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To be deductible, bonus must be subjected to withholding tax ⁴
Loss on sale is not a taxable donation ⁵
TTRA not mandatory even to assessment cases ⁶
Sales of vouchers is not “retail trade” under RA No. 8762 ¹²
At a glance
Updates, reiterations and clarifications on selected topics

Ready... Set... Go!

After a ‘period of calm’ in the issuance of accounting standards, the much-talked about new accounting standards on revenue and financial instruments are set to be effective in 2018. Companies’ readiness to adopt forthcoming changes in those standards has never been more relevant than now. A heightened awareness is necessary in order to prepare for adoption of those standards as the impact may be significant. In this update training, we will take a deep dive at PFRS 9, Financial Instruments, and PFRS 15, Revenue from Contracts with Customers, and revisit key principles which are being discussed by regulators and various stakeholders world-wide.

Changes in financial reporting are not limited to PFRS. For those companies applying PFRS for SMEs, after a review by the standard setters, amendments have been introduced that simplify financial reporting practices and financial statements. In the auditing standards front, an amendment to Philippine Standards on Auditing amends the auditor’s report where the most significant change is the introduction of ‘key audit matters’.

We will also look at accounting topics where there are increasing accounting consultations particularly on new Philippine Interpretations Committee’s interpretations, SEC issuances, accounting for supplier financing, and areas on tax vs. accounting.

We would like to invite you to our PFRS seminar entitled: Ready... Set... Go! A 2015 PFRS Update Seminar to be held on 21 October 2015, from 8.30am to 5.30pm, at Rizal Ballroom B, Makati Shangri-La, Makati City.

Our speakers
1. John-John Patrick V. Lim, Accounting Consulting Services (ACS) co-leader and Assurance Partner
2. Gina S. Detera, ACS co-leader and Assurance Partner
3. Lois M. Gregorio-Abad, Assurance and ACS Partner
4. Aldie P. Garcia, Assurance Partner
5. Nelson Charsegun L. Aquino, Assurance Partner
6. Maritess T. Buted, Assurance Director
7. Carlos Federico C. De Guzman, Assurance Director

For more information, please visit our website at www.pwc.com/ph/pfrs
Clarifying depreciation and amortization methods

Over the years, there are questions on acceptable accounting methods for depreciation and amortization. IAS 16, *Property, plant and equipment*, and IAS 38, *Intangible assets*, define depreciation and amortization, respectively, as the systematic allocation of the cost of the asset after deducting its residual value over its expected useful life. These standards also provided examples of depreciation and amortization methods such as straight-line method, diminishing balance method and units of production method. Most of these methods are straightforward to apply, however, under the units of production method, difficulty may arise because an entity recognizes depreciation and amortization based on the expected use or output which may require a certain level of judgment. An example is the revenue-based approach whereby an entity allocates depreciation and amortization based on the total revenue expected to be generated by an asset.

In May 2014, the International Accounting Standards Board (IASB) amended IAS 16 and IAS 38 to clarify when a depreciation or amortization may be based on revenue.

For property, plant and equipment, the amendment clarified that a revenue-based depreciation method is no longer appropriate because there are factors that affect revenue other than the consumption of economic benefits embodied in an asset. These may include inputs and processes, selling activities, changes in sales volumes and prices which have no direct correlation to the use of the asset.

For intangible assets, the amendment establishes a rebuttable presumption that a revenue-based depreciation is not appropriate except:

- Where the intangible asset is expressed as a measure of revenue (e.g. an entity whose rights to operate a toll road is based on a fixed amount of revenue to be generated from toll charges); or

- Where it can be demonstrated that revenue and consumption of economic benefits are highly correlated (e.g. an entity with a concession to explore and extract gold from gold mine and the expiration of contract is based on a fixed amount of total revenue to be generated from extraction).

Furthermore, the amendment to IAS 38 introduced guidance in determining the appropriate amortization method of intangible asset by determining the “predominant limiting factor”. While “predominant limiting factor” is not defined in the standard, it is illustrated as the starting point for identifying the appropriate amortization method which may be stated as a provision in a contract where an entity’s right over the use of an intangible asset can be expressed in terms of years, units of output or even revenue. Where revenue is identified as the “predominant limiting factor”, a revenue-based amortization method may be appropriate.

