PhilHealth TRO seen delaying projects with no firm funding

By Chloe Mari A. Hufana
Reporter

THE Supreme Court's temporary restraining order (TRO) on the transfer of P29.9 billion from the Philippine Health Insurance Corp. (PhilHealth) to the Bureau of the Treasury could have an impact on government projects relying on unprogrammed funds, an economist said.

"This can even affect infrastructure as some funds can be diverted from programmed projects to unprogrammed but pressing projects," Leonardo A. Lanzona, Jr., an economics professor at the Ateneo de Manila, told *BusinessWorld* via Messenger chat.

He added that the TRO could influence future transfers of reserves held by government-owned and -controlled corporations (GOCCs) to the Treasury.

Mr. Lanzona likened the PhilHealth fund transfers to former President Benigno S.C. Aquino III's Development Acceleration Program, which the high court ruled against.

"All along there was already a precedent that should prevent such transfers," he said.

In July, the Department of Finance said remittances from PhilHealth and other GOCCs to the Treasury facilitated the Department of Budget and Management's release of P27.5 billion to settle claims by frontliners eligible for COVID pandemic allowances.

A provision in the 2024 General Appropriations Act allowed the DoF to issue Circular No. 003-2024, authorizing PhilHealth and the Philippine Deposit Insurance Corp. to transfer P89.9 billion and P110 billion, respectively.

These were intended to fund unprogrammed appropriations worth P203.1 billion in health, infrastructure, and social services.

Supreme Court Spokesperson Camille Sue Mae L. Ting said on Tuesday that the TRO on the last tranche of the PhilHealth fund transfer, worth P29.9 billion and due next month, is effective immediately.

The Court consolidated the petitions filed by 1SAMBAYAN Coalition, a group led by Senator Aquilino Martin D. Pimentel III, and another group led by Bayan Muna Chairman Neri J. Colmenares.

The three petitions were filed to stop the transfer of P89.9 billion from PhilHealth to the Treasury.

The TRO was issued after P60 billion in PhilHealth funds had been transferred to the Treasury in three tranches beginning May.

Ms. Ting said the court could still consider a plea for a status quo ante order, which could allow the return of the P60 billion to PhilHealth.

Former Party-list Rep. Renato B. Magtubo said the TRO "has no real effect" on the projects due to be funded by unprogrammed allocations.

These projects "will only be realized if there are additional funds collected by the National Government," he told *BusinessWorld* via Viber.

World trade rebound expected to be subdued, services to outperform

INTERNATIONAL TRADE is expected to rebound by around 2% this year, underperforming the projected growth of global gross domestic product (GDP), the United Nations Conference on Trade and Development (UNCTAD) said.

In a briefing late Tuesday, UNCTAD Secretary General Rebeca Grynspan said that trade is no longer "the engine of growth that it was before."

"Since 2008, this has been the case, and now (trade) growth, because of geopolitics and rising protectionism, is even weaker," Ms. Grynspan said.

"Trade as a share of GDP reached 16% in 2008 but has stagnated since then. Geopolitical tensions, as I said, protectionism on the rise and policy uncertainty are dampening hopes for a strong trade revival," she added.

She said that although trade is expected to continue growing at around 2%, it will grow below the rate posted by global GDP. In the Trade and Development Report released by UNCTAD last night, global GDP is expected to grow 2.7% for 2024 and 2025.

"After stagnating in 2023, international trade in goods and services is expected to rebound by 2-3% in real terms in 2024," according to the report.

"Merchandise trade, which contracted 1.2% in real terms in 2023, was the main cause for the poor performance of the broad aggregate in 2023," it added.

In contrast to this, trade in services grew 5% in real terms last year and is expected to grow more, Ms. Grynspan said.

"Services alone now make up to nearly 25% of global trade and are projected to grow further. Global trade is growing at around 2% per year, and services are growing at around 5% per year, so we can expect the share of services in global trade to continue rising," she added.

