IT-BPM industry welcomes clarity on LGU taxation

By Justine Irish D. Tabile
Senior Reporter

THE information technology and business process management (IT-BPM) said Joint Memorandum Circular (JMC) 01-2026 will help address inconsistencies in how local taxes are collected.

"The IT and Business Process Association of the Philippines (IBPAP) views the issuance of JMC 01-2026 as a necessary and long-awaited correction to persistent inconsistencies in how some LGUs (local government units) have imposed taxes, fees, and charges on RBEs (registered business enterprises)," IBPAP told *BusinessWorld*.

On March 23, the departments of Interior and Local Government, Finance, and Trade and Industry issued JMC 01-2026 to guide the imposition of local taxes, fees, and charges on RBEs.

"For the past year, we have raised these concerns with the government, as certain local practices, anchored on outdated or conflicting ordinances, have clearly run counter to the intent of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act," it said.

"This JMC was the measure promised to IBPAP that can address some of the concerns we raised to the government," it added.

According to the JMC, transitioning pre-CREATE RBEs that are only availing of income tax holidays (ITH) should be exempt from local business taxes for six years for those certified as pioneers and for four years for those certified as non-pioneers under the Omnibus Investments Code of 1987.

Pre-CREATE RBEs availing of the ITH and 5% tax on gross income earned (GIE) should be exempt from local business taxes during the remaining period of the ITH, while they will be exempt from local taxes, fees and charges until Dec. 31, 2034 during the availment of the 5% tax on GIE.

Meanwhile, pre-CREATE RBEs only availing of the 5% tax on GIE were to be exempt from all local taxes, fees and charges until Dec. 31, 2034.

CREATE RBEs availing of the ITH or enhanced deductions regime (EDR) and certified either as pioneer or non-pioneer are to be exempt from local business taxes for six or four years, respectively.

However, CREATE RBEs availing of ITH or EDR may be subject to local taxes, fees and charges unless the local government unit (LGU) has granted exemption, incentives or relief or when the transaction is expressly exempted under existing laws, rules and regulation.

Meanwhile, CREATE RBEs availing of the 5% special corporate income tax (SCIT) are to be exempt from local taxes for the duration of the period specified under their grants.

The JMC also stressed that the presentation of certificates of registration or other equivalent documents issued by the investment promotion agency should be "deemed sufficient" for the RBEs to avail of the exemption from local taxes, fees and charges.

It added that local officials are required to suspend, amend, or repeal all issuances inconsistent with the JMC within six months.

"This JMC supersedes Department of Finance (DoF) Department Order No. 033-2023 dated May 19, 2023, and all other DoF issuances and regulations insofar as they are inconsistent herewith," it added.

The IBPAP said that the JMC sends the message that "national law must be upheld, and arbitrary or duplicative local impositions have no place in a competitive investment environment."

"With clearer provisions on LGU taxing powers, a defined framework for RBE local tax, and explicit direction for ordinance alignment, this circular addresses the very issues on business permitting that have affected business confidence and operational predictability," it said.

"The focus now must be on swift and consistent implementation across all LGUs. Getting this right especially well ahead of the next business permit renewal cycle will be critical to demonstrating that the Philippines can offer a stable, predictable, and investor-friendly environment," it added.

AmCham, ECCP urge further foreign ownership liberalization

THE latest liberalization of foreign investment rules must be sustained to ensure that the Philippines attracts high-quality investment, the American Chamber of Commerce of the Philippines (AmCham) said.

"We underscore the need for sustained reforms to further ease foreign ownership restrictions, enhance policy clarity, and boost investor confidence," American Chamber of Commerce of the Philippines Executive Director Ebb Hinchliffe said via Viber.

He said the Palace order lifting restrictions is a "positive step" in improving the investment climate.

"Executive Order (EO) No. 113's implementation signals progress, but continued momentum will be crucial to attract high-quality investments, generate jobs, and strengthen the Philippines' global competitiveness," Mr. Hinchliffe noted.

Last week, President Ferdinand R. Marcos, Jr. issued EO 113, which promulgates the 13th Regular Foreign Investment Negative List, which consists of the industries not open to foreign investment, or where such investment is restricted.

The order eased foreign ownership rules for retail trade; infrastructure; government procurement of goods and consulting services; and the development of military materials and equipment.

The EO allows overseas retail investors to own as much as 40% of enterprises with paid-up capital of less than P25 million.

European Chamber of Commerce of the Philippines (ECCP) said in an e-mail that EO 113 complements the Philippines' proposed free trade agreement (FTA) with the European Union (EU).

"The chamber views this recalibration of equity restrictions as a constructive step toward fostering a more predictable, transparent, and competitive business environment in the Philippines," it said.