Generally, the amendments to IAS 16 will not have significant impact since the common depreciation methods used are straight-line method and diminishing balance method for most industries while unit of production based on output is being used in manufacturing and mining industries. On the other hand, entities that have intangible assets under International Financial Reporting Interpretations Committee 12, *Service Concessions*, may be significantly impacted by the amendment to IAS 38 where a revenue-based amortization method is used.

Those in entertainment and media industries may also be significantly affected considering that program rights are commonly amortized using the declining balance method since the significant portion of revenues are recognized from the first airing/showing of commercials/shows. It may be viewed that a revenue-based amortization is more appropriate in these types of instances.

We expect that these amendments to IAS 16 and 38 would also be adopted in the Philippines and shall be effective for annual periods beginning on or after 1 January 2016, and are applied prospectively. Upon adoption in the Philippines, earlier application is permitted but the entity shall disclose that fact.
Latest on income tax, VAT, and other taxes

To be deductible, bonus must be subjected to withholding tax

According to the SC, the duty to withhold tax on the compensation and bonuses arises upon its accrual. The SC stated in this case that “Underlying its accrual of the bonus expense was a reasonable expectation or probability that the bonus would be achieved. In this sense, there was already a constructive payment for income tax purposes as these accrued bonuses were already allotted or made available to its officers and employees.”

(G.R. No. 167679 dated 22 July 2015)

VAT applies to hotel services to international airlines

Hotel services rendered to pilots and staff of an international airline during flight layovers are subject to 12% VAT. To be qualified for VAT zero-rating, the services rendered to persons engaged in international shipping or air transport should have a direct connection with the transport of goods or passengers. Since room accommodations to pilots and crew members, along with food and beverage services, had no direct connection with the transport of goods or passengers, the said services shall be subject to 12% VAT.

(CTA EB Case No. 1113 dated 10 September 2015)

Schools’ income used for non-educational purposes is subject to tax

Despite its non-stock and non-profit nature, an educational institution is liable for assessed deficiency tax on income derived from the operation of a canteen and income from the rental of its facilities, says the CTA.

To qualify for tax exemption, the following requisites under the Philippine Constitution and the Tax Code must exist:

1. It is a non-stock, non-profit educational institution; and
2. The income it seeks to be exempted from taxation is used actually, directly, and exclusively for educational purposes.

In this case, the school was not able to show that all of its income and revenues were actually, directly, and exclusively used for educational purposes. While it claimed that all its revenues are pooled into the General Fund, its AFS for 2004 and 2005 did not show that the proceeds received from the canteen operator were co-mingled with the General Fund. Moreover, its expenditures, such as retirement contribution, entertainment, amusement, and recreation, are not directly related to the main function of a non-stock, non-profit educational institution.

(CTA Case No. 8363 dated 24 August 2015)

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(CTA Case No. 8363 dated 24 August 2015)
Foreign government institution is exempt from tax

The CTA held that interest income from investments in bonds by a foreign government or a financing institution owned, controlled, or enjoying refinancing from foreign governments or an international or regional foreign institution established by foreign governments is exempt from income tax.

(CTA Case No. 8437 dated 27 August 2015)

Loss on sale is not a taxable donation

For purposes of imposing donor’s tax on sales of shares, the determining factor is not the excess of the cost over the selling price, but the excess of the FMV of the shares sold, bartered or exchanged over the actual selling price. To determine the FMV of the shares sold, what is considered is the book value of the shares shown in the financial statement duly certified by an independent CPA nearest to the date of sale. [Note: The case involved a 2011 transaction where RR No. 6-2008 is the prevailing rule. Amending that rule is RR No. 6-2013 which defined FMV as the adjusted Net Asset Value].

