

# BIR releases implementing rules for Ease of Paying Taxes law

THE Bureau of Internal Revenue (BIR) has released six sets of revenue regulations (RR) for the implementation of the Ease of Paying Taxes Act.

The regulations cover the new classifications of taxpayers, the simplified filing process for tax returns and payments, and amendments to penalty rates, among others.

In January, President Ferdinand R. Marcos, Jr. signed into law the measure that seeks to streamline the tax system.

The act amends sections of the National Internal Revenue Code of 1997 and introduces several tax reforms.

Under Revenue Regulations No. 3-2024, all references to “gross selling price,” “gross value in money” and “gross receipts” will now be referred to as “gross sales” regardless of whether they are issued for goods or services.

The term “invoice” will also now be used instead of “sales/commercial invoices” or “commercial receipts.”

The regulations also cover the output value-added tax (VAT) credit on uncollected receivables.

“A seller of goods or services may deduct the output VAT

pertaining to uncollected receivables from its output VAT on the next quarter, after the lapse of the agreed upon period to pay: Provided that, the seller has fully paid the VAT on the transaction: Provided further, that the VAT component of the uncollected receivables has not been claimed as allowable deduction,” it said.

Revenue Regulations No. 4-2024 govern the filing of tax returns and tax payments, allowing electronic as well as manual transactions.

It also contains a section on the removal of civil penalties for wrong venue filing. “The civil penalty of 25% of the amount due in case of filing a return with an internal revenue officer other than those with whom the return is required to be filed, shall no longer be imposed.”

Revenue Regulations No. 5, the BIR outline a risk-based approach in verifying VAT refund claims.

VAT refund claims are now classified into low, medium and high risk. “Medium- and high-risk claims shall be subject to audit or other verification processes in accordance with the BIR’s national

audit program for the relevant year or with the current policies and procedures applicable to the year of application of the VAT refund,” according to the RR.

The medium-risk category requires the verification of at least 50% of the amount of sales and 50% of total invoices/receipts issued including inward remittances and proof of VAT zero-rating.

Meanwhile, high-risk claims require 100% verification for both sales and purchases.

“Claims filed by first-time claimants shall be automatically considered as high risk and shall remain as such for the succeeding three VAT refund claims,” the BIR said.

“In case of full denial of a claim, the succeeding claim filed shall be classified as high risk. For medium-risk claims, verification shall be adjusted to 10% if the assigned Revenue Officer finds at least a 30% disallowance of the amount of VAT refund claimed.”

Meanwhile, Revenue Regulations No. 6 imposes reduced interest rates and penalties for micro and small taxpayers.

Revenue Regulations No. 7 also implements amendments

on registration procedures and invoicing requirements.

Under the Ease of Paying Taxes act, the VAT official receipt is removed as a requirement for substantiating refund claims and input and output taxes, making the VAT invoice the sole supporting document required in declaring output taxes and claiming input taxes for both sale of goods and services.

Revenue Regulations No. 8 implements the new classification of taxpayers.

Under the regulations, a micro taxpayer refers to those whose gross sales for a taxable year are less than P3 million; small taxpayers are those with gross sales of between P3 million and less than P20 million; medium taxpayers are those with gross sales of between P20 million and less than P1 billion; large taxpayer are those with gross sales are P1 billion and above.

Taxpayers are expected to file their annual tax returns on April 15 (Monday). This year, the BIR is expected to generate P3.055 trillion in revenue.

The BIR collects about 70% of the government’s revenue. — **Luisa Maria Jacinta C. Jocson**

## US BPO firm scouting sites outside NCR

US BUSINESS process outsourcing (BPO) company Afni said that it is scouting sites outside the National Capital Region (NCR) to support growing demand for Philippine-based services.

“Afni is eyeing expansion beyond Metro Manila as we support the government in its goals for regional growth,” Khalid Khursheed, senior vice-president and country manager of Afni Philippines, told reporters on the sidelines of the launch of an Afni site in Laguna on Friday.

“Diversifying our footprint in the Philippines allows us to bring jobs closer to where our employees live. This also makes perfect business sense by creating redundancy in our operations across the country,” he added.

On April 13, Afni opened its third site in the Philippines at SM City Santa Rosa, which has a staffing target of 3,000 by the end of 2024.

The new site spans 9,400 square feet across five floors and will be serving various US clients, with the first being in the telecommunications industry.

“The Philippines continues to be a prime location for companies seeking skilled and dedicated professionals,” according to Ron Greene, president and chief executive officer of Afni.

“Afni’s expansion into Santa Rosa demonstrates our commitment to supporting our clients and boosting the country’s economy by establishing our presence in major hubs outside of Metro Manila,” he added.

Mr. Khursheed said that Afni’s clients are demanding more agents even after the additional 3,000 that will be set to work this year.

“Our clients want us to actually add more agents. So we’re looking at Tower 3 of SM Santa Rosa, which will add another 1,000 seats (by) mid- or third quarter of next year,” he said.

