Doubts raised about proposed BSP curbs on online gambling

By Luisa Maria Jacinta C. Jocson
Senior Reporter

THE proposed rules floated by the Bangko Sentral ng Pilipinas (BSP) to regulate the participation of payments services in online gambling are unlikely to change problematic behavior among gamblers, according to a senior lawyer.

Geronimo Law founder and Managing Lawyer Russell Stanley Q. Geronimo said in a commentary that some of the institutional compliance provisions of the BSP circular "while necessary, are unlikely to change or curb harmful gambling behavior among vulnerable users or alter the supply-side conditions that enable it."

The BSP recently released a draft circular to regulate the payments side of online gambling to deter the misuse of financial services.

The booming gaming industry in the Philippines is now drawing heightened scrutiny amid concerns over rising addiction and financial problems.

The Department of Finance (DoF) has proposed a tax on online gaming, as well as other possible measures to crimp the public's access to digital gambling platforms, such as imposing limits on cash-in.

Under the BSP's proposed circular, these regulations could cover payment service providers (PSPs) engaged in these services as well as operators of a payment system (OPSs) serving as payment acquirer or aggregator of the online gambling operator.

"Notably, only one out of ten substantive provisions in the draft circular directly addresses player-level transaction restrictions," Mr. Geronimo said.

He said the other provisions focus on institutional compliance, onboarding procedures, and reporting obligations.

"I have no doubt that the largest payment providers have the financial and legal resources to meet these requirements. Likewise, the most established gambling operators already maintain compliance departments and legal teams capable of adapting to the draft circular's proposed framework."

The central bank would require PSPs to provide a facility for the creation of a separate online gambling transaction account (OGTA) for eligible account holders.

Under the draft rules, the transfer of funds to the OGTA will be subject to a daily limit that should not exceed 20% of the average daily balance (ADB) of the eligible owner's transaction account. Incoming fund transfers beyond this limit must be rejected by the PSP.

Mr. Geronimo said the 20% limit is a "weak and ineffective deterrent."

"Low-income users, who are most at risk, often maintain small balances (e.g., P500 to P1,000)." These users could still gamble P100 to P200 per day, he said, which would still be a "substantial portion" of the daily minimum wage.

"For low-income users living on tight daily budgets, gambling P100 to P200 a day can mean skipping meals, delaying utility payments, or forgoing transport to work."

"At that scale, it directly undermines household stability and financial resilience. What may appear modest in absolute terms is, in relative terms, economically destabilizing for the poor."

In place of the 20% limit, Mr. Geronimo recommended introducing tiered transaction limits with absolute caps tied to user verification and financial capacity.

"The current one-size-fits-all 20% of ADB cap fails to distinguish between users with vastly different financial profiles," he said.

"Users should be classified into tiers based on the depth of identity verification and proof of income or economic standing. Each tier should have corresponding limits on OGTA funding," he added.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<tinyurl.com/226xgf8o>

BIR on track to hit P3.2-T collection target

By Aaron Michael C. Sy
Reporter

THE Bureau of Internal Revenue (BIR) said it is on pace to achieve its P3.2-trillion tax collection target for 2025 after approaching the halfway mark in the first six months.

"For the year, (the target is still) P3.232 trillion. As of now, January to June for the first semester, we have already collected more than P1.5 trillion. That's the goal for the first semester. So we're on track and we've been achieving our collection target," BIR Commissioner Romeo D. Lumagui, Jr. told *BusinessWorld*.

In a statement on Thursday, Mr. Lumagui said the P1.5 trillion in first-half collections was up 10.3% from the year-earlier result.

This was driven mainly by payments from the entertainment and recreation sectors.

In 2024, the BIR collected P2.85 trillion.

"With the continued momentum that we have... we're positive and hopeful that we will achieve our collection target," Mr. Lumagui said.

He also said the BIR will enhance its efforts in collecting excise tax, with a special focus on illicit items.

"The excise tax collection has improved. I just don't know the exact figures but for the first semester of this year that's one of the tax types that has increased... I hope it will continue for the rest of the year," Mr. Lumagui said.