(CTA Case No. 8741 dated 4 September 2015)

VAT on OECF Funded Projects

The CIR recognized the agreement between the Republic of the Philippines and the Government of Japan in relation to the OECF Funded Projects. In the Exchange of Notes, the Republic of the Philippines shall assume the taxes. Thus, the final withholding tax of 5% of the gross payment shall be assumed by the Government of the Philippines. The amount shall be considered as a final settlement of the tax due on the income received by Japanese contractors. Accordingly, the 12% VAT to be assumed by the Philippine Government or executing government agency shall not be included in the billing of the Japanese contractors of the OECF Projects.

(Revenue Memorandum Circular No. 45-2015 dated 24 August 2015)
**TTRA not mandatory even to assessment cases**

As previously pronounced by the SC, failure to secure a TTRA pursuant to RMO No. 1-2000 does not divest a taxpayer of his entitlement to relief, as the obligation to comply with a tax treaty must take precedence over the objective of RMO No. 1-2000. The ruling applies whether the taxpayer is claiming for a refund or seeking cancellation of an assessment.

(CTA EB Case No. 1195 dated 20 August 2015)

**FAN issued before the 15-day period to reply to PAN is void**

Again, the CTA held that the failure of the CIR to comply with the requirements laid down by law is a violation of the taxpayer’s right to due process.

The observance of the requirements set forth under Section 3.1.2 of RR No. 12-99 is mandatory and substantive, and not merely a formal requirement. The essence of due process is the opportunity to be heard, and administrative proceedings are not exempt from such. Thus, the CIR’s disregard of the 15-day period accorded to the taxpayer to reply to the PAN renders the FAN or FLD void.

(CTA Case No. 8370 dated 26 August 2015)

**Assessment without LOA is valid**

According to the CTA, the absence of an LOA does not invalidate an assessment. An LOA is issued to authorize a revenue officer to examine the taxpayer’s book of account. However, the issuance of an LOA in this case is not indispensable since none of the financial books or records was examined by the BIR. Thus, when no examination of the books of account is to be conducted, there is no need to issue an LOA.

(CTA EB Case No. 1224 dated 2 September 2015)

**Court increasing assessed tax is not a new assessment**

The CTA explained that to accord the government and the taxpayer the opportunity to be heard, it is authorized to receive evidence and to summon witnesses. On the basis of the evidence presented, the CTA merely determines the correct amount of tax to be paid. Thus, the findings of the CTA increasing the assessed amount should not be considered a new assessment.

(CTA Case No. 8291 dated 13 July 2015)

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**Glossary**

- CIR - Commissioner of Internal Revenue
- CRM - Cash Register Machine
- CTA - Court of Tax Appeals
- FAN - Final Assessment Notice
- FLD - Final Letter of Demand
- IRSIS - Internal Revenue Stamps and Integrated System
- LOA - Letter of Authority
- PAN - Preliminary Assessment Notice
- POS - Point-of-Sales
- RMC - Revenue Memorandum Circular
- RMO - Revenue Memorandum Order
- RR - Revenue Regulations
- SC - Supreme Court
- TTRA - Tax Treaty Relief Application
- UIC - Unique Identifier Code

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1 G.R. No. 18850 dated 19 August 2013
2 Guidelines on the Processing of TTRA Pursuant to Existing Philippine Tax Treaties
Latest on tax compliance matters

**IRSIS on cigarettes manufactured for export**

Section 9 of RR No. 7-2014 is amended to implement the following directives:

Cigarettes manufactured for export should (i) comply strictly with existing BIR rules and regulations on related processes, (ii) provide labels that clearly state the country of destination for which it was allowed to be manufactured for, (iii) have labels that are not similar in any way to other cigarette labels sold in the Philippines, and (iv) provide a certified true copy of the bill of lading/shipping manifest identifying the quantity, brands and country of destination, as proof of compliance with the directives. The range of UICs of internal revenue stamps to be affixed on the cigarette shall be provided to the exporter, through the IRSIS, and paid by the local manufacturer-exporter at PHP0.03 per stamp.

Cigarettes found in the Philippines without any internal revenue stamp shall be presumed to have been withdrawn without payment of excise tax and subject to penalties under the Tax Code.

