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TAX RULES & NEWS

SERIES NO. 038-2024

IN THIS SERIES:

Latest from BIR

- Revenue Memorandum Orders (RMO)

Tax Law

Tax and Business Related News

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BUREAU OF INTERNAL REVENUE *Issuances*

REVENUE MEMORANDUM ORDERS

RMO No. 40-2024
September 30, 2024

Modification of Alphanumeric Tax Code of selected revenue source under Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprise Act

Full Text

RMO No. 41-2024
October 2, 2024

Amending pertinent provisions of Revenue Memorandum Order (RMO) No. 24-2017 dated September 8, 2017 and RMO No. 40-2018 dated July 03, 2018 on the guidelines and procedures on the use and maintenance of the BIR Dormitory in the National and Regional Offices

Full Text | **Annex A** | **Annex B** | **Annex C** | **Annex D** | **Annex E**

RMO No. 42-2024
October 2, 2024

Amending certain provisions of Revenue Memorandum Order No. 23-2024 regarding VAT refund claims automatically considered as high-risk or requiring full verification, in relation to the risk-based approach in the verification and processing of Value-Added Tax refunds

Full Text

BUREAU OF INTERNAL REVENUE *Issuances*

REVENUE MEMORANDUM ORDERS

RMO No. 43-2024
October 2, 2024

Implementation and maintenance of BIR OneHub Portal

Full Text

TAX LAW

REPUBLIC ACT No. 12022
Official Gazette / October 2, 2024

AN ACT DEFINING THE CRIMES OF AGRICULTURAL ECONOMIC SABOTAGE, PRESCRIBING PENALTIES THEREFOR, VESTING JURISDICTION OVER SUCH OFFENSES WITH THE COURT OF TAX APPEALS, PROVIDING MECHANISMS FOR ITS IMPLEMENTATION AND ENFORCEMENT, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 10845 OR THE "ANTI-AGRICULTURAL SMUGGLING ACT OF 2016

https://www.officialgazette.gov.ph/2024/09/26/republic-act-no-12022/

TAX LAW

REPUBLIC ACT No. 12023
Official Gazette / October 3, 2024

AN ACT AMENDING SECTIONS 105, 108, 109, 110, 113, 114, 115, 128, 236, AND 288 AND ADDING NEW SECTIONS 108-A AND 108-B OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

https://www.officialgazette.gov.ph/2024/10/02/republic-act-no-12023/

TAX AND BUSINESS RELATED News

Lumagui: VAT on Resident & Non-Resident Digital Service Providers will promote a Fair & Competitive Business Environment in the Philippines.

Bureau of Internal (BIR) Commissioner Romeo D. Lumagui Jr. supports the goal of Republic Act No. 12023, which is to level the playing field between local brick and mortar companies and digital service providers, whether or not the latter have offices in the Philippines. This new law promotes fair competition because it equalizes the Value-Added Tax (VAT) to be paid by both local and foreign companies, as long as they are doing business in the Philippines. "The BIR supports RA No. 12023. This will promote fair competition amongst businesses that are profiting from consumers here in the Philippines. A level playing field produces better products and services" Commissioner Lumagui stated

Click the link below to read the full news from the source:
https://bir-cdn.bir.gov.ph/BIR/pdf/PR69OCT0324.pdf

TAX AND BUSINESS RELATED News

BIR tells public: Use online system

The Freeman – Philippine Star / Jonnavie Villa / September 29, 2024

The ORUS is in line with BIR Commissioner Romeo "Jun" Lumagui Jr.'s vision to pursue digital innovation to improve the delivery of taxpayer service. Apart from providing convenience, Darcera said that the ORUS website, https://orus.bir.gov.ph/home, aims to avoid the risk of scams or for taxpayers to purchase counterfeit BIR TIN cards. The digital TIN ID is a recognized government-issued identification that taxpayers can use for transactions with government agencies, with their employers, banks, and other institutions.

