

Customs order implementing PHL-South Korea FTA released

THE Bureau of Customs (BoC) said it issued a memorandum order implementing the preferential tariffs the Philippines will enjoy as a result of its free trade agreement (FTA) with South Korea.

In a statement on Monday, Commissioner Bienvenido Y. Rubio said issuing clear guidelines aims to foster a “smooth transition and effective implementation” of the FTA between two countries.

The Customs Memorandum Order (CMO), signed by Mr. Rubio, took effect on Dec. 31 and outlines “pertinent provisions such as pre-exportation examination or product evaluation, procedures for the issuance of Certificates of Origin.”

In addition, the CMO provides sets guidelines governing the application process for obtaining Approved Exporter status, obligations of an Approved Exporter, procedures for completing Origin Declarations, and verification protocols.

On Dec. 23, President Ferdinand R. Marcos, Jr. released Executive Order (EO) 80, which called for the updating of import duty rates for products covered by the FTA.

Under EO 80, goods from South Korea listed in the Philippine Schedule of Tariff Commitments will be subject to reduced or zero tariff rates as long as these goods align with the specified rules of origin, including proof of origin.

“The issuance of this Customs Memorandum Order underscores the BoC’s commitment to facilitating trade and fostering economic partnerships with our global partners,” Mr. Rubio added.

“These comprehensive guidelines are designed to ensure seamless compliance with the agreement and maximize the benefits of preferential trade terms,” the BoC said.

In a separate statement on Monday, Customs also announced its five-Point Priority Program, which are digitalizing customs processes, surpassing revenue targets, simplifying procedures and facilitating secure trade, curbing smuggling, and enhancing employee welfare and development.

Mr. Rubio also said he is confident the BoC will reach its P1.06-trillion revenue target for 2024.

— **Aubrey Rose A. Inosante**



FREEPIK

Accessing remote areas seen as top obstacle to distributing cheap drugs

By Justine Irish D. Tabile
Reporter

AFFORDABLE medicine remains out of reach for much of the population despite their availability, with the main obstacle being inadequate distribution to remote areas, the Philippine Pharma Procurement, Inc. (PPPI) said.

“While there are affordable and cheaper medicines, the lack of access to these is the biggest problem,” PPPI President and Chief Executive Officer Maria Blanca Kim B. Lokin told *BusinessWorld* in an e-mailed statement.

“The lack of logistics and infrastructure, and the geographical makeup of the Philippines are some of the main challenges,” she added.

PPPI is a government-owned and -controlled corporation organized during the Estrada administration to reduce drug prices and engage in parallel imports. Its parent is the Philippine International Trading Corp., an arm of the Department of Trade and Industry.

She proposed that PPPI take the lead in linking procurement and distribution.

“The recommendation is that the government use PPPI as the lead agency to implement access to affordable medicines nationwide,” she added.

“It can serve as the bridge to harness government health programs for cheaper medicines and bring them to where the communities are,” she added.

She said a revival of the Botikang Bayan program through franchising will not only accelerate access to affordable medicines but also empower micro, small and medium-sized enterprises.

In response to President Ferdinand R. Marcos, Jr.’s eight-Point Socioeconomic Agenda, the PPPI established the Botikang Bakuna Para sa Mamamayan (BBM Pharmacy) program.

It resurrects a program originating in the 1970s whose most recent iteration was the Botikang Bayan from the early 2000s.

The BBM Pharmacy is a joint program with the Food and Drug Administration and the Department of Health.

“Although there are affordable medicines in the market, access to these medicines remains limited, especially in the rural areas,” Ms. Lokin said.

“Even with the proliferation of pharmacies nationwide, the reality is that there are still a lot of underserved areas. The main reason for this is profitability,” she added.

To address this, she said that she hopes the Philippine Health Insurance Corp. (PhilHealth) can help build PPPI flagship stores and commissaries in the regions to service the soon-to-be-launched BBM Pharmacies.

“This will greatly accelerate nationwide access to affordable medicines. It can also be a tangible program that Filipinos can relate to and serve as a good complement to the Konsulta & Gamot Programs of PhilHealth,” she added.

Universal Healthcare milestones face delays after reduction in budget allocations — BMI

LIMITED GROWTH in public health pending in the 2025 national budget could delay progress towards Universal Health Care (UHC), Fitch Solutions unit BMI said.

The UHC Act or Republic Act 11223 aims to ensure quality and affordable access to healthcare, minimizing financial hardship.

“The reduction in total health expenditure allowance will slow progress for the Universal Health Care (UHC) Act, limiting market opportunities in the public health system,” BMI said in a report on Monday.

