Makati City lowers tax rates for real property

MAKATI Mayor Marlen Abigail Binay-Campos approved an ordinance lowering real property tax (RPT) rates in the city.

In a statement on Monday, Makati said Ms. Binay-Campos signed City Ordinance No. 2025-047 on March 24, which has an effectivity date of Jan. 1.

The ordinance amends the Revised Makati Revenue Code or City Ordinance No. 2004-A-025, which deals with basic real property tax and assessment levels.

"Following a comprehensive review of current tax rates and prevailing economic conditions, we have proceeded with our plan to lower tax rates for all classes of land in the city," the mayor, a candidate for the Senate, said.

"Residents and property owners in the city will now enjoy substantial savings from the biggest tax reduction and lowest assessment levels implemented by the city government to date," she added.

Even though city revenue could take a hit, Ms. Binay-Campos said she expects the long-term gains to offset the losses.

The mayor also noted that the estimated annual P7.9 billion savings from the removal of subsidies to 10 Embo barangays transferred to the jurisdiction of Taguig could help cushion the impact.

"I believe we can manage very well even with lower RPT collection. As more businesses choose to locate in Makati, our revenue from business tax and relevant fees will increase as well. More importantly, more jobs will be created for our residents," she said.

For land, rates of levy for residential property is now at 1% from 1.5%, commercial property at 1.5% from 2%, industrial property at 1.5% from 2% and special property at 0.5% from 1.5%.

Meanwhile, real property tax rates for buildings, machinery, and other improvements were left unchanged for residential (1.5%), commercial (2%), industrial (2%), and special (0.5%) categories.

However, residential property that is not exclusively used by the owner or his immediate family and offered for rent will still be classified as residential/commercial, with an additional 0.125% tax on the assessed value of the land and 0.25% on improvements. — **Aubrey Rose A. Inosante**

PHILIPPINE STAR/NOEL PABALATE

PHL rice imports to decline 1.9%

PHILIPPINE RICE imports will likely decline 1.9% to 5.2 million metric tons (MMT) this year due to an expected increase in domestic production, according to the US Department of Agriculture (USDA).

Milled rice production is expected to increase 2.1% to 12.25 MMT in marketing year (MY) 2025/26 due to favorable weather and increased government intervention backed by an enlarged competitiveness-enhancing budget funded by rice tariffs, the USDA said in a report, citing its Foreign Agriculture Service.

A 2024 law that amended the Rice Tariffication Law of 2019, which deregulated the rice industry by removing the power of the National Food Authority (NFA) to import the commodity, expanded the Rice Competitiveness Enhancement Fund (RCEF) to P30 billion from P10 billion.

Aside from a rebound in production, other factors driving Philippine imports down are stocks carried over from 2024/25 and the imposition of a maximum suggested retail price on imported premium rice, the report said.

Vietnam and Thailand will remain as the key suppliers of rice to the Philippines in MY 2025/26, it said.

"This is due to established trade relationships, competitive prices, and the geographical proximity of Vietnam and Thailand to the Philippines," the report noted.

However, it forecast "a decrease in supply of imported 5% broken rice in the Philippines in MY 2025/26, given the ongoing implementation of the MSRP on imported premium rice," it said.

Imported rice is subject to a 15% tariff until 2028 under Executive Order No. 62, which farmer groups said has failed to significantly bring down the retail price of rice.

The Federation of Free Farmers (FFF) is asking the Tariff Commission to restore rice import tariffs to 35% for Southeast Asian grain. The FFF has also asked the commission to impose a 50% tariff on grain from all other countries.

The MSRP for imported rice was set at P45 per kilo beginning March 31. It started at P58 per kilo on Jan. 20, followed by P55 per kilo on Feb. 5, P52 per kilo on Feb. 15 and P49 per kilo on March 1.

The USDA report said the estimated land area to be harvested will also likely increase 2.2% to 4.70 million hectares in MY 2025/26.

It noted that RCEF contributed to production growing by an average rate of 1.9% year on year between MY 2018/19 and MY 2022/23.

Rice imports hit an all-time high of nearly 4.7 MMT in 2024.

Raul F. Montemayor of the FFF said due to excess imports last year, "a lot of rice stocks were not consumed in 2024 and were instead carried over to 2025."

"That is why the National Economic and Development Authority (NEDA) is estimating that our 2025 beginning stock was equivalent to 3.8 million tons, good for about 108 days," he said via Viber.

Beginning stock is usually good for 60-70 days' demand, he noted.

"Whether better production, larger RCEF, and the MSRP will temper imports remains to be seen," he said.