(Revenue Regulations No. 9-2015 dated 2 September 2015)

**Use of non-thermal paper mandatory for all receipt-generating machines**

The CIR has issued an RR mandating the use of non-thermal paper for all Cash Register Machines (CRM)/Point-of-Sales (POS) Machines and other invoice/receipt-generating machine/software.

The salient provisions of the Regulation are as follows:

1. All new business registrants with CRM/POS/other similar machines/software shall only use non-thermal paper.

2. Existing registered taxpayers, including those using CRM/POS linked to Computerized Accounting System (CAS) or components thereof that generate electronic receipts, are mandated to use non-thermal paper on the deadlines stated below:

<table>
<thead>
<tr>
<th>Subject machines registered starting:</th>
<th>Deadlines:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2014 onwards</td>
<td>On or before 1 July 2018</td>
</tr>
<tr>
<td>1 July 2013 – 30 June 2014</td>
<td>On or before 1 July 2017</td>
</tr>
<tr>
<td>Prior to 1 July 2012 – 30 June 2013</td>
<td>On or before 1 September 2016</td>
</tr>
</tbody>
</table>

3. To give ample time in procuring and reconfiguring machines and systems to comply with such requirement, adjustments should be undertaken on or before 1 October 2015.

4. Any extension due to enhancements of systems required to be undertaken abroad should be approved by the concerned Regional Director or Assistant Commissioner, Large Taxpayer Service which shall not be longer than six months from the effectivity of this Regulation.

(Revenue Regulations No. 10-2015 dated 21 September 2015)

**New rules on submission of inventory list**

The CIR has issued an RMC on the financial accounting information that needs to be reported by taxpayers in addition to their annual inventory list per RR No. V-1.

The salient portions of the Circular are as follows:

1. Taxpayers covered by this Circular are companies maintaining inventory of stock-in-trade, raw materials, goods in process, supplies and other goods such as manufacturing, wholesaling, distributing/retailing sectors, real estate dealers/developers, and service companies.
2. In addition to the annual inventory list, taxpayers must submit the following:

• For taxpayers with tangible asset-rich balance sheets with at least half of total assets in working capital assets – hard and soft copies of schedules/lists as prescribed, using the format provided in Annex A of this Circular for manufacturing/merchandising or retail companies, Annex B and B-1 for real estate companies, and Annex C for those in the construction industry. Those not belonging to such industries shall adopt the prescribed format applicable to their existing inventory.  

• Soft copies of inventory lists including other applicable schedules should be stored in a properly labeled DVD-R. This should be submitted with a notarized certification, as provided under Annex D of this Circular, duly signed by the authorized representative of the taxpayer.

3. The inventory lists and other applicable schedules should be submitted with the concerned RDO where the non-large taxpayers are registered or with the LTAD, ELTRD or LTD Makati and Cebu for taxpayers under the Large Taxpayers Service.  

4. The schedules and inventory lists, following this prescribed format, should be submitted for initial filing on or before 31 October 2015 covering ending inventory as of 31 December 2014, and thereafter every 30th day following the close of the taxable year.

5. Non-conformance with the prescribed format shall render the submitted schedules and inventory lists not received by the concerned BIR office.


Availability of the UEE Data Entry and 2305 Batch File Validation Modules

The CIR has issued an RMC on the availability of the Update of Exemption of Employees (UEE) (BIR Form 2305) Data Entry Module and 2305 Batch Validation Module which shall be used for (i) updating employee’s additional exemption for dependents, (ii) changing status, and (iii) executing/revoking the husband’s “Waiver to Claim the Additional Exemption”.

The salient provisions of the Circular are as follows:

• No employee shall visit RDOs/LTDs to file their BIR Form No. 2305. Filing should be made electronically and coursed through their employers. The required information should be reported in the prescribed format using either Microsoft Excel CSV, taxpayer’s own extract program, or BIR’s UEE Data Entry Module.

• Those using Microsoft Excel CSV or their own extract program have to use the 2305 Batch File Validation Module.

• The employer must email the CSV file to BIRFORM_2503@bir.gov.ph following the specified procedures in Annexes A and B (Job Aids) and Annexes C and D (Process Flows) of the Circular. Reports submitted with errors or invalid file are considered as non-filing.

