

# RACE program abandoned; incentive focus shifts to EVs

By **Beatriz Marie D. Cruz**  
Senior Reporter

THE Department of Trade and Industry (DTI) said it is dropping the Revitalizing the Automotive Industry for Competitiveness Enhancement (RACE) program to focus its efforts on providing incentives to electric vehicles (EV) makers.

"The CARS (Comprehensive Automotive Resurgence Strategy) program is already finished, so we focused on EVs," Trade Secretary Ma. Cristina A. Roque told reporters on the sidelines of the DTI National Food Fair on Wednesday.

RACE had sought to provide fiscal support of P9 billion for the domestic manufacture of three specific four-wheel models powered

by internal combustion engines (ICE) if the makers produce 100,000 units each. They represented an easing of the quota from the 200,000-unit quota of CARS.

The DTI had expressed hopes to release the Electric Vehicle Incentives Strategy by the second quarter. The program seeks to allow the government to provide competitive fiscal and non-fiscal support to boost the EV supply chain.

"We're still trying to fix everything but we're hoping to release it soon, especially with the situation today," Ms Roque said.

The government is looking to focus on attracting EV manufacturers to the Philippines as rising oil prices caused by the Iran war boost the attractiveness of EVs as an alternative to ICE vehicles.

The Department of Finance said on Monday that Mitsubishi Motors Corp. is planning

to establish a dedicated hybrid electric vehicle manufacturing facility within the Mitsubishi Motors Philippines Corp. plant in Santa Rosa, Laguna.

"For now, *wala nang RACE*," Ms. Roque said.

Launched in 2015, the CARS program sought to provide tax incentives to three car companies that domestically produced at least 200,000 units between 2018 and 2024.

President Ferdinand R. Marcos, Jr. vetoed P4.32 billion in unprogrammed appropriations meant for the CARS program and P250 million for the RACE program.

Car sales are expected to breach 500,000 units this year, featuring strong demand for EVs and multi-purpose vans, the Chamber of Automotive Manufacturers of the Philippines, Inc. said in January.

# Jobless rate declines to 2-month low in Feb.

By **Pierce Oel A. Montalvo**  
Researcher

THE unemployment rate fell to a two-month low of 5.1% in February, reflecting the seasonal first-quarter trend of workers re-entering the labor market, the Philippine Statistics Authority (PSA) said on Thursday.

Citing preliminary data from the Labor Force Survey, the PSA said the jobless rate was down from the 5.8% rate posted a month earlier but exceeded the 3.8% reading in the same period last year.

February unemployment was the lowest since the 4.4% reported in December. This was equivalent to 2.66 million jobless in February.

National Statistician Claire Dennis S. Mapa said that the increase in the labor force caused unemployment to inch down on a month-on-month basis, as more applicants found work during the period.

"For the first two months, our average is at 51.49 million versus 50.87 million. So, it's roughly 600,000. There's an increase if you're talking about the first two months of 2026, compared to the first two months of 2025," Mr. Mapa said at a briefing.

A total of 52.09 million workers aged 15 and up were in the labor force during the month, against the 51.09 million a year earlier and the 50.89 million a month earlier.

This translates to a labor force participation rate of 63.8%, lower than the 64.5% posted in February 2025 but higher than the 62.3% million in January.

"February historically sees labor market re-entry as Q1 economic activity resumes — early construction projects, inter-island trade, and government disbursements pick up," Leonardo A. Lanzona, an economics professor at Ateneo de Manila, said via chat.

He added that the headline jobless rate should be read cautiously with respect to job quality.

The underemployment rate — the share of workers with jobs but are seeking more hours — was at 11.8%, up from the 10.1% in the same month last year, but lower than the 13.2% in the previous month.

"Notably, the underemployment rate in January stood at 13.2%... suggesting that part of the February improvement may reflect people moving from 'unemployed' to 'underemployed' rather than securing full, quality employment," Mr. Lanzona added.

About 5.84 million individuals were considered underemployed in February 2026, higher than the 4.96 million a year earlier, but lower than the 6.35 million in January 2026.

The employment rate was 94.9%, lower than the 96.2% posted in February 2025, but higher than the 94.2% in January.

Jobholders numbered 49.43 million during the month, higher than the year-earlier 49.16 million and the 47.94 million in January.

Year on year, the wholesale and retail trade lost 725,000 jobs, the most among subsectors during the month, ahead of agriculture and forestry (-523,000) and construction (-484,000).

Benjamin B. Velasco, an assistant professor at the University of the Philippines Diliman School of Labor and Industrial Relations, said the decline in agriculture and construction is a result of the headwinds posed by climate change and the flood control corruption scandal.

He added that the rise in unemployment in wholesale and retail is "worrying," given how it typically absorbs workers easily.

