

Telcos call for veto of Konektadong Pinoy bill

By Ashley Erika O. Jose
Reporter

TELECOMMUNICATIONS companies urged President Ferdinand R. Marcos, Jr. to veto the Konektadong Pinoy bill, objecting to cybersecurity risks and the removal of Congressional oversight called for by the legislation.

“It is now up for review by Malacañang... since this is not an appropriations tax measure or revenue bill, the President cannot choose and pick any provisions to veto. It must be vetoed entirely and must be returned,” Globe Telecom Vice-President and Head of Legal Policy Ariel

Tubayan said at the Kapihan sa Manila Bay on Wednesday.

Last month, Malacañang said that Mr. Marcos will be reviewing the bill, which is a priority measure for the administration.

The Department of Information and Communications Technology (DICT) has said that it is confident that the bill will be signed into law.

The Senate and House of Representatives ratified on June 9 the bicameral conference committee report of Konektadong Pinoy.

The current version of the measure contained provisions that pose a threat to the industry, Mr. Tubayan said, citing the two-year grace period given to data transmission companies to ensure their systems are secure.

“That is very dangerous... threat actors can embed malware and other malicious software into the system,” he said.

The bill, which aims to increase internet access by relaxing regulations and allowing more entrants into the data transmission industry, has been opposed by telecommunications companies.

The Philippine Chamber of Telecommunications Operators (PCTO) has cited the weakening of regulatory oversight, the threat to national security and the removal of the rigorous approvals process undergone by the incumbents.

The bill seeks to raise competition in data transmission network, while encouraging investment in digital infrastructure to

support reliable and affordable data services.

Smart Communications, Inc. Head of Regulatory Affairs and PCTO Vice-President Roy D. Ibay said another “dangerous” provision exempts satellite operators from review.

“There is a provision there that exempts them from getting any permission or authorization... And this is actually scary,” Mr. Ibay said.

The bill waives the legislative franchise requirement for operators of international gateway facilities, cable landing stations, and satellite service providers.

The bicameral version of Konektadong Pinoy also calls for the use of radio frequency

spectrum to be optimized, and for underutilized and unutilized spectrum to be reallocated.

“Let us keep the playing field level, apply the same rules as you would to the incumbent players. We had to go through a rigid selection process and satisfy regulatory audits,” DITO Telecommunity Chief Executive Officer Ernesto R. Alberto told reporters on the sidelines of a briefing Tuesday.

The Philippine Competition Commission (PCC) has said that the measure will promote competition and will result in better services.

“The PCC believes that incorporating competition principles into the digital connectivity framework is essential to improv-

ing telecommunications services,” it said in a statement on Tuesday.

The measure will streamline the approval process for telecommunications providers, while also promoting open access and easing barriers to entry, PCC Chairperson Michael G. Aguinaldo said.

“The bill also reinforces the state’s commitment to data inclusivity and consumer welfare by encouraging a more dynamic and responsive telecommunications market,” the PCC said.

The Financial Executives Institute of the Philippines said in a statement that Konektadong Pinoy’s simplified regulatory regime will attract foreign investors to digital infrastructure.

EU flags Baclaran, Divisoria markets for IPR violations

BACLARAN and Divisoria markets in Metro Manila were singled out in a report issued by the European Union (EU) over alleged violations of intellectual property rights (IPR).

“Stakeholders continue to report Baclaran and Divisoria markets in Manila for offering a wide range of counterfeit goods on a wholesale and retail basis, in particular footwear and apparel, with some stalls allegedly also running online shops offering counterfeit goods,” according to the Report

on the Protection & Enforcement of Intellectual Property Rights issued by the European Commission (EC).

The report also noted that shops inside and in the vicinity of the Greenhills Shopping Mall and Cartimar “are reported to sell higher quality counterfeit goods.”

“Reportedly, regular raids are conducted by the National Bureau of Investigation and Intellectual Property Rights Division of the Bureau of Customs, and although they

have had an impact in the past, they are allegedly no longer effective as there are too many infringers and the economic harm remains high,” the EC said.

The Philippines was nevertheless left out of the list of priority countries being watched for IPR enforcement.

“China remains a Priority 1 country for the EU due to the scale and persistence of problems in the area of IPR protection and enforcement, despite some progress in cer-

tain areas,” according to the report.

India and Türkiye remain Priority 2 due to “serious systemic problems have been identified in the area of IPR protection and enforcement in these countries, causing significant harm to EU businesses.”

The EC also identified Argentina, Brazil, Ecuador, Indonesia, Nigeria, and Thailand as Priority 3 countries due to “serious concerns in the area of IP, causing considerable harm to EU businesses.” — **Justine Irish D. Tabile**

P20 rice program reaches 11,400 beneficiaries

THE P20-per-kilo rice program has benefited 11,400 eligible households, Department of Agriculture (DA) spokesman Arnel V. de Mesa told reporters.

