

PPA issues bid notices to develop Zamboanga del Norte, Leyte ports

THE Philippine Ports Authority (PPA) said it plans to offer P584.9 million worth of contracts to develop ports in Zamboanga del Norte and Southern Leyte.

In a notice to bid, PPA is now inviting potential contractors to expand Sindangan port in Zamboanga del Norte and rehabilitate Limasawa port in Southern

Leyte for P537.73 million and P47.17 million, respectively.

The PPA said any bids made in excess of the approved amount of the contract will be rejected at the bid opening and only those interested parties with experience of working on a similar project will be considered eligible.

For the Sindangan port expansion project in Zamboanga del Norte, the PPA will hold a pre-bid conference on Aug. 23.

All interested parties must submit their bids on or before Sept. 5, the PPA said.

The PPA said that the project must be completed within 720 days.

Meanwhile, interested parties may also

bid on the Limasawa port rehabilitation project by Sept. 5. The Port of Limasawa project contract must be completed within 360 calendar days, PPA said.

In the next four years, the PPA is setting aside about P16 billion to fund its infrastructure projects, including 14 flagship projects. — **Ashley Erika O. Jose**

Finance department warned over raids on PhilHealth reserve funds

By Beatriz Marie D. Cruz
Reporter

HEALTHCARE industry representatives urged the Department of Finance (DoF) to halt future transfers of “excess” funds out of the Philippine Health Insurance Corp. (PhilHealth), saying that as an insurance entity PhilHealth needs to maintain an adequate reserve that, if tapped, must finance improved health services.

In a letter addressed to Finance Secretary Ralph G. Recto, the healthcare associations said PhilHealth funds belong to the system’s members and must not be tapped by the government to cover for budget shortfalls.

“We strongly believe that the solution to PhilHealth’s inability to use its funds is not to strip Filipinos of healthcare funding but to implement immediate and substantial PhilHealth reforms such as increasing the scope and coverage of benefit packages,” according to the letter signed by 71 representatives from the healthcare sector.

They called it “unjust to take these funds for other purposes, when the unmet need for healthcare is enormous.”

According to the letter, around 44% of healthcare spending consists of out-of-pocket payments, pointing to the inadequacies of the health insurance system.

“We are daily witnesses to patients who are unable to get the care they desperately need due to

the inefficiencies within our social health insurance system,” they said.

In March, the DoF issued Circular No. 003-2024, instructing government-owned and -controlled corporations (GOCCs), including PhilHealth to remit their excess funds to the Treasury, which would allow the government to fund unprogrammed appropriations in accordance with a provision in the 2024 General Appropriations Act.

The third and fourth tranche of fund transfers amounting to P30 billion is scheduled for October, with P29.9 billion to follow in November.

Mr. Recto said via Viber that while PhilHealth payouts have improved significantly for some treatments, “Even so, (PhilHealth) still will have P500 billion in reserve funds.”

Following the DoF circular, PhilHealth remitted P20 billion to the national treasury in the first tranche of fund transfers. These funds were applied to the P27-billion unpaid Health Emergency Allowance (HEA) for healthcare workers who worked through the pandemic.

The funds transferred out of the GOCCs will also be used to co-finance foreign-assisted and other big-ticket infrastructure projects.

In a separate statement, Mr. Recto said the use of PhilHealth’s funds for the government’s priority programs will not affect PhilHealth’s daily operations.

“The DoF’s move is consistent with the medical principle of ‘do

no harm’. I repeat, the daily operations of PhilHealth will not be affected and we will not use its members’ contributions,” he said.

Mr. Recto also said the P500 billion PhilHealth will have left over after the transfers “is more than enough to increase the benefits of its direct and indirect contributors, covering two to three years of expenses.”

Antonio L. Dans, President of the Asia Pacific Center for Evidence-based Healthcare, said at a briefing that insurance the law compels PhilHealth to maintain a certain level of reserves.

Under Section 11 of Republic Act No. 11223 or the Universal Healthcare Act, PhilHealth must set aside a portion of its excess accumulated revenue as reserve funds, provided that the total reserve does not exceed a ceiling equivalent to the amount actuarially estimated for two years of projected expenditures.

PhilHealth reserves should be used to increase its benefits or to reduce member contribution levels, according to the law.

“No portion of the reserve fund or income thereof shall accrue to the general fund of the National Government or to any of its agencies or instrumentalities, including GOCCs,” the law said.

PhilHealth funds are better spent on increasing case rates and outpatient care benefits, Mr. Dans told *BusinessWorld* on the sidelines of the briefing.

“Outpatient benefits are expensive. It’s going to cost a lot

of money. Our initial estimate is P120 billion will be spent per year just to supply half of the outpatient care benefits.”

“*Binabayaran lang natin ‘yung hospitalization ‘pag malapit nang mamatay pero wala tayong benefit para doon sa mga sakit na naging sanhi ng ating pagka-ospital’* (We only pay for the hospitalization of people who are well along in their illness, but we have no benefits for the conditions that led to the hospitalization), Mr. Dans said.