“And outside Luzon... we are looking into going to Cagayan de Oro or Roxas City,” he added.

Afni currently has over 8,000 employees at its Fairview

and Commonwealth sites. By 2025, AFNI hopes to increase staffing to around 12,000.

“We’ve been managing Afni for the last 12 years. So, I know what the country has to offer, and I know some of the challenges and restrictions, and I’ve worked around all of these,” Mr. Khursheed said.

“We know what we need to do to get to these numbers. And the infrastructure is there, the talent is there, so I don’t think there’s much to stop unless we have another COVID-19 situation, which I don’t think is going to happen,” he added.

Afni said it will require employees in Santa Rosa to work on-site, as it is required by the company’s US client.

When asked if this could hinder their plans to fill the 3,000 seats, Mr. Khursheed said: “I don’t think so because in Metro Manila, we have over 8,000 employees, and they prefer to work on-site because 80% of our employees live within a 30-minute commute.”

“And also, sometimes we have noticed that the employees do not have the right setup to work at home because, you know, we need specific requirements, so we’ll bring them on-site,” he added.

He said that most of Afni’s clients require employees to work on-site for data privacy, while a small percentage, or 10%, allow working from home.

“The work we do is highly complex, and our clients are very premium; they are among the Top 50 Fortune companies. They’re blue-chip companies, so really, really top-of-the-line. The data that our employees are exposed to is very, very critical,” he said.

“As you can see, there are a whole bunch of cyberattacks happening in the Philippines and around the world. We do not want to have the data exposed elsewhere. On-site, we have strong security controls in place so no one can get in,” he added. —

**Justine Irish D. Tabile**

## Tobacco growers: Illegal vapes threatening farmer livelihoods

TOBACCO farmers said the government needs to crack down on illegal vape products, calling them a threat to growers’ livelihoods.

“Illegal vapes further endanger the livelihood of thousands of Filipinos who rely on the tobacco industry for sustenance since these are replacing legal, tax-paid cigarettes as well,” Philippine Tobacco Growers Association President Saturnino Distor said over the weekend.

Mr. Distor added that the smuggled cigarettes have also reduced demand for locally produced tobacco leaf.

Republic Act 11900, or the Vaporized Nicotine and Non-Nicotine Products Regulation Act,

regulates all imports and manufacturing of vaporized nicotine, non-nicotine, and novel tobacco products.

“Unlike heated tobacco sticks, vapes do not contain dried tobacco leaves and have no direct benefit to tobacco farmers... We need the help of the government to stop this ‘vapedemic’ and save the tobacco industry,” he said.

Separately, Bernard R. Vicente, chairman of the Federation of Tobacco Farmers Associations and Cooperatives, said that as consumers switch to vape products, demand for tobacco leaf continues to decline.

Mr. Vicente added that support from local government units in

tobacco-producing areas has declined due to the lower excise taxes collected on tobacco products.

Under Republic Act No. 11346, 40% of tobacco excise taxes are earmarked for the Philippine Health Insurance Corp. and 10% are for the Department of Health’s Health Facilities Enhancement Program.

The remainder goes to the national budget and tobacco-producing areas to support farmers.

“Less excise tax collections from tobacco means less support for us farmers,” Mr. Distor said.

The Bureau of Internal Revenue reported a 16% decline to P135 billion in excise tax collections in 2023. This was attributed

to an increase in the smuggling and distribution of illegal cigarettes and vape products.

Meanwhile, the National Tobacco Administration (NTA) said that tobacco prices have risen to more than P100 per kilogram (kg) due to high demand.

The NTA reported that the buying price for Class AA of flue-cured Virginia tobacco was as high as P113 per kg, well above the approved floor price of P97 per kg.

Prices for the prime class of both air-cured Burley-type tobacco and Native-type tobacco is expected to hit P100 per kg. The approved floor price for these varieties is P81 per kg. — **Adrian H. Halili**

### OPINION

## Securing a competitive advantage in the insurance industry

#### IN BRIEF:

- During tumultuous times, stakeholders expect insurers to deliver more value through greater protection, holistic solutions, and personalized experiences.
- By incorporating trust and “impact by design” into the company’s strategies, insurers attract more loyal customers, increase profitability, and reinforce relationships with partners and regulators.

Stiff competition, shifting regulatory policies, and increased investor expectations have elevated the importance of trust and transparency in today’s insurance industry. Investors are seeking not only greater coverage that spans years or decades but also ethical practices and long-term viability. This trend underscores the current investor climate where discernment is especially airtight, promoting healthy and sustainable practices within the industry.

However, this development comes with its own set of challenges for insurers, including developing robust risk management mechanisms and adopting newer technologies across a range of services. Amidst growing competition, the main challenge for most insurers will be transforming their organizations into “preferred partners” instead of mere product providers.

These trends and insights were highlighted in the EY Global Insurance Outlook 2024; furthermore, this comprehensive report explores purposeful strategies to help insurers achieve sustainable performance given the ever-evolving nature of the industry.