"If international prices continue to go down, importers will continue to bring in rice and sell imports for less than local rice even if we have sufficient supply," he added.

The USDA report, meanwhile, noted that Philippine rice consumption will increase 0.6% to 17.30 MMT in MY 2025/26, largely driven by steady population growth, moderating inflation levels, and growing income levels.

It said the Philippine population is projected to grow from 118.28 million to 121.94 million people from 2024 to 2026.

Retail rice prices are gradually declining due to softening global prices, allowing consumers.

National daily demand for rice averages 37,000 MT, according to the DA.

The USDA report also said Philippine rice stocks will rise 4.1% to 3.85 MMT in MY 2025/26, due to an increase in the procurement activities of the NFA, coupled with the ongoing rice imports by private traders.

Meanwhile, "rice stocks held at the household level are forecast to decline in MY 2025/26, as lower prices reduce the need for households to hold excessive stock," it added.

A food security emergency on rice was declared on Feb. 3, allowing the NFA to release stocks onto the market to tame retail prices and prepare its warehouses for the procurement of the new harvest beginning mid-February.

The NFA is hoping to procure as much as 870,000 MT of palay (unmilled rice) this year.

"With the Philippine Statistics Authority's updated milled recovery rate at 63%, this would translate to around 550,000 MT of milled rice, leading to the higher forecast of rice stocks in MY 2025/26," according to the report. — **Kyle Aristophere T. Atienza**

Marcos advises BSP to act if Trump tariffs stoke inflation

PRESIDENT Ferdinand R. Marcos, Jr. urged the Bangko Sentral ng Pilipinas (BSP) to act immediately if US tariff policy pushes inflation higher, the Palace said.

At a briefing on Monday, Presidential Communications Office Undersecretary Clarissa A. Castro said Mr. Marcos made the remarks at a meeting with the BSP, urging it to "immediately address any potential impacts (on the economy) in the coming year."

"There was a meeting with the BSP where this was discussed," she said. "It was noted that inflation rates could be affected by what is happening in the US. We will monitor the situation and take action."

The central bank on March 27 published its financial stability report which indicated that the financial sector is expected to remain robust and well-positioned to absorb shocks, but could face moderate economic risks such as heightened geopolitical tensions, evolving monetary policies in major economies, and potential shifts in US policy.

Inflation eased to 2.1% last month from 2.9% in January and 3.4% a year earlier. This brought the two-month average to 2.5% well within the central bank's 2-4% target.

BSP Governor Eli M. Remolona, Jr. has expressed concern about the indirect spillovers coming from increasingly aggressive US trade policy.

Since taking office, US President Donald J. Trump has imposed a 20% levy on all Chinese imports and a 25% tariff on all steel and aluminum imports.

He is also planning to impose reciprocal tariffs on countries that tax US imports early next month.

The US is the top destination for Philippine-made goods with exports to the country valued at $12.12 billion last year or 16.6% of total export sales.

Manila's imports from the US amounted to $8.17 billion or 6.4% of total imports.

The Philippines, a domestic demand-driven economy, has the potential to avoid the worst of the new US tariff regime compared to its neighbors, Moody's Ratings said in a report last week.

"Indonesia and the Philippines, with smaller surpluses and growing defense ties with the US, are likely to face fewer tariffs," the credit rater said.

Moody's Analytics projects Philippine gross domestic product to grow 5.9% this year, weaker than its 6% baseline forecast in November, citing the impact of uncertainty arising from US tariff policies. — **John Victor D. Ordoñez**

OPINION

New VAT rules for local sales of RBEs

LET'S TALK TAX
CLARITA C. AFAGA

With the components Comprehensive Tax Reform Package (CTRP) gradually unfolding, it can be overwhelming for taxpayers to note the changes directly affecting them. With the signing of the CREATE MORE Act (Republic Act No. 12066), the country moves closer to becoming more competitive by enhancing tax incentives to attract investors. This law aims to expand fiscal incentives, promote ease of doing business, strengthen investment regulations, support regional development, and clarify transitory rules for Registered Business Enterprises (RBEs). These measures position the country as a more attractive investment destination.

Under CREATE MORE, local sales of goods and/or services by an RBE, regardless of the income tax incentives regime and location, are subject to 12% VAT, unless otherwise exempt or zero-rated under the Tax Code. As further defined in the CREATE MORE Act, "local sales" cover sales of goods and services to domestic market enterprises (DMEs) or non-RBEs, regardless of whether the sale occurs within the freeport or economic zones.

