

Exporters remain ‘in the dark’ about eventual US tariff rate

By Justine Irish D. Tabile
Reporter

PHILIPPINE EXPORTERS remain cautious in the face of the uncertainty posed by the US tariff regime, but are hoping that US President Donald J. Trump views the Philippines as a “friendly country.”

Foreign Buyers Association of the Philippines (FOBAP) President Robert M. Young said exporters still have “no clear information” about what tariffs will be assigned by Washington once the pause on the reciprocal tariff ends next week.

All exporters have to go on is that US Treasury Secretary Scott Bessent’s description of negotiations with the Philippines as having gone well, he said.

“It is most likely that we will be left without a choice but to be reverted to the (17%) April 2nd tariff rate or stay at 10%, depending on whether Trump deems the Philippines a friendly country negotiating in good faith,” Mr. Young told *BusinessWorld* on Monday.

“We are all in the dark indeed ... But FOBAP’s prayer is to have the most minimum tariff increase in order to (boost) our still struggling economy,” he added.

On April 2, Mr. Trump announced tariffs on most of its trad-

ing partners, with the Philippines being assigned the second-lowest rate in Southeast Asia at 17%. This has since been put on hold for 90 days to give time for negotiations. The pause ends on July 9 while trade delegations negotiate new deals with Washington.

In a Bloomberg report, Mr. Bessent was quoted as saying that Mr. Trump has threatened to impose new duties above the provisional 10% baseline rate for most trading partners, mostly smaller countries that do not reach deals by next Wednesday.

However, he said that about 20 countries “could continue negotiating but would see their tariff rates reverted to the higher

April 2 rate or stay at 10% if they are deemed to be negotiating in good faith.”

In early May, a Philippine delegation led by Secretary Frederick D. Go, the Special Assistant to the President for Investment and Economic Affairs, and Trade Secretary Ma. Cristina A. Roque met with the US Trade Representative (USTR) to negotiate lower tariffs.

Following the meeting, the government created a technical working group to continue talks with the USTR. It was led by Trade Undersecretary Allan B. Gepty.

Asked to comment, Mr. Gepty said that negotiations with US counterparts are “still in progress.”

Philippine corporate governance hindered by highly concentrated ownership, OECD says

CONCENTRATED corporate ownership, particularly among family owned listed firms, undermines corporate governance, the Organisation for Economic Co-operation and Development (OECD) said.

“Concentrated ownership... can undermine corporate governance,” it said in its Asia Capital Markets Report issued last week.

The OECD described the Philippines’ concentration of corporate ownership as among the highest in Asia.

“The average equity held by the three largest shareholders in each company exceeds 50% in 11 out of 18 countries,” it said.

Ownership concentration is particularly high in Mongolia (75%), Sri Lanka (73%), Indonesia (71%) and Philippines (63%).

“These ownership structures often blur the lines between ownership and management, which can lead to the appointment of successors based on family ties or loyalty rather than qualifications,

increasing the risk of poor leadership and weak oversight,” it said.

The OECD said corporate governance weaknesses and concentrated ownership structures continue to weigh on investor confidence in some Asian markets.

It said such controlling shareholders may choose to benefit themselves at the expense of minority shareholders through related-party transactions, asset transfers or the appropriation of

company resources for personal or familial use.

The OECD warned that this could undermine value for outside investors and dampen transparency, accountability and long-term corporate performance.

“Regulatory enforcement is particularly limited in parts of Southeast Asia, including in jurisdictions such as Indonesia and the Philippines,” it said. — **Aubrey Rose A. Inosante**

BoI pitching investors in Spain on 2 solar projects

THE Board of Investments (BoI) said it is making presentations about two major solar projects at a conference in Spain, to potential “impact-driven partners.”

“At the (conference) in Seville, the BoI will spotlight investor-ready renewable energy projects and engage with impact-driven partners, as it positions the Philippines as a prime destination for sustainable and inclusive investment,” the BoI said in a social media post.

investment for sustainable development.

The conference gathers participants from government, international, and regional organizations; financial and trade institutions; businesses; civil society; and the UN System.

In a separate statement, the BoI said it completed the Cebu and Davao legs of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act Roadshow.

During the roadshow, Mariane Genelou S. Reyes, chief investments specialist at the BoI’s Research and Policy Division, also presented an overview of the Strategic Investment Priority Plan (SIPP).

According to Ms. Reyes, the BoI has approved P3.38 trillion worth of investments since the SIPP took effect in June 2022 until December 2024.