Case rates refer to the fixed amount of hospital expenses to be paid by PhilHealth. This was recently adjusted by the PhilHealth board to 30% in March.

“But that was after 10 years. If you compound inflation in 10 years, that’s supposed to be more than 30%,” Mr. Dans added.

“Instead of diverting the purported funds for the bolstering of the economy, infrastructure, and other social services, the same must be used in the furtherance of the mandate of RA 11223 and PhilHealth, affording the members and those who are in dire need of healthcare services of their rights to benefit from it,” Anthony C. Leachon, healthcare advocate and former president of the Philippine College of Physicians, said via Viber.

The Supreme Court has ordered government officials including those in the DoF to comment on a petition seeking to block the PhilHealth fund transfers.

“(We) will follow whatever Supreme Court decides on the matter,” Mr. Recto said.

Movement of healthy hogs being planned for ASF ‘red zones’

THE Department of Agriculture (DA) said on Monday that it is seeking to allow the transport of healthy pigs within African Swine Fever (ASF) “red zones,” where the disease is known to be active, in order to keep the market supplied.

“The government will ease (movement restrictions), but we have to make sure only live and healthy pigs are transported, not the infected ones, to avoid the spread of ASF,” Agriculture Undersecretary for Policy and Planning Asis G. Perez said in a statement.

The DA has met with industry representatives and local government officials to ensure the health of the hog being moved, he said.

“It’s important that we ensure infected animals stay in the red zone,” he added.

Mr. Perez said the easing of movement restrictions on non-infected pigs will ensure the market is adequately supplied and allow hog raisers to continue earning.

New ASF cases have clustered around Batangas, prompting the declaration of a state of calamity.

The DA has procured 10,000 doses of the AVAC ASF Live Vaccine from Vietnam for emergency inoculation of non-infected Batangas hogs. The inoculation is expected this week.

About P50 million has been earmarked for the indemnification of farmers whose hogs will need to be culled.

Additionally, Undersecretary for livestock Deogracias Victor B. Savellano said that the DA has raised the indemnification rate to P4,000 for piglets, P8,000 for medium-sized hogs, and P12,000 for sows and large hogs.

The maximum indemnification was previously P5,000 per animal.

“The higher indemnification is meant to encourage pig farmers to surrender their animals instead of selling them to traders who eventually transport the infected swine to other areas for slaughter,” Mr. Savellano said.

There are 32 barangays in seven Batangas cities or municipalities with active cases of ASF, according to the Bureau of Animal Industry. The seven are Lipa City, Calatagan, Lian, Lobo, Rosario, San Juan, and Talisay.

The DA last week placed checkpoints along Commonwealth and Mindanao Avenues in Quezon City; EDSA Balintawak; Marulas and Malanday, Valenzuela City; STAR Tollway in Sto. Tomas, Batangas; Calamba, Laguna; and Alfonso, Cavite to stop the movement of infected hogs. — **Adrian H. Halili**

OPINION Doctors and taxes

LET’S TALK TAX ELEANOR LUCAS ROQUE

A few days ago, I received a frantic call from a relative asking for tax advice. She just started her medical practice, which she has always dreamed of. She consulted an accountant and is in the process of signing the retainer. Upon receiving the proposal, she was surprised at the amount of bookkeeping and tax work that needs to be done. Not knowing anything about taxes, she asked me if she and her would-be accountant were going in the right direction.

In the process of sending her a long text of all the things she needs to understand, I thought of all the other young doctors and professionals who are in the same predicament. So, if you are a young doctor, lawyer, or dentist starting your practice, here are some tax compliance requirements for you.

BIR REGISTRATION

You need to register with the Bureau of Internal Revenue (BIR Form 1901) to secure your Tax Identification Number (TIN) as a self-employed professional. However, if you already have a TIN or were previously registered as an employee, you need to file a registration update (BIR Form 1905) to indicate that you will now be self-employed (earning purely business income) or a mixed-income earner (earning both compensation and business income).

As part of the registration process, you need to either purchase BIR-printed invoices or secure an authority to print your own invoices. You also need to register your books of account. Your accountant can guide you in registering manual or loose-leaf books of account. Ensure that the books of account are properly filled out and ready for BIR inspection anytime.

INCOME TAX

As a professional with your own practice, you are considered an individual engaged in business or self-employed individual. You are subject to the graduated tax rate of 0% to 35%, depending on your annual net taxable income. From your total gross professional

fees, you can deduct various business expenses. This is known as itemized deduction. You can deduct office rent, salaries and benefits of your secretary or assistants, and professional fees of your accountant to arrive at your net taxable income. There is a list of other deductible expenses that will help you arrive at your correct taxable income. If you opt for itemized deduction, ensure that you keep the proper invoices and support for your deductions, as the BIR can audit your tax returns for accuracy and correctness.

