Digital VAT draft regulations to allow 3rd party local reps

THE Bureau of Internal Revenue (BIR) will allow non-resident digital service providers (DSPs) to appoint a local third-party representative to handle administrative matters for them with regard to the value-added tax (VAT) law.

"In registering with the BIR, a nonresident DSP need not have a local representative in the Philippines," the BIR said in a version of the implementing rules and regulations (IRR) dated Jan. 17.

The 10-page draft IRR previously required an in-country representative upon registering for Republic Act 12023 or the VAT on digital services law.

"However, it may appoint a resident third-party service provider (an individual or entity, such as a law firm, accounting firm, or consultancy firm) for purposes of receiving notices, record keeping, filing of tax returns, and other reporting obligations," it added.

The nonresident DSP is required to notify the BIR in writing of the designated representative within 30 calendar days from the date of appointment.

For VAT purposes, the appointment of a third-party service provider does not classify the nonresident DSP as a nonresident foreign corporation doing business in the Philippines, according to the draft.

Unregistered non-resident DSPs face suspension of business operations in the Philippines and other penalties, the BIR said.

The Department of Finance (DoF) has said it expects to collect P7.25 billion in 2025 from VAT on DSPs and P21.37 billion in the next year.

The VAT on digital media and advertising is projected to bring the government P102.12 billion in revenue by 2029, a DoF official said.

The VAT scheme is scheduled to go live on March 31. — **Aubrey Rose A. Inosante**

FREEPIK

Finland signals need for tech, healthcare workers

FINLAND's ageing population has created gaps in its workforce that Filipinos can fill, particularly in technology and healthcare, members of a Finnish delegation said.

"Finland, like most of the European countries, has this challenge that we are an ageing nation. We do not have enough kids coming to the labor market in the future," Laura Lindeman, senior director and head of Work in Finland, told reporters late Thursday.

"But it is not only that we lack pairs of hands or we have gaps in the labor market, but it is also that international talent bring added value to Finnish companies because they can open connections, and diversity boosts innovation," she added.

A Finnish delegation led by Finland's Minister of Employment, Arto Olavi Satonen, visited the country between Jan. 16 and 18.

"We have more than 50 people from Finland. So it is a huge delegation that tells that Finland really sees the Philippines as a very interesting market," she said.

According to Ms. Lindeman, the specific niches Filipinos can fill include information technology specialists, welders, nurses, caregivers, and restaurant and tourism employees.

By 2040, she said that Finland will need 1.37 million new workers, only part of which will be serviced by Finnish workers.

"On an annual basis, that is about 60,000, and some of that need is met with local labor. The gap is 20,000 per year. So that would be kind of the big picture estimate of the need for international workers," she added.

The Finnish government is focusing on four countries for international recruitment — the Philippines, Vietnam, India, and Brazil.

Meanwhile, she said that the governments of the Philippines and Finland are discussing how to digitalize migration processes, which may help expedite the recruitment process for Finnish firms.

"We have already agreed on more detailed discussions on how Finland could actually help in digitalize the migration process here because we have learned that it is very time-consuming to work with papers in the process," she said.

"In Finland, the migration process has been digitalized thoroughly. Almost everything is automated, so hopefully there could be some collaboration," she added.

Work in Finland has nine private recruitment partners in the Philippines that interested workers can contact. These include IPAMS, Premier Global, Perpetual Help Placement Services, Staffhouse, and GROW, Inc.

During Mr. Satonen's visit, the Department of Migrant Workers and Finland's Ministry of Economic Affairs and Employment signed a declaration of intent to ensure Filipino worker safety and ethical deployment.

"That is the first step ... I assume that usually the next step is that more negotiations will come out of that and that it might lead to a memorandum of understanding," Ms. Lindeman said.

According to Mr. Satonen, there were 12,770 Filipino workers in Finland as of 2023 performing healthcare, technology, services, and industrial work. — **Justine Irish D. Tabile**

SB Corp. targets P460M in operating income this year

THE Trade department's micro, small and medium enterprise development financing arm, Small Business Corp. (SB Corp.), has set a target of P460 million in net operating income this year after setting a record in 2024.

On the sidelines of a briefing on Friday, SB Corp. President Robert C. Bastillo said the company's 2025 target is double the 2024 goal.

"The target is still over P400 million," Mr. Bastillo said, adding that the company will seek to stretch performance to as much as P500 million.

If net operating income hits P500 million, it would represent a 15.9% increase from the P431.1 million booked last year.

The 2024 result was nearly double the performance of the last full pre-pandemic year, when it booked P228.6 million.

