



Funding seen sufficient for expanded P20 rice rollout

PHILIPPINE STAR/NOEL PABALATE

THE Department of Agriculture (DA) said the P20-per-kilo rice program will be offered in more regions, with funding and rice inventories deemed sufficient to support such an expansion.

The DA announced the start of selling of P20-per-kilo rice in government-subsidized mini-markets, known as Kadiwa stores, on May 13. The launch had been pushed back from May 1 to comply with the ban on government spending during the elections.

“While the program initially focused on the Visayas, a review

of the DA’s budget and NFA stocks has revealed that it can now be extended to other regions, including Metro Manila and neighboring provinces, through KADIWA centers and local government units involved in the national food crisis emergency initiative,” the DA said.

The program had been initially scheduled for a six-month pilot in the Visayas.

The DA said 12 Kadiwa markets in Metro Manila will begin offering P20 rice on Wednesday, followed by 32 more sites in Bu-

lacan, Cavite, Laguna, Mindoro, and Rizal by May 15.

LGUs will share the P13-per-kilo subsidy for the rice with Food Terminal, Inc. Eligibility of beneficiaries will be determined by the LGUs.

Vulnerable groups — including solo parents, persons with disabilities, senior citizens, and beneficiaries of the government’s 4Ps program — will have access to the P20 rice at KADIWA centers.

“With the expanded area covered by the pilot run, the DA has

decided to adjust the monthly limit to 30 kilos per household — the same level set for the KADIWA P20 rice program,” the DA said.

The pilot test is expected to serve as many as two million households — or 10 million individuals — until December.

The DA said the program also seeks to clear out stock buildup in National Food Authority (NFA) warehouses to pave the way for more grain procurement from farmers. — **Kyle Aristophere T. Atienza**

No approval yet for proposed air terminal enhancement fees

THE Department of Transportation (DoTr) said a proposal to collect airport terminal enhancement fee by the three air carriers remains under review.

“The proposal is still being reviewed by the Civil Aeronautics Board (CAB). Pending thorough evaluation, no terminal enhancement fees have been approved or implemented,” a representative from the DoTr said via Viber.

The main Philippine carriers sought CAB approval to collect terminal enhancement fees to cover the rising cost of using Ninoy Aquino International Airport (NAIA). The private operator, New NAIA Infra Corp. (NNIC), has raised landing and takeoff fees, and started charging other fees starting last year.

The carriers have requested a P150 terminal enhancement fee for domestic roundtrip flights and about P300 each way for international flights.

The fee was proposed as a separate charge on top of the base fare. As proposed, it will be itemized on the passenger’s booking receipt separately from the base fare, similar to the treatment of



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the fuel surcharge and value-added tax.

NNIC took over the operations and maintenance of the main gateway in September 2024.

A higher passenger service charge, or terminal fee, is also scheduled to be implemented later this year in September.

NNIC has said that all fee increases are in accordance with the parameters and financial terms set by the DoTr, the Manila International Airport Authority, and its project transaction advisor, the Asian Development Bank during the NAIA privatization bidding. — **Ashley Erika O. Jose**

Vietnam still enjoys cost advantage in furniture despite 17% Philippine tariff

THE 17% tariff the US is poised to charge Philippine goods, while favorable compared to rest of the region, is not enough to overcome Vietnam’s cost advantage in furniture, the Chamber of Furniture Industries of the Philippines (CFIP) said.

CFIP Director General Ajun L. Valenzuela told *BusinessWorld* that the Vietnam price advantage over equivalent Philippine goods is about 40%.

“Vietnam’s prices are much cheaper,” he said in a phone interview, adding: “our price difference with Vietnam is around 40%.”

Vietnam’s furniture exports totaled \$16 billion in 2024,

against Philippine exports of \$200 million.

Vietnamese goods will be charged a 46% tariff starting July if it does not negotiate more favorable terms.

The tariff differential “is also good for us because it will make our prices at par with the Vietnam price, but it is not a solution,” he added.

The so-called reciprocal tariffs imposed on US trading partners announced in early April have been suspended for 90 days. In the interim, the US will charge most trading partners a 10% baseline rate.

According to Mr. Valenzuela, the Philippines still has an op-

portunity “to attract US buyers seeking alternatives to Vietnamese suppliers.”