• After validating the BIR Form submitted by the employees, the employer should submit the following supporting documents to the RDO or LTD having jurisdiction over its Head Office on or before the 10th day of the following month:

  - Accomplished BIR Form No. 2305 signed by both employee and employer, with the complete documentary requirements;
  - System-generated email notification (Annex E) of electronically filed BIR Form; and
  - Printed Alphalist of Employees and Information Update report with the names of those with changes for the month following the prescribed layout (Annex F).

(Revenue Memorandum Circular No. 59-2015 dated 17 September 2015)
Amendments to VAT Audit Program of the LTS

For purposes of setting higher caseload threshold for Revenue Officers (RO) under the LTS VAT Audit Program, defining the scope of audit of the LTS vis-à-vis the VAT Audit Group, and prescribing the measures for the timely conclusion of VAT audit cases, the following provisions of RMO No. 19-2012 had been amended, as follows:

• The initial workload of each RO had been increased from 20 cases to 30 cases. An RO shall handle a maximum workload of 30 cases subject to replenishment each time an RO submits a “report of investigation” or a case is closed. However, a returned case to an RO shall not be counted as part of the RO’s 30 case-threshold limit and shall not be considered as a violation of this Order.

• The LTS VAT Audit Program also now covers:
  - Taxpayers whose VAT compliance is below the available established industry benchmarks.
  - Taxpayers with discrepancy in sales/revenue reported per e-Sales Report/Summary List of Sales versus VAT returns.
  - Taxpayers whose excess input tax carried forward in the VAT return of the succeeding quarter is different from the input tax reflected in the VAT return of the previous quarter.

• To facilitate the reporting of VAT audit cases, the RO assigned to audit the case should observe the following:
  - Perform only the audit procedures under Revenue Audit Memorandum Order (RAMO) No. 1-99 applicable to the risks identified for case selection and as a result of pre-audit analysis.
  - Complete an audit plan (Annex “A” of this Order) for each allocated case following their pre-audit analysis and agreed with their supervisor. This is to provide an audit trail for the scope of the audit and to ensure that the audit activity planned and the books and records to be examined will address the identified risks. If further risk areas are identified during the audit, this plan should be adjusted accordingly.
  - Attach to the docket only the documentary requirements prescribed under RMO No. 53-98 that are applicable and relevant to the audit case. However, the RO is not precluded from applying the full provisions of the aforementioned revenue issuances depending on the risks/areas of assessment found.

(Revenue Memorandum Order No. 16-2015 dated 21 July 2015)

Enrolling taxpayers with 999+ branch codes under the eAccReg, eSales systems

All concerned RDOs/LTAD/ELTRD/LTD Makati and Cebu with TIN applications for registration of branches that have reached more than “999” branch codes should be processed using eTIS-1 TRS upon its roll-out to their respective offices.

The workaround procedures in handling the said taxpayers are provided in this RMO and should be observed until such time that both systems and ITS are enhanced. Upon availability of the enhanced eAccReg and eSales, concerned taxpayers must enroll their five-digit TIN branch code and register the machines of the branches with more than “999” branch codes after the cancellation of its Permit to Use Cash Register Machines (CRMs)/Point of Sales (POS) Machines /Special Purpose Machines (SPMs) from its Head Office, using the original machine serial number. Once the enhanced eAccReg is capable to process the registration, all permits issued under this Memorandum shall be cancelled but with retention of the sales data.

(Revenue Memorandum Order No. 18-2015 dated 2 September 2015)
Notice for suspension and revocation of SEC registration is sufficient

According to the SC, the SEC cannot be faulted for revoking the company’s Registration of Securities and Permit to Sell Securities to the public due to the company’s repeated failure to timely submit its Annual and Quarterly Reports. The SRC provides that the Commission may revoke the effectivity of a registration statement and the security after due notice and hearing. Due process is simply an opportunity to be heard or explain one’s side or an opportunity to seek reconsideration of the action or ruling complained of. Although no formal hearing was held, the Court finds that there was substantial compliance of the right to be heard.