Click the link below to read the full news from the source:
https://www.philstar.com/the-freeman/cebu-news/2024/09/29/2388756/bir-tells-public-use-online-system

BIR signals major push against smuggling of farm commodities

Business World / Beatriz Marie D. Cruz / September 30, 2024

THE Bureau of Internal Revenue (BIR) said on Monday that it will deploy as many personnel as needed to deter the smuggling of farm commodities. "The BIR will deploy all revenuers needed to fully enforce the Anti-Agricultural Economic Sabotage Act," BIR Commissioner Romeo D. Lumagui, Jr. said in a statement. The recently signed law, which went into the books as Republic Act (RA) No. 12022, expanded the definition of agricultural products to cover livestock, aquatic products, and tobacco. Under the law, selling tobacco products at 30% below the daily price index will be deemed an act of smuggling.

https://www.bworldonline.com/economy/2024/09/30/624887/bir-signals-major-push-against-smuggling-of-farm-commodities/

TAX AND BUSINESS RELATED News

Taxes on the sale of real property "Let's Talk Tax"

Business World / Alexander M. Querido, Jr. / September 30, 2024

Real property under Revenue Regulations (RR) No. 7-2003 follows the definition laid down in Article 415 of the Civil Code of the Philippines which enumerates 10 items of real property, including land, buildings, roads and construction of all kinds adhered to the soil, and everything attached to an immovable object in a fixed manner, in such a way that it cannot be separated therefrom without breaking the materials or causing the deterioration of the object.

VAT-EXEMPT SALE OF REAL PROPERTY - Not all sale of real property is subject to value-added tax (VAT). In RR No. 1-2024, which amended RR No. 8-2021, it provides that the sale of real property not primarily held for sale to customers or held for lease in the ordinary course of trade or business; real property utilized for socialized housing; and house and lot, and other residential dwellings, with a selling price of not more than P3.6 million effective Jan. 1, 2024, is VAT-exempt.

SALE OF REAL PROPERTY SUBJECT TO VAT, TAXABLE BASE AND INVOICING REQUIREMENTS - Revenue Memorandum Circular (RMC) No. 99-2023 provides that generally, sales of real property classified as "ordinary assets" are subject to VAT (except for the transactions mentioned in the preceding part of this article).

REPORTING OF SALE IN THE ITR - RMC No. 99-2023 states that if the seller's registered business with the BIR is real estate, the sale forms part of its gross sales reported in the ITR. Otherwise, the sale, despite the issuance of a sales invoice, does not form part of gross sales, but the gain on such sale of real property must be declared as other taxable income in the ITR. The gain is computed by deducting the book value of the real property from the selling price indicated in the SI. Any creditable tax withheld by the purchase may be claimed as a tax credit. The copy of BIR Form No. 1606 with proof of payment of the Creditable Withholding Tax must be attached to the ITR where the sales were declared by the seller.

The sale of real property is considered to have special tax compliance rules. Hence, with the changes introduced by EoPT and RPVARA, we may expect new regulations to be issued by the BIR to ease the processing of related taxes for real properties and assist the real estate industry with its steady growth.

https://www.bworldonline.com/economy/2024/09/30/624882/taxes-on-the-sale-of-real-property/

TAX AND BUSINESS RELATED News

CTA favors DMCI in P103.68-M tax appeal

Business World / Chloe Mari A. Hufana / September 30, 2024

THE Court of Tax Appeals (CTA) ruled in favor of DMCI Holdings, Inc. in the company's appeal against the Bureau of Internal Revenue (BIR) regarding over P103.68 million in deficiency income tax assessment for 2014, citing erroneous audit calculations and a lack of substantial evidence. The tax court's first division, in a decision publicized on Sept. 23, rejected the BIR's computation of the company's taxable income for 2014. DMCI initially faced a P159.18-million assessment from the BIR, which was eventually reduced to P103.68 million. The assessment covered alleged deficiencies in income tax, value-added tax (VAT), and other tax categories for the 2014 fiscal year.

https://www.bworldonline.com/corporate/2024/09/30/624590/cta-favors-dmci-in-p103-68-m-tax-appeal/