“We can rely on our strengths: the unique craftsmanship, the indigenous materials, and the reputation or quality... especially in niche and premium segments,” he added.

The US is the largest export destination of Philippine furniture, accounting for \$99 million, or 49.7% of the total. The other top markets include the Netherlands, Japan, Germany, and France.

He said it is possible that Singapore, which was assigned a 10% reciprocal tariff, “may act as a re-export hub for Vietnamese furniture.”

“We know for a fact that Singapore is not a furniture manufacturing country, so they sourced before from China, and now they will be sourcing from Vietnam. So, it potentially dilutes the Philippines competitive edge if rules of origin are not strictly enforced,” he added.

“There is also a risk that Vietnamese and Chinese furniture, now less competitive in the US, could be redirected to the Philippines,” he said.

“This could lead to import flooding, increased competition, and downward pressure on prices here,” he added.

The Philippine cost disadvantage lies mainly in labor, he said.

“The Philippine average monthly manufacturing wage is significantly higher than Vietnam’s. In the Philippines it is \$420-\$450, while Vietnam’s labor cost is only \$300-\$350,” he said.

“Labor cost makes it difficult for Philippine producers to compete on price, especially for large-scale commoditized orders,” he added.

He said the industry is also disadvantaged in terms of scale, with Filipino small and medium enterprises unable to expand.

He said high electricity costs are also a concern for the furniture sector, along with the sourcing of raw materials.

“Vietnam benefits from proximity to large plantations and easy access to imported timber through established supply chains, while we rely on imported wood,” he said.

He said that the exemption of wood and wood products under the new US tariff regime will allow Philippine manufacturers to import sustainable and certified solid wood from the US at a very competitive rate.

He said establishing Philippine brands in the US market will require sustained investment in marketing, compliance, and relationship-building. — **Justine Irish D. Tabile**

OPINION

VAT liabilities of non-resident DSPs

Last year marked a significant chapter in tax reform, with new laws enacted to amend and update the National Internal Revenue Code (Tax Code). Among these is Republic Act (RA) No. 12023, which imposes a 12% VAT on all digital services consumed in the Philippines.

RA 12023 introduced Section 108-A to the Tax Code, outlining the liabilities of persons providing digital services. Whether individual or juridical, resident or non-resident, those who supply or deliver digital services in the Philippines are now responsible for assessing, collecting, and remitting the corresponding VAT on these services, subject to the rules of withholding VAT.

Prior to this law, only resident digital service providers were subject to VAT. With RA 12023, non-resident digital service providers (NRDSPs) are now also liable for VAT.

To implement and clarify certain aspects of the law, specifically on the liabilities of NRDSPs, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 3-2025 and RR No. 14-2025, as well as Revenue Memorandum Circular (RMC) No. 47-2025.

VAT REMITTANCE LIABILITY

Under the law, “a non-resident digital service provider” refers to a digital service provider with no physical presence in the Philippines.

Generally, the liability for VAT remittance of NRDSPs depends on the type of transaction involved:

1. Business-to-Business (B2B) Transactions

In B2B transactions, persons engaged in business are liable for electronically filing the required remittance return and withholding and remitting the 12% VAT due on their purchase of digital services under the reverse charge mechanism. In this case, the NRDSP is not directly liable for remitting the VAT. However, they are still required to file tax returns with the BIR to report their B2B transactions.

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2. Business to Consumer (B2C) Transactions

In B2C transactions, where the consumer is not engaged in business, the NRDSP is directly liable for electronically filing the VAT return and paying the VAT due through the simplified pay-only regime in the VAT on Digital Services (VDS) Portal.

Furthermore, if the NRDSP is classified as an e-marketplace, it shall also be liable for electronically filing the VAT return and paying the VAT due, provided that it controls the key aspects of the supply and either sets, directly or indirectly, any of the terms and conditions under which the supply of digital services is made or is involved in the ordering or delivery of services, whether directly or indirectly.

REGISTRATION OF NRDSPS

Section 5 in relation to Section 14 of RR No. 3-2025 and as amended by RR No. 14-2025 and clarified by RMC No. 47-2025, requires NRDSPs to register with the BIR within 120 days from the effectivity of RR No. 3-2025, or by June 1, 2025, either through the VDS Portal once it becomes available, or via the Online Registration and Update System (ORUS) prior to the VDS Portal roll-out. This requirement applies regardless of the nature of NRDSP’s transactions, whether B2B or B2C, or both.