Further, the SC considered the fine imposed valid because the company was duly notified of its violations and the corresponding penalty that may be imposed should it fail to submit the required reports. It was given ample time to comply before the Order of Revocation was issued.

(G.R. No. 181381 dated 20 July 2015)

Change in inventory costing method from FIFO to WAC

A company engaged in manufacturing of electrical and electronic products and components sought for a change in its inventory costing method from First-In-First-Out (FIFO) to Weighted Average Cost (WAC) for its supplies inventory to arrive at a more effective costing method for all its inventories.

Section 41 of the Tax Code, as amended, allows a change in inventory costing method if (1) the change of method is approved by the Commissioner and (2) the Commissioner finds it necessary to modify the valuation method for a more realistic verification of the income, profits, or loss, provided that the said authority is exercised only once every three years and the change is subject to the approval of the Secretary of Finance.

Section 145 of RR No. 2-40 provides two tests for valuation of inventories: (1) it must harmonize as nearly as possible to the best accounting practice and (2) it must clearly reflect the income.

Considering that the change in the method of inventory costing of the company, from FIFO to WAC is aimed at arriving in a more effective costing method for all of its inventories, the request was granted.

(BIR Ruling No. 282-2015 dated 25 August 2015)

New wage structure for Eastern Visayas

Under Wage Order No. RB VIII – 18, a new wage structure for Eastern Visayas was approved, which now integrates the PHP15.00 Cost of Living Allowance (COLA) with Basic Pay.

Effective March 2015, the wage rates for Region VIII are as follows: (1) Non-Agriculture Sector – PHP230.00, (2) Cottage/Handicraft Sector – PHP238.00, (3) Retail/Service Sector (employing ten workers and below) – PHP235.00, (4) Agriculture (Non-Sugar) Sector – PHP241.00 and (5) Sugar Industry: (a) Mills – PHP262.00, (b) Plantation – PHP235.00 and (c) Non-Plantation – PHP228.00. The wage classification of Non-Plantation workers were simplified and shall henceforth be classified as Farm by 1 May 2015.

(Revenue Memorandum Circular No. 47-2015 dated 13 August 2015)
Daily minimum wage rates in CARAGA Region

Pursuant to Wage Order No. RXIII – 13, the new Daily Minimum Wage Rates in CARAGA shall be PHP268.00 to be implemented in three tranches based on the following schedule:

<table>
<thead>
<tr>
<th></th>
<th>1st Tranche upon effectivity of the Order</th>
<th>2nd Tranche effective 1 May 2015</th>
<th>3rd Tranche effective 1 September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Plantation</td>
<td>Wage (Plus PHP5)</td>
<td>COLA (Plus PHP5)</td>
<td>New wage (Plus PHP5)</td>
</tr>
<tr>
<td></td>
<td>248</td>
<td>20</td>
<td>268</td>
</tr>
<tr>
<td></td>
<td>(Plus PHP5)</td>
<td></td>
<td>(Plus PHP5)</td>
</tr>
<tr>
<td>• Non-Plantation</td>
<td>228</td>
<td>20</td>
<td>248</td>
</tr>
<tr>
<td></td>
<td>(Plus PHP5)</td>
<td></td>
<td>(Plus PHP5)</td>
</tr>
<tr>
<td>Retail &amp; Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 10 or less workers</td>
<td>228</td>
<td>20</td>
<td>248</td>
</tr>
<tr>
<td></td>
<td>(Plus PHP5)</td>
<td></td>
<td>(Plus PHP5)</td>
</tr>
</tbody>
</table>

Workers with Certificates of Authority pursuant to RA No. 91783 are not subject to this Order.

The following entities may be exempted from the Order subject to approval by the Wage Board:

1. Distressed establishments
2. Retail/service establishments regularly employing not more than ten workers
3. New Business Enterprise (NBEs)
4. Establishment adversely affected by natural calamities

Entities engaged in business shall submit a verified listing of their labor components not later than 31 January 2016 and every year thereafter.