In the General Appropriations Act (GAA) 2025, the Department of Health was allocated P247.56 billion, up 2.69% from a year earlier. The broader picture, however, taking into consideration the allocation for the Philippine Health Insurance Corp. (PhilHealth), shows a spending plan for health amounting to P297.6 billion.

“Despite a 10.1% year-on-year growth in the total government budget in 2025, public health expenditure saw a 3.5% decrease from 2024 levels,” it said.

BMI projects health spending to grow by 5.7% between 2023 and 2028.

“Significant cuts to the Health Facilities Enhancement Program (HFEP) and government-owned and -controlled corporation (GOCC) hospitals will reduce investment sustainability in the health system,” it added.

The HFEP budget goes towards the construction, upgrading or expansion of government healthcare facilities and the purchase of medical equipment and medical vehicles.

In 2025, this was trimmed to P22.9 billion from P28.5 billion a year earlier.

This year P14.5 billion was earmarked for infrastructure and P7.6 billion for medical equipment.

“We expect these reductions will limit the DoH’s operational ability to ensure that the 700 rural health units it manages, the 300 local government unit-run and other clinics are constructed and equipped with the necessary medical supplies and facilities,” BMI said.

Some regions are set to receive more funding. South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos City (Soccksargen) received a bump in allocation of 245% to P37 million, while Caraga got a 443% increase to P80.7 million.

“While these appear like large rises, given that most regions are not experiencing budget allocation changes in 2025, we believe they are only single investments which will not provide sustained market opportunities,” it said.

Similarly, the GOCC hospitals, which operate both commercial and noncommercial activities, had their funding cut.

BMI, citing the Department of Budget and Management, noted that the Philippine Children’s Medical Center’s budget fell 28.55% in 2025.

The Lung Center of the Philippines followed with a 10.08% decrease to P711.34 million, while the National Kidney & Transplant Institute’s funding fell 8.56% to P1.49 billion. The Philippine Heart Center’s budget fell 8.21% to P2.41 billion.

“We expect this will impact their ability to provide healthcare services in the regions they operate in,” it said. “Combined with the HFEP reductions, we anticipate that medical device sales will be constrained in these markets.”

Additionally, BMI noted that budget increases in other sectors such as defense “highlight a divergence from health system prioritization.”

This could lead to private health expenditure to grow 7.2% with greater resort to the private healthcare system.

PhilHealth, meanwhile, found itself stripped of subsidies. The bicameral conference committee report on the budget bill reviewed by President Ferdinand R. Marcos, Jr. originally contained a P74.4-billion subsidy for PhilHealth, which was stripped from the version ultimately signed by the President.

BMI also noted that the Philippines lacks 190,000 healthcare workers as professionals choose to migrate.

“Without a long-term plan, the public health system will lack the human capital necessary to maintain and expand its services, resulting in a decline in the quality of care,” it said. This could also be exacerbated by lower HFEP and GOCC budgets.

This could lead to a “more fragmented health system,” preventing “future market opportunities as the health system’s growth rate begins to slow.”

“I think all the healthcare cuts are significant since the budget for health should be increasing alongside education budget. It does not help that we prioritize education but consider health as a minor concern,” Leonardo A. Lanzona, an economics professor at the Ateneo De Manila said via Messenger chat.

In compliance to the constitution, education had the highest allocation in the 2025 GAA with P1.056 trillion.

He said that investments in these areas are “complementary” in the as the market returns from education are higher if healthcare is assured.

“Without health, education is not going to yield many market opportunities, making investments in schooling unproductive,” Mr. Lanzona said. added.

“It is crucial that we develop both human capital investments simultaneously.” — **Aubrey Rose A. Inosante**

OPINION

Sections 195 and 196 of the Local Gov’t Code

Every new year is a new chapter to embrace the graces and challenges life brings, which gives us opportunities to make a significant journey that will hopefully inspire others. Nonetheless, the reality remains that every person manages continuous similar obligations and responsibilities whether in family, education, or business.

For example, all businesses every year should apply for the renewal of their business permit before the Local Government Unit (LGU) on or before Jan. 20. Typically, taxpayers pay immediately. As explained by the Supreme Court in *City of Manila vs. Cosmos Bottling Corp.*, a taxpayer who is engaged in business would be hard-pressed to secure a business permit unless he pays an assessment for business tax and/or regulatory fees. Also, a taxpayer may pay the assessment to avoid further penalties or save his properties from levy and distraint proceedings. However, there are cases where taxpayers choose to exercise their legal right against such an assessment. With this, the question arises as to which remedy under the Local Government Code (LGC) should be availed of by the taxpayer to contest such an assessment. Notably, the LGC provides that the protest of assessment is governed by Section 195, while claims for refund or tax credit are governed by Section 196.