In registering with the BIR, an NRDSP can either do it directly or through the appointment of a third-party service provider (such as a law firm, accounting firm, or consultancy firm). Appointing a third-party provider may also be done for purposes of receiving notices, record keeping, filing tax returns, and other reporting obligations. The BIR must be notified in writing of such an appointment within 30 calendar days from the date of appointment. For VAT purposes,

the appointment of a third-party service provider does not classify the NRDSP as a nonresident foreign corporation doing business in the Philippines.

The BIR will issue a Certificate of Registration/BIR Form No. 2302, which contains the assigned TIN and other registration details. These details shall be used in the filing of VAT returns and remittance of VAT, if any, to the BIR.

An NRDSP which fails to register for VAT is liable for penalties, possible criminal, civil and administrative charges under the Tax Code, as amended, and suspension of business operations if warranted.

REQUIRED INFORMATION AND DOCUMENTS FOR ORUS

At a minimum, the following information is required for registration via ORUS:

1. Name of the business entity, including trade name;
2. Name of the authorized representative, and Taxpayer Identification Number (TIN) in case of a local authorized representative responsible for tax administration, if any;
3. Registered foreign address; and
4. Contact information of the NRDSP (e.g., contact number, e-mail address).

Additionally, the following documents are required:

1. Any apostilled official documentation issued by an authorized government body (e.g., government agency or municipality) that includes the name of the non-individual and the address of its principal office in the jurisdiction in which the non-individual was incorporated or organized (e.g., Articles of Incorporation, Certificate of Tax Residency); and
2. If transacting through a representative:
 - Apostilled Board Resolution/Secretary’s Certificate (or equivalent) indicating the purpose and name of the authorized representative; and

- Any government-issued ID of one of the signatories and the authorized representative.

If ORUS experiences system downtime, the NRDSP with a local representative may opt to manually register with BIR Revenue District Office No. 39 – South Quezon City.

INVOICING REQUIREMENT FOR NRDSP

Under the law and its implementing rules and regulations, there is no prescribed form of an invoice for NRDSP as long as the date of transaction, transaction reference number, identification of consumer (including the TIN for B2B), brief description of the transaction and the total amount with the indication that such amount includes the VAT are present.

The invoice may be electronic and need not be registered with the BIR, provided that the contents are in the English language or include an English translation and all the required information is provided.

In case the NRDSP has mixed transactions, the invoice must clearly indicate the breakdown of the sale price by its taxable, VAT-exempt and VAT-zero-rated components. The calculation of the VAT on each portion of the sale shall be shown on the invoice.

In a B2B transaction, in which the Philippine business consumer/buyer is responsible for remitting the 12% VAT, a footnote/annotation on the invoice indicating that the Philippine business consumer/buyer is responsible for accounting and remitting the VAT due on the transaction to the BIR may be provided if the NRDSP is unable to include the VAT amount on the invoice.

TAKEAWAYS

With the upcoming June 1 deadline for the registration of NRDSPs, and the start of the imposition of VAT on digital services on June 2, 2025, the implementing rules and regulations (RR No.

3-2025 and RR 14-2025) and the latest BIR issuance, RMC No. 47-2025, serve as essential tools for navigating the complexities of RA No. 12023. These documents provide valuable guidance on the liabilities and compliance requirements for NRDSPs.

However, despite the clarity provided by these regulations, some critical unanswered questions remain relating to the requirement of registration and imposition of VAT. To note, RA No. 12023 provided that an NRDSP must register for VAT if its gross sales for the past 12 months have exceeded P3 million or if there are reasonable grounds to believe that its gross sales for the next 12 months will exceed P3 million. Some clarificatory questions on this rule include:

1. Are sales by NRDSP for digital services consumed outside the Philippines considered in determining the breaching of the P3 million VAT threshold?
 2. Will registration still be required if the NRDSP does not meet the VAT threshold?
 3. If the threshold is not met, will the NRDSP be subject to other percentage tax under Section 116 of the Tax Code, as amended?
- As June 1 and June 2 are fast approaching, we are hoping that additional guidelines to address these outstanding questions will be provided.

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