E-games dislodge casinos as PAGCOR's top earners

GROSS gaming revenue (GGR) rose 27.44% to P104.12 billion in the first quarter, with electronic gaming out-earning physical casinos for the first time, the Philippine Amusement and Gaming Corp. (PAGCOR) said.

In a statement on Wednesday, PAGCOR Chairman and Chief Executive Officer Alejandro H. Tengco said e-games and e-bingo "made history" as the main revenue driver for the first time.

The electronic businesses generated P51.39 billion or 49.36% of GGR.

He described the outcome as a "critical turning point" with electronic gaming now the industry's leading revenue generator.

Licensed casinos generated P49.28 billion in GGR, accounting for 47.32% of the total.

"There was a minimal dip in revenue from licensed casinos... due to growing digital competition," Mr. Tengco said, adding however that casinos continue to demonstrate "sustained strength and relevance."

"The performance of brick-and-mortar casinos remains critical to industry stability, particularly in tourism-driven hubs such as Entertainment City and Clark."

PAGCOR-operated casinos accounted for 3.31% of the GGR, or P3.45 billion in revenue.

Mr. Tengco said the shift indicates "how consumer behavior continues to shift towards digital, on-demand gaming experiences, accelerated by greater access to mobile technology." — **Aubrey Rose A. Inosante**

Philippines' March factory output contracts for second month

MANUFACTURING OUTPUT contracted for a second consecutive month in March, though the decline narrowed as food output increased, the Philippine Statistics Authority (PSA) reported on Wednesday.

According to the preliminary results of the PSA's Monthly Integrated Survey of Selected Industries, factory output, as measured by the volume of production index, fell 0.2% year on year in March.

The revised February reading had been a 1.5% decline, while the March 2024 contraction had been 5.1%.

March output rose 2.3% month on month, reversing the 3.5% drop in February. Stripping out seasonality, manufacturing output that month dropped 4%.

The PSA said the industries that drove manufacturing growth were food products (18.8% in March from 13.5% in February); transport equipment (5% from -1.3%); and computer, electronic and optical products (2.2% from 0.2%).

"Aside from seasonality, the first quarter being a slow production month across industries, I believe manufacturing industries are anxious about possible production disruptions due to US President Donald J. Trump's tariffs. Hence, many consider it wise to exhaust existing inventory before beginning a new production cycle," Cid L. Terosa, senior economist at the University of Asia and the Pacific, said via e-mail.

Mr. Terosa also added that monetary policy and inflationary pressures in March contributed to the flat performance of manufacturing.

"Many industries are awaiting possible changes in interest rates in the next quarter," Mr. Terosa said.

In April, Mr. Trump announced a schedule of "reciprocal" tariffs on most US trading partners, with Philippine goods being assigned the second-lowest rate in Southeast Asia of 17%.

The Monetary Board resumed its easing cycle, lowering the target reverse repurchase rate by 25 basis points to 5.5%.

Rates on the overnight deposit and lending facilities were also cut to 5% and 6%, respectively.

"Soft manufacturing activity may be tied to the lingering concerns about the impending tariff trade wars. The contraction tracked the negative PMI report in March as well," Nicholas Antonio T. Mapa, chief economist at Metropolitan Bank & Trust Co., said in an e-mail.

The S&P Global Philippine Manufacturing Purchasing Managers' Index (PMI) was 49.4 in March, against the 51 reading in February.

PMIs are a forward-looking gauge of manufacturing activity, reflecting the raw materials ordered for future processing into manufactured goods.

A PMI reading below 50 points to a contraction in future manufacturing activity, while expansions are signaled by PMIs above 50.

Philippine Chamber of Commerce and Industry Honorary Chairman Sergio R. Ortiz-Luis, Jr., said by telephone that manufacturing generally improved in line with the broader economy.

"The supply chains continue to improve. And I think it was a trend, especially in manufacturing. Production output in April will be better," Mr. Ortiz-Luis said.

Capital utilization averaged 76.2% in March, against the 75.9% posted in February. All industry categories averaged capacity utilization of more than 50% during the month.

Going forward, Mr. Mapa said that manufacturing production may be more driven by the trade outlook.

"Domestic demand may offset the moderation in export demand however as domestic economic activity remains robust," Mr. Mapa said.