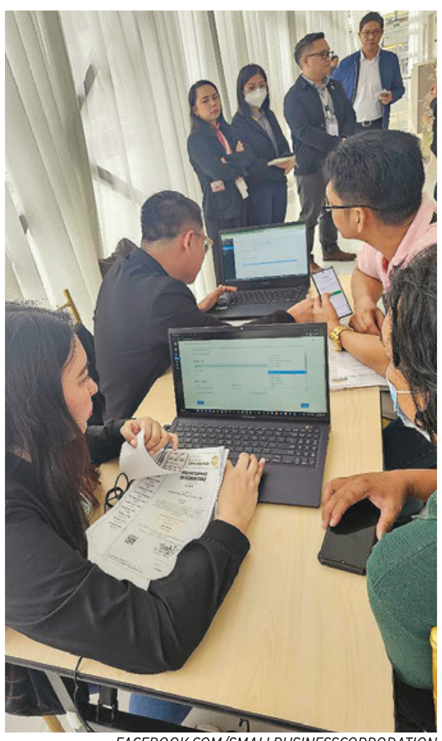
He said the revenue target is P1.2 billion in 2025, which would represent a 20% increase from the 2024 performance.

"The corporate losses of the past few years were largely due to SB Corp.'s countercyclical role in the Philippine financial system and prudent provisioning for the mandated COVID-related accounts," Mr. Bastillo said.

"However, we believe that the corporation's performance in 2024 signals a new chapter of growth and financial sustainability," he added.

According to SB Corp., the positive results can be attributed to streamlined and faster loan application and approval processes, enhanced governance, and a commitment to financing 100% of all approved loan applications.

SB Corp. lent to over 61,000 businesses last year, with a target of at least 65,000 businesses in 2025.



FACEBOOK.COM/SMALLBUSINESSCORPORATION

On Friday, the Department of Trade and Industry and SB Corp. announced the launch of three more lending programs due to be up and running next month.

These are the receivables financing (P200 million), Creative Industry Fund (P500 million), and Halal Financing (P500 million) programs.

SB Corp.'s other loan programs are Enterprise Rehabilitation Financing (P2 billion), Franchise Funding (P1 billion), Business Expansion Financing (P1 billion), Regular Business Loan (P3 billion), and Purchase Order Financing (P500 million). — **Justine Irish D. Tabile**

Canning raw material tariff cut seen reducing prices of canned goods

REDUCING the most favored nation (MFN) tariff rate on tin-mill black plates (TMBPs) is expected to boost domestic production of tin plate and tin-free steel, possibly leading to reduced canned goods prices, the Tariff Commission heard.

At a public hearing on Friday, Perstima (Philippines), Inc., sought the reduction of the MFN tariff rate for TMBPs.

TMBPs are primarily used in the production of food cans, beverage cans, paint cans, and industrial cans.

Perstima, the sole manufacturer of tin plate and tin-free steel in the Philippines, currently imports 77% of its TMBP needs from Japan.

"The TMBP supply from Japan is very limited. And now our operation rate is around 30% or 40% of capacity. So we are thinking we want to increase our utilization rate," according to Kai Adachi, Perstima sales manager.

"In order to do that, we need more TMBP from countries other than Japan, so a 3% (tariff) reduction on TMBPs from Taiwan and China is really important for us," he added.

Perstima is a Philippine Economic Zone Authority-registered business enterprise in LIMA Estate. Its plant has the capacity to produce 200,000 metric tons of tin plate annually.

Between 2021 and 2024, source countries for TMBPs were Japan (77%), Taiwan (19%), China (3%), and South Korea (1%). Imports of TMBPs from Japan and South Korea are zero-duty, while Taiwan and Chinese TMBPs are subject to 3% duty.

According to Perstima, reducing the tariff rates on TMBP will not affect domestic industry.

"There are no domestic manufacturers in the Philippines that would be adversely affected by the tariff reduction," it said. — **Justine Irish D. Tabile**

OPINION

Ease of doing business: The BIR 2028 DX Roadmap

IN BRIEF:

- The BIR's Digitalization Program aims to modernize and enhance the efficiency, transparency, and effectiveness of tax administration and revenue collection processes.
- The BIR envisions taxpayers as customers, adopting taxpayer-centric views in their services. Completed projects reflecting this approach include the Online Registration Update System (ORUS), Enhancement of the Electronic One-Time Transaction (eONETT) System, and the Optimized Knowledge Management System for Chatbot Revie.
- Despite foreseeable challenges such as increased security risks and budget constraints, the BIR is prepared to address them by focusing on system upgrades, modernization, and adhering to its vision of collecting taxes through the just enforcement of tax laws.

SUITS THE C-SUITE

THYRZA F. MARBAS and RULE AMETHYST L. OPORTO

Transformation is not just about modernization. It aims to establish a more efficient, transparent, and responsive tax administration capable of addressing the changing needs of the public.

Change is inevitable in today's dynamic environment. To keep pace with rapid modernization, organizations must evolve their offerings to meet public needs. On Jan. 8, a key official of the Bureau of Internal Revenue (BIR) shared insights at the 3rd Tax Symposium of SGV, discussing how the BIR is adapting to modernization and transforming its services to meet the evolving needs of taxpayers.

