



Alex Cabrera



Pagpag - Our Values Photo Story

Integrity Initiative | PwC Philippines

Pagpag

Picky with your food? Think of those who don't have any

Pause

31:14 / 1:41:00

Client Advisory Letter

Settlement of dues ^{p3} | Compliance reminders ^{p5}
Tax filing options ^{p6} | Bank reminders ^{p6}

June 2020



At a glance

Updates, reiterations, and
clarifications on selected topics

Taxes, compliance matters, assessments, and refunds..... 3

Settlement of dues 3

Holding the fort..... 3

Direct costs 3

Greens fee 4

VAT refunds..... 4

Full extension..... 4

Drug related 4

Compliance reminders 5

Temporary receipts 5

Streamlining registration 5

Microfinance NGOs..... 6

Tax filing options 6

Bank reminders..... 6

Latest on regulatory landscape 7

Accredited AABs 7

MDF guidelines 7

CGFD companies 8

Face to face 9

Restrictions 9

Governing ICRCs..... 10

Insurance deadlines..... 10

Establishment Report..... 10

Due and demandable..... 11



Taxes, compliance matters, assessments, and refunds

Settlement of dues

Condominium dues, fees and other assessments are not subject to tax

A condominium corporation filed a case seeking to invalidate RMC No. 65-2012, which subjects condominium association dues, membership fees and other assessments to income tax and VAT.

The Supreme Court affirmed that RMC No. 65-2012 is invalid based on the following:

- A condominium corporation is not designed to engage in activities that generate profit. The collection of association dues, membership fees, and other assessments/charges is purely for the benefit of the condominium owners. It is a necessary incident to the purpose of effectively overseeing, maintaining, or even improving the common areas of the condominium, as well as its governance.
- Association dues, membership fees, and other assessments/charges are not subject to income tax, VAT and withholding tax.
 - They are not subject to income tax, because they are not included as sources of gross income under Section 32 of the Tax Code, and they do not constitute profit or gain. Consequently, they are not subject to withholding tax.
 - They are also not subject to VAT, because they neither arise from transactions involving the sale, barter, or exchange of goods or property nor are generated by the performance of services.

Glossary

CIR – Commissioner of Internal Revenue
RA – Republic Act
RMC – Revenue Memorandum Circular
VAT – Value-Added Tax

- The CIR is empowered to interpret our tax laws but not to expand or to alter them. In the case of RMC No. 65-2012, the CIR went beyond, if not gravely abused, such authority.

(G.R. No. 215801 & 218924, promulgated 15 January 2020)

Holding the fort

The sale of Fort Bonifacio lands by the BCDA is exempt from income tax

Under Section 8 of RA No. 7227,¹ proceeds from the sale of portions of Metro Manila military camps by the Bases Conversion and Development Authority (BCDA) are deemed appropriated for specific purposes and recipients and are exempt from all forms of taxes and fees.

The Supreme Court ruled that Section 27(C) of the Tax Code, a general law that imposes income taxes on government-owned and -controlled corporations, did not impliedly repeal the tax exemption provision of Section 8 of RA No. 7227, a special law. It further held that the special law prevails over a general law because a special law reveals the legislative intent more clearly than a general law does.

In this light, the proceeds from the sale of Bonifacio Global City real properties do not constitute income of the BCDA. Hence, they are not subject to income tax and, consequently, withholding tax.

(G.R. No. 217898, promulgated 15 January 2020)

Direct costs

Minimum corporate income tax of life insurance companies

For purposes of computing the minimum corporate income tax, Section 27(E)(4) of the Tax Code defines “cost of services” as all direct costs and expenses necessarily incurred to provide the services required by the customers and clients.

According to the Supreme Court, a cost or expense is deemed direct when it is readily attributable to the

¹ Otherwise known as the Bases Conversion and Development Act of 1992.

production of goods or for the rendition of service. In this light, the Supreme Court held that the 5% percentage tax and documentary stamp tax (DST) on life insurance premiums do not constitute direct costs of a life insurance company because they are incurred after the service has been rendered.

Moreover, it cannot be readily said that it was the life insurance company who necessarily incurred the expense since it never disputed charging the DST to its clients.

(G.R. Nos. 199729-30 & 199732-33, promulgated 27 February 2019)

Greens fee

The environmental tax under the Davao City Watershed Code is not a tax

The Sangguniang Panlungsod of Davao City enacted a Watershed Code imposing an environmental tax on persons engaged in agricultural and other economic undertakings on lands covered by growership contracts and other agreements.

Although the charge is named as an environmental tax, it is not a tax but a regulation fee. Its purpose is not to raise revenue but to implement the Watershed Code, defray the related operational expenses and support watershed protection, conservation and management programs and projects.

