual cuts to PIFITA tax on interest removed

THE Department of Finance (DoF) said on Monday that its revised proposal to simplify tax rates for passive income and financial intermediaries include keeping tax rates on interest income at 20% instead of the gradual reduction to 15% previously. Keeping the rate at 20% instead of the gradual decrease by 2028 would generate about P30.8 billion in revenues, Finance Assistant Secretary Karlo Fermin S. Adriano told a Senate Ways and Means Committee hearing on the proposed Passive Income and Financial Intermediary Taxation Act (PIFITA). The DoF is proposing to keep the 10% income tax rate for dividends in-

stead of raising it to 15% to stay on par with the Southeast Asian regional average, Mr. Adriano said. "The idea here is that dividends are already subject to corporate income tax, basically having it at 15% will make us not competitive because when you compare it to our neighbors 10% is the average," he said. "The goal is to frontload the implementation of the revenue-increasing provisions in 2024 and backload some of the administration of revenue-eroding provisions in 2028 when the country is in a better fiscal position."

The adjusted tax reform proposal will decrease the previously projected P83 billion in foregone revenue from changes to taxes on passive income, financial intermediaries, financial transactions and excise tax on pick-up trucks to P12.2 billion in revenue, he said. Mr. Adriano added that the DoF is working with the National Economic and Development Authority to determine the overall economic impact of the tax reform program. Senator Sherwin T. Gatchalian, who heads the Ways and Means Committee, said technical working groups will finalize the PIFITA measure. — John Victor D. Ordoñez

Drought warning raised for provinces producing close to 50% of PHL rice

DROUGHT induced by El Niño is expected to hit five major rice-growing provinces that accounted for nearly half of the country's rice output in 2023, the government weather service said. In a report, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) said the affected provinces are Nueva Ecija, Isabela, Pangasinan, Cagayan, and Negros Occidental, with drought conditions expected to prevail until the end of February. PAGASA defines drought as three consecutive months of way below normal rainfall conditions or greater than 60% reduction from average rainfall. PAGASA has said that the effects of El Niño may run until the second quarter. An estimated 63 provinces will experience droughts or dry spells. In 2023, the Philippines reported output of 20.06 million metric tons (MT) of palay or unmilled rice, according to the Philippine Statistics Authority. This exceeded the 20 million MT target set by the Department of Agriculture (DA) and was 1.53% higher than the prior year. The five provinces represent 49.52%, or 9.93 million MT, of

palay production in 2023. The DA's target was unchanged in 2023, with the impact of El Niño likely offsetting any productivity gains in the rice industry. Iloilo, another top rice-producing province, is set to experience dry spells during the period. The province produced 1.07 million MT last year, or 5.33%. PAGASA defines dry spells as "below normal" rainfall conditions for three consecutive months, or a 21-60% reduction from the area's average rainfall. Other top rice-producing provinces are expected to be unaffected by the ongoing El Niño until the end of February. They are Camarines Sur, Maguindanao, Tarlac, Bukidnon, and Cotabato. The provinces made up 19.64% of palay production in 2023. Initial reports put rice damage and losses from El Niño at P151.3 million, according to the DA's third El Niño bulletin. PAGASA said the strong and mature El Niño currently prevailing is projected to continue through February. A transition to a state known as ENSO-neutral (El Niño-Southern Oscillation) is then expected in the second quarter. — Adrian H. Halili

Bill seeking to ban POGOs clears House gaming committee

A HOUSE of Representatives committee approved a bill that seeks to ban and declare illegal Philippine Offshore Gaming Operators (POGOs), alleging that the gaming companies are involved in money laundering and human rights violations. "The continued operation of POGOs is a public exhibition and a confession of frustration over (the government's) inability to properly address our pitiful national economic condition," Manila Rep. Bienvenido M. Abante, Jr. said in House Bill No. 5082. The House gaming and amusements committee also approved a resolution urging the Philippine Amusement and Gaming Corp. (PAGCOR) to ban POGOs. "The POGOs form part of a multi-billion gambling industry contributing revenue to the country, but they have also been allegedly used for illegal activities such as money laundering, illegal immigration and employment and kidnapping and other violent (offenses)," Cagayan de Oro Rep. Rufus B. Rodriguez said. As many as 4,039 have been victims of POGO-related crimes, the Philippine National Police (PNP) told a Senate hearing last year. — Beatriz Marie D. Cruz

