

SBMA studying over P40 billion worth of projects

THE Subic Bay Metropolitan Authority (SBMA) said it has five projects in its pipeline valued at P41.43 billion, involving port up-grades and other works within the Subic Bay Freeport Zone.

At the Subic-Clark Business Conference on Friday, SBMA Chairman and Administrator Eduardo L. Aliño said he hopes to enhance Subic Bay's main asset, its port.

"We understand that there is a need to continue to expand and develop," Mr. Aliño said, adding that the authority anticipates continued demand growth.

One of the projects is the multi-purpose port terminal at Lower MAU, which covers a 570-meter wharf with a depth of 12.9 meters. It has a projected cost of P13 billion.

"This project will increase the port capacity by an additional 2.5 million metric tons of cargo," the SBMA said.

MAU is the former camp for Marine Amphibious Units when Subic was under US military control.

Ronnie R. Yambao, senior SBMA deputy administrator for operation, said another project is the Subic Bay Cruise Ship Facility, which is expected to cost P10.16 billion.

"It will be a dual-berth facility, which is the first phase of the project. And then, the second phase, which covers the reclama-tion area, will accommodate com-mercial facilities to accommodate the guests," Mr. Yambao said.

He said that the project aims to create a home port for cruise ships, as envisioned by the gov-ernment's National Cruise Tour-ism Program.

"Subic Bay as a home port is a game-changer project initi-ated by our chairman because we wanted to contribute to the National Government's program to increase tourist arrivals. And one way to do that is by inviting cruise ships," he added.

A third project is a multi-pur-pose port terminal at Redondo Peninsula, which includes a 600-meter wharf with a depth of 14 meters. It has a projected cost of P11 billion.

The project will increase the port's capacity by 3 million metric tons of cargo.

Asked about the timeline, Mr. Yambao said that the SBMA is targeting to start the feasibility studies in time to offer the proj-ects for public bidding before 2028.

Except for planned improve-ments to the Subic Bay Interna-tional Airport, the projects could be financed through public-pri-vate partnerships or overseas de-velopment assistance. — **Justine Irish D. Tabile**

15 more Luzon Corridor projects pitched

FIFTEEN more projects were pre-sented to the steering committee for the Luzon Economic Corridor last week, according to the Office of the Special Assistant to the Presi-dent for Investment and Economic Affairs (OSAPIEA).

"In the second steering com-mittee meeting, we presented more projects, again, but from dif-ferent agencies," Secretary Fred-erick D. Go, the SAP who heads OSAPIEA, said on the sidelines of the Franchise Asia Philippines 2024 conference.

During the first steering com-mittee meeting, the Philippines presented projects from the Bases Conversion and Development Au-thority, National Economic and Development Authority, and the Department of Transportation.

"In the second steering commit-tee meeting, we added projects from Subic Bay Metropolitan Authority (SBMA), the Department of Energy (DoE), and the Department of Pub-lic Works and Highways (DPWH)," Mr. Go said.

With the additional 15 projects, the Philippines has so far presented 43 Luzon Corridor works to the steering committee.

"But the idea now is they have seen all of it, and they are going to narrow it down. I really think at the end of the day, the ideal number should only be around five or six," he said.

"Because you know what hap-pens in life when you have too many choices ... (compared) to when you have narrow choices, then you can really focus and really move faster," he added.

He said infrastructure projects are likely to top the priority list, with energy projects next in line.

"But we don't know ... It's their choice. Let's leave it to them to choose," he said.

The steering committee for the Luzon Economic Corridor is set to hold its third meeting in November.

The Luzon Economic Corridor is the first project of the US-initiated Partnership for Global Infrastructure and Investment in the Indo-Pacific.

First announced after the Trilat-eral Economic Ministers Meeting between the Philippines, the US, and Japan in April, the initiative aims to enhance the connectivity of the island's major economic engines like Subic Bay, Clark, Metro Manila, and Batangas. — **Justine Irish D. Tabile**

BCDA income declines 54% to P3.3 billion

THE Bases Conversion and Develop-ment Authority (BCDA) said it posted a 53.65% decline in total compre-hensive income to P3.3 billion in 2023 after hefty payouts to agencies it supports.

In its annual report, the BCDA re-ported that the BCDA contributed P4.35 billion to the Armed Forces of the Philippines (AFP) Modernization Program and other beneficiary agen-cies and for the replication of Army Support Command facilities in Tarlac.

The company also paid P602 mil-lion in financial assistance and to acquire right of way for roads in New Clark City.

Revenue rose 13.7% to P7.4 billion in 2023.

"The increase was driven by sev-eral factors: the sale of gross floor area in the amount of P285 million, dividends received from Fort Boni-facio Development Corp. (FBDC) of P675 million, and interest income of P768 million due to improved interest rates," the BCDA said.

The government-owned corpora-tion also reported increased toll revenue from the Subic-Clark-Tarlac Expressway of P1.95 billion and in revenue from the operation of Clark International Airport of P270 million.