Therefore, a protest of said environmental tax assessment is not considered a “local tax case” which is appealable to the Court of Tax Appeals.

(CTA AC No. 215, promulgated 25 June 2020)

VAT refunds

New deadlines for filing VAT refund claims

The BIR announced the following extended deadlines in the filing of VAT refund claims:

Period	Extended deadline
Calendar quarter ending 31 March 2018	15 July 2020
Fiscal quarter ending 30 April 2018	31 July 2020
Fiscal quarter ending 31 May 2018	15 August 2020
Calendar quarter ending 30 June 2018	31 August 2020

Glossary

BIR – Bureau of Internal Revenue
VAT – Value-Added Tax

However, with respect to areas not yet in a state of general community quarantine, the deadline shall either be thirty (30) days after the lifting of the enhanced community quarantine (ECQ) or modified ECQ, or the above deadlines, whichever comes later.

Given the anticipated difficulties to be encountered by the BIR with the expected influx of VAT refund claims, the 90-day period for processing VAT refund claims shall be suspended in areas under ECQ and modified ECQ.

(Revenue Regulations No. 16-2020, published 27 June 2020)

Full extension

Extending the Tax Amnesty on Delinquencies deadline to 31 December

The 23 April 2020 deadline for availing the Tax Amnesty on Delinquencies that was extended for several times has been further extended to 31 December 2020.

Furthermore, the procedures for availment have been amended to incorporate this new deadline and to include the following:

- Step 1 – The concerned BIR office receiving the request for Certificate of Delinquencies/Tax Liabilities shall issue the same within three working days from the date of request. In case of denial, said BIR office should state its legal and factual basis in writing.
- Step 2 – The concerned Revenue District Office / Large Taxpayers Division / Large Taxpayer Collection Enforcement Division shall endorse the duly accomplished Tax Amnesty Return and Acceptance Payment Form within one working day from receipt of complete documents.

(Revenue Regulations No. 15-2020, published 20 June 2020 and Revenue Memorandum Circular No. 61-2020, issued 25 June 2020)

Drug related

Publishing the VAT-exempt prescription drugs and medicines

The BIR published the “List of Prescription Drugs and Medicines for Diabetes, High-Cholesterol and Hypertension Exempt from VAT beginning 27 January 2020” recently issued by the Food and Drug Administration. Said List is attached to Revenue Memorandum Circular No. 62-2020, which may be accessed at www.bir.gov.ph.

(Revenue Memorandum Circular No. 62-2020, issued 23 June 2020)

Compliance reminders

Tax obligations of persons conducting business through electronic means

All persons doing business and earning income, specifically those using electronic platforms and media and other digital means should ensure that their businesses are registered and that they are tax compliant. These persons include partner sellers/merchants, payment gateways, delivery channels, internet service providers and other facilitators.

The tax registration guidelines and requirements are provided in Annex “A” of Revenue Memorandum Circular No. 60-2020. All persons who register on or before 31 July 2020 shall not be penalized for late registration. However, they are encouraged to voluntarily declare past transactions and pay corresponding taxes, which shall not be subject to penalties if paid on or before 31 July 2020.

Persons found doing business without complying with registration requirements or who did not declare past due/unpaid taxes shall be subject to applicable penalties.

Newly registered businesses and existing registrants must comply with applicable BIR issuances, particularly, the following:

1. Issuances or sales invoice or official receipts;
2. Keeping of books of accounts and other accounting records;
3. Withholding taxes;
4. Filing of required tax returns; and
5. Timely payment of correct taxes.

(Revenue Memorandum Circular No. 60-2020, issued 10 June 2020)

Temporary receipts

Workaround procedures in complying with receipting/invoicing requirements

The BIR amended the guidelines in Revenue Memorandum Circular (RMC) No. 47-2020, which provide temporary measures to be adopted by taxpayers in complying with receipting/invoicing requirements. The amendments pertain to the following:

- The workaround procedures shall be applicable not only to taxpayers registered in areas under enhanced community quarantine (ECQ) but also to taxpayers registered in areas under modified ECQ.
- All taxpayers adopting the workaround procedures and temporary measures in RMC No. 47-2020 are required to submit their Summary of Temporary Receipts/Invoices Issued within ninety (90) days from the date of lifting of the ECQ and/or modified ECQ.
- Business entities covered under the general community quarantine (GCQ) and or modified GCQ should discontinue the use of said temporary measures. Otherwise, they shall be considered in violation of the receipting/invoicing requirements.

(Revenue Memorandum Circular No. 59-2020, issued 9 June 2020)

Streamlining registration

Removing the Mayor's Permit requirement in BIR registration of a business

The BIR updated its policy and issued revised checklists of documentary requirements for business registration and other types of applications (see Annexes “A-1” to “A-11” of Revenue Memorandum Circular No. 59-2020). Notably, the Mayor's Permit has been removed as one of the mandatory requirements.