EVOLUTION OF THE BIR DX ROADMAP

The BIR revitalized its digital transformation journey with the issuance of Revenue Memorandum Order (RMO) No. 27-2020, known as the BIR Digital Transformation (DX) Roadmap 2020-2030. This initiative was pursued in compliance with Republic Act No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, which requires government offices to assess and improve their transaction systems and procedures. The DX Roadmap is built around three core principles: adopting a people-first approach, instituting a process perspective, and embracing digital technology, with a digital transformation mindset as its foundation.

Recognizing the need for a more comprehensive and updated roadmap, the BIR issued RMO No. 48-2024, known as the Adoption of the New BIR Digital Transformation Roadmap for CY 2025-2028. This initiative aligns with Section 43 of RA No. 11976, or the Ease of Paying Taxes Act, which requires the BIR to adopt an integrated digitalization strategy by providing automated end-to-end solutions for taxpayers. The roadmap also reflects BIR Aspiration 2028, which envisions the BIR as highly digital and propelled by empowered revenue officers with integrity, providing excellent services aligned with international tax standards.

PROJECT UPDATES

The speaker emphasized that despite recent legislation requiring the digital transformation of BIR services, the BIR has long been committed to making its services convenient and efficient for the public. This commitment is evident in the expansion of eServices and the leveraging of technology for a robust tax administration.

It was highlighted that during the time when the world stood still due to the COVID-19 pandemic, the BIR's Electronic Filing and Payment System (eFPS), e-BIR Forms, and electronic payment facilities were already in place. This allowed taxpayers to efficiently comply with their filing and payment duties.

A report on the status of projects under the BIR DX Program for CY2024 as of Nov. 30, 2024 was also presented. There are eight completed projects and eight ongoing projects.

Completed projects include the Online Registration Update System (ORUS), Enhancement of the Electronic One-Time Transaction (eONETT) System, Optimized Knowledge Management System for Chatbot Revie, Property Management System (PMS) (National Office Phase), Expansion of Digital Platform and Tools, Establishment of a Command Center with IT Operations Center, Enterprise Risk Management (ERM), and Enhanced Monitoring and Managing Administrative Cases (EMMAC).

Meanwhile, ongoing projects include the Project 230X, Electronic Tax Clearance System (eTCS), Electronic Invoicing/Receipting and Sales Reporting System (EIS/SRS), eAppointment (BIR Services under Assessment and Collection Service, Development of Cloud Based Electronic Documentary Stamp Tax (eDST) System, Document Tracking Management System (DTMS), Cybersecurity Program and Internal Revenue Integrated System (IRIS).

Eleven other projects under the DX Program are in varying stages of project planning and execution. These include taxpayer-facing projects as well as projects for internal customers.

A notable highlight of the DX project is the EIS/SRS Program. Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Law (TRAIN Law) authorized the establishment of a system capable of storing and processing the required data within five years from the effectivity of the Law. Republic Act No. 12066 or the CREATE MORE Law removed the five-year implementing period. In terms of updates, out of the 100 Pilot Taxpayers, 63 are currently transmitting their sales data.

The ongoing Tax Modernization Feasibility Study Project will determine the best way forward for the EIS/SRS program. The study's result will be out towards the end of the first quarter of 2025. By then, the Bureau can provide firmer guidelines and timelines regarding the EIS/SRS implementation.

Further, under the CREATE MORE Law, taxpayers under the jurisdiction of the Large Taxpayer Service and exporters are still covered both by the requirement of issuing electronic invoices (EIS) and electronic reporting of their sales (SRS) data to the Bureau. What was amended is that those engaged in e-commerce are only required to comply with the EIS, but it is not mandatory for them to comply with the SRS program. Instead, they may opt to voluntarily comply.

Meanwhile, other taxpayers may voluntarily issue electronic invoices and use an SRS. Those who volunteer will be granted incentives, specifically an additional deduction from taxable income of 100% *total cost for setting up an EIS/SRS* for taxpayers classified as micro and small and an additional 50% for medium and large, which can only be availed of once.

MODERNIZING TAX SERVICES

Transformation is not just about modernization. It aims to establish a more efficient, transparent, and responsive tax administration capable of addressing the changing needs of the public.

As the BIR strives for transformative and modernized services for taxpayers, it acknowledges foreseeable challenges such as increased security risks, budget constraints, customer/taxpayer readiness, among others. Nonetheless, the BIR is prepared to address these challenges.

These developments in the BIR's DX Program give taxpayers a renewed optimism recognizing the significance of its successful implementation in improving tax processes towards realizing BIR's vision of a modern, efficient, and technology-driven tax system that benefits both the taxpayers and government.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the authors and do not necessarily represent the views of SGV & Co.

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