(Revenue Memorandum Circular No. 48-2015 dated 13 August 2015)

Daily minimum wage rates in NCR

Effective last March 2015, the Daily Minimum Wage Rates in the NCR was increased by PHP15.00 per day pursuant to Wage Oder No. NCR-19. The new minimum wage rates are: PHP481.00 (for Non-Agriculture) and PHP444.00 (for Agriculture, Private Hospitals, Retail/Service Establishments employing 15 or less workers and Manufacturing Establishments employing less than ten workers).

(Revenue Memorandum Circular No. 52-2015 dated 13 August 2015)

Availability of eBIRForms Package Version 5.1

The CIR has circularized the availability and usage of the eBIRForms Package Version 5.1.

The salient provisions of the Circular are as follows:

1. eBIRforms Package Version 5.1 has the following modifications:
   - Inclusion of BIR Form No. 1707-A (Annual Capital Gains Tax Return for Onerous Transfer of Shares of Stock Not Traded through the Local Stock Exchange). This was not included in Version 5.0
   - Enhancement of BIR Form Nos. 1601E, 1702-MX and 2000
   - Online submission feature of the Annual Income Tax Returns (BIR Form Nos. 1700, 1701, 1702-EX, 1702-MX, and 1702-RT) through the eBIRForms System

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3 An Act to Promote the Establishment of Barangay Micro Business Enterprises (BMBE)
2. Websites through which the eBIRForms Package may be downloaded:
   - www.knowyourtaxes.ph
   - www.dof.gov.ph
   - Dropbox using this link: http://goo.gl/UCr8XS
   - www.bir.gov.ph

3. Tax returns can be filed by clicking the “SUBMIT” or “FINAL COPY” button and the taxpayer will receive the corresponding confirmation through email notification.

4. Taxpayers using this new version shall simply follow these steps:
   - Download, install and run eBIRForms Package version 5.1.
   - Complete the Profile page, select from the List of BIR Forms then click “FILL UP”. Directly encode the data in the tax return.
   - Click “VALIDATE” after accomplishing the tax return. If there are changes to make, click “EDIT” button. Make sure to validate after every change made.
   - Click “SUBMIT”. If successful, taxpayer will be redirected to eBIRForms Login page and shall enter his/her/its username and password. If unsuccessful, click “FINAL COPY” button to use an alternative mode of electronic submission and an email confirmation will be received by the taxpayer. For those who are not yet enrolled to the eBIRForms System, it is required to fully and unconditionally agree to the Terms of Service Agreement.

5. eBIRForms Package Version 5.0 may still be used for filing all other BIR Forms not mentioned in the modifications stated herein.

(Revenue Memorandum Circular No. 58-2015 on 17 September 2015)

SEC jurisdiction excludes liquidation of assets

Section 112 of the Corporation Code provides that a corporation, whose franchise had been revoked, for the purpose of liquidation, shall continue as a corporate body for three years after the revocation order had been issued. Once revoked, dissolution takes place.

Upon the dissolution, corporate assets can be applied and distributed in accordance with Section 94 of the Code. In which case, the approval of the SEC is not required since the SEC’s jurisdiction does not extend to the distribution or liquidation of assets. Instead, it becomes a matter of internal concern of the corporation and falls within the power of the directors and stockholders or appointed trustees.

(SEC-OCG Opinion No. 15-09 dated 27 August 2015)

Sales of vouchers not “retail trade” under RA No. 8762

The term “retail” is associated with and limited to goods for personal, family, or household use, consumption and utilization. The items sold must be “the final and end (uses) of a product which directly satisfy human wants and desires and are needed for home and daily life”. The sale of vouchers or gift certificates is not considered as retail trade within the purview of RA No. 8762. They are intended to be used by the bearer to purchase goods or services from merchants and not as an end-use for consumption to satisfy human wants and desires. Hence, a corporation engaged in the operation of a voucher platform on the internet with the purpose of increasing the sales of a particular product or service may be considered as a mass media entity. Consequently, the entity must be wholly owned by Filipino citizens, in compliance with the requirements of law.