In *Jose vs. Tigerway Facilities and Resources, Inc.*, the Supreme Court comprehensively discussed Section 195 and Section 196 of the LGC, citing the *Cosmos Bottling* case. Section 195 provides the procedure for contesting

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an assessment issued by the local treasurer, whereas Section 196 provides the procedure for the recovery of an erroneously paid or illegally collected tax, fee, or charge. Both Sections 195 and 196 mention an administrative remedy that the taxpayer should first exhaust before bringing the appropriate action in court. In Section 195, it is the written protest with the local treasurer that constitutes the administrative remedy, while in Section 196, it is the written claim for refund or credit with the same office. The law does not particularly provide a form for a protest or refund claim to be considered valid; it suffices that the written protest or refund is addressed to the local treasurer expressing in substance its desired relief. The title or denomination used in describing the letter would not ordinarily put control over the content of the letter.

In the *Cosmos Bottling* case, the Supreme Court enunciated that the application of Section 195 is triggered by an assessment made by the local treasurer or his duly authorized representative for nonpayment of the correct taxes, fees, or charges. Should the taxpayer find the assessment to be erroneous or excessive, he may contest it by filing a written protest before the local treasurer within the reglementary period of 60 days from receipt of the notice; otherwise, the assessment shall become

conclusive. The local treasurer has 60 days to decide the protest. In case of denial of the protest or inaction by the local treasurer, the taxpayer may appeal to the court of competent jurisdiction; otherwise, the assessment becomes conclusive and unappealable. On the other hand, Section 196 may be invoked by a taxpayer who claims to have erroneously paid a tax, fee, or charge, or that such had been illegally collected from him. The provision requires the taxpayer to first file a written claim for a refund before bringing a suit in court, which must be initiated within two years from the date of payment. By necessary implication, the administrative remedy of claim for refund with the local treasurer must be initiated also within the two-year prescriptive period but before the judicial action.

In addition, the case emphasized that Section 196 does not expressly mention an assessment made by the local treasurer. This simply means that its applicability does not depend upon the existence of an assessment notice. By consequence, a taxpayer may proceed to the remedy of refund of taxes even without a prior protest against an assessment that was not issued in the first place. This is not to say that an application for a refund can never be precipitated by a previously issued assessment, for it is entirely possible that the taxpayer, who had received a notice of assessment, paid the assessed tax, fee, or charge believing it to be erroneous or illegal. Thus, under such circumstances, the taxpayer may subsequently direct his claim pursuant to Section 196 of the LGC.

Interestingly, in *Team Energy Corp. (TMC) v. Municipality of Pagbilao*, TMC opines that the Statements of Account (SOAs) for 2019 and 2020 are not “notices of assessment” that would trigger the application of Section 195 of the LGC. For this reason, TMC is not required to comply with the periods prescribed by Section 195, and only the two-year period provided under Section 196 of the LGC should be complied with. In contrast, the Municipality of Pagbilao insists that the subject SOAs issued by the Municipal Treasurer, although denominated as such, are considered Notices of Assessment contemplated under Section 195 of the LGC. The Court of Tax Appeals (CTA) concurred with TMC and has ruled that SOAs are not the “notices of assessment” contemplated under Section 195 of the LGC because the subject SOAs show that the same did not provide notice of the facts and laws from which the billed amounts were based. Moreover, the SOAs were issued not as an assessment of LBT but as a prerequisite for the issuance/renewal of the mayor’s permit. Although the SOAs state the amount and nature of the tax and fees assessed, they do not contain the amount of deficiency, surcharges, interests, and penalties due. The CTA likewise relied on the case of *National Power Corp. vs. The Province of Pangasinana and Pia Magdalena D. Quibal*, wherein the Supreme Court emphasized that the details contained in a notice of assessment should be sufficiently informative to apprise the taxpayer of the legal basis of the tax. Furthermore, the CTA elucidated that it is vital that notice of assessment must have refer-

ence to the local tax ordinance because the power of LGU to impose local taxes is exercised through the appropriate ordinance enacted by the Sanggunian, and not by the LGC alone. What determines tax liability is the tax ordinance, the LGC being the enabling law for the local legislative body. Hence, the subject SOAs that only contain a table of taxes with no other details are deficient in carrying out the function of informing the taxpayer of the factual and statutory basis of the tax.

In view of these, the SOAs issued in connection with the application for the issuance/renewal of the mayor’s permit are not considered Notices of Assessment contemplated under Section 195. Thus, taxpayers may file a claim for a refund or tax credit under Section 196 to recover the erroneously paid or illegally collected tax, fee, or charge, if any, within the two-year prescriptive period. With that, taxpayers have the responsibility, not only the National Government and LGU, to be cautious in exercising their legal rights to fully and continuously safeguard their properties against any unlawful deprivation of due process.

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