If you do not want the hassle of itemized deduction, you can opt for the Optional Standard Deduction (OSD). Under this option, you can automatically deduct 40% of your gross fees without needing proof. This means that only 60% of your income will be subject to the graduated tax rates. Take note that you have to indicate in your first income tax quarterly return your choice to avail of the OSD. The option is irrevocable for the entire taxable year. As a bonus, if you opt to avail of OSD, you are not required to submit the Account Information Return (AIF) or Financial Statements.

VAT OR PERCENTAGE TAX

Aside from income tax, you will also be subject to either the 12% VAT or the 3% percentage tax. VAT is applicable to taxpayers whose gross annual income is P3 million or above. If the gross annual income does not exceed P3 million, you will be subject to the 3% percentage tax, or you can opt to be subject to VAT.

8% TAX IN LIEU OF INCOME TAX AND PERCENTAGE TAX

If thinking of income tax, VAT, and percentage tax is too much at this point in your career, you can check if you qualify for the 8% simplified tax. To be eligible, your annual gross professional fees must be less than P3 million. It is simplified because the 8% tax is in lieu of income

tax and percentage tax. All you need to do is add your total annual gross fees minus the non-taxable P250,000, then multiply the difference with the 8% tax rate. Et voila! That is your tax payable. You do not need to compute separately for income tax and percentage tax.

Note that if, in addition to your income from business, you also receive compensation income, you are considered a mixed-income earner. As such, you are not entitled to the P250,000 reduction on your income from business or practice of profession since said amount has already been applied in computing your income tax on compensation.

The option to avail of the 8% income tax rate must be included in your BIR registration update (BIR Form 1905) and must be signified in your first quarter income tax return on or before May 15. Such election is irrevocable for the year unless the gross fees for the year reach or exceed the P3 million threshold.

WITHHOLDING TAX

As a self-employed professional, you need to withhold on your income payments to your suppliers and contractors. For example, your rent is subject to withholding tax of 5%. Payments to your employees will be subject to the withholding tax on compensation. Payment of professional fees to your bookkeeper will be subject to the 5% or 10% withholding tax. If you fail to withhold the correct tax, the BIR can assess you for deficiency withholding tax and penalties.

Your own income will also be subject to withholding if paid by corporations, businesses, and other withholding agents such as hospitals, clinics, and HMOs. Your clients will withhold 5% from your gross fees if your annual gross fees do not exceed P3 million. Otherwise, it will be subject to 10% withholding tax.

In view of the withholding, the hospitals, clinics, or HMOs shall issue a Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307) to you

every 20th day following the close of the taxable quarter or upon your request. The tax withheld is an advance tax that you can use as credit against your own income tax. In the same manner, you should also be able to issue BIR Form 2307 to your suppliers as evidence of the fact that you withheld on your payments to them.

If the 5% withholding applies to you, you need to submit a sworn declaration of your gross receipts/sales and a copy of Certificate of Registration (BIR Form 2303), to all the income payor/withholding agents not later than Jan. 15 of each year or at least prior to the initial payment of the professional fees. Otherwise, the default 10% will apply.

ISSUING INVOICES

You already have your registered invoices from the BIR or accredited printer. Take note that these invoices are not supposed to be locked in your cabinet, collecting dust. If you are a VAT taxpayer, you need VAT invoices. If you are not a VAT taxpayer, you need non-VAT invoices.

An invoice must be issued for every transaction of at least P500 or every time the patient requests one, regardless of the amount. However, if the sales amount per transaction is below the threshold but the aggregate sales amount at the end of the day is at least P500, one invoice will be issued for the aggregate sales amount at the end of the day. VAT-registered persons must issue duly registered invoices, regardless of the amount.

POSTING REQUIREMENTS

This may seem innocuous, but so many professionals have been penalized by the BIR simply because they forgot this requirement. The BIR Certificate of Registration (Form 2303) and the Notice to Issue Receipts/Invoices (NIRI) are required to be posted prominently in the clinic or office.

AUDITED FINANCIAL STATEMENTS

If your annual gross fees exceed P3 million, you need to have your Books of Ac-

count audited by a Certified Public Accountant (CPA). The audited financial statements (AFS) will show your total assets and liabilities, as well as your gross fees and expenses. It is a required attachment to the annual income tax return that you need to file with the BIR no later than April 15 every year.

UNDERSTANDING THE RULES

All these rules and requirements may seem a lot to remember, in addition to the demands and rigors of starting a new practice. Thankfully, the BIR conducts briefing sessions for newly registered businesses. Check when you can attend the sessions and ask your questions.

Also, there are accountants and lawyers who can help you with your tax compliance. However, it is important for you to understand the compliance requirements. Educate yourself and read tax articles that can help you understand the rules and regulations better. You cannot just rely on your bookkeeper and feign ignorance when errors are committed. The BIR can impose deficiency taxes and penalties for failure to file the correct return and pay the correct taxes.

Starting a business may seem confusing and even daunting. It takes courage and self-confidence to be your own boss and start your own practice. This is your time to shine. After all, anything worth doing is never easy. Good luck in your career and may you have a tax compliant practice.

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.

ELEANOR LUCAS ROQUE is a principal of the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd
pagranthornton@pt.ght.com