Mr. Lumagui has said the BIR's collection target for the year could be adjusted again after having being raised from the previous P3.219 trillion.

The Development Budget Coordination Committee had lowered the national revenue target to P4.52 trillion from P4.644 trillion.

Meanwhile, Mr. Lumagui said on Wednesday the BIR could begin collecting online gambling tax, as proposed by the Department of Finance (DoF), in the fourth quarter of 2026 if ratified on schedule.

PLDT and Smart team up with MPower to register 153 sites under Retail Aggregation Program

PLDT Inc. (PLDT) and its wireless arm, Smart Communications, Inc. (Smart), have partnered with MPower, Meralco's local retail electricity supplier, to activate 144 cell sites and 9 facilities under the Energy Regulatory Commission's (ERC) Retail Aggregation Program (RAP).

FOR A SMARTER AND GREENER NETWORK. PLDT Inc. and Smart Communications, Inc. have signed a landmark deal with MPower to transition its cell sites and facilities under the Retail Aggregation Program (RAP). In photo are (L-R) Independent Electricity Market Operator of the Philippines President and Chief Executive Officer Richard Nethercott, Smart Chief Operating Officer Anastacio R. Martirez, PLDT Chief Operating Officer Menardo G. Jimenez, Meralco First Vice President and MPower Head Redel M. Domingo, MPower Retail Sales Head Eddie John V. Adug and outgoing ERC Chairperson and Chief Executive Officer Monalisa Dimalanta.

"Our Group has always believed that national progress depends on two essential foundations: reliable power and strong digital connectivity. One cannot function without the other—hand in glove, so to speak—and both are critical to ensuring that our people—especially those in the margins—have access to opportunity," said Manuel V. Pangilinan, Chairman and Chief Executive Officer of PLDT, Smart, and Meralco. "This is why this collaboration is consequential, because it reflects our continued effort to align our resources and capabilities, to serve our customers better with reliable and consistent power and connectivity."

PLDT and Smart's transition into the RAP through MPower's energy solutions cover a total demand of over 2,500 kW across the PLDT Group's integrated network. Additional RAP implementations across more sites in Visayas and Mindanao are targeted for rollout before the year ends.

RAP offers end-users a smarter way to manage their energy requirements by allowing them to aggregate multiple accounts under the same franchise area and purchase power in bulk from licensed retail electricity suppliers. This setup enables reduction of electricity costs and better control over energy use across different facilities. RAP also gives businesses access to competitive rates, flexible energy solutions, and renewable energy sources, helping them operate more efficiently.

"As we future proof our network to deliver 5G and AI capabilities to our customers, we are also mindful of the cost to operate the network and our impact to the environment. This partnership with MPower will allow us to operate a smarter and greener network and manage our energy costs, all in a manner that is more kind to the planet," said PLDT Chief Operating Officer and Head of Network Menardo "Butch" G. Jimenez, Jr.

"As we scale up our 5G network, Smart welcomes this partnership with MPower, as it supports our goal of delivering simply reliable service that our customers can count on," said Smart Chief Operating Officer Anastacio "Boy" R. Martirez.

PLDT and Smart's RAP activation builds on their continuing transition to the use of renewable energy sources. In 2024, 30 sites of the group were switched to 100% renewables—24 in Metro Manila and 6 in Mindanao. In 2023, PLDT and Smart tapped geothermal energy for 5 network facilities in the Visayas.

Through this pioneering initiative, PLDT and Smart join MPower in encouraging more industry players to switch to cleaner and more energy efficient solutions. MPower First Vice President and Head Redel M. Domingo added, "MPower is proud to support PLDT and Smart in this transformative journey. Our energy solutions are designed to accelerate operational efficiency while supporting the country's energy transition through championing consumer choice in the power market."

Parallel to the transition to renewables, PLDT and Smart have been pursuing the adoption of green technologies and various resource optimization initiatives for their network sites, business offices, and key facilities nationwide. PLDT has also secured green loans, amounting to P5 billion to-date, to partially fund its fiber expansion and minimize the carbon footprint of its network rollout.

