

Puregold nine-month income rises 5.6% on strong sales

LISTED grocery retailer Puregold Price Club, Inc. reported a 5.6% increase in its consolidated net income for the first nine months of 2025, fueled by robust revenue growth and supported by a modest rise in gross margins.

“For the first nine months of 2025, the enterprise experienced positive same store sales growth (SSSG) of +4.8% from Puregold Stores driven by higher basket size and higher traffic while +5.4% SSSG from S&R Warehouse clubs driven by higher traffic,” the company said in a regulatory filing on Monday.

For the period ending September, Puregold operated 772 stores nationwide, comprising 673 Puregold stores, 31 S&R Membership Shopping Warehouses, and 68 S&R New York Style QSRS.

From January to September, net income rose to P7.3 billion from P6.9 billion in the same period last year, while revenues grew 10.6% to P168.1 billion from P152 billion. Operating expenses increased by 16.51% to P22.96 billion from P19.7 billion.

In October, the company partnered with Home Credit Philippines to launch the Aling



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Puring credit card, offering a credit limit of P20,000 to P100,000 with up to 45 days of interest-free purchases and on-site applications at participating Puregold branches. The program aims to provide *sari-sari* store owners and regular customers with easier access to funding for business growth and daily needs.

Puregold shares fell by 0.68% or 25 centavos to close at P36.45 apiece on Monday.

— **Alexandria Grace C. Magno**

SMC waives toll for government relief vehicles



SAN MIGUEL CORP. (SMC), through its infrastructure arm SMC Infrastructure, is waiving toll fees across its expressway network for marked government vehicles deployed for relief and recovery operations in areas affected by Super Typhoon Fung-wong, locally called Uwan.

“Our priority is to make sure responders get to affected communities as quickly as possible... We have always worked with the government in times of calamity. It's part of our responsibility to help and to make sure aid reaches those who need it,” SMC Chairman and Chief Executive Officer Ramon S. Ang said in a media release on Monday.

The company is coordinating with the Department of Transportation and the Toll Regula-

tory Board to implement toll waivers and provide support for emergency convoys, Mr. Ang added.

SMC Infrastructure operates over 200 kilometers of expressways in Luzon, including the Skyway System, South Luzon Expressway (SLEX), STAR Tollway, Tarlac-Pangasinan-La Union Expressway (TPLEX), and NAIAX Expressway.

The company also said it has deployed maintenance crews to inspect and clear drainage systems, secure roadside signages and billboards, and position quick-response teams and heavy equipment in flood-prone areas to ensure expressways remain passable.

Motorists are advised to observe traffic rules and speed limits during inclement weather, SMC said.

— **Ashley Erika O. Jose**

OPINION

Revisiting RMC No. 81-2025

In the Philippines, ghosts or *multo* are more than just supernatural phenomena. They can also be a metaphor for unresolved issues or unanswered questions. In our personal lives, ghosts may represent the enduring presence of loved ones lost, regrets over paths not taken, and even traumatic events. The ghost metaphor also has materialized in the case of the ghost projects scandal that is currently gripping the Philippines.

Ghost metaphors extend beyond mere symbolism or unbuilt structures and may also emerge within the framework of Philippine taxation.

In September, the BIR issued Revenue Memorandum Circular (RMC) No. 81-2025, reiterating the criteria and guidelines on the deductibility of ordinary and necessary expenses under the Tax Code. While the circular was framed as a reiteration of existing rules and principles under the Tax Code and relevant jurisprudence, its practical impact on taxpayers' claims for deductions for income tax purposes, as well as possible implications during tax audits, is more than just a reminder.

For many taxpayers, the circular revived long-standing uncertainties about what qualifies as a valid deduction. It has also prompted concerns that revenue officers may adopt stricter interpretations during tax audits, potentially leading to the disallowance of expenses and the imposition of penalties.

These concerns are not entirely unfounded. Many taxpayers may recall ghosts of past audits where expenses were disallowed based on vague interpretations of what expenses qualify as “ordinary and necessary” or were disallowed for being allegedly excessive or disproportionate. Notably, the circular also appears to revive the rule on allocation of common expenses among income subject to different tax regimes (regular and exempt). This rule, previously promulgated by the BIR in 2011 and applied to banks and other financial institutions, had been effectively buried by a Supreme Court decision in 2021.

The discussion below deals with key rules on expense deductibility provided under RMC No. 81-2025, which may haunt taxpayers during a tax audit.

