

Motorcycle sales up 11.8% in first 8 months

MOTORCYCLE SALES hit 1.23 million units in the first eight months, up 11.8% from a year earlier, the Motorcycle Development Program Participants Association, Inc. (MDPPA) said in a statement.

The MDPPA, an association of major motorcycle brands like Honda, Kawasaki, Suzuki and Yamaha, and TVS, said August sales amounted to 133,689 units, up 18.4% year on year.

The association described Philippine demand as “sustained” due to their products’

affordability and practicality in the face of increasingly congested roads.

The MDPPA’s forecast for full-year sales growth, issued earlier in the year, was 5%.

The leading product segments in August were automatic motorcycles with sales of 106,382 units, up 24.8%; mopeds (21,805 units, up 3%).

Sales of motorcycles purchased for business amounted to 26,399 units in August 2025, up 14.4%.

“Despite declines in some segments, the industry as a whole remains in a healthy position, and we are confident that the broad appeal of motorcycles will continue to drive demand moving forward,” according to Alexander A. Cumpas, MDPPA president. “This positive growth trajectory is a testament to the enduring relevance and growing importance of motorcycles in the everyday lives of Filipinos, underscoring a resilient and evolving industry.”

MDPPA’s advocacies include road safety and environmental protection.



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Rice import suspension, tariff hike called harmful to PHL’s poorest 30%

THE Foundation for Economic Freedom (FEF) said the proposals put forward by the Department of Agriculture (DA) to address weak prices of palay (unmilled rice) reflect short-term thinking that erode competitiveness and harm the poorest third of the population.

In a position paper, the FEF, whose membership consists of former government technocrats, said measures like freezing rice imports, raising import tariffs from the current 15%, and price caps are potentially inflationary and at any rate have failed to raise palay farmgate prices since the import freeze took effect at the start of September.

The 60-day rice import freeze is currently under study for a possible extension to the end of the year. It had been imposed to provide relief to farmers, who had been receiving lowball offers for their grain by traders.

Meanwhile, tariffs are being considered for restoration to 35%.

The FEF called for the immediate lifting of the import freeze and maintaining rice tariffs at 15%. It supports investment in research, irrigation, infrastructure, and extension service to increase farmer productivity.

It also called for the government’s rice reserves to be managed by the Department of Social Welfare and Development (DSWD), to make emergency distribution more efficient.

It said the private sector should take the lead in stabilizing prices, leaving the DA with the main responsibility of distributing cash assistance to the 2.2 million rice farmers, which will require a robust farmers’ registry to minimize fake claims. — **Andre Christopher H. Alampay**

Redevelopment deal signed for John Hay Mile Hi complex

THE Bases Conversion and Development Authority (BCDA) said it tapped the consortium of the Istana Development Corp. (IDC) and Meridian Commercial Centers, Inc. (MCCI) to lead the P560-million redevelopment of the Mile Hi commercial center in Camp John Hay.

In a statement on Monday, the BCDA said the deal was signed on Oct. 6. The concession holders are tasked with upgrading the 6,647-square-meter Mile Hi into an upscale commercial center, “while preserving its historical significance and enhancing the natural and built environment of the surrounding area.”

Istana-Meridian’s brief includes incorporating sustainable design features to reduce green-

house gas emissions, water and energy consumption, and waste generation.

The complex is envisioned to maximize access to natural light and ventilation, implement thermally efficient building designs, and use solar power.

“Mile Hi will once again be a place that welcomes visitors, strengthens local livelihoods, and sustains the spirit of Baguio for generations to come,” BCDA President and Chief Executive Officer Joshua M. Bingcang said during the signing.

The BCDA took over the Camp John Hay property after the previous management, CJH Development Corp. (CJHDevCo), was ordered to vacate in the wake of a Supreme Court ruling. — **Beatriz Marie D. Cruz**

Shift to 10% VAT could signal more borrowing, taxes

THE GOVERNMENT could raise borrowing and other taxes to offset billions in foregone revenue should it decide to reduce value-added tax (VAT) to 10% from the current 12%, Metropolitan Bank & Trust Co. (Metrobank) said.

“One thing is clear: reducing the VAT rate would result in a substantial loss of government revenue,” Metrobank said in a commentary attributed to Marian Monette Q. Florendo, a research and business analytics officer, and James Nathan Ang of the bank’s research and market strategy departments.

Any resulting hike in borrowing or taxes could outweigh the expected benefits of lowering VAT.