"If Filipinos are unable to find livelihood in a sub-sector with low barriers to entry, then it is a

symptom of economic malaise," Mr. Velasco said via chat.

The administrative and support activities subsector meanwhile led all sectors in job growth, adding 572,000 jobs, followed by transportation and storage (486,000) and accommodation and food service activities (357,000).

Month on month, public administration and defense lost 336,000 jobs in February, followed by professional, scientific and technical activities (-97,000) and administrative and support activities (-69,000).

On the other hand, wholesale and retail trade gained 658,000 jobs, with agriculture and forestry (380,000) and accommodation and food service activities (361,000) close behind.

63.8% of the employed are wage and salary workers, followed by the self-employed without paid employees (27.4%). Among wage and salary workers, 50.1% were employed by private establishments, while the government employed 8.9%.



# Elevated fuel prices seen remaining after US pauses hostilities in Iran

By **Sheldeen Joy Talavera**  
Reporter

THE two-week truce initiated by the US in its conflict with Iran could help ease global oil prices, but the impact is unlikely to be felt at the Philippine pump-price level anytime soon, as market volatility is expected to persist, analysts said.

"The de-escalation of the tensions arising from the ceasefire in the Middle East will result in a significant unwinding of the war premium that was incorporated into prices and has built up due to the conflict," Leo P. Bellas, president of Jetty Petroleum, Inc., told *BusinessWorld*.

Mr. Bellas said the potential de-escalation can lead to a sharp decline in the crude oil and refined fuel levels, but added that prices "will likely remain elevated because the supply situation has not changed."

He said that next week, pump prices could take a break from their run of increases, and might instead stay level or even fall following the decline in the Mean of Platts Singapore, a benchmark for Singapore-refined petroleum products.

"But markets may bounce back in day or two after digesting the extent of the current damage to infrastructure and lead time to restore production and exports, and after an assessment of the strength or fragility of this declared ceasefire," Mr. Bellas said.

In a social media post on Tuesday, US President Donald J. Trump said he has agreed to suspend attacks against Iran for two weeks after talks with Pakistan Prime Minister Shehbaz Sharif and Field Marshal Asim Munir, who help mediate the ceasefire.

This superseded Mr. Trump's deadline for Tehran to reopen the Strait of Hormuz, a strategic waterway and critical chokepoint that handles a significant share of global crude shipments.

"Hopefully the market will quickly react positively to low-

er the price," Jose M. Layug, a former Energy undersecretary and executive board member of the Philippine Energy Research & Policy Institute, told *BusinessWorld*.

"WTI (West Texas Intermediate) and Brent benchmarks are now below \$100/bbl after the announcement. I am hoping Dubai crude oil will also go down from its current level," he added.

Brigitte Carmel C. Lim, senior vice-president and chief operating officer of Top Line Business Development Corp., a Cebu-based fuel distributor, said that while the ceasefire can help ease global oil prices, it could be temporary and volatility will likely remain.

Ms. Lim said global price movements will likely be reflected at the pumps after one to two weeks.

"Prices will still depend on how the situation develops in the coming weeks," she told *BusinessWorld*.

In a briefing on Tuesday, Energy Secretary Sharon S. Garin said she does not expect oil prices to go down anytime soon even if the Strait of Hormuz is reopened as the war already has done extensive damage to energy infrastructure in the Middle East.

"The speed of the increase in pump prices will not be the same as the drop in prices. In fact, it will be way, way slower because the damage caused goes beyond the war," she said.

For this week, oil companies have implemented another set of fuel price increases at the pumps, ranging from P15-P19.80 per liter for diesel and P1.50-P5.90 per liter for gasoline.

Since the US and Israel attacked Iran on Feb. 28, the increases in diesel prices have totaled P100.05 per liter, while gasoline and kerosene surged by around P52.30 and P82.40 per liter, respectively.

"This is by far the fastest and the highest increase of our oil prices and that's due to the war in the Middle East," Ms. Garin said.

## OPINION

# The reset button for the cross-border services taxation

As we emerge from Holy Week — a period often associated with reflection and renewal — we encounter a parallel in the tax landscape with the recent issuance of Revenue Memorandum Circular (RMC) No. 24-2026. The RMC, which follows earlier RMC Nos. 5-2024 and 38-2024 on cross-border services, reflects a refinement of the Bureau of Internal Revenue's (BIR) audit framework for such arrangements.

RMC Nos. 5-2024 and 38-2024 have been controversial, to say the least, as their implementation gave rise to differing views between the BIR and taxpayers, particularly on how the expanded situs rules should be applied. In practice, this resulted in cross-border service payments being almost automatically treated as subject to final withholding tax and final withholding value-added tax (VAT) during tax assessments, often with limited inquiry into the factual circumstances.

