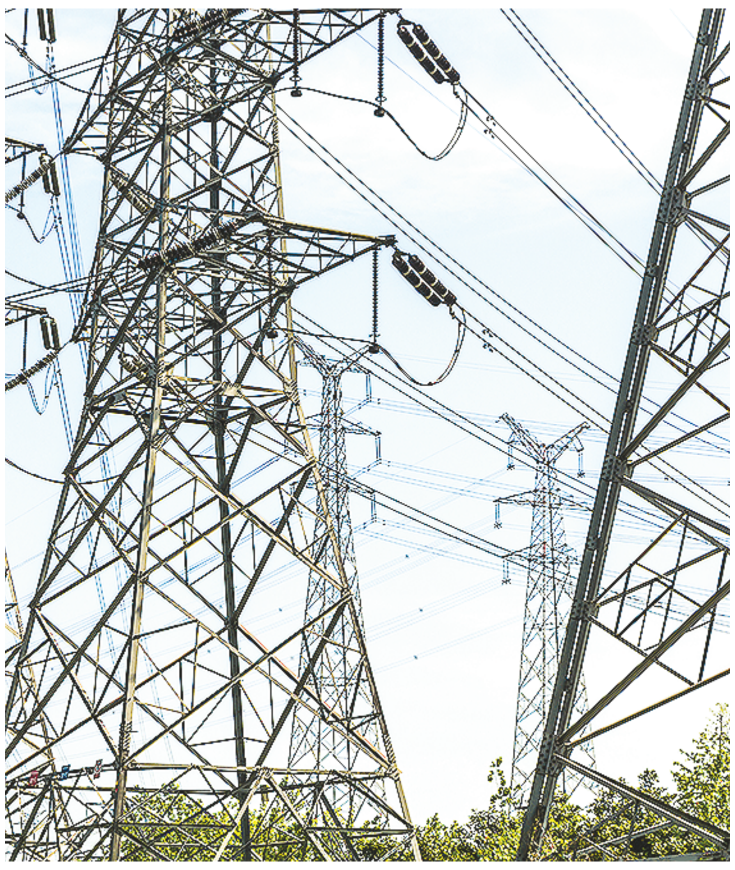

FREEPIK

NGCP notified of ERC decision on rate reset, still awaiting copy

THE National Grid Corp. of the Philippines (NGCP) said it is taking a "wait-and-see" approach to the fifth rate reset round as it has yet to receive a final copy of the regulator's review of the fourth regulatory period (4RP).

"The fifth regulatory period is delayed. It has been filed with the ERC (Energy Regulatory Commission), and we await that," NGCP Spokesperson Cynthia P. Alabanza said in a briefing on Wednesday.

"Then, perhaps after that regulatory period, for the sixth, perhaps we can start considering it as forward-looking. But we do plan to make the appropriate filings for the sixth regulatory period which will begin in 2028," she added.

Last month, the ERC said that it has completed the deliberations on NGCP's 4RP, covering the 2016 to 2022 period.

However, Ms. Alabanza said that the grid operator has only received a notice of the decision and not the official copy.

"We need to assess the issuance as a whole to be able to see whether that will be supportive of the infrastructure requirements of the country or not," Ms. Alabanza said.

Hearings are ongoing for the 5RP, covering 2023-2027, she said.

Under the Electric Power Industry Reform Act, the ERC is tasked with establishing a methodology for setting transmission and distribution wheeling rates. The rates must be set in a way that allows the recovery of "just and reasonable costs and a reasonable return on rate base" to enable the entity to operate viably.

The rate reset process is usually a forward-looking exercise that requires the regulated entity to submit forecast expenditures and proposed projects over a five-year regulatory period. The ERC assesses the actual performance of the entity and adjusts rates as needed.

Julius Ryan D. Datingaling, head of business and regulatory development at NGCP, said average transmission rates declined 28.45% to P1.0904 per kilowatt-hour (kWh).

Ancillary services charges decreased 36.07% to P0.5175 per kWh, while transmission wheeling rates — what NGCP charges — fell 16.35% to P0.4605 per kWh.