INORDINATELY LARGE EXPENSES

For an expense to be deductible, it must meet the criteria of being both ordinary and necessary. An ordinary expense refers to one that is common and accepted in the

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JUANITO RAFAEL CLEMENCE O. UY

taxpayer’s line of business. Meanwhile, a necessary expense is one that is appropriate and beneficial in furthering or maintaining the operations of the business.

As reiterated by the BIR in the circular, not all expenses qualify as ordinary, even if deemed necessary for business, specifically if the expense is inordinately large in amount. In other words, the expenses being claimed should be reasonable.

However, what constitutes a “reasonable” expense may be subject to different interpretations. There is yet to be a clear rule in determining the reasonableness of an expense. The determination is inherently subjective, influenced by the facts and circumstances of each case (e.g., the type and size of business in which the taxpayer is engaged, the volume and amount of its net earnings, the nature of the expenditure itself, the intention of the taxpayer, and the general economic conditions) and, ultimately, by the discretion of the revenue officer conducting the audit.

This absence of clear-cut rules in determining the reasonableness of expenses is precisely what makes the issue persistently challenging — it lingers in the margins of interpretation and often reappears during audits, bringing with it the threat of disallowance of the expense. Further, it now becomes a disputable presumption that inordinately large amounts of expense are not ordinary expenses, which may trigger more disallowance during a tax audit, thus giving an undue burden on the part of the taxpayers to controvert such a presumption.

CLAIMED EXPENSES AND SERVICES RENDERED

As emphasized in the circular, extraordinary and unusual amounts paid to persons (natural or juridical) as compensation for supposed services, but without any relation to the measure of the actual services, cannot be regarded as ordinary and necessary expenses within the meaning of the law.

Simply put, expenses paid should be commensurate with the actual services rendered to qualify as deductible expenses. For instance, in the Supreme Court case cited in the circular, bonuses granted to corporate officers were dis-

allowed as deductions due to the absence of evidence showing that any services were rendered by the corporate officers.

This issue has become a recurring finding in tax audits. Revenue officers often apply this principle when reviewing transactions with related parties, such as management fees or service charges paid to affiliates. Given the sensitivity around transfer pricing and related party dealings, taxpayers must maintain documentation proving that such transactions were made in accordance with the arm’s length principle, i.e., the transaction is comparable with transactions with independent third parties.

The same scrutiny applies to cost allocations and cost reimbursements among related entities. Determining which affiliate truly benefited from the expense, and therefore who should rightfully claim the deduction, can be contentious.

SUBSTANTIATING EXPENSES

The circular reiterates that taxpayers must substantiate prove by evidence or records the deductions claimed under the law; otherwise, the same will be disallowed. While the requirement seems straightforward, the definition of what constitutes adequate documentation often becomes a point of contention between taxpayers and revenue officers during tax audits.

The specific provision of the Tax Code provides that no deduction from gross income is allowed unless the taxpayer substantiates it with sufficient evidence, such as official receipts or other adequate records showing (i) the amount of the expense being deducted and (ii) the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the trade, business or profession of the taxpayer. However, during tax audits, revenue officers usually require invoices duly registered with the BIR issued by the suppliers to support deductible expenses.

It is also worth noting that the BIR has intensified its Run After Fake Transactions (RAFT) program, focusing on the use of ghost receipts or fraudulent documents issued by non-existent or paper-only entities.

EXPENSES RELATED TO ACTIVE AND PASSIVE INCOME

The circular further requires taxpayers to identify expenses attributable to active income and passive income. Active

income typically arises from direct involvement in trade, business, or professional activities, while passive income comes from investments like dividends, interest, and royalties.

As prescribed by RMC No. 81-2025, expenses directly tied to the development, management, operation, or conduct of active trade or business can be deducted as they meet the criteria of being ordinary and necessary. However, expenses related to managing investments that generate passive income, such as fees for financial advice, interest from loans to finance investments, brokerage services, and other related expenses may not qualify as deductible expenses, as they do not relate directly to the taxpayer’s active business operations.

Moreover, the circular provides that expenses solely incurred in relation to tax-exempt income are not deductible for regular income tax purposes. As explained in the circular, allowing deductions for expenses that produce tax-exempt income would effectively give the taxpayer a double benefit — the income is exempt from tax, and the expenses reduce taxable income from other sources.