Against this backdrop, RMC No. 24-2026 may be viewed as the BIR's effort to clarify how the Aces principles are expected to be applied by providing more specific and fact-based rules. Below are the key points of the RMC.

### NOT EVERY CROSS-BORDER SERVICE IS AUTOMATICALLY TAXABLE

A notable clarification under RMC No. 24-2026 is that the cross-border services outlined in RMC No. 5-2024, including consulting, IT outsourcing, telecommunications, financial services, engineering, education, and tourism, are not automatically taxable simply because they are cross-border in nature.

That said, service income remains taxable if the services are performed within the Philippines. The RMC em-

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phasizes that the revenue officers invoking the Aces ruling must establish that the services in question were indeed rendered within Philippine territory.

This clarification offers relief to the taxpayers as it introduces a crucial constraint on tax assessments involving cross-border arrangements, as revenue officers must now factually link the performance of services in the Philippines. The fact that the transactions are cross-border in character is no longer sufficient to trigger FWT and FVVAT.

### ESTABLISHING TAXABILITY OF CROSS-BORDER SERVICES

In determining the income source of cross-border services, the RMC reinforces the approach outlined in the Aces ruling, which requires the examination of the agreement in its entirety rather than in parts.

The RMC identifies four essential elements that must be satisfied before a revenue officer can factually assess income tax on cross-border services, enumerated as follows:

- The parties involved must be a Philippine payor and a payee who is a non-resident service provider;
- The specific activity or service must be integral to the completion or delivery of the non-resident's service and must have resulted in a payment or accrual that created economic benefit for the non-resident.
- The situs of the income-producing activity must be within the Philippines.

- There must be no applicable exemption under domestic laws or treaties.

Notably, the RMC has clarified certain exclusions such as passive income, income from sale of goods, and pass-through payments to another non-resident for services rendered outside the Philippines.

While these elements provide structure to the BIR's review process, they also underscore the continuing broad application of the Aces case for cross-border arrangements, notwithstanding the factual context of the case.

### BURDEN OF PROOF LIES WITH THE TAXPAYERS

Despite the clarification that cross-border services are not automatically taxable, the RMC continues to assert that the burden of proof rests with the taxpayer.

To substantiate their position, taxpayers must provide relevant documentation, such as:

- A sworn statement executed by the payor or its duly authorized representative describing the transaction and services;
- Service contracts, master service agreements, statements of work or similar documents such as purchase orders, billing statements, invoices, or relevant e-mail correspondences;
- A tax residency certificate of the non-resident service provider;
- An SEC certification of non-registration for non-resident foreign corporations;
- Proof of organization or registration in the non-resident provider's jurisdiction such as Articles of Incorporation/Association and business registration;
- Proof of outward remittance of payment;

- A BIR Ruling, if available; or
- Copies of the certificates of entitlement to treaty benefits, if applicable.

Consistent with the guidance from Revenue Memorandum Order No. 1-2026, the RMC allows photocopies of these documents, provided they are certified as true and faithful reproductions of the original. However, the BIR may still request presentation of originals for verification purposes.

### BIR RULING IS NOT MANDATORY

The RMC further reiterates the jurisprudence that obtaining a prior BIR confirmatory ruling is not a prerequisite for applying tax treaty benefits. The absence of such a ruling should not prejudice taxpayers' entitlement to treaty benefit, provided there is competent evidence presented during the assessment process. Although not mandatory, from a practical standpoint, taxpayers may still opt to request for confirmation of tax treaty relief entitlement to strengthen their position particularly for complex arrangements. A confirmation would still meaningfully manage the audit risk and uncertainty on the part of taxpayers.

It is reassuring that the BIR has emphasized the importance of establishing both the applicable laws and the factual basis for any tax assessment, honoring the longstanding doctrine of due process. At the same time, the RMC should be viewed as a recalibration, instead of a full reversal, of the BIR's broadened interpretation of the Aces decision.

### JUDICIAL DEVELOPMENTS

Notably, at the judicial level, the Court of Tax Appeals (CTA) likewise granted last week a preliminary injunction

against the implementation of RMC No. 5-2026. While this development does not fully resolve the current issues arising from the Aces decision, it shows the uncertainty that surrounds the earlier issuances. More broadly, it raises the question of whether tax assessments for cross-border services will, at least for now, revert to the framework that prevailed prior to RMC 5-2024. That said, notwithstanding the injunction, the Aces ruling remains as jurisprudence. Hence, from a practical standpoint, the latest RMC may still be viewed as a useful guide, particularly on the types of documents that may support the position that cross-border services are not taxable.

I am optimistic that RMC No. 24-2026 will provide guidance on what has felt like a contentious tug-of-war into a collaborative process grounded on facts and proper documentation. I hope that this adjustment will lead to assessment outcomes that are more closely aligned with our Philippine tax laws and help restore investor confidence in our tax system.

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