Customs accredits 11 firms for expedited clearance program

THE Bureau of Customs (BoC) said it accredited 11 firms for its Authorized Economic Operator (AEO) program in 2025, which granting expedited clearance in exchange for meeting compliance and security standards.

In a statement on Wednesday, the BoC said the accredited parties include Sony Philippines, Inc., Coca-Cola Europacific, Toyota Motor Philippines Corp., Brother Industries, Inc., and Aboitiz Philippines, Inc.

The AEO program covers importers, exporters, customs brokers, and freight forwarders accredited under the World Customs Organization's framework to secure and facilitate global trade.

The BoC said the perks for accredited firms include exemption from accreditation renewal, a dedicated processing lane, an advance clearance process, expedited customs clearance for exports, and more.

Last year, the US State Department's Investment Climate Statements said the Bureau of Customs remained among the Philippines' most corrupt agencies.

The US Embassy reported complaints from American firms of invasive inspections, inconsistent charges, and the solicitation of "facilitation fees" by officials.

The European Chamber of Commerce of the Philippines said 18% of members surveyed found Customs procedures efficient, 48% deemed them acceptable but in need of improvement, while 34% found them burdensome. — **Aubrey Rose A. Inosante**

Outsized role of consumption behind dismal Q4 growth — BPI

THE economic slowdown in the fourth quarter highlighted the Philippines' over-reliance on consumer spending, in the absence of alternative drivers of growth, Bank of the Philippine Islands (BPI) said.

In a commentary on Wednesday, BPI Lead Economist Emilio S. Neri, Jr. noted that the performance in the final quarter of 2025 mirrored the issues that arose when the economy plunged during the COVID-19 pandemic.

"The economic slowdown reflects not only fiscal weakness, but also the country's limited and highly concentrated sources of growth," Mr. Neri said. "This is the same vulnerability that was evident during the pandemic."

Household consumption continued to prop up the gross domestic product (GDP) growth, but Mr. Neri noted that such a sharp slowdown in the fourth quarter could have been averted if manufacturing and agriculture were robust enough.

"Even with the sharp decline in government construction spending, growth might have been more acceptable if the production sectors had been in a stronger position to offset the drag, specifically agriculture and manufacturing," he said.

The economy posted its weakest quarterly growth in 16 years at 3% in the three months to December due to muted household consumption, government spending, and investments.

In 2025, GDP growth averaged 4.4%, the lowest in five years, the recent low having taken place during the pandemic and the resulting lockdown.

Household consumption growth, which accounted for over 70% of GDP, slowed to 3.8% in the fourth quarter, the weakest performance since the -4.8% reported in the first quarter of 2021.

Agriculture, forestry, and fishing grew 1% in the fourth quarter, accounting for 7.9% of the economy in 2025.

Industry growth declined 0.9% during the period, with manufacturing posting 1.6% growth. In the fourth quarter, industry accounted for 28.4% of the economy.

Mr. Neri said the Philippines needs more diversified sources of growth to help it weather economic shocks.

"The country cannot remain overly reliant on a narrow set of growth drivers such as consumption and government spending," he said. "Even if public expenditure normalizes in 2026, the underlying vulnerability will persist unless the country broadens its sources of growth. A more diversified economy would be better equipped to absorb future crises and shocks."

Still, Mr. Neri noted that quality government spending will be key in rebuilding investor and consumer confidence.

He expects growth of 5.1% in 2026, with the recovery likely to begin in the latter half of the year.

He sees scope for deeper monetary policy easing this year, citing the delayed economic rebound and within-target inflation.

"Meanwhile, the weak GDP print has increased the probability of a rate cut at the BSP's next policy meeting," Mr. Neri said. "With growth likely to remain weak in the first half of 2026, another cut could follow after a potential move in February, especially as inflation is expected to remain within target."

Currently, the benchmark interest rate stands at 4.5%. The Monetary Board has so far lowered borrowing costs by a cumulative 200 basis points since August 2024.

If Mr. Neri's anticipated two rate cuts materialize, the key policy rate could be brought to its lowest level in three and a half years at 4%.

The Monetary Board will have its first policy-setting meeting this year on Feb. 19. — **Katherine K. Chan**

WB approves PHL request to cancel remaining portion of agriculture loan

THE Philippines' request to cancel the unused portion of a loan for its flagship agriculture development program has been approved by the World Bank (WB), noting that the project is currently sufficiently funded.

"The restructuring proposes the cancellation of the unwithdrawn loan proceeds amounting to $32.43 million," according to a restructuring document uploaded to the bank's website on Feb. 3.

The Philippine Rural Development Project aims to improve farmer and fisherfolk access to markets and increase income from selected agri-fishery value chains.

The Department of Agriculture implements the program. Over the four-year period the program's overall outcome has been rated as "satisfactory."

According to the report, 96.02% of the $814.19-million loan from the International Bank for Reconstruction and Development has been disbursed for the project, leaving $32.43 million undrawn.

"Commitment fees would continue to accrue during the four-month grace period following the project's closing date unless the cancellation was formally processed," the World Bank said.