Meanwhile, BCDA's gross disposi-tion proceeds rose 4.7% to P141.01 billion at the end of last year, after having reported P134.66 billion in

revenue between May 1993, when it started booking results, and Decem-ber 2022.

"The main drivers for the improve-ment were the receipt of disposition proceeds from the joint venture with SM Prime Holdings, Inc. for the Boni-facio South Pointe property (P3 bil-lion), proceeds from the minimum annual secured revenue share in the Joint US Military Advisory Group (P873 million), and dividends from the FBDC," it said.

"Other contributors were proceeds from existing leases and joint venture agreements, which amounted to P1.8 billion," it added. — **Justine Irish D. Tabile**

Pharma to benefit from 'nearshoring' as Asia-Pacific turns protectionist, BMI says

ASIA-PACIFIC economies are expected to become less enthusiastic about globalization as growth weakens, with "nearshoring" picking up momen-tum to the possible benefit of industries like phar-maceuticals, Fitch Solutions unit BMI said.

"A more challenging economic outlook in the Asia-Pacific (APAC) region will limit scope for politicians to embrace globalization," it said in a commentary.

"Southeast Asia is positioned to leverage nearshoring for economic growth, with the pharmaceutical sector poised to benefit sig-nificantly from these trends," it added.

BMI expects growth in the region to settle at 4.7% this year and ease to 4.4% next year amid the slowdown in China.

"The economic slowdown will trigger a shift in attitudes toward globalization. Rising income inequality, exacerbated by depressed wage growth, will lead to the elevation of populist politicians, prompting an embrace of protectionist policy measures," it said.

These dampened growth prospects will also remain "prominent" until 2025.

"In turn, weaker growth will likely also entrench voters' concerns about their own prospects and erode appetite for major trade deals and other policies that would support globalization," BMI said.

"The trend away from globalization will lead markets to prioritize policies to boost domestic economies, and developing the do-mestic pharmaceutical sector will be a prime target for several policymakers."

Southeast Asia (SEA) is also "positioned to leverage nearshoring for economic growth," BMI said, noting that the pharmaceutical sector is expected to "benefit significantly" from this.

"Nearshoring, the practice of relocating business operations to nearby countries, is expected to fundamentally redefine supply chain dynamics," it said.

BMI said that geopolitical tensions may push US multinational drug manufacturers to move their operations elsewhere.

"As a result, SEA is well-placed to capital-ize on this shift. SEA's favorable conditions, including a growing labor force, improving infrastructure and supportive governmental policies, make it an attractive destination for pharmaceutical companies looking to diversi-fy their supply chains and reduce dependency on any single market."

BMI said that pharmaceutical sales in the region are projected to jump to \$38.2 billion in 2028 from \$29.2 billion in 2023.

"The implementation of nearshoring, backed by targeted foreign direct investment, could significantly enhance these growth fore-casts, catalyzing the region's integration into global value chains," it added.

However, BMI noted that the region has yet to "fully harness" nearshoring initiatives.

"Despite several competitive advantages for markets across SEA, such as the favorable labor costs in comparison to Mainland China as well as its geographical proximity to the rest of APAC, the uptake of nearshoring initiatives has been slow."

BMI expects Indonesia and Vietnam to maximize the nearshoring trend, resulting in "strengthened pharmaceutical trade and reduced external market dependency."

It also noted opportunity areas for the Philippines. Last year, the government se-cured the agreement for the establishment of the first US Food and Drug Administra-tion-approved manufacturing facility in the country, which is expected to "bolster the country's global pharmaceutical industry presence."

The Philippine Pharmaceutical Manu-facturers Association has said that it plans to ramp up domestic manufacturers' share of government procurement to 50% by 2030.

"These strategic initiatives undertaken by larger economies in SEA will pave the way for a significant transformation of the regional pharmaceutical landscape," BMI said. — **Luisa Maria Jacinta C. Jocsnon**

OPINION

Revisiting the tax compliance requirements of online sellers

The Bureau of Internal Revenue (BIR) has increasingly under-scored the importance of en-suring that all persons conducting business, particularly through digital platforms, are properly registered and tax compliant.

With the highly anticipated "9.9" sale approaching, online sellers are prepar-ing for a surge in activity, offering various discounts and promotions to attract customers. However, amidst the excite-ment and potential for increased sales, it is crucial for online sellers to ensure that their business operations are in compliance with regulatory require-ments, particularly concerning their tax obligations.

As a helpful reminder, here's a review of key BIR issuances and the timeline concerning tax compliance of online sellers. Understanding these require-ments will help ensure that their busi-nesses remain compliant and avoid any potential issues.

REVENUE MEMORANDUM CIRCULAR (RMC) NO. 55-2013

In 2013, the BIR reminded parties en-gaged in online business transactions, such as online shopping or retailing, intermediary services, advertisements, and auctions, that they are subject to the same tax obligations as any other business establishment. Online en-tities must register with the BIR, issue registered invoices or receipts (simpli-fied now to "invoices" under the Ease of Paying Taxes Act), maintain books of account, withhold taxes as required, file returns, and pay the correct taxes on time.