In the Philippines, the Development Budget Coordination Committee (DBCC) projected exports of goods to grow 5% this year and 6% next year, with merchandise imports growing 2% in 2024 and 5% in 2025.

In April 2023, the DBCC said that service exports and imports are expected to grow 16% and 10% this year and 6-8% between 2025 and 2028.

The Philippine Statistics Authority reported that total external trade in goods was $133.11 billion in the first eight months, up 0.5% from a year earlier. — **Justine Irish D. Tabile**

Rice imports at 3.68 MMT year to date

PHILIPPINE rice imports totaled 3.68 million metric tons (MMT) as of late October, according to the Bureau of Plant Industry (BPI).

The BPI reported that in October, rice shipments totaled 380,541.58 MT as of Oct. 24, up from 163,217.40 MT a year earlier.

In June, the government lowered the tariffs on imported rice to 15% from 35% until 2028 through Executive Order No. 62 as an inflation-containment measure.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. has said that the Department of Agriculture (DA) will meet with operators of large markets in Metro Manila next week to determine why rice prices remain elevated despite a drop in wholesale rice prices to P38 per kilogram.

He added that if wholesale rice prices were at P38 per kilo, the retail price of rice should be around P45 per kilo.

According to DA price monitors, as of Oct. 29, the retail price of imported regular-milled rice was between P45 to P48 per kilo, while well-milled rice was P45 to P55 per kilo.

The BPI reported that Vietnam remained the top supplier of rice as of late October, accounting for 79% of all imports in the year to date, or 2.91 MMT.

Thailand supplied 457,673.28 MT during the period, or 12.4% of the total, followed by Pakistan with 162,369.48 MT, or 4.5%.

It added that Myanmar and India shipped 114,766.75 MT and 22,039.04 MT of rice, respectively.

For October, the BPI issued 741 sanitary and phytosanitary import certificates with approved applicants seeking to import 597,306 MT. — **Adrian H. Halili**

Curbs lifted on transport of chicken from areas free of avian influenza

THE Department of Agriculture (DA) said it is now allowing the movement of broiler chicken for slaughter from areas without active cases of highly pathogenic avian influenza, or bird flu.

In Administrative Circular No. 9, the DA said that broiler chicken can now be transported from areas clear of the disease for slaughter, subject to meeting the requirements for transport.

The DA said these include obtaining a local shipping permit (LSP) and a veterinary health certificate.

"The broilers must be transported directly from the source farm to the designated location as specified in the LSP. Loading and unloading of broilers during transit is strictly prohibited," the DA added.

United Broiler Raisers Association Chairman Elias Jose M. Inciong said that the regulation could possibly improve the ease of doing business for chicken farmers.

The DA previously required the concurrence of regional field offices or local government units before issuing veterinary health certificates for transport.

The DA said the previous rules posed an undue burden on the poultry industry by "adding regulatory hurdles and costs."

It added that broiler chicken transported to areas with active bird flu cases will not be permitted to return to their place of origin.

"The trader shall implement the necessary precautionary measures to ensure that all vehicles and conveyances used for hauling are subjected to appropriate biosecurity protocols before and after shipment," the DA said. — **Adrian H. Halili**

OPINION

The EoPT Law: A guide to the classification and reclassification of business taxpayers

TAXWISE OR OTHERWISE
CAREN ANN MARIE BACERA

Staying compliant with tax regulations can be a daunting task for many entrepreneurs and business owners. With the signing of the Ease of Paying Taxes (EoPT) Law or Republic Act No. 11976, new classifications for business taxpayers have been introduced. This segregated approach not only seeks to streamline tax compliance but also aims to ensure that businesses of all sizes are treated equitably. Whether one is a budding startup or a well-established corporation, understanding these new classifications and how they impact your tax obligations is crucial. In this article, we delve into the specifics of Revenue Memorandum Order (RMO) No. 37-2024, exploring how the Bureau of Internal Revenue (BIR) is leveraging these changes to create a more efficient and fair tax environment for all.