This provision stands out due to its resemblance to a rule on the allocation of common expenses among different tax regimes that was previously ruled by the Supreme Court as void.

In 2011, BIR issued Revenue Regulations (RR) No. 4-2011, which prescribed rules on how banks should allocate costs and expenses between their Regular Banking Units (RBU) and Foreign Currency Deposit Units (FCDU) for income tax purposes. The regulation provides that only costs and expenses attributable to the operations of the RBU can be claimed as deductions to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related to or incurred for the operations of FCDU/EFCDU (subject to a special tax rate) is not allowed as a deduction from the RBU’s taxable income, effectively stating that banks can no longer benefit from claiming these expenses as deductible for tax purposes.

RR No. 04-2011 was voided by a landmark 2021 Supreme Court decision which held that the regulation unlawfully restricted taxpayers’ right to adopt their own accounting methods as guaranteed under the Tax Code. By prescribing a mandatory allocation of cost and expenses, the regulation imposed additional requirements for deductibility of expenses not found in the Tax Code,

Bridgewise says it is working to enter Philippines in 3-6 months

BRIDGEWISE, a global provider of artificial intelligence (AI)-powered investment analysis tools, said it will establish a presence in the Philippines within the next three to six months, offering regulatory-compliant services despite recent market uncertainties.

“While we don’t have a specific launch date yet, we’re working toward establishing a presence within the next 3-6 months,” the Bridgewise team said in an e-mail.

“Our approach is deliberate; we want to ensure full alignment with local regulations and to build partnerships that promote financial transparency and investor education.”

The team noted recent headlines and emphasized the need for transparency and accuracy in financial information in markets such as the Philippines.

“The Philippines remains a very important market for us in Southeast Asia. We see a growing appetite here for credible, transparent, and data-driven investment insights,” it said.

“At Bridgewise, our entire mission is built around data integrity and accessibility, providing analysis that’s unbiased, explainable, and consistent. These developments reaffirm the value we can bring to help strengthen confidence in the investment ecosystem.”

In September, Bridgewise expressed its interest in introducing a new approach to investment information in the Philippines. The company provides AI-powered tools for equity and fund analysis, multi-

lingual support, and investment chat, serving over 50 institutional clients and 25 million users in more than 15 languages.

“So what Bridgewise created is a purpose-built AI for investments and for investors. So essentially what we do is we take the mountains and mountains of information and turn them into investment intelligence,” Bridgewise General Manager for Asia Pacific Kelvin Phua said.

During the September media briefing, Mr. Phua also introduced Bridget, the world’s first regulatory-compliant AI chat for investments.

“So, this is a purpose-built AI chatbot that can now interact with customers as we’d expect chatbots to. The difference between this and a regular chatbot is that it includes layers of other features like stock data, fund information, and all the analysis we’ve built underneath. This creates an interface that is easy to understand and user-friendly,” he said.

“It obviously has a human-like chat experience, but more importantly, it is also regulatory compliant. The advice that it does give out where in markets we’re allowed to give advice is compliant and not going to be unregulated.”

Bridgewise operates offices worldwide, including Japan, Singapore, the US, London, Brazil, Thailand, Israel, and Dubai, and works with institutions such as Japan Exchange Group, Rakuten Securities, SIX Swiss Exchange, B3, eToro, TASE, and Interactive Brokers.

— **Alexandria Grace C. Magno**

CONCLUSION

While the intent of RMC No. 81-2025 is to ensure proper attribution of expenses, its approach revives the ghosts of a past regulation, particularly the now-invalidated RR No. 04-2011. The reintroduction of allocation principles, especially in relation to income under regular, special, or exempt tax regimes, may raise concerns for taxpayers, particularly those operating in the banking, insurance, and financial services industries. For these taxpayers, the allocation of expenses can significantly impact taxable income and increase tax audit exposure. Taxpayers may once again find themselves navigating familiar uncertainties as rules that were once buried now resurface under renewed scrutiny.

Just as we must confront ghosts in our lives, taxpayers must also face the lingering uncertainties in our tax rules. The rules provided under RMC No. 81-2025 are now part of the tax landscape and disregarding them will not make them disappear. Instead, taxpayers must prepare, understand the rules, maintain thorough documentation and seek professional guidance to avoid being haunted during tax audits.

We hope the taxing authorities further clarify the uncertainties that may result from the release of this RMC. These uncertainties may haunt the taxpayers in future tax audits.

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 professionals.

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