SEC: No deadline extension for delinquent firms

Business World / Mikhael D. Ochave / September 30, 2024

THE SECURITIES and Exchange Commission (SEC) said there will be no extension for the Nov. 30 deadline of the recently launched enhanced compliance incentive plan (ECIP) for delinquent companies. "We're sticking to the Nov. 30 deadline; there is no plan for an extension," SEC Commissioner Javey Paul D. Francisco told BusinessWorld on the sidelines of a forum in Quezon City last week. "We just want people to have a compliance culture," he added. Launched on Sept. 2, the ECIP lets corporations settle fines and penalties for the late or nonfiling of their annual financial statements (AFS), general information sheets (GIS), and noncompliance with Memorandum Circular No. 28 for only P20,000. MC 28 mandates corporations to identify and submit official and alternative mobile phone numbers and e-mail addresses for their transactions with the corporate regulator. Suspended or revoked corporations may apply for the lifting of the order suspending or revoking their corporate registration by paying a P3,060 petition fee and settling only 50% of their total assessed fines and penalties. Corporations that do not avail themselves of the ECIP are at risk of higher penalties for noncompliance with reportorial requirements.

https://www.bworldonline.com/corporate/2024/09/30/624594/sec-no-deadline-extension-for-delinquent-firms/

TAX AND BUSINESS RELATED News

No tax clearance, no payment: BIR implements new rules for gov't contractors

Bilyonaryo.com / September 30, 2024

Government contractors are now required to obtain a tax clearance from the Bureau of Internal Revenue (BIR) to receive full payment for their projects. The BIR issued Revenue Regulation No. 017- 2024, formally mandating that contractor working with the government—whether through national government agencies, local government units, government-owned and -controlled corporations, or state universities and colleges—must present an updated tax clearance prior to the final settlement of their contracts. The agency noted that the Government Procurement Reform Act (RA No. 9184) already requires bidders for government contracts to submit a tax clearance as part of the eligibility requirements.

https://bilyonaryo.com/2024/09/30/no-tax-clearance-no-payment-bir-implements-new-rules-for-govt-contractors/business/

Doubts raised about crypto taxability in proposed digital-services VAT law

Business World / Kenneth Christiane L. Basilio / October 1, 2024

THE GOVERNMENT is likely to run into difficulty in trying to apply a digital-services value-added tax (VAT) to cryptocurrency traders, analysts said. While acknowledging that the upcoming law could plausibly apply to crypto-related services, the analysts said the overseas crypto exchanges that comply with the law could simply pass on the cost of VAT to their users, raising the transaction cost and discouraging frequent trading. Arlone Abello, executive director of Philippines Association of Crypto Traders, also warned in an e-mail that the impact of the tax on crypto trading could make optimistic tax revenue projections fail to materialize. "Since VAT is typically passed on to consumers, traders may experience an increase in the cost of their transactions, as platforms adjust their pricing to accommodate the tax," he said.

https://www.bworldonline.com/economy/2024/10/01/625177/doubts-raised-about-crypto-taxability-in-proposed-digital-services-vat-law/

TAX AND BUSINESS RELATED News

BSP eyeing to remove fees on small transfers

Business World / Luisa Maria Jacinta C. Jacson / October 1, 2024

THE BANGKO SENTRAL ng Pilipinas (BSP) wants to remove transaction fees for person-to-person electronic fund transfers and payments to small businesses, based on a draft circular. The central bank is eyeing to amend the Manual of Regulations for Payment Systems (MORPS) to "provide for the elimination of fees on electronic fund transfers for personal transactions, up to a specified threshold on the number of transactions, and on payments for micro-merchants," according to an exposure draft of the circular posted on its website. BSP Governor Eli M. Remolona, Jr. earlier said the regulator has been employing moral suasion to influence the banking industry to permanently remove charges for small-value person-to-person online transactions. The BSP has been encouraging banks since last year to formalize the removal of these fees to help boost digital payments. The central bank said micro-merchants are end-users that avail of merchant payment acceptance activities and that fall under the definition of microenterprises in the Magna Carta for Micro, Small, and Medium Enterprises. Micro-merchants have monthly aggregate gross receipts that do not exceed P250,000, it said.

https://www.bworldonline.com/top-stories/2024/10/01/624868/bsp-eyeing-to-remove-fees-on-small-transfers/

BIR sees tax collection boost as online sellers start withholding

Business World / Beatriz Marie D. Cruz / October 2, 2024

THE Bureau of Internal Revenue (BIR) expects collections to improve in the coming months as the new withholding tax on online sales takes effect. "Collections from the withholding taxes from online sellers are expected to come in beginning November, so that will help," BIR Commissioner Romeo D. Lumagui, Jr. told reporters on the sidelines of a forum on Wednesday. "In the coming weeks, we will be more aggressive in our enforcement," he added. The BIR had notified online sellers and merchants of their obligation to withhold starting July 15.