The PLDT Group follows a decarbonization roadmap that aims to reduce its Scope 1 and Scope 2 greenhouse gas emissions by 40% by 2030, coming from a 2019 baseline. These efforts support the global ambition to achieve Net Zero by 2050.

Meanwhile, MPower has been ramping up efforts to deliver more competitive pricing, improved service and access to renewable energy in support of the ERC's vision for wider consumer access to electricity choice as part of the reforms under the Electric Power Industry Reform Act.

"To see PLDT and Smart backed by Meralco and MPower — names that have become ubiquitous and integral to the daily lives of Filipinos — embrace RAP sends a very strong message. For one, it tells the country that even the biggest players with the widest reach and deepest roots can make courageous decisions in support of a more open, inclusive and competitive energy market. But more importantly, today's event is a testament to the collective recognition of the group as providers of basic needs of our people in modern society that you are as a group are stewards of a huge part of our nation's economy and the wellbeing of our people. Leadership means being first, being bold and embracing responsibility for the welfare of all," outgoing ERC chairperson and CEO Monalisa Dimalanta said.

OPINION

Navigating global tax priorities

SUITS THE *C*-SUITE
JULES E. RIEGO

Businesses thrive when they can plan, and complexity can hinder economic growth. Governments need to align on common issues to spur growth.

IN BRIEF:

- Rapid changes in political leadership are reshaping global tax and trade policies, requiring businesses to become even more agile and proactive.
- Governments are intensifying efforts to enhance revenue collection amid rising tax controversies and economic challenges.
- The evolving landscape of tax priorities emphasizes the importance of cooperation and alignment among nations to address cross-border issues effectively.

Rapid changes in political leadership are reshaping tax and trade policies worldwide. An increase in tax controversies is prompting governments to enhance revenue collection efforts. As businesses adapt to the evolving tax landscape, agility and proactivity are essential for success.

Global government policies are rapidly changing. Leaders are continuously introducing new strategies and policy initiatives, often shared through social media, which sparks essential conversations about their implications. At the same time, trade tensions are impacting supply chains, and swift technological advancements are contributing to fluctuations in financial markets. Following a lengthy period of international tax collaboration, the risk of renewed tax competition is becoming more pronounced. The rapid evolution of tax policies is striking, creating an unpredictable environment where governments increasingly utilize tax as a key tool to achieve broader policy objectives.

THE SHIFTING POLITICAL LANDSCAPE

Over the past 25 years, cooperative nations have collaborated toward shared goals, achieving significant advancements in various sectors, including science and technology. In taxation, initiatives like the Base Erosion and Profit Shifting (BEPS) project have established cross-border rules for tax reporting and dispute resolution.

While cooperative growth is feasible during prosperous times, it becomes challenging during economic strain. Today, countries are grappling with inflation, deficits, security risks, and climate change. A growing focus on national sovereignty and trade imbalances is evident, with nationalist policies promoting local investment and manufacturing. This shift is reflected in election outcomes worldwide, with new leaders advocating for local prosperity. As governments propose new budgets and policies, political uncertainty persists, which further complicates tax policy development.

THE IMPERATIVE FOR REVENUE

Governments are seeking economic growth while exploring new revenue sources. After years of emergency spending, many countries are facing significant deficits and inflation concerns. With high public debt and rising interest rates, governments must balance competing economic and political priorities. While addressing budget deficits is crucial, citizens are increasingly resistant to tax hikes, as seen in recent protests in countries like Kenya and Colombia. Consequently, governments are pursuing economic growth strategies and enhancing enforcement to avoid austerity measures.

Economic recovery from the pandemic has been uneven. Some nations, like Germany, have experienced contractions, prompting leaders to implement new growth policies aimed at simplifying regulations. A key theme of the European Union's (EU) agenda is enhancing the prosperity and competitiveness of its member states. The EU's Competitiveness Compass outlines a roadmap for growth focused on simplification and reducing barriers to cross-border investment.