He said the subsidized rice, targeted at vulnerable segments of society, is now available at 94 locations nationwide.

Sales have amounted to 682 metric tons (MT) from National Food Authority (NFA) stock, he said, generating nearly P11 million in revenue, exclusive of P2.8 million in sales by outlets handled by the Department of Labor and Employment (DoLE).

DoLE is initially targeting 120,000 of the country’s 4 million minimum-wage workers.

Before DoLE introduced its priority list, the program was targeted at poor households eligible for cash transfers, senior citizens, solo parents, and persons with disabilities.

The expanded pilot program of the P20-per-kilo rice program seeks to reach up to 14 million individuals by September.

The program’s goals include freeing up NFA warehouse capacity to allow the agency to procure more palay (unmilled rice) from farmers at the favorable government support price.

However, farmers have been complaining of decreasing palay prices, receiving lower offers from traders for their grain.

President Ferdinand R. Marcos, Jr. in late June said that while the NFA purchases palay at P17 to P18 per kilo, private traders were offering only P11 to P12 per kilo.

Mr. De Mesa said Agriculture Secretary Francisco Tiu Laurel, Jr. has instructed his subordinates to investigate parts of Tarlac and Bulacan where traders are offering unreasonable prices for palay.

Rice imports fell to 2.17 million MT as of June 26, behind the pace compared with a year earlier of 2.34 MMT in imports, Mr. De Mesa said.

The US Department of Agriculture said in a report that Philippine rice production will likely hit 12.25 MMT in marketing year 2025-2026, which begins in July, citing “continued support from the government for the rice industry and the sale of subsidized milled rice.”

Farmers receive modernization support from the P30 billion in rice import tariffs given to the Rice Competitiveness Enhancement Fund (RCEF).

Mr. De Mesa said P10 billion in RCEF allocations have already been released under the General Appropriations Act, with the DA awaiting about P15 billion more that will be used for financial and credit assistance, solar-powered irrigation, soil health improvement, construction of composting facilities, and pest and disease management, among others. — **Kyle Aristophere T. Atienza**

OPINION

AI will survive: How will the TP profession stay alive?

At first, I was afraid of the complications artificial intelligence (AI) could bring to the practice of transfer pricing (TP). I kept thinking about how TP professionals could adapt with the growing influence of AI.

AI is no longer a far-fetched phenomenon; it has transformed and continues to transform how businesses operate and compete. As it becomes more integrated into business models, important questions arise regarding intellectual property (IP) ownership and the pricing of intercompany transactions involving AI. These considerations affect how multinational enterprises (MNEs) allocate profits and mitigate TP risks. For MNEs, understanding the interplay of AI and TP is crucial for staying competitive and compliant.

AI systems contribute to value creation through proprietary algorithms, predictive analytics, or generative outputs. MNEs must evaluate how this value is shared and compensated. For instance, if a Philippine subsidiary uses an AI model developed by its parent company, does this give rise to royalties? If the subsidiary contributes data as part of developing or training the model, should there be compensation? These questions are central to TP and require careful analysis of functions, assets, and risks.

The Organisation for Economic Co-operation and Development (OECD) and Philippine TP Guidelines emphasize the arm’s-length principle, which assumes that independent parties price transactions to reflect the true economic value of each party’s contributions. When AI is involved, this becomes more complex, as the value chain may include intangible contributions that are difficult to quantify.

IP OWNERSHIP AND VALUATION

AI systems often involve complex IP structures, such as algorithms, training data, and model outputs. Determining who owns the IP and how it should be valued is critical. Guidance on intangibles under the Philippine TP rules and the OECD Guidelines may provide a framework, but AI introduces new challenges, especially when outputs are co-created by different entities or continuously updated.

Ownership of AI-generated IP may not be straightforward. For instance, if a Philippine entity contributes market data or domain expertise to train a global AI model, it may have a claim to a share of the resulting value. This raises questions about how to allocate returns and whether a cost contribution or licensing arrangement is appropriate.

COST CONTRIBUTION ARRANGEMENT (CCA)

When multiple entities contribute to AI development, whether through data, engineering, or domain expertise, a CCA may be appropriate. Recognized in the Philip-

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pine TP Audit Guidelines, CCAs allow group members to share the costs and risks of developing intangibles in proportion to their expected benefits.

However, implementing a CCA requires robust documentation, clear delineation of contributions, and reliable valuation methods. Philippine companies participating in such arrangements must ensure that these elements are properly addressed to reflect economic reality and comply with TP requirements.

CHARACTERIZATION OF AI-RELATED TRANSACTIONS

AI can blur the lines between services (e.g., customer service automation) and IP (e.g., proprietary algorithms, trained models). For example, AI may be embedded in broader service offerings, such as personalized recommendations in e-commerce. In such cases, TP analyses must consider whether the AI component should be treated as a distinct intangible and unbundled from the overall service, in order to determine the correct pricing and tax treatment.