The Philippines and EU are on track to finish FTA negotiations this year, Trade Secretary Ma. Cristina A. Roque said in March. Once completed, the EU FTA could unlock $12 billion in additional exports for the Philippines.

British Chamber of Commerce Philippines Executive Director Chris Nelson said the negative list needs to be updated as opportunities arise.

"I think the Philippines needs to keep looking at that list, and see whatever opportunities there are," Mr. Nelson said via telephone.

Net inflows of foreign direct investment (FDI) slumped to a four-month low of $443 million in January, a 39.2% drop from a year earlier.

In 2025, FDI net inflows slumped 17.1% to $7.791 billion, the weakest FDI reading since 2020. — **Beatriz Marie D. Cruz**

OFWs in Europe brace for cost-of-living squeeze

TOUGHER TIMES are looming for Filipinos in Europe as the Middle East war drives up the cost of living for them as well as for their families back home, raising concerns over the sustainability of remittance flows in the months ahead, according to a Madrid-based consultancy firm.

"The European Filipino diaspora and the effects of the Iran War have forced overseas Filipino workers (OFWs) to contend with the challenges of both residing abroad while maintaining and sustaining their family ties back in their homeland," Conectando Filipinas said in a statement over the weekend.

According to the firm, OFWs are facing rising living costs in Spain, the UK, France, and Germany.

Citing estimates from a French-based online rental platform, it said that a one-bedroom apartment costs between €900 and €1,200 a month.

"Food expenses, aside from dining, are spiraling because of the high cost of fuel (and its impact on) product and packaging, manufacturing, and logistics," it said.

"These rising costs directly affect OFWs' ability to manage their finances and sustain remittances to their families," it added.

Philippine inflation accelerated to 4.1% in March from 2.4% in February and 1.8% a year earlier, breaching the Bangko Sentral ng Pilipinas (BSP) 2-4% target band.

PHILIPPINE STAR/RYAN BALDEMOR

"These combined pressures abroad and at home are reshaping how OFWs manage their financial obligations," the firm said.

"The decline in the quality of life among OFW families in the Philippines underscores the importance of maintaining a strong and constructive link between the European Filipino diaspora and their communities back home," it added.

It said that Filipinos in Europe are expected to increase, especially in Portugal and Spain, which could grow remittances from the two countries.

"However, the war could also bring about job losses and delayed or reduced salaries, leading to a downturn in remittance volumes," it said.

Conectando Filipinas estimates that an OFW typically sending home €300 could end up sending only €150 due to the impact of the Middle East conflict, "reflecting a survivalist scenario where high local inflation in Europe forces a significant cut in transfers."

Alternatively, monthly remittances could actually increase to €500 if OFWs practice the kind of "altruism" observed in migrant workers. Under such a scenario, migrant workers prioritize family welfare during periods of economic stress.

"Over the longer term, the escalating conflict is expected to pose broader risks to financial systems and remittance channels," the firm said.

"The escalating Mid-East conflict will impair the flow of funds from Europe to the developing economies of Asia. Money transfers face security risks and financial services disruption," it added, noting that this could delay the critical help for OFW families.

If the war is prolonged, the firm expects it to affect employers' sources of income, with these pressures passed on to workers through decreased incomes, forced relocations, and strained employer-OFW relationships.

The BSP reported that cash remittances coursed through banks rose 2.6% to $2.79 billion in February.

Conectando Filipinas is a System-brand Group company which seeks to link Philippine enterprises with Spanish markets. — **Justine Irish D. Tabile**

OPINION

Familiar banking risks return through new channels

IN BRIEF:

- Banking risk management is being shaped by interconnected risks driven by innovation, technological change, geopolitical instability, and the expanding role of private capital and non-bank finance. These forces blur the distinction between financial and non-financial risks and heighten vulnerability to shocks.
- As a backdrop to this, regulation is becoming increasingly fragmented and localized, adding to the overall complexity of the risk management landscape. Divergent interpretations of global standards for prudential, digital, AI, and sustainability regulations raise compliance costs, complicate risk measurements and aggregation, and constrain strategic planning.
- To manage risks, banks are shifting from a sole focus on capital strength toward a broader focus on resilience and capability building.

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The banks able to navigate these risks will not be the ones that control every risk, but those that build capabilities to anticipate change, identify transmission channels, and embed resilience in strategy, operations, and resources.

Banking risk management is being shaped by threats that are non-linear, continually accelerated by technology and innovation, intensified by volatility, and tightly interconnected across markets, institutions, and jurisdictions.

The recently published 15th annual EY/IFF Global Bank Risk Management Survey highlights this shift, which is influencing the agenda of chief risk officers (CROs) worldwide. The survey notes that traditional risks are making a comeback and the ways in which they emerge and transmit through banks have changed.