The highlight of this amendment is the shift of the liability to the buyers in the filing and remittance of the VAT on local sales. While the effects of this change are yet to be determined, the BIR initially laid out the manner in which this shift will be implemented. To simplify matters, the transactions will first be classified into two (2):

1. Business-to-Business (B2B) transactions — transactions to natural or juridical persons engaged in business located in the Philippines; otherwise,
2. Business-to-Consumer (B2C) transactions

VAT RULES FOR LOCAL SALES OF RBES

1. B2B Transactions

For this type of transaction, the obligation to file and pay the VAT lies with the buyer. For purchases of goods from economic zones or freeports, these are to be filed and paid per transaction using BIR Form 0605, after which it should be transmitted to the RBE seller for the release of the goods. Meanwhile, for purchases of services from economic zones or freeports and purchases of either goods or services from BoI-registered enterprises, these shall be filed and paid monthly, with a deadline set on or before the 10th day of the month following the month of transaction, using BIR Form 1600-VT. The buyer must then prepare BIR Form 2307 and issue to the RBE-seller either on the aggregated quarterly VAT on local sales payments or upon the latter's demand.

In filing the quarterly VAT returns, non-VAT registered RBEs are not required to file as compared to VAT-registered RBEs and RBEs with mixed activities, which must declare all B2B local sales supported by BIR Form 2307 or BIR Form 0605 issued by their buyers. Further, non-VAT registered RBEs must only submit the summary list of local sales on a quarterly basis, while VAT-registered RBEs are to continue the regular submission of the same as per existing revenue rules and regulations.

2. B2C Transactions

Since the buyer in a B2C transaction is typically an individual or non-business entity, it is not practical to shift VAT liability to them. Therefore, the RBE seller remains responsible for VAT compliance.

Moreover, the income tax regime must be taken into consideration in the filing and payment of VAT. For RBE-sellers subject to tax under the 5% GIE/SCIT regime, the VAT on local sales must be filed and paid by the 10th of the month following the transaction using BIR Form 0605. For RBE sellers with mixed activities under different tax regimes, the VAT during the first two months must be paid through BIR Form 0605, which will then be reflected as VAT credit upon filing of the quarterly VAT return. If the RBE seller falls under ITH/EDR or the Regular Income Tax Rate, quarterly VAT filing is required in declaring the local sales and its corresponding VAT.

INVOICING REQUIREMENTS

On the invoicing of RBE-seller to the buyer, the invoice should contain a separate line item for the VAT, labeled as "VAT on Local Sales." Since the buyer in a B2B transaction will file and pay the corresponding VAT, the RBE seller will only receive the purchase price. However, the buyer in a B2C transaction should remit the full amount to the seller.

Considering that the RBEs have yet to secure invoices with the line item of "VAT on Local Sales," the following are the transitory provisions provided in relation thereof:

- For manual invoices, the term "VAT/VAT Amount" shall be stamped with "VAT on local sales" until fully consumed, with the new layout to reflect on the subsequent applications for Authority to Print Invoices. Exempt/VAT-Exempt invoices must be stamped with "VAT on Local Sales" as an additional term in the breakdown.
- RBEs using Cash Register Machines/Point-of-Sale (CRM/POS) and other registered invoicing systems/software must reconfigure these devices by changing the term "VAT/VAT Amount" to "VAT on Local Sales" or adding the term in case not applicable. The reconfiguration must be done by Dec. 31, 2025, subject to post-verification by the BIR office having jurisdiction over the RBE.

CLAIMING OF INPUT VAT BY VAT-REGISTERED BUYERS

Following the changes in the discussion above, the BIR provides the necessary documents for VAT-registered buyers claiming the input tax on their purchases:

a. Sales invoice issued by the RBE seller showing the amount of VAT on local sales; and

b. Copy of the corresponding duly filed BIR Form 1600-VT or BIR Form 2307, whichever is applicable.

Meanwhile, VAT paid by non-VAT-registered buyers for their purchases must be expensed outright.

CONCLUSION

While the CTRP aims to simplify the tax system, the shift in VAT filing and remittance responsibilities under the CREATE MORE Act adds complexity for taxpayers, who must adapt to the new regulations. The success of these changes will largely depend on how effectively the BIR oversees taxpayer compliance and supports their transition. Without clear guidance and efficient implementation from the BIR, the process could become more burdensome. Ultimately, both the BIR and taxpayers must collaborate to ensure a smooth transition and achieve the CTRP's goal of creating a simpler, fairer, and more efficient tax system.

Let's Talk Tax, 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.

CLARITA C. AFAGA is a semi-senior from the Tax Advisory & Compliance division of P&A Grant Thornton, the Philippine member firm of Grant Thornton International Ltd.
pagrantthornton@ph.gt.com