RMO No. 37-2024 set forth the criteria in classifying business taxpayers into four categories: Micro, Small, Medium and Large Taxpayers. The classification is determined based on a taxpayer's gross sales. A Micro Taxpayer is one whose gross sales for a taxable year is less than P3,000,000. A taxpayer is classified as "Small" if its gross sales for a taxable year is at least P3,000,000 but less than P20,000,000, while a Medium Taxpayer is one whose gross sales is at least P20,000,000 but less than P1,000,000,000. Finally, those whose gross sales exceed P1,000,000,000 are classified as Large Taxpayers.

The initial classification of taxpayers registered in 2022 and prior years will be based on the declared gross sales in their 2022 Income Tax Returns (ITR). On the other hand, those who have not filed their 2022 ITR or those registered in 2023 and 2024 before April 27, 2024 (i.e., the effectivity of Revenue Regulations No. 8-2024), will be initially classified as Micro taxpayers, unless they are Value-Added Tax-registered, in which case, they will be initially classified as Small taxpayers.

After April 27, newly registered taxpayers will be classified according to their declaration in their Registration Forms (BIR Form No. 1901 or 1903). The initial classifications will remain effective until reclassified. Taxpayers can view or inquire about their classification through the BIR's Online Registration and Update System or ORUS (*https://orus.bir.gov.ph/home*).

To ensure that the tax obligations of businesses accurately reflect their current economic status and gross sales, the RMO provides a reclassification process which can be initiated by either the taxpayer or the BIR. Reclassification requests may be submitted by taxpayers manually to their home Revenue District Office (RDO) or through ORUS together with the required supporting documents. The new classification will take effect upon receipt of notification by the taxpayer from the BIR, subject to the final outcome of any ongoing audit/assessment.

In line with the objective of the EoPT law, the process for shifting from lower to higher reclassification is relatively straightforward, with manual requests processed and approved within the day, and requests made through ORUS automatically approved. On the other hand, requests for taxpayer's reclassification from a higher to a lower level are processed within seven working days and require the approval of the Regional Director or Assistant Commissioner (ACIR) of the Large Taxpayers Services (LTS), as applicable.

The BIR's ability to initiate reclassifications based on updated financial data ensures that taxpayer categories remain accurate and reflective of their current economic status. The reclassification can only be initiated every two years based on the taxpayers' gross sales from latest ITR or VAT returns. RDOs/LT Divisions may recommend the reclassification if the current classification of the concerned taxpayer is found incorrect based on audit investigation findings, subject to approval by the Regional Director or ACIR-LTS. Validated or approved taxpayers for reclassification will be informed accordingly via registered mail, email or any other possible means.

It is important to note that taxpayers reclassified due to a BIR-initiated reclassification cannot request reclassification within the same taxable year, unless there are meritorious reasons duly verified by relevant information.

As the EoPT Law expanded the classification of taxpayers, the BIR can leverage these new classification to enhance the efficiency and equity of tax administration, and to better align with the modern economy and tax environment. By categorizing business taxpayers into Micro, Small, Medium, and Large based on their gross sales, the BIR can tailor its policies and procedures to better suit the needs and capacities of the various taxpayer groups. This classification allows for more targeted tax compliance strategies, ensuring that smaller businesses are not overburdened while larger entities are adequately monitored. Additionally, it is also worth noting the BIR's use of digital platforms, such as the ORUS, which facilitates easier access to classification information and streamlines the reclassification process, thereby reducing administrative overhead and improving the taxpayer experience.

Evidently, RMO No. 37-2024 is expected to provide a defined classification criteria for businesses, as well as a standardized reclassification process for the guidance of the taxpayers and the BIR. Having these standardized processes will provide transparency on the roles and responsibilities of each party, help reduce taxpayer misclassification, promote fairness and prevent potential misuse of reclassification authority without justification.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

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