"For the May 2025 electric bill of the end consumers, NGCP charges only 46 centavos per kWh for the delivery of its services," Mr. Datingaling said. — **Sheldeen Joy Talavera**

John Hay Mile Hi property offered for redevelopment

THE Bases Conversion and Development Authority (BCDA) said on Wednesday that it is auctioning a lease and redevelopment contract for the 6,647 square-meter Mile Hi commercial center in Camp John Hay.

"This strategic redevelopment of Mile Hi underscores our commitment to unlocking the full potential of Camp John Hay," BCDA President and Chief Executive Officer Joshua M. Bingcang said.

"By attracting private sector investment and creating new commercial opportunities, we are not only enhancing the camp's appeal as a premier destination but also generating employment and stimulating economic activity," he added.

The project covers the redevelopment of the property into an "eco-hostel with upscale retail and dining spaces."

FACEBOOK.COM/CAMPJOHNHAYPH

"The 25-year lease agreement allows for the restoration, renovation, and upgrading of the Mile Hi property into a modern commercial hub while preserving its historical essence and promoting environmental sustainability," the BCDA said.

"This initiative is projected to attract a significant influx of tourists and further solidify Camp John Hay's position as a leading leisure destination," it added.

After issuing the terms of reference and bid documents on Wednesday, the BCDA said the pre-bid conference has been scheduled for May 19.

The deadline for submission of eligibility documents and financial proposals is June 19, and a Notice of Award is expected to be issued by July 28.

The signing of the lease contract is scheduled for 30 days after the issuance of the Notice of Award.

"The Mile Hi project builds on the BCDA's strong track record in Camp John Hay, where over P1 billion in investments has been generated since the property's recovery," the BCDA said. — **Justine Irish D. Tabile**

Vietnam cracks down on IP theft, transshipment amid US tariff talks

HANOI — Vietnam's Prime Minister Pham Minh Chinh on Wednesday urged the country's anti-counterfeit task force to devise new ways to fight fake goods, trade fraud and smuggling, the government said in a statement.

The pledge came as Vietnam is in talks to avoid crippling US tariffs, offering Washington multiple measures to address longstanding concerns, including on intellectual property (IP) breaches and transshipment of Chinese goods through the country.

Internal documents reviewed by Reuters showed the government last month instructed officials to step up the fight against counterfeits, digital piracy, and the transshipment of Chinese goods to the US, which Vietnamese officials often refer to as trade fraud.

The government said fraud also was widespread and increasing on online platforms, noting recent cases of fake milk, food and supplement products had "seriously affected people's health and social order."

The government said 1,100 cases of counterfeit and intellectual property violations; 25,100 cases of trade and tax frauds and 8,200 cases of smuggling contraband and prohibited articles had been detected this year. There were no comparative figures in the statement.

"The situation of smuggling and illegal cross-border transportation of goods remains complicated," the government said.

"Domestically, the production and trade of counterfeits, poor-quality goods and goods of unknown origin is openly widespread, and is on the rising trend on e-commerce environment on a large scale and for a long time, directly affecting people's health," the government said.

On Tuesday, the Ministry of Public Security said police arrested the former head of the Ministry of Health's food safety department in a fake supplement production and trading case.

Nguyen Thanh Phong was accused by police of taking bribes since 2016 to issue quality certificates to nine companies that produced counterfeit supplements, the ministry said. — ***Reuters***

OPINION

Soon taking effect: The 12% VAT on digital services

TAXWISE OR OTHERWISE
ELINELLE D. SALDAÑA

As the digital economy continues to expand, governments worldwide are adapting their tax systems to keep pace. The Philippines is no exception. Starting on June 2, digital services consumed within the country will be subject to a 12% Value-Added Tax (VAT), following the signing of Republic Act (RA) No. 12023 and its implementing rules. This landmark legislation targets non-resident digital service providers (NRDSPs), bringing previously untaxed online transactions into the formal tax system.

From streaming subscriptions and cloud storage to online advertising and software services, this VAT imposition will affect a wide range of services used by individuals and businesses alike. Consumers may have to pay higher prices; meanwhile, foreign digital service providers face new registration, reporting, and compliance obligations in the Philippines.

In this article, I will discuss the key features of RA No. 12023 and its implementing rules, and what this means for local consumers, businesses, and non-resident service providers.

UNDERSTANDING THE LEGAL FRAMEWORK

RA No. 12023 was introduced to impose VAT on digital services consumed within the Philippines. This forward-thinking measure aims to create a level playing field for both domestic and foreign digital service providers while harnessing the immense revenue potential of the growing digital economy.