Countries outside the EU are also leveraging their tax systems to stimulate economic growth through investment incentives. However, the introduction of Pillar Two taxes may diminish the effectiveness of these incentives, prompting governments to reassess their strategies.

ENHANCING TAX REVENUE COLLECTION

Governments are adopting new tools to ensure compliance and maximize revenue. Tax authorities are intensifying scrutiny, not only across jurisdictions but also within integrated government agencies. For instance, the UK is increasing its tax compliance efforts by hiring additional staff to close the tax gap.

Transfer pricing remains a significant risk for businesses globally, with tax authorities focusing on various aspects depending on the jurisdiction. The traditional model of cooperative compliance is shifting toward mandatory compliance assurance, especially for larger companies. Digital advancements are also transforming tax collection processes, with many jurisdictions implementing e-invoicing to streamline operations and reduce fraud risks. Generative AI (GenAI) is being explored by tax authorities to enhance compliance efficiency and risk assessment.

Locally, there have been new laws passed to enhance and transform tax compliance while encouraging business growth, including Republic Act No. 12066 (Maximize Opportunities for Reinvigorating the Economy) or the CREATE MORE Act, which was signed into law in November. By introducing streamlining VAT processes, expanded tax incentives, and clearly defining eligibility criteria, the CREATE MORE Act aims to stimulate economic growth and position the Philippines as a prime destination for foreign direct investment (FDI).

In addition, Republic Act No. 12023, or the 12% VAT on digital services, took effect in October. The law applies to both resident and nonresident digital service providers (DSPs), including streaming and social media platforms. The law requires these providers to register with the Bureau of Internal Revenue (BIR), issue VAT-compliant invoices, and file regular tax returns. Marketplaces facilitating digital transactions are also required to collect and remit VAT on behalf of sellers.

Most recently, the government sought to invigorate capital markets through the Capital Markets Efficiency Promotion Act (CMEPA), or Republic Act 12214, which was signed in May. CMEPA aims to simplify taxation and reduce friction costs in the capital market, making it more accessible and attractive to investors. The act significantly lowers the stock transaction tax from 0.6% to 0.1%, harmonizes capital gains tax on unlisted shares to a flat 15%, and exempts mutual funds and unit investment trust funds from documentary stamp taxes. By fostering financial inclusion and enhancing the Philippines' competitiveness in the region, CMEPA is expected to create a more dynamic capital market, boosting liquidity and economic growth.

THE FUTURE OF GLOBAL COLLABORATION

Changing political dynamics are impacting international negotiations. The BEPS 2.0 initiative is at a critical juncture, with nearly 50 jurisdictions implementing Pillar Two taxes. However, the lack of US participation raises questions about the future of these measures. As countries evaluate their tax policies, the potential for unilateral actions, such as digital services taxes, may lead to increased complexity and disputes.

Despite the challenges, global cooperation remains essential for addressing cross-border issues like climate change. Businesses thrive when they can plan, and complexity can hinder economic growth. Governments need to align on common issues to spur growth.

PREPARING FOR THE FUTURE OF TAX

The landscape of global tax priorities is undergoing significant transformation due to rapid changes in political leadership, economic challenges, and the introduction of new tax measures. As governments intensify their efforts to enhance revenue collection amid rising tax controversies, businesses must remain agile and proactive to navigate these complexities effectively. The ongoing implementation of initiatives like BEPS 2.0 presents both challenges and opportunities that require careful consideration and strategic planning.

As companies adapt to these changes, they should focus on aligning their tax functions with broader business strategies, leveraging technology to enhance compliance, and engaging with governments to share insights on the implications of proposed changes. The ability to anticipate and respond to evolving tax policies will be crucial for businesses seeking to thrive in this dynamic environment. Ultimately, fostering cooperation among nations and aligning on common issues will be essential for addressing cross-border challenges and promoting sustainable economic growth.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

JULES E. RIEGO is the tax leader of SGV & Co.