The Department of Finance filed its restructuring request on Aug. 27, following the project's close on July 31, prompting the lender to grant a retroactive extension of the closing date to Feb. 27, 2026.

"Retroactive extension of the loan closing date is required to temporarily reopen portal access and allow the Task Team to process the requested cancellation of the unwithdrawn Loan Proceeds," the World Bank said. — **Aubrey Rose A. Inosante**

PHL becoming 'dumping ground' for surpluses of other rice producers

FOREIGN RICE producers are using the Philippines as a "dumping ground" for their excess production, the Kilusang Magbubukid ng Pilipinas (KMP) said in a statement.

In a statement on Wednesday, the KMP said rice imports continue to weigh on domestic producers, keeping palay (unmilled rice) prices low and pushing many farmers into debt.

The KMP raised its concerns after the Philippine suspension on rice imports expired at the start of the year.

The KMP also raised the alarm after Pakistan signaled its intent to ship rice to the Philippines, joining major suppliers like Vietnam and Thailand.

"These trade initiatives highlight how the country, despite being majorly a rice producer, has been reduced to a dumping ground for surplus rice from exporting nations," the KMP said.

"The government is passing the burden of the crisis onto the shoulders of farmers," KMP Chairman Danilo H. Ramos was quoted as saying. "Instead of supporting local production and raising palay prices, the government continues to allow imported rice to flood the market, destroying the livelihoods of our farmers."

The KMP said palay prices remain below production costs in several provinces, despite temporary price control measures and the import ban.

Mr. Ramos added that while imports aim to stabilize rice supply, they have consistently undermined incentives for domestic production.

The Department of Agriculture (DA) has said that it is considering importing rice from Pakistan to diversify sourcing and cut reliance on traditional suppliers, following a meeting with a Pakistan delegation.

KMP urged the government to reconsider its import-dependent rice policy and strengthen support for farmers, saying continued neglect could exacerbate rural poverty and threaten food security.

Separately, farmers continue to push for a fixed 35% duty on imported rice, saying the government's flexible rice tariff scheme is designed to keep tariffs low.

"The starting point for any adjustment should be 35%, because the landed cost of imported rice has already dropped by 40% to 50%. The current scheme only serves to maintain the 15% tariff," Jayson H. Cainglet, executive director of the Samahang Industriya ng Agrikultura, told *BusinessWorld* via Viber.

Under the implementing guidelines of Executive Order No. 105, rice imports are subject to a "flexible" tariff that rises or falls depending on the price of Vietnam 5% broken rice, the grade that accounts for most Philippine imports.

Tariff adjustments are made in five-percentage-point increments, with rates set at a minimum of 15% and a maximum of 35%.

Although the price of Vietnam 5% broken fell to around $360 per metric ton in December, the DA said the trigger price for a 20% tariff has not yet been reached.

Mr. Cainglet estimates that in July 2024, imported rice priced at $650 per metric ton under a 35% tariff would have had a landed cost of about P50.4 per kilo. By contrast, rice imported today at roughly $380 per metric ton under the 15% tariff has a landed cost of only P25.7 per kilo — a difference of P24.7.

He said the sharp decline in import costs has contributed to farmgate palay prices dropping from P18 to P21 per kilo to as low as P10 to P12 per kilo in some areas.

Mr. Cainglet added that the tariff reductions primarily benefit importers, while farmers bear the brunt of the policy and consumers see little improvement in retail prices.

"We cannot accept the claim that 'market forces' are driving rice prices. Farmers struggle while importers receive protection, and consumers have never truly benefited. Tariff reductions and consumer interest are just pretexts for higher profits for importers," he said. — **Vonn Andrei E. Villamiel**

OPINION

A promising step toward tax audit reform

TAXWISE OR OTHERWISE
KATHRINE JOY CAPALES

The Bureau of Internal Revenue (BIR) ended the two-month suspension of tax audit activities after issuing Revenue Memorandum Circular (RMC) No. 8-2026 and Revenue Memorandum Order (RMO) No. 1-2026. The latter introduces tax audit process reforms, which include, among others, a move to consolidate tax audit cases involving the same taxpayer and taxable year. The consolidation is a welcome relief as it seeks to address a long-standing pain point in tax administration, which is simultaneous to multiple audits covering the same period.

For years, it has been common practice for the Bureau to issue multiple electronic Letters of Authority (eLAs) to a single taxpayer for the same taxable year. The issuance of three separate eLAs is not unusual, covering two semesters of a value-added tax (VAT) audit, and another encompassing all internal revenue taxes except VAT (AIRT). The resolution of each tax audit entails resources diverted from the business such as manpower, time, and documentation to address the requests and findings raised.

While specialized audits enable more targeted and risk-based examinations, experience has shown us that a fragmented audit approach does not necessarily result in better tax enforcement. The consolidation, if properly implemented, may promote efficiency and coherence in tax audits. To help ensure that the RMO's implementation aligns with existing rules on due process and audit authority, some points may need to be clarified further.