“The top-performing sectors included renewable energy, which accounted for P2.58 trillion; digital infrastructure (P295.14 billion); and logistics and supply chain-related investments (P168.24 billion),” she said.

“These figures demonstrate the country’s strong positioning to attract high-value, sustainable, and forward-looking investments,” she added. — **Justine Irish D. Tabile**

21 renewable projects forwarded to NGCP for grid impact studies

THE Department of Energy (DoE) endorsed 21 energy projects in May for system impact studies (SIS) by the National Grid Corp. of the Philippines (NGCP).

“In May 2025, the DoE issued 21 SIS endorsements, including 17 new applications and four amendments,” the DoE said in a document posted on its website.

The SIS determines the adequacy and capability of the grid to accommodate the new connection.

The DoE issued SIS endorsements to 18 renewable energy projects, of which three solar projects are equipped with energy storage systems. It also endorsed three standalone battery energy storage systems (BESS).

For wind, the DoE endorsed Mainstream Renewable Power Philippines Corp.’s 375-megawatt (MW) Abra de Ilog project; Amihan Power, Inc.’s 304-MW Garchitorena project; and CI San

Jose Corp.’s 260-MW San Nicolas onshore project and 279-MW Santa Fe onshore project.

Others that received SIS endorsements include Freya Renewables, Inc.’s 200-MW Dumangas wind project and 192-MW Silay wind project; and Envision Energy Philippines Corp.’s 200-MW Cauayan wind project.

SE Renewable Energy, Inc. received SIS endorsements for its 104-MW Balayan, Batangas wind project,

96-MW San Juan wind project, and 90-MW Lucban wind project.

The solar projects include Northern Sun Power, Inc.’s 351.436-megawatt-peak (MWp) Currimaog project and Northern Sun Radiance, Inc.’s 188.644-MWp San Marcelino Floating Solar project.

Also endorsed were solar power projects equipped with energy storage systems such as Visayas Cleanergy, Inc.’s 416.102-

MWp Cadiz solar project with a 390.254-megawatt-hour (MWh) BESS; North Luzon Green Power, Inc.’s 187.044-MWp Talingaan-Laoag solar project with a 276.954-MWh BESS; and South Cleanergy, Inc.’s 239.560-MWp Luna solar project with a 306.000-MWh BESS.

Baguio Asin Hydropower Corp.’s three hydroelectric power projects with a combined capacity of 12 MW were also cleared to undergo grid impact study.

Clearances were also issued for The Ark Green Dynamic Storage System Resources Corp.’s 40.12-MWh Laguindingan BESS and 40.12-MWh Barotac Viejo BESS; and Mindanao Energy Development Corp.’s 55-MWh BESS.

For the five months to May, the DoE endorsed 43 power projects, of which 30 are renewable energy, 11 ESS, and two conventional. — **Sheldeen Joy Talavera**

OPINION

The effects of VAT on digital services

Over the years, we’ve witnessed remarkable innovation, from the early days of basic communication tools to the sophisticated digital platforms we rely on today. What began with simple devices for messaging and calls has transformed into a global digital ecosystem powered by the internet.

Innovation has introduced a wide array of services that have reshaped how we live, work, and connect. Platforms such as Netflix, Disney+, HBO Go, and YouTube Premium revolutionized entertainment; Spotify and Apple Music redefined music listening consumption; app stores like the Apple App Store and Google Play Store enabled access to countless digital tools; and cloud services such as Google Drive and OneDrive changed how we store and share information.

Digital marketplaces like Shopee, Lazada, and Amazon; advertising platforms like Facebook Ads and Google Ads; gaming hubs such as Steam, PlayStation Store, and Xbox Live; and online learning platforms like Coursera, Skillshare, and Udemy have become integral to modern life and commerce.

This wave of innovation is more than technological progress; it is a strategic force that transforms industries, enhances productivity, and creates economic value. As digital services become central to economic activity, governments must adapt their fiscal policies to ensure fairness and sustainability.

To keep up with this digital transformation, the government passed Republic Act No. 12023, also known as the VAT on Digital Services. This law ensures that digital services consumed in the Philippines are taxed fairly, whether they come from local or foreign providers. Let’s break down the key features of the tax and understand how it affects the economy and consumers.