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 3-2025, RR 14-2025, and Revenue Memorandum Circular (RMC) No. 47-2025, outlining the implementing rules for the registration and compliance requirements for NRDSPs.

In a nutshell, "digital services," as defined by RR 3-2025, are those supplied over the internet or other electronic networks, where the service is primarily automated. RMC No. 47-2025 further clarifies that only those specified digital services under the law are subject to VAT.

Digital services will start being subject to VAT on June 2. Those who do not register by June 1 may incur penalties and at worst, face potential suspension of their business activities, thus, serving as a crucial compliance deadline for NRDSPs.

REGISTRATION, INVOICING AND VAT REMITTANCE

For NRDSPs, this new VAT regime comes with crucial registration and reporting obligations. The BIR has introduced the VAT on Digital Services (VDS) Portal, which serves as the primary platform for NRDSPs to register, file VAT returns, and remit VAT on taxable digital transactions within the Philippines. Until the portal is fully operational, providers are required to use the Online Registration and Update System (ORUS) to register. Alternatively, those with a local representative can register manually with Revenue District Office No. 39 – South Quezon City.

RA 12023 also outlines the VAT treatment for different transaction types, with distinct responsibilities for Business-to-Business (B2B) and Business-to-Consumer (B2C) interactions. In B2B transactions, the Philippine-based business consumer or buyer is responsible for accounting and remitting the 12% VAT under a reverse charge mechanism using BIR Form No. 1600-VT. The VAT remitted using this form may then be applied as input VAT credit by the Philippine business consumer. Conversely, in B2C transactions, the NRDSP is directly liable for the VAT and must file and remit it through the VDS Portal. The BIR has not required a specific format for NRDSP invoices, but they must include key details: the date of the transaction, transaction reference number, identification of the buyer (including the TIN, if applicable), a brief description of the transaction, and the total amount, including VAT. In the RMC, however, the BIR introduced some flexibility on the invoice amount. If the NRDSP cannot include the VAT amount on the invoice, it must include a note indicating that the local business buyer is responsible for accounting and remitting the VAT.

CHALLENGES AND PRACTICAL IMPLICATIONS

The implementation of VAT on digital services presents significant challenges for NRDSPs. These providers must review and possibly adjust their invoicing systems to comply with the new Philippine requirements. For B2B transactions, NRDSPs will need to clearly indicate on their invoices that the local buyer is responsible for VAT while for B2C transactions, they will need to ensure that VAT is either included as a separate line item or stated as part of the total amount.

Another challenging point is the requirement for NRDSPs to file tax returns with the BIR even if they are only engaging in B2B transactions, where the VAT remittance obligation already falls on the Philippine consumer. While I can appreciate that the goal is enable the BIR to collect information on the total digital services transactions in the Philippines to ensure accurate compliance and monitoring, this seems like something that can still be accomplished by imposing a less onerous reporting obligation on the NRDSPs. Something like a summary list of sales that local VAT taxpayers are filing may be considered.

On the other hand, Philippine business consumers face increased compliance burdens due to the VAT on digital services. These businesses must ensure accurate VAT calculations, proper documentation, and timely remittance of VAT to the BIR. Smaller enterprises, especially, may face difficulties in managing these added requirements, adding to their overall compliance costs. Furthermore, businesses unfamiliar with the reverse charge VAT system may be caught off guard by their obligation to self-assess and remit VAT on imported digital services, further complicating their operational and financial processes.

As a consumer, I'm already feeling the impact of recent price hikes announced by some well-known NRDSPs. While the VAT increase may seem small on a per-transaction basis, it accumulates over time, making subscriptions and online purchases noticeably more expensive. Consequently, I've become more discerning about the services I subscribe to and carefully consider what I can do without.

Amid the unofficial and partial results of the recent elections, there's a prevailing sense of cautious optimism that the BIR will live up to its commitment, "*Sa tamang buwis, pag-asenso'y mabilis.*" The expectation is that as the government increases tax collection efforts, citizens will see tangible improvements in public services and infrastructure. While the immediate impact of VAT may be an added financial burden, there's hope that these efforts will contribute to broader economic growth and, ultimately, help enhance our quality of life.

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.

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