VAT-ONLY LOAS

The Single-Instance Audit Framework allows taxpayers with multiple ongoing tax audits within the same taxable year to file a Request for Non-Consolidation of Cases by Feb. 16 with the BIR office handling their AIRT audits. Without this, all eLAs for the period are automatically consolidated into one eLA covering all applicable internal revenue tax types under audit.

The VAT Audit Sections (VATAS) and the Large Taxpayers VAT Audit Units (LTVAU) will wind up operations by May 15. However, it is not quite clear how this will affect taxpayers who only have ongoing VAT audits. Will this prompt the issuance of a replacement eLA covering all other internal revenue taxes, such as income tax and withholding taxes? Given the reason behind these audit reforms (i.e., alleged abuses using these eLAs), it seems reasonable to assume that consolidation would not result in an expanded audit coverage in such cases. Nonetheless, it would be helpful to clarify if the replacement eLA would merely reflect a change in examiners and investigating office (from VATAS to the RDO), without expanding the scope of the audit to include all other internal revenue taxes.

CONSOLIDATION OF CASES AT VARIOUS STAGES

Taxpayers with cases that are at varying procedural stages are also curious how the consolidation will be carried out. The RMO does not specify whether consolidation is limited to audits at the same stage, or whether it also applies to cases where assessment notices have already been issued.

For example, a taxpayer may have a VAT audit at the LoA stage, while the AIRT audit for the same year is already at the Final Assessment Notice (FAN) stage. Can these cases still be consolidated under the RMO? If so, what happens to the assessment already issued? Would issuance of a consolidated eLA reset the proposed tax findings, or would the consolidated audit follow the earlier stage, which in this example, is the LoA stage?

From the taxpayer's viewpoint, moving up the entire audit to the later stage may impair their constitutional right to due process. However, for the BIR, restarting the case at an earlier point may affect the prescriptive periods and the validity of previously issued assessment notices. Clear parameters are needed to prevent disputes arising not from tax findings, but from procedural uncertainty.

Even more curious are reports that some taxpayers have been advised by certain BIR officers that consolidation will not apply to cases where tax findings have already been issued. This interpretation contradicts the objective of the RMO. Thus, further clarification may be needed to ensure consistent application among revenue officers.

AUTHORITY TO ISSUE A REPLACEMENT LOA

The RMO provides that, as a general rule, the replacement eLA must be issued by the RDO/Office Audit Section (OAS)/Large Taxpayers (LT) Audit Office.

However, the authority to issue an eLA is not vested in the RDO. Depending on the nature and scope of the audit, an eLA must be approved by the Regional Director or higher authority. This distinction is critical, as the eLA is the document that legally authorizes revenue officers to examine a taxpayer's books and records. Jurisprudence consistently holds that audits conducted without a valid eLA are void.

If an eLA must be replaced due to consolidation, can the RDO validly issue that replacement, or should the replacement eLA be issued by the same authority who approved the original LoA? The RMO does not clarify whether replacing an eLA is merely ministerial or a substantive act requiring the same level of approval. Will the BIR issue a Revenue Delegated Authority Order granting RDOs the power to issue the replacement eLAs? More importantly, would such delegation be sufficient to cure potential validity issues? Given the serious consequences of an invalid LoA, this point deserves explicit guidance.

CASES FOR MANDATORY AUDIT

The RMO identified cases subject to mandatory audit or issuance of an eLA. The first item on the list refers to instances where there is at least a 30% under-declaration of sales or a 30% over-declaration of purchases or expenses.

It is not clear how the BIR would determine a 30% discrepancy without first conducting an audit pursuant to a valid LoA. Will this be based solely on documents already submitted to the BIR, such as income tax returns, VAT returns, and audited financial statements?

Without third-party data, information returns, or prior investigations, identifying such discrepancies would ordinarily require examination of a taxpayer's books. This is permissible only through a duly issued eLA. Without clarification, the provision appears to assume the existence of findings that can only arise after an audit has begun.

Given the questions surrounding consolidation, the authority to issue replacement eLAs, and the criteria for mandatory audits, I hope that the BIR would allow taxpayers more time to properly evaluate their existing cases and decide whether they prefer to conclude their VAT audits at the VATAS/LTVAU, while still granting them the flexibility to consolidate cases earlier should they choose to do so.

The Bureau may consider allowing taxpayers until April 30 instead of Feb. 16 to decide. Since tax audits vary widely in complexity, both taxpayers and revenue officers need sufficient time to interpret and apply new rules consistently. An extension would also allow the BIR to issue clarificatory guidelines, conduct internal briefings, and ensure that consolidation is successfully implemented so that it achieves the Bureau's objective in a manner consistent with due process.

RMO No. 1-2026 is, without question, a promising step in the right direction. It acknowledges long-standing taxpayer concerns and seeks to rationalize tax audit processes. With timely clarifications and a calibrated implementation timeline, the BIR can strengthen this reform and ensure that consolidation becomes not just a policy objective, but a meaningful improvement in tax administration.

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.

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