RMC NO. 60-2020

As the pandemic accelerated the shift of business owners to online selling, in June 2020, the BIR issued a circular

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clarifying that tax obligations apply not only to sellers but also to other parties of online business transactions, such as payment gateways, delivery services, internet service providers, and other facilitators. It allowed online business owners to register and/or update their registration with the BIR by July 31, 2020, without facing any penalties for late registration, thus providing a win-dow of opportunity for compliance amid a rapidly changing business landscape.

REVENUE REGULATION (RR) NO. 16-2023 CLARIFIED BY RMC NO. 8-2024

In late 2023, BIR issued a regulation that imposes a 1% withholding tax on the gross remittance of electronic marketplace operators (e-market op-erators) and digital financial services providers (DFSPs) to online sellers. RR No. 16-2023, which was clarified under RMC No. 8-2024, highlighted also that while e-market operators and DFSPs are the responsible parties to withhold, online sellers are not without any obli-gation at all.

At the onset, online sellers must en-sure that their business is registered with the BIR. One of the requirements to use the e-marketplace facility is to submit a copy of the BIR-issued Cer-tificate of Registration (CoR) to the e-market operators. Also, in case online sellers are exempt from tax or subject to a lower tax rate, they are obliged to submit a duly issued certification to the e-marketplace operator as proof of ex-emption or entitlement to a lower rate.

RR NO. 15-2024

In August, the BIR issued more regula-

tions that prescribes the policies and guidelines on the tax obligation of all persons engaged in business, including those with physical stores (called brick-and-mortar stores) and those solely op-erating online stores, to register their business pursuant to Section 236(A) of the Tax Code, as amended.

Particularly, the regulations provide the following guidelines:

a. Persons engaged in the sale and/or lease of goods and services through physical stores must register at the BIR district office having jurisdiction over the place of business address, including that of its branch and/or facility;

b. Persons operating online stores for their physical store must register its store name as an additional "business name;" and

c. Persons engaged in the sale and/or lease of goods and services through a website, webpage, page, platform, or application who do not have a physi-cal store must register at the BIR dis-trict office having jurisdiction over the place of residence for individuals or the principal place of business for juridical entities.

Registration must be done, either electronically or manually, on or before the commencement of business, before payment of any tax due, or upon filing of a return, statement, or declaration as re-quired under the Tax Code, as amended.

It is important to note that all per-sons, natural or juridical, engaged in trade or business in the Philippines are required to register with the BIR, spec-ifically those selling and/or leasing goods and services through brick-and-mortar stores, e-commerce, or online business-es, including those selling virtual items in online games, operating and selling through digital platforms, creating and streaming digital content from which income is generated, the e-retailing of

goods and services, the sale of services over the internet, and other forms of business conducted online.

After registration, online businesses must post their BIR-issued CoR or Elec-tronic CoR at the place where business is conducted for those with physical stores and at the place of residence for those solely operating online stores, in a way that is clearly and easily vis-ible to the public. Additionally, persons operating businesses through online stores must display conspicuously the electronic copy of the BIR-issued CoR on their website, webpage, account, page, platform, or application. It must be, at all times, easily accessible and vis-ible to buyers or customers visiting the seller or lessor's webpage, account, page, platform, or application.

To avoid penalties during BIR's tax compliance verification drive (com-monly known as tax mapping), online sellers must comply with this posting re-quirement. While it may appear simple, it has become one of the most frequently overlooked compliance obligations.

Any person violating the registration requirements is administratively and criminally liable for penalties and fines. The business operations of the violator may be suspended through the issuance of a Closure/Take Down Order by the BIR. The regulations also noted that any person who willfully aids or abets the commission of the violation or who causes the commission of any such vi-olation will be liable in the same manner as the principal violator. This may in-clude lessors, sub-lessors or commercial establishments/buildings/space, and operators of digital platforms, including e-marketplace platforms, who fail to ensure that their respective lessees and online sellers are duly registered with the BIR and are compliant with the tax rules. The list of violations and the cor-

responding penalties are summarized in the regulations.

TAKEAWAYS

The BIR's issuances over the years, as highlighted above, show a continuous and progressive refinement of registra-tion requirements for online sellers, reflecting the government's recognition of the increasing significance of digital commerce in our economy. As technol-ogy continues to advance, it is essential for government policies to evolve ac-cordingly, ensuring that compliance re-quirements and regulations effectively meet the demands of the ever-changing digital landscape and safeguard the in-terests of all stakeholders — sellers, buy-ers, and the government.

Further, given the significant role that online sellers play in driving the economy, it is essential for them to fulfill their tax obligations. Just like traditional businesses, online sellers benefit from public infrastructure, services, and a stable economic envi-ronment. Thus, they must contribute their fair share of taxes to support these systems. This responsibility is vital for ensuring fairness and sustaining the programs that enable both online and offline businesses to thrive.

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