The report provides salient insights, giving insurers the following key points of action to secure a competitive advantage.

#### PRIORITIZE TRUST

Trust is the bedrock of the insurance industry — the core of every interaction,

#### SUITS THE C-SUITE BERNALETTE L. RAMOS and CHARISSE ROSSIELIN Y. CRUZ

**If insurers don’t deliver what the consumers want — precisely when, where, and how they want it — customers will take their business elsewhere.**

communication, and policy. Moreover, trustworthiness actively guides product development, customer-facing process automation, ecosystem partner evaluation, and technology adoption.

Consumers will trust firms that provide the right advice, create the right solutions, and provide products and services that deliver tangible societal value. According to the EY Global Insurance Survey 2021, most consumers (79%) trust insurers that demonstrate genuine commitment to environmental, social and governance (ESG) principles when making purchasing decisions. Additionally, 43% prefer purchasing from companies that positively contribute to societal welfare, despite higher costs.

By incorporating trust into the company’s strategies, insurers can attract loyal customers, increase profitability, and reinforce relationships with partners and regulators.

#### ENSURE TRANSPARENCY AND PRIVACY

While insurers should take advantage of generative AI (GenAI) to reduce the savings and protection gap and satisfy new customer demand, companies should also be mindful of its actual and perceived risks. This gap refers to the shortfall between what individuals have saved for their future needs and what they should ideally have to adequately protect themselves or their assets against various risks, such as health is-

sues, job loss, and damage or loss of property.

The EY European Financial Services AI Survey 2023 showed that privacy (31%) ranks as the top concern among European Insurance executives around the ethics of GenAI followed by discrimination, bias, and fairness (26%); and transparency and explainability (21%).

More than just legal and regulatory requirements, transparency and privacy are key components to establishing and maintaining client trust. Because data privacy is a significant public concern, companies must secure investor information and maintain transparency regarding its use and access.

#### REDESIGN, SIMPLIFY, AND PERSONALIZE YOUR PRODUCTS

Given the industry’s dynamic nature, prioritizing customer-centricity has emerged as the strategic “north star” for all insurance companies. This involves providing customized products that are convenient to procure, cost-effective, and augmentable with supplementary services and personalized recommendations.

Prioritizing the needs and preferences of customers requires companies to undergo a holistic transformation across various aspects of their operations. This includes updating technology infrastructures, redesigning product portfolios, and restructuring organizational setup to better engage and serve new and existing customers.

Precise customer knowledge is the foundation for more personalized service and richer experiences delivered via preferred channels. According to EY Tech Horizon Global Survey 2022, 9% of global insurers plan to use AI and data science to drive product innovation through new offerings and personalization.

#### INNOVATE WITH DATA FOR VALUE

Revisit existing data from a new per-

spective, one that delivers value-driven solutions to your investors and partners. During tumultuous times, stakeholders want insurers to deliver more value through comprehensive policies, holistic solutions, and personalized experiences.

#### EMBRACE ‘IMPACT BY DESIGN’

The “impact by design” principle harmonizes the interests of the planet, people, and profit in developing products, services, or solutions that deliver societal value. Incorporating this into the company’s strategy leads to stronger customer acquisition and loyalty, higher employee satisfaction, and improved access to capital.

Nowadays, compliance-driven thinking and expanded philanthropic endeavors are imperative. Specifically, product innovation, new business models, and purposeful investments can help insurers unlock growth as they safeguard themselves against climate risk, promote financial well-being, and encourage physical and mental health.

#### ENGAGE REGULATORS TO ADDRESS PROTECTION AND SAVINGS GAPS

Proactively addressing consumer protection and savings gaps with authorities and regulators demonstrates the commitment of an organization to building trust and confidence in the market, shaping a more favorable business environment for everyone.

#### MEASURE TRUST EFFECTIVELY

To evaluate investor trust or perception, organizations must first establish specific metrics. Quantifying trust allows the company to track progress, identify pain points, and cultivate integrity among stakeholders.

Having a high degree of trust is a hallmark of the world’s top insurance brands. The most trusted insurers have a larger and more loyal client base, increased

profitability, and more lucrative relationships with partners and regulators.

As highlighted in the 2024 EY Global Insurance Outlook, firms that don’t address today’s historically low levels of customer trust will be vulnerable to rising competition from outside the industry, including firms from the technology, automotive, retail, consumer goods, and banking sectors. An insurance industry that lacks trust will struggle to build strong customer relationships and grow its market share.

#### STRENGTHEN DATA SECURITY

GenAI promises to revolutionize risk assessment, claims processing, marketing, sales, and other essential business functions. Consequently, senior leaders must take the time to establish robust governance models and policies that ensure the responsible and ethical use of AI. Identifying the full range of risks, which includes data breaches and reputational issues, and designing the right framework for managing them are the top priorities.

Data security is non-negotiable for stakeholders, so strong safeguarding measures are necessary to increase investor confidence in the brand.

If insurers don’t deliver what the consumers want — precisely when, where, and how they want it — customers will take their business elsewhere.

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