Last month, Batangas Rep. Leandro Antonio L. Leviste filed House Bill (HB) No. 4302 seeking to reduce VAT to 10% from 12% to make the country’s tax system more “progressive.”

According to the measure, however, the government may opt to return the VAT rate to 12% for a year if the projected deficit is expected to surpass the programmed deficit.

The Department of Finance, which has said that it does not support new taxes, warned that HB No. 4302, if signed into law, could lead to foregone revenue averaging P330 billion annually, which is equivalent to 1% of gross domestic product (GDP).

The Bureau of Internal Revenue posted VAT collections of P467.04 billion by the end of July, below its P473.41-billion target but 9.17% higher than its year-earlier total.

VAT is imposed on the sale, barter, exchange or lease of goods or property and services and on imported goods.

Metrobank’s Ms. Florendo and Mr. Ang cited three potential scenarios in the event of a VAT reduction, including “the

government (offsetting) the revenue loss through increased borrowing.”

At the end of June, the debt-to-GDP ratio was 63.1%, the highest since 2005 and a ratio that Metrobank said “provides limited space for further debt accumulation.”

The Metrobank analysts also noted that the measure could prompt the National Government to increase its levies on other goods and services.

“The second is that the government will seek alternative sources of revenue to offset the losses,” they said. “This could involve raising taxes on specific goods or services, which may, in turn, lead to higher prices on these items, potentially undermining the intended relief from the VAT reduction.”

They added that it could boost household consumption if businesses lower their prices to reflect the reduced VAT.

Household final consumption grew 5.5% in the second quarter, outpacing the 4.8% from a year earlier.

“With more disposable income, consumers might spend more on goods and services, which in turn could expand the overall tax base. While this may not fully cover the shortfall, it could soften the revenue impact by boosting economic activity,” Ms. Florendo and Mr. Ang said.

“The challenge, however, is that the scale of this effect would depend heavily on consumer response and whether businesses pass on the tax savings to their customers,” they added.

Metrobank said the government’s analysis of the potential impact of a VAT adjustment and other tax measures must be data-driven to show potential benefits to economic competitiveness while demonstrating fiscal prudence. — **Katherine K. Chan**

OPINION

Domestic market enterprises regain their VAT zero-rating privileges

Have you ever wondered what goes through someone else’s mind when they wish to turn back time?

You might say that you want to rectify past mistakes or explore whether their current circumstances might have turned out differently. More often than not, people tend to imagine themselves going back in time to somehow alter their present. Personally, I tend to advise against these ideas, as dwelling on what-could-have-beens often leads to frustration and prevents us from appreciating the beauty and value of one’s current life.

Still, if you were given the chance to revisit the past to clarify certain matters, would you take it? Would you turn back time?

Just as in the case of Subic Bay Freeport Chamber of Commerce, Inc. vs. Department of Finance, etc. (Subic Bay Freeport Case), the entitlement of Registered Business Enterprises (RBEs), specifically Domestic Market Enterprises (DMEs), to VAT-zero rating for local purchases has been revisited by the Supreme Court to provide clarity in the application of the law.

In this case, petitioners Subic Bay Freeport Chamber of Commerce (SBFCC) and Benjamin Antonio, as taxpayers, filed a Petition for Declaratory Relief with an Application for Writ of Temporary Restraining Order and/or Preliminary Injunction against respondents the Departments of Finance (DoF) and Trade and Industry (DTI), the Bureau of Internal Revenue (BIR), Revenue District Office No. 19 (RDO No. 19) of the Subic Bay Freeport Zone, and the Subic Bay Metropolitan Authority (SBMA), collectively referred to herein as respondents.

The petitioners alleged that the Implementing Rules and Regulations of Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE IRR), particularly Rule 18, Section 5, Revenue Regulation (RR) No. 21-2021, Revenue Memorandum Circular (RMC) No. 24-2022, and RMC No. 49-2022, are invalid and unconstitutional after the issuances unjustly excluded DMEs from availing of tax incentives. Specifically, it effectively limited the application of VAT zero-rating for local purchases only to Registered Export Enterprises (REEs), excluding DMEs, such as SBFCC, making a distinction between DMEs and REEs when in fact there is none under the CREATE Act. Mainly, the petitioners contend that so long as an enterprise is a registered business, like SBFCC, it is entitled to VAT-zero rating on local purchases.

Now, before we proceed with the Supreme Court’s (SC) decision, let us first walk down memory lane and recount the creation and nature of SBFCC.