https://www.bworldonline.com/economy/2024/10/02/625483/bir-sees-tax-collection-boost-as-online-sellers-start-withholding/

TAX AND BUSINESS RELATED News

Recto: Value-added tax law on digital services ensures equitable tax treatment on all digital businesses, boosts revenue collections for national development –

Department of Finance / October 2, 2024

Finance Secretary Ralph G. Recto lauds the enactment of a new law that will ensure equitable tax treatment on all digital businesses providing services in the Philippines and boost much-needed revenue collections to aid national development. Republic Act (RA) No. 12023 or the Value-Added Tax on Digital Services was signed into law by President Ferdinand R. Marcos, Jr. on October 2, 2024. It levels the playing field between local and foreign digital service providers (DSPs) by mandating a 12% value-added tax on all digital services consumed in the Philippines. At present, only local DSPs are subject to paying the 12% value-added tax. Digital services include online search engines, marketplaces, cloud services, online media, online advertising, and digital goods. "With this law, we say that if your presence in the Philippine market is as real as your profits, then your tax responsibility should also be equally tangible. But make no mistake. We are not imposing new taxes. We are simply strengthening the authority and streamlining the process of the BIR to collect value-added tax on digital services," the President said during the ceremonial signing of the law.

https://www.dof.gov.ph/recto-value-added-tax-law-on-digital-services-ensures-equitable-tax-treatment-on-all-digital-businesses-boosts-revenue-collections-for-national-development/

BIR sees tax collection boost as online sellers start withholding -

Business World / Beatriz Marie D. Cruz / October 2, 2024

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https://www.bworldonline.com/editors-picks/2024/10/02/625483/bir-sees-tax-collection-boost-as-online-sellers-start-withholding/

TAX AND BUSINESS RELATED News

Marcos signs law imposing 12% VAT on Netflix, Amazon

Business World / Kyle Aristophere T. Atienza / October 3, 2024

PHILIPPINE President Ferdinand R. Marcos, Jr. on Wednesday signed into law a bill taxing nonresident digital service providers (DSP) including Netflix and Amazon, from which it expects to collect P100 billion in the next five years. Republic Act No. 12023, which amended the National Revenue Code of 1997, imposes a 12% value-added tax (VAT) on foreign digital service providers. A 5% VAT will also be slapped on registered foreign players providing services to the government. The law covers online search engines, online marketplaces, cloud services, online media and advertising, online platforms, and any digital content providers. However, digital services sold on a subscription basis to educational institutions recognized by the Department of Education, the Commission on Higher Education, and state universities and colleges will be exempted from the VAT policy.

https://www.bworldonline.com/top-stories/2024/10/03/625459/marcos-signs-law-imposing-12-vat-on-netflix-amazon/

VAT on foreign digital services won't lead to big fee hikes – BIR

Inquirer.Net / Mariedel Irish U. Catilogo / October 3, 2024

The Bureau of Internal Revenue (BIR) said the new law imposing a 12-percent value-added tax (VAT) on foreign digital services will not result in "substantial" increases in service fees and subscription prices of providers. "When it comes down to it, we can't say what effect that will have on the price. But as far as we think, the increase is not that substantial," BIR Commissioner Romeo Lumagui Jr. said in an interview on Wednesday, October 2.

https://business.inquirer.net/483283/vat-on-foreign-digital-services-wont-lead-to-big-fee-hikes-bir#ixzz8nZwTAX66

TAX AND BUSINESS RELATED News

Revenue losses from high — and faulty — tax rates on tobacco and vape products

Business World / Bienvenido S. Oplas Jr. / October 3, 2024

The Department of Finance (DoF) and the economic team keep looking for new revenue sources while plugging leaks in existing tax revenues. The excise tax for "sin" products is among the problematic revenues in terms of lack of consistency. While collections from alcohol and sweetened beverage products continue to rise or flatline, collections from tobacco and cigarettes continue to decline. From peak revenues of P176 billion in 2021 when the tax rate was P50/pack, it declined to P160 billion in 2022 when the tax rate was P55/pack, and further down to P135 billion in 2023 when it was P60/pack. The main culprit for the trend is the illicit trade or smuggling of tobacco products, which are sold by smugglers, criminal syndicates, and terrorist organizations at low prices that are on average half of the price of legal (taxed) tobacco.