Geopolitical tensions, technology and innovation, and the growth of private capital are also driving opportunities and exposures. At the same time, regulation is becoming more localized, increasing compliance and operational costs for banks. Together, these forces are reshaping the capabilities, resources, and strategies of banks as they navigate this landscape.

This is the third article of the SGV Financial Regulatory Outlook series, which builds on insights from the SGV Knowledge Institute event, "Global Shifts, Local Impact: Navigating the Next Wave of Banking Regulation."

RE-EMERGING TOP RISKS

With the promise of improved productivity, artificial intelligence (AI) is increasingly being deployed. Digitization has also allowed for better access to financial services, furthering financial inclusion for sectors of the economy that need it most. With this comes heightened concerns about cybersecurity, digital fraud, and financial crime, all reported in the survey as top risks for the world's CROs.

Additionally, geopolitical instability is seen as a powerful external force shaping risk management strategies. It moves through banks in interconnected chains. It first affects market sentiment, raising uncertainty and leading to changes in investor confidence. It then affects formal economic channels, whether through consequent trade or financial restrictions, or physical disruption. This leads to possible supply chain disruptions, rising levels of sovereign debt, a decline in aggregate demand, and an overall increase in prices that deter growth and trade. These risks then make their way into the balance sheet, affecting credit, liquidity, funding, and market risks — ultimately translating into pressure on capital adequacy. However, their impact extends beyond financial risks, also affecting overall operations and governance.

In the Philippines, the recent geopolitical shock coming from the Middle East is already making waves through supply chain disruptions, placing upward pressure on the price of fuel. As a primary input, higher fuel prices will in turn increase the prices of necessities, leading to a budget squeeze and a fall in overall disposable income. Tighter budgets mean weaker debt-servicing capacity and overall credit demand. Over time, this materializes in the bank's purview due to implications in asset quality, credit growth, and liquidity conditions.

Credit risk is also making a comeback as a top concern through a combination of traditional financial concerns, rising defaults linked to geopolitical instability and market developments, and the rise of private credit. Private credit or non-bank financial institutions (NBFIs) has taken a more prominent role in the industry, raising concerns about the unregulated "shadow banking" system.

In the Philippines, this is especially relevant given the rise of fintechs which, while expanding access beyond traditional financing, also expands the entities covered under non-bank finance to include startups that enable peer-to-peer lending, pool savings, and profit credit. The local environment is made even more complicated given the distinction between NBFIs with quasi-banking licenses (e.g., investment houses and trust companies) and those without (e.g., pawnshops and remittance companies)

REGULATORY FRAGMENTATION AS A RISK MULTIPLIER

Acting as an overlay to these top risks is the fragmented regulatory landscape. Global standards are being localized, leading to differing interpretations and implications. This is not only in prudential regulation, but also in the areas of AI, sustainable finance, digital assets, and payments.

The shifting regulations highlight shifting priorities for localities while increasing complexities for multinational entities. According to the survey, regulatory fragmentation is expected to increase compliance and operational costs, exacerbate challenges in data management reporting, and lead to difficulties in risk aggregation and measurement. Banks will not only deal with the inherent risk of operations but also consider the costs and opportunities of doing business in specific countries or regions owing to diverging regulations. This confluence of changing top risks and regulation is pushing banks beyond balance sheet defense.

SHIFTING STRATEGIES

Today's top risks are increasingly non-financial while also driving financial risks. Strong capital planning is indeed still necessary, but it is no longer sufficient on its own.

The survey emphasizes increased resilience as a top strategy to manage geopolitical risks and diverging regulations. In the Philippines, the recent BSP Circular 1203 on Operational Resilience espouses a move beyond continuity planning, stressing the identification of critical operations and systems, mapping of dependences, definition of tolerances, scenario testing, and overall recovery capabilities.

Moreover, managing this new complex risk landscape requires an emphasis on skills around new technologies as well as different team structures. According to the survey, top skillsets for risk management include digital acumen, adaptability to a changing risk environment, understanding the enabling role of risk management, having a deeper specialization in at least one domain, and critical soft skills such as leadership, communication, and collaboration.

FROM RISK AWARENESS TO RISK STRATEGIES

The risk landscape is being shaped not by a single shock, but by a convergence of multiple external shocks materializing through new and traditional risks. This is happening against a backdrop of increased regulatory fragmentation. As countries continue to prioritize localization, banks are managing compliance not as a set of global standards, but as a portfolio of specific local and regional regulations.

Managing this complex environment requires a change in mindset. The banks that navigate these risks will not be the ones that control every risk, but those that build capabilities to anticipate change, identify transmission channels, and embed resilience in strategy, operations, and resources.

This time is different. Resilience is not just about stability; it's about sustained adaptability.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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