FULL STORY

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OPINION

Ease of Paying Taxes law: Making tax less taxing

For years, taxpayers have been wishfully thinking of simple and practical yet comprehensive tax laws and regulations that will encourage compliance. Our legislators have heeded the call, embraced the convenience brought about by digitalization, and introduced changes to make things more convenient for the taxpayer. To ensure that the taxation process moves forward, R.A. No. 11967, or the Ease of Paying Taxes Act (EoPT), was signed into law on Jan. 5, taking effect on Jan. 22. With the end goal of easing the payment process, thereby encouraging compliance from taxpayers, the EoPT Law amended the Tax Code. The amendatory provisions notably include the following:

- additional taxpayer classifications, with special concessions provided to micro and small taxpayers;
- timing of the withholding of tax at the time when the income becomes payable;
- use of a uniform document for sellers of goods and services for VAT purposes;
- timing of the recognition of VAT on sale of services;
- risk classification for VAT refund claims.

LET'S TALK TAX KIM M. ARANAS

The law also tasks the Secretary of Finance (SoF), after consulting with the Bureau of Internal Revenue (BIR) and the private sector, with promulgating the implementing rules and regulations (IRR) within 90 calendar days from the EoPT Law's effectivity. Thereafter, the taxpayers have six months from the effectivity of the IRR to comply with the EoPT Law's amendments on VAT and other percentage taxes. Pending the issuance of the IRR, here are some of the questions that taxpayers hope that the regulations will shed light on:

Additional classification of taxpayers

Under the EoPT Law, taxpayers are now classified into Micro, Small, Medium, and Large taxpayers. As micro (gross sales of less than P3 million) and small taxpayers (gross sales of P3 Million to less than P20 million) are given special concessions under the law, some taxpayers, particularly those near the borderline of the threshold amounts, are asking whether they need to wait for an official notice or an official publication of a list from the BIR in order to be classified as a micro or a small taxpayer. Micro and small businesses comprise 99% of all business establishments (PSA, 2022 Philippine MSME Statistics). How

can unregistered taxpayers be classified as micro or small taxpayers? Will the classification as micro or small be left to the voluntary determination of the taxpayer, subject to the subsequent BIR audit?

Timing of tax withholding

As the obligation to deduct and withhold the tax arises at the time the income has become payable, there is a need to clarify the definition of the word "payable," as there is no statutory provision to fall back on. For reference, RR No. 02-98 defines "payable" as when the obligation becomes due, demandable, and legally enforceable. Following this definition, apparently, the parties to a contract could expressly agree as to when the collection and payment will be performed for the withholding obligation to attach. Further, to avoid confusion with the other types of withholding taxes, the regulations may also want to clarify if this new rule on the timing of withholding would also apply to withholding taxes on compensation or to withholding VAT on transactions involving nonresidents.

Uniform VAT documentation

For sellers of services, the EoPT Law requires the use of sales invoices for VAT purposes, the same type of document for sellers of goods. In this regard,

the regulations should clarify what will happen to the use or possible disposal of unused official receipts from the sellers of services.

Timing of VAT recognition on sale of services

Another major amendment introduced is the recognition of VAT on sales of services at the time they are rendered. In this matter, clarifications on the following may be made, among others:

- the timing of VAT output recognition for services already rendered prior to the effectivity of the amendment under the EoPT Law, but the collections were received or will be received after the effectivity date;
- the timing of VAT output recognition for taxpayers using the percentage of completion method for revenue accounting; and
- the possible recognition of deferred VAT output on advanced billings wherein the services have not yet been rendered.

Risk classification for VAT refund claims

On the procedure for claiming a VAT refund, the EoPT Law provides that such claims will be classified into low risk, medium risk, and high risk based on the size of the claim, tax compliance

history, and frequency of filing claims, among others. Those classified as medium and high risk claims will be subject to audit or other verification processes in accordance with the BIR's national audit program for the relevant year. Hence, the taxpayers hope that the specific thresholds to be defined by the regulations will be reasonable for the taxpayer to be able to claim the refund that it is entitled to. As with new legislation, confusion is part of the so-called birth pains. The above are some examples of taxpayer concerns that I hope will be considered in drafting the IRR to make the EoPT rollout less taxing.

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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