https://www.bworldonline.com/editors-picks/2024/10/03/625444/revenue-losses-from-high-and-faulty-tax-rates-on-tobacco-and-vape-products/

VAT on digital services law levels playing field for MSMEs, DTI says

Business World / Justie Irish D. Tabile / October 3, 2024

THE Department of Trade and Industry (DTI) said newly signed legislation that will impose value-added tax (VAT) on foreign digital service providers will help level the playing field for micro, small and medium enterprises (MSMEs). In a statement on Thursday, Acting Trade Secretary Cristina Aldeguer-Roque said the VAT on Digital Services Law will also empower MSMEs in the digital age while protecting consumers. "This landmark legislation is a significant step towards creating a more equitable and inclusive digital economy in the Philippines," Ms. Roque said.

https://www.bworldonline.com/economy/2024/10/03/625781/vat-on-digital-services-law-levels-playing-field-for-msmes-dti-says/

TAX AND BUSINESS RELATED News

CTA rules: Barangays cannot assess, collect amusement fees from owners of movie theaters

Manila Bulletin / Rey G. Panaligan / October 3, 2024

Can barangay (village) officials assess and collect amusement fees based on gross sales and receipts of business establishments like movie theaters operating within their jurisdiction? No, declared the Court of Tax Appeals (CTA) in a decision which granted the petition of SM Prime Holdings, Inc. that operates movie theaters at its SM City San Lazaro in Manila. The CTA said that the New Revenue Code under Ordinance No. 02 series of 2016 of Barangay 350, Zone 35, District III of Manila violated Article 233 of the Implementing Rules and Regulations (IRR) of the Local Government Code (LGC).

https://mb.com.ph/2024/10/3/cta-rules-barangays-cannot-assess-collect-amusement-fees-from-owners-of-movie-theaters

PHL has room for new taxes — International Monetary Fund (IMF)

Business World / Luisa Maria Jacinta C. Jocson / October 4, 2024

WITH the Philippines' fiscal consolidation slowing this year, the International Monetary Fund (IMF) said the country still has room to introduce new tax measures. "On the fiscal policy side, we see fiscal consolidation proceeding in 2024, although it will be more moderate than envisioned in earlier projections," IMF Mission Chief Elif Arbatli Saxegaard said at a press briefing on Wednesday. "In terms of spending, we actually see more spending on the public side. We see that being offset or financed by higher revenues," she added. The IMF projects the fiscal deficit to settle at 5.6% of gross domestic product (GDP) this year and in 2025. However, it noted that its deficit definition is different from the National Government's (NG) as it uses a different standard in capturing the deficit.

https://www.bworldonline.com/top-stories/2024/10/04/625759/phl-has-room-for-new-taxes-imf/

TAX AND BUSINESS RELATED News

BIR unlikely to meet collection target

The Philippine Star / Louise Maureen Simeon / October 4, 2024

MANILA, Philippines — With a quarter left in the year, the Bureau of Internal Revenue (BIR) may have to settle with a missed collection target even with an additional tax stream from online sellers. During the Kapihan sa Manila Bay forum on Wednesday, BIR commissioner Romeo Lumagui said collection from January to August is better than last year's tax take.

https://www.philstar.com/business/2024/10/04/2389922/bir-unlikely-meet-collection-target

Retailers cheer VAT on digital services

The Philippine Star / Louise Maureen Simeon / October 4, 2024

MANILA, Philippines — The country's group of retailers cheered the signing of the law imposing value-added tax (VAT) on digital services as this would create a level playing field and contribute to government revenues. In a Viber message, Philippine Retailers Association president Roberto Claudio said the group commends the Congress, Department of Trade and Industry, Department of Finance and Office of the President on the passage and signing of this bill imposing VAT on digital services. "On behalf of the business community and retailers in the Philippines, this now levels the business environment between local retailers and online foreign merchants," he said.

https://www.philstar.com/https://www.philstar.com/business/2024/10/04/2389923/retailers-cheer-vat-digital-services/2024/10/04/2389923/retailers-cheer-vat-digital-services

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