"Manufacturing output in April will be slower than last year and March 2025. Heightened trade tension between the US and China plus weak export markets have made prospects for manufacturing production dimmer," Mr. Terosa said. — **Lourdes O. Pilar**

ASEAN-Canada FTA talks making 'slow' progress

NEGOTIATIONS for a free trade agreement (FTA) between Canada and the Association of Southeast Asian Nations (ASEAN) are proceeding slowly, with an extension deemed possible beyond the timeline of the end of 2025, the Department of Trade and Industry said.

Bureau of International Trade Relations Director Marie Sherylyn D. Aquia said that among the country's key interests under the ASEAN-Canada FTA (ACAFTA) is the facilitation of economic growth.

"Based on the results of the joint feasibility study, there will be an increase in Philippine gross domestic product by 2.63%, resulting from improved market access, the reduction in non-tariff measures, and improvements in trade facilitation," she said at a public consultation organized by the Tariff Commission.

The FTA is also expected to attract more investment from Canada and to improve Philippine penetration of Canadian markets.

"We think that an FTA with Canada will provide a stable and predictable legal regime and business environment, including preferential treatment for Canadian businesses, which would help facilitate the flow of Canadian investment into our country," Ms. Aquia said.

She also added that the Philippines hopes through ACAFTA to retain the concessions granted to the Philippines under Canada's General Preferential Tariff (GPT) scheme.

"Right now, the Philippines receives preferential tariffs from Canada under the GPT... subject to certain conditions and criteria. And the Philippines intends to maintain these concessions through ACAFTA and secure preferential treatment," she said.

She described the progress of the ACAFTA negotiations as slow, with only 3% of the text agreed upon after nine rounds of negotiations since 2023.

"While the goal is to substantially conclude the negotiations by 2025, there are ongoing deliberations about whether an extension will be needed to resolve remaining issues and ensure a comprehensive agreement," Ms. Aquia said.

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"In terms of the progress on chapters, as of now, there has been no substantial conclusion on all the chapters of the agreement, with certain areas still requiring further clarification and alignment among all the parties," she added.

Meanwhile, market access offers are expected to be presented in the second quarter of the year, which will allow ASEAN countries and Canada to propose tariff reductions, market openings, and other trade benefits for key industries.

"In the remaining round of negotiations, there are three rounds left for 2025, and negotiators are aiming to finalize all the key issues to bring the agreement closer to completion," she said.

"The progress has been slow, but the momentum has been picking up. Hence, there is movement on the market access offers," she added.

Canada was the 20th largest trading partner of the Philippines last year.

"As of 2024, Canada accounts for approximately 0.8% of the Philippines' total exports and 0.7% of its total imports," she said.

"While these figures may seem modest, they reflect a stable and growing trade partnership with opportunities for expansion through deeper economic operations and potential trade agreements," she added.

The top Philippine exports to Canada are ignition wiring sets for vehicles, electronic integrated circuits, vacuum cleaners, machines for the reception, conversion, and transmission of voice, and static converters.

Meanwhile, the top Philippine imports from Canada are precious metal ores and concentrates, copper ores and concentrates, frozen meat of swine, wheat and meslin, and frozen hams.

Within ASEAN, Vietnam is the largest exporter to Canada, and the Philippines sixth.

"As you well know, Vietnam is also a competitor to the Philippines. Hopefully, through the ACAFTA, we will also be able to get a share of some of the exports," she added.

She said the agreed base rate is the most favored nation rate in 2023, under which Canada has a total of 7,260 tariff lines, of which 2,516 involve Philippine exports.

Some 1,461 tariff lines are duty-free, 44 are levied a specific tariff, 646 are levied less than 10% tariffs, and 365 are levied tariffs of between 10% and 20%. These lines exclude goods shipped under the GPT scheme.

Meanwhile, the Philippines has 11,612 tariff lines, with 2,568 covering imports from Canada.

Federation of Free Farmers National Director Raul Q. Montemayor said that the Philippines should keep competition in mind while negotiating for ACAFTA.

"When we negotiate for tariff concessions... any concession that we get is also a concession for our competitors. They will enjoy the same tariff treatment as what we enjoy under this negotiation," Mr. Montemayor said.

"We might get a very low tariff for a certain commodity that we want to push, but that tariff rate will also be enjoyed by other FTA member countries, including our competitors. So, it should be in our minds that it's a competition. Any concession we get does not automatically mean we gain," he added.

He also said that there is a need to look at the preparedness of Philippine industry, especially agriculture, to take advantage of the new markets that will open up.