As outlined in the case, the Subic Special Economic Zone was created pursuant to

LET’S TALK TAX JUSTINE BEA D. ALANO

Section 12 of RA No. 7227, or the Bases Conversion Development Act of 1992, to be operated and managed as a separate customs territory. Pursuant to SBMA’s issued Certificate of Registration and Tax Exemption, it granted tax incentives and exemptions to these entities, subject to certain conditions. Due to these incentives, SBFCC registered with the SBMA as a freeport enterprise to conduct business within the Subic Bay Freeport Zone (SBFZ).

It should be noted that upon passage of the CREATE Act, SBFCC has been classified as an RBE, specifically a DME, being an enterprise registered with the IPA, such as the Philippine Economic Zone Authority (PEZA). This finds support under the CREATE Act, which defines RBEs as corporations or other entities organized and existing under Philippine law and registered with an Investment Promotion Agency (IPA). Further, an RBE may be classified as a Registered Export Enterprise (REE) or a DME. DME refers to any enterprise registered with the IPA apart from export enterprises.

Under the CREATE Act, SBFCC, being an RBE, should be entitled to VAT exemption on imports and VAT zero-rating on local purchases of goods and services directly and exclusively used in the registered project or activity of the RBEs.

However, the DTI and the DoF, on implementing the CREATE IRR, limited the entitlement to VAT zero-rating on local purchases to REEs. As provided under Rule 18, Section 5 of the CREATE IRR, which implements Section 311 of the CREATE Act, VAT zero-rating on local purchases only applies to goods and services directly attributable to and exclusively used in the registered project or activity of REEs located inside ecozones and freeports. Additionally, Revenue Regulations (RR) No. 21-2021, implementing Sections 294(E) and 295(D), Title XIII of the National Internal Revenue Code (Tax Code), as amended by the CREATE Act, RMC No. 24-2022, and RMC 49-2022, further provided that the VAT zero-rating incentives apply only to REEs, excluding DMEs.

DMEs claimed irreparable injury by virtue of the law and BIR issuances because of their exclusion from the VAT zero-rating incentive. In effect, the VAT passed on to the DMEs by local suppliers was to be absorbed as part of their costs or expenses. Further, the petitioners contended that their sales were subject to the regular 12% VAT rate. These effects conflicted with the nature of

DMEs as belonging to a separate customs territory, by virtue of which they should be exempt from VAT.

The SC likewise revisited CREATE Act and RA No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN Law) and found that under Sections 294(E) and 295(D) of the CREATE Act, all RBEs, which include REEs and DMEs, are entitled to VAT zero-rating on their local purchases of goods and services directly and exclusively used in the registered project or activity. The SC concluded that the rule is consistent with the nature of SBFZ as a separate customs territory.

Also, the SC made mention of the time-old Cross Border Doctrine and Destination Principle, which states that no VAT may be imposed to form part of the cost of goods destined for consumption outside of the territorial border of the taxing authority. Thus, the sales made by suppliers from a customs territory to a purchaser located within the freeport zone are considered exports; hence, they are subject to zero percent VAT.

As a further argument, the court held that, pursuant to TRAIN, sales by VAT-registered persons to registered enterprises within a separate customs territory are subject to a zero percent rate.

Thus, the court ruled that Rule 18, Section 5 of the CREATE IRR and RR No. 21-2022, RMC No. 24-2022, and RMC No. 49-2022, insofar as they limited the VAT zero-rating on local purchases of goods and services to REEs, are ultra vires, or exceeding their legal authority. They altered the provisions of the underlying law — the CREATE Act — by carving out DMEs from those entitled to the VAT zero-rating incentive. Hence, the relevant provisions of the law and BIR issuances were declared void and unconstitutional.

If we are to consider the case above, re-evaluating the past — such as previously implemented laws — can often lead to greater clarity and justification. However, there still exists the element of risk. In fact, this case came close to being dismissed for failure to exhaust administrative remedies. Therefore, if you were given the chance to turn back time, knowing the risk involved, would you still take it?

Let’s Talk Tax is a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.



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COMPANY NAME: DIGIPLUS INTERACTIVE CORP ADDRESS: 36 TH FLOOR ECOPRIME BUILDING 32 ND STREET COR 9TH AVE BONIFACIO GLOBAL CITY TAGUIG CITY NATURE OF BUSINESS: INVESTMENT HOLDINGS	NAME: VASUDEVAN AISHWARYA ADDRESS: Unit 15H, North Tower, Fairways Tower, 5 th Ave Corner, McKinley Road, BGC, Taguig City NATIONALITY: INDIAN INTENDED PERIOD OF EMPLOYMENT: TWO (2) YEARS

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