LET’S TALK TAX DIANA IRIS O. TERADO

- 1. Classification and definition**
Republic Act (RA) No. 12023 provides a clear and comprehensive definition of digital services, which includes automated services delivered over the internet or electronic networks. By classifying these services, the Act establishes a legal framework that enables the government to effectively monitor and tax digital transactions. (Sec. 03 of RA No. 12023, Sec. 108-A of NIRC)
- 2. 12% VAT on NRDSPs**
A feature of RA No. 12023 is the imposition of a 12% VAT on gross sales from digital services consumed in the Philippines, regardless of the provider’s location. This measure ensures that nonresident digital service providers (NRDSPs) contribute to the Philippine tax base, just like their local counterparts. (Sec. 04 of RA No. 12023, Sec. 108-B of NIRC)
- 3. NDRSP tax compliance obligations**
NRDSPs are required to register with the Bureau of Internal Revenue (BIR), issue VAT-compliant invoices, and remit taxes through the VAT on Digital Services (VDS) Portal. This requirement enhances transparency and accountability in cross-border digital transactions. (Sec. 07 of RA No. 12023, Sec. 113 of NIRC)
- 4. Some VAT exemptions**
RA No. 12023 allows for VAT exemptions on specific digital services, particularly those related to education, government, or public interest. This provision ensures that essential services remain accessible and affordable, supporting social equity. (Sec. 05 of RA No. 12023, Sec. 109 of NIRC)

- 5. Local buyers’ obligation to withhold VAT**
VAT-registered Philippine buyers are required to withhold and remit VAT when purchasing services from NRDSPs. This mechanism ensures tax collection even when foreign providers are non-compliant. (Sec. 08 of RA No. 12023, Sec. 114 (D))
- 6. Funding for creative industries**
(Sec. 12 of RA 12023, Sec. 288 of NIRC)
A portion of the revenue generated from VAT on digital services is earmarked to support creative industries. This initiative aims to stimulate local innovation, content creation, and cultural development.
- 7. Power to block non-compliant digital services**
(Sec. 9 of RA No. 12023, Sec. 115 (b) of NIRC)
The BIR, in coordination with the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC), has the authority to block access to non-compliant DSPs.

IMPACT ON THE ECONOMY

One of the most notable benefits of the Act is the expansion of the government’s revenue base. By taxing digital services, especially those provided by foreign companies, the Act ensures that the government can collect more funds to support public services and infrastructure.

The Act strengthens tax enforcement mechanisms, reducing the chances of tax evasion and leakage. It introduces a more consistent and transparent system for collecting VAT from digital transactions, which is crucial for long-term fiscal sustainability. Additionally, by earmarking part of the revenue for the creative industries, the Act supports job creation and encourages innovation, helping to grow a vibrant local digital economy.

However, the Act also presents some challenges. Increased compliance requirements may discourage some foreign providers from entering or continuing operations in the Philippines. These restrictions could limit the diversity of digital services available and potentially slow down the pace of digital integration in some sectors. Moreover, the enforcement power to block non-compliant services, while necessary, could disrupt access to certain platforms if not implemented carefully.

IMPACT ON CONSUMERS

Just as the Act brings both advantages and challenges to the economy, its effects on consumers are equally nuanced. On the positive side, the Act ensures continued access to essential digital services such as educational platforms and public-interest tools by exempting them from value-added tax (VAT), thereby maintaining their affordability and accessibility.

Additionally, the Act contributes to the advancement of the creative industry by allocating a portion of the revenue generated from digital service taxation to its development. This strategic funding not only supports cultural and artistic innovation but also enhances public services and infrastructure, indirectly improving the quality of life for Filipinos.

However, the Act also poses some challenges. One of the most immediate effects is the potential increase in the cost of digital subscriptions and services. As providers adjust their pricing to include VAT, consumers may feel the pinch in their monthly bills. There’s also the risk that some foreign DSPs may choose to exit the Philippine market rather than comply with the new tax rules, which could limit access to certain platforms.

Furthermore, the Act gives the government the authority to block non-compliant services. While the legislation

strengthens regulatory control, it may also reduce the variety of digital services available to consumers. For those who run businesses and are VAT-registered, there’s an added responsibility to withhold and remit VAT when purchasing services from abroad, which could mean updating accounting systems and learning new compliance procedures.

TAKEAWAY

As the Philippines embraces digital transformation, it is imperative that regulatory frameworks evolve in tandem with global technological advancements. RA 12023 addresses this need by requiring all DSPs, both local and foreign, to comply with VAT regulations. This policy ensures a level playing field in the digital marketplace and reinforces the principles of transparency, fairness, and accountability.

While the Act imposes positive and negative effects on the economy and consumers, our authorities remain committed to aligning with international best practices in digital taxation by strengthening the Philippines’ fiscal position while fostering an environment where innovation and regulation coexist in balance, ensuring that the benefits of digital progress are shared equitably across society.

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