"We have to look at that also; otherwise, it is an empty victory if we keep on giving concessions in exchange for concessions (in which) we cannot supply the product," he added. — **Justine Irish D. Tabile**

Farming lobby calls for logistics, power subsidies

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LEGISLATORS who will be elected on May 12 need to introduce measures that will subsidize the cost of farm logistics and rural electricity, the Samahang Industriya ng Agrikultura (SINAG) said in a statement.

SINAG also called for fuel and fertilizer subsidies to "ease production burdens."

"We need senators who will not bow to pressure from smugglers, importers, or foreign interest groups. We need allies in the Senate who will fight for local agriculture," it added.

SINAG said legislators also need to address the impact of decreased tariffs for major imported commodities, including rice.

It urged them to reinstate import duties for rice to 35%, and for meat/poultry to 50%.

Farmer groups had asked the Tariff Commission to restore rice import tariffs to 35% for Southeast Asian grain and to 50% for all other countries of origin. — **Kyle Aristophere T. Atienza**

OPINION

When the BIR waits too long

TAXWISE OR OTHERWISE
EDELWEISS CHUA

Tax assessments can be a significant source of worry and concern for taxpayers. The process, from submitting the required documents to dealing with the multiple notices from the Bureau of Internal Revenue (BIR), can feel overwhelming. Certain provisions of the law, particularly regarding due process, can also be misunderstood, considering several amendments that have been introduced over the years. This may result in missed opportunities for both the taxpayers and the BIR at some stages of the assessment and collection process.

With respect to the collection process, the general understanding of most is that the BIR has five years from the date of issuance of the assessment to pursue collection, whether through the BIR's issuance of a warrant of distraint or garnishment, or by a proceeding in court. The period is normally reckoned from the date of issuance of the Final Assessment Notice (FAN). However, as ruled by the Supreme Court (SC), certain instances may suspend the running of the period, or in some cases, a shorter period may apply.

In 2022, the SC held that the BIR is only given a three-year period to collect taxes, instead of the usual five-year period, if the assessment was duly issued within the three-year period. In the case that produced the ruling, the taxpayer received a FAN within the three-year period. Unfortunately, the taxpayer failed to timely file a protest and the BIR proceeded to issue the Final Decision on Disputed Assessment (FDDA). The taxpayer filed a request for reconsideration of the FDDA with the BIR, but the request was denied by the BIR five years later. Thereafter, the BIR proceeded to enforce collection of the assessment.

After taking into consideration the above timelines, the SC held that the CIR's right to collect taxes had prescribed. Particularly in that case, the three-year period, rather than the five-year period, applies since the assessment was issued within the ordinary three-year prescriptive period. In its decision, the SC referred to a 2014 case, where the High Court clarified that in cases where assessments are issued within the three-year ordinary period, the CIR only has an additional three years to collect the taxes, either through distraint, levy, or court action. The three-year collection period starts when the assessment notice is released, mailed, or sent to the taxpayer.

Notably, the 2014 decision is anchored on Batas Pambansa Blg. (BP) 700, an old law which shortened the statute of limitations for both assessment and collection of taxes from five years to three years. However, the three-year period under BP 700 was subsequently reverted to five years upon the effectivity of the 1997 Tax Code, or Republic Act 8424. Unlike the 2014 case, which covered the taxable period 1992, the 2022 case covered the taxable period 2010, when the 1997 Tax Code was already effective. It is interesting that the SC similarly applied the three-year period in the latter decision. Considering that SC decisions form part of the law, it is important to take note of these to ensure that the parties observe the applicable due process requirements moving forward.

Lastly, in the 2022 case, the SC ruled that the FDDA cannot be considered as a collection letter. Collection efforts must be initiated by distraint, levy, or court proceedings. This requires the issuance of a warrant of distraint and levy, which must be served on the taxpayer, or the filing of a judicial action. In this case, no warrant of distraint or levy was served, nor were there any judicial proceedings initiated within the prescribed period. Therefore, the BIR's right to collect the deficiency taxes had lapsed.

This case highlights the critical importance of strictly observing the prescriptive periods for both assessment and collection of taxes. It also serves as a cautionary tale for taxpayers and the tax authorities alike, emphasizing once again that for taxpayers that a timely filed protest to the FAN is critical, while for the BIR, delays or procedural lapses in enforcement can render even a valid tax assessment unenforceable. Understanding these legal timelines is essential in protecting their respective rights and resolving tax assessments.

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.

EDELWEISS CHUA is a manager at the Tax Services department of Isla Lipana & Co., the Philippine member firm of the PwC network.
edelweiss.chua@pwc.com