It’s important to ensure that the contracts and corresponding TP documentation accurately reflect the nature of the transaction. Otherwise, if the language does not match the substance of the transaction, there is a risk of misclassification and unintended tax consequences. For example, there may be instances where intercompany agreements reference the use of IP, even if in reality, no IP is used. Unless further documentation shows otherwise, this may potentially be viewed as giving rise to royalties and taxed as such, despite the substance of the transaction being more aligned with a service. Clearly, reviewing the contractual provisions is crucial to managing TP risks.

BENCHMARKING

Finding comparables for AI-related transactions at this time can be difficult as they are still fairly new. Traditional benchmarking methods may not capture the full value of AI-driven activities, especially when intangibles are involved. These may include joint contributions from multiple entities, making it challenging to identify what value was created and by whom.

In such cases, alternative approaches like the profit split method may be more appropriate. Since it allocates profits based on each party’s role in the value creation process, it may be better suited for transactions involving unique intangibles and collaborative efforts that lack reliable market benchmarks.

BALANCING AI WITH PROFESSIONAL JUDGMENT

While posing challenges for TP, AI also offers benefits to the TP practice itself by improving efficiency in compliance processes, from automation and documentation to data analysis and risk assessments. That said, at this stage, AI tools would still need to be developed further. And even as it makes giant leaps, AI cannot fully replace professional judgment. Understanding the economic substance of transactions, interpreting regulatory guidance, and managing audit risks still require human skills and insight.

In particular, human expertise remains indispensable in interacting with tax authorities. TP professionals must be able to explain complex business models, defend positions during audits, and negotiate outcomes with both technical knowledge and interpersonal skills. These interactions often involve nuance and trust-building which are areas where AI may fall short.

The most effective approaches will be those that are human-led and tech-powered. This means leveraging AI tools to handle data-heavy tasks while relying on experienced professionals to provide oversight, contextual interpretation, and ethical decision-making.

Although the Philippines does not yet have AI-specific TP regulations, companies can already consider proactively addressing the TP implications of AI adoption. This includes updating TP documentation to incorporate AI-related functions, assets, and risks; reviewing intercompany agreements involving AI systems and IP to ensure they reflect economic substance; engaging cross-functional teams, including tax, legal, finance, and technology, to align on value creation and compliance strategies; and monitoring global developments, such as OECD guidance, to anticipate future regulatory shifts.

By tackling the TP challenges posed by AI, businesses can reduce risk, improve compliance, and position themselves for long-term success in a digital economy. Tax authorities may also consider these developments in legislation and policymaking as current laws and regulations may not fully account for AI-related transactions.

As technology advances rapidly, blending innovation with sound tax governance will be a key differentiator.

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.

PATRICK ANDREW LIM is an assistant manager at the Tax Services department of Isla Lipana & Co., the Philippine member firm of the PwC network.
+63 (2) 8845-2728
patrick.s.lim@pwc.com



NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of SSI GROUP, INC. for the year 2025 will be held and conducted via virtual meeting on Thursday, 24 July 2025 at 2:00 P.M. via <https://livenow.ph/ssigroupasm2025>.

The Agenda for the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting held on 30 July 2024
4. Approval of Annual Report for the Year 2024
5. General ratification of all acts of the Board of Directors and management from the date of the last annual meeting up to the date of this meeting
6. Election of Directors for 2025-2026
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

The minutes of the 2024 Annual Meeting of Stockholders is available at the website of the Company, <https://www.ssigroup.com.ph>.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on 27 June 2025 as the Record Date for the determination of stockholders entitled to notice of and vote at such meeting.

The Company will conduct the meeting virtually in accordance with the Revised Corporation Code and the rules and regulations of the Securities and Exchange Commission. Stockholders may attend the meeting and participate via remote communication and by voting in absentia, or by appointing the Chairman of the meeting as their proxy.

Stockholders who intend to participate and vote in the meeting should register on or before 14 July 2025 via <https://livenow.ph/ssigroupasm2025>. All registrations shall be validated by the Corporate Secretary in coordination with the Stock and Transfer Agent. Successful registrants will receive an e-mail with instructions on how to access an online web address which will allow them to join the meeting and cast votes in absentia or by proxy.

Stockholders who intend to appoint a proxy should submit duly accomplished proxy forms on or before 14 July 2025 at the Office of the Corporate Secretary at 6F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati City and/or by email to corporatesecretary@rgoc.com.ph.

The procedures for participating in the meeting through remote communication and for casting their votes in absentia are set forth in the Information Statement.

13 June 2025, Makati City.

MA. ALICIA G. PICAZO-SAN JUAN
Corporate Secretary