(SEC-OCG Opinion No. 15-10 dated 2 September 2015)

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4 The Retail Trade Liberalization Act of 2000
5 Paragraph 1, Section 11, Article XVI of the 1987 Constitution and List A (1) of Executive Order No. 858
Distributing or liquidating assets of a dissolved corporation

In case an expired corporation has not completed its liquidation and there are still numerous real properties under its name, the accountability to dispose the said real properties, in order to fully liquidate the corporation falls upon the directors of the said expired corporation. All proceeds from the sale or assignment of the properties shall be divided accordingly among all those with remaining interest in the said corporation. This is established according to Section 22 of the Corporation Code.

(SEC-OGC Opinion No. 15-11 dated 4 September 2015)
Meet us

Alex and Carlos lead CEO discussions for APEC Ministers’ Dialogue on SMEs

Chairman and Senior Partner Alex Cabrera and Tax Partner Carlos Carado facilitated the CEO roundtable discussion last 25 September as a prelude to the Asia Pacific Economic Cooperation (APEC) Small Medium Enterprise (SME) Ministers’ Dialogue with CEOs held the following day. Both events were hosted at the newly inaugurated Iloilo Convention Center.

PwC’s role in APEC Ministerial-CEO Dialogues

For this year, as part of PwC’s role as the exclusive Knowledge Partner of the APEC CEO Summit, we are also involved with the APEC Ministerial-CEO Dialogues—a series of six face-to-face meetings between 21 APEC Ministers and targeted CEOs. The Dialogues – focused on trade, health, disaster management, small medium enterprises, transport and energy—demonstrate the breadth of PwC’s service and provide our subject matter experts and facilitators an opportunity to develop new relationships and business leads.

The Dialogues also serve as a platform for us to connect with prospects and create value for our clients. PwC nominates CEOs who are considered and vetted by the Philippines government for this rare opportunity to interact with Ministers and an elite group of industry peers in an intimate setting.

PwC Philippines has taken up the SMEs’ cause when Alex spearheaded the Developmental Social Enterprise Awards (DSEA) last year. Developed and co-presented with the Benita & Catalino Yap Foundation, the DSEA is the first of its kind in the country to help SMEs to be more competitive through growth opportunities such as training, technical support and financing. Carlos, on the other hand, is the firm’s Entrepreneur and Private Clients Leader.

24 September: CEO roundtable discussion facilitated by PwC

Alex Cabrera (front row, fourth from left) and Carlos Carado (back row, fifth from left)

Private sector participants discussed developments and issues related to the Dialogue Session with Ministers on Micro, Small and Medium Enterprises (MSMEs). Alex presented and gave a framework, as well as facilitated, the plenary discussion among CEOs. With Carlos’ assistance, Alex then synthesized key learnings from the CEO roundtable discussion.

25 September: SME Ministers’ Dialogue with CEOs

Alex delivers the summation before the Ministers.

The next day, Alex delivered the summation of key learnings from the previous day’s CEO discussion during the Special Session with the Ministers during the SME Ministers-CEO Dialogue.
The Dialogue was chaired by the Secretary of Trade and Industry Gregory Domingo and co-chaired by Doris Ho, the Chair of the APEC Business Advisory Council. The session started with a short presentation or overview by PwC on inclusive finance and innovation for MSMEs, followed by an open discussion between Ministers and CEOs. The Dialogue was an executive session and Chatham House rules were applied. PwC is currently drafting a three- to five-page summary report of the Dialogue session.

About the APEC 2015 CEO Summit and PwC’s role

The APEC 2015 CEO Summit is one of the most influential public-private dialogues that will shape the future of the markets and business environment in the Asia Pacific region. This year, the APEC CEO Summit will be held in Manila, Philippines from 16-18 November. The theme is “Building inclusive economies, building a better world” and we are expecting close to 800 delegates from the APEC 21 economies to be in attendance.

For the sixth time, PwC is the exclusive Knowledge Partner of the APEC CEO Summit. Due to our strong relationships with the APEC organising committee and building on the strength of our brand in the marketplace, PwC is the only Big Four sponsor. The Summit presents a fantastic platform for our PwC delegation to network with prospects and clients, many of which are from priority industries in the region.

Talk to us

For further discussion on the contents of this issue of the Client Advisory Letter, please contact any of our partners.

For tax and related regulatory matters

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Request for copies of text

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