Pursuant to the Implementing Rules and Regulations of Republic Act No. 11032,² the BIR shall only process complete applications or requests.

(Revenue Memorandum Circular No. 57-2020, issued 9 June 2020)

Glossary

BIR – Bureau of Internal Revenue

² Otherwise known as the “Ease of Doing Business and Effective Government Delivery Act of 2018”.

Microfinance NGOs

Updated List of Accredited Microfinance Non-Government Organizations (NGOs)

The BIR published the "Updated List of Microfinance NGOs Accredited by the Microfinance NGO Regulatory Council as of 26 May 2020". It also reiterated the three-year validity period of Certificates of Accreditation under the Implementing Rules and Regulations of Republic Act No. 10693.

(Revenue Memorandum Circular No. 58-2020, issued 9 June 2020)

Tax filing options

Manner of paying taxes until 14 June 2020

The BIR clarified the manner of filing tax returns and payment of taxes **until 14 June 2020** under Revenue Memorandum Circular No. 48-2020. In light of the clarifications, taxpayers have the following options:

1. Tax returns may be filed with and taxes paid at the nearest authorized agent banks (AABs), regardless of revenue district office (RDO) jurisdiction;
2. Tax returns may be filed with and taxes paid to Revenue Collection Officers (RCOs) of the nearest RDO, even in areas where there are AABs.

Cash payments should not exceed PHP20,000 while check payments have no limitation if made to the RCO of the district office on or before 14 June 2020. All check payments should be made payable to the Bureau of Internal Revenue, and the name and branch of the receiving AAB may no longer be indicated therein.

3. Tax returns may be filed through the eBIRForms facility and taxes paid as follows:
 - a. Over-the-counter through AABs
 - b. RCOs of the nearest RDO, even in areas where there are AABs
 - c. Electronic / Online Payment:
 - i. Land Bank of the Philippines (LBP) Link.biz Portal (for taxpayers who have ATM accounts with LBP and/or holders of BancNet ATM/Debit/Prepaid Card, and taxpayers utilizing PesoNet facility (depositors of RCBC and Robinsons Bank))

- ii. Development Bank of the Philippines Pay Tax Online (for holders of Visa/Mastercard Credit Card and/or BancNet ATM/Debit Card)
- iii. Union Bank Online Web and Mobile Payment Facility (for taxpayers who have accounts with Union Bank of the Philippines)
- iv. Mobile payment (GCash/PayMaya)

Electronic Filing and Payment System (eFPS) taxpayers shall continue to file through the eFPS and settle the tax liabilities with the AABs where they are enrolled.

Taxpayers who are not required to file and pay electronically may opt to either use the eBIRForms facility or file manually. "No payment" returns shall be filed through the eBIRForms facility.

In case of unavailability of internet connection to electronically file, taxpayers shall manually file the returns and pay taxes through the above-mentioned payment venues.

(Revenue Memorandum Circular No. 56-2020, issued 2 June 2020)

Bank reminders

Policies in the acceptance of annual income tax returns and tax payments

The BIR reiterated the following responsibilities of authorized agent banks in relation to annual income tax returns (ITRs) for calendar year 2019 and the corresponding income tax payments:

1. To accept annual ITRs until 15 June 2020 considering that 14 June 2020 falls on a weekend;
2. To extend banking hours until 5PM on the acceptance of annual ITRs until 15 June 2020; and
3. To accept tax payments from taxpayers who are already within the bank's premises by the close of the said extended banking hours.

(Bank Bulletin No. 2020-08, issued 10 June 2020)

Glossary

BIR – Bureau of Internal Revenue

Latest on regulatory landscape

Accredited AABs

Period of registration status for authorized agent banks (AABs)

The Commissioner of Customs amended Customs Memorandum Order No. 39-2008 to provide that the Certificate of Registration issued by the BOC to duly accredited AABs shall be valid for five (5) years and renewable for another 5 years thereafter.

(Customs Memorandum Order No. 11-2020, dated 7 May 2020)

MDF guidelines

Guidelines and deadline for the MDF submissions of non-stock corporations

The SEC released the following guidelines for all non-stock corporations regarding their submissions of Mandatory Disclosure Forms (MDFs):

1. Deadline

The deadline for submitting the printed and notarized copy of the MDFs shall be on 31 July 2020 provided that no community quarantine is still in effect and all travel restrictions have accordingly been lifted.

All MDF submissions coursed through courier services, registered mail and electronic mail (email) must be mailed or received by the courier not later than 31 July 2020.

2. Access to MDFs

Non-stock corporations which have not yet submitted the printed MDF may fill out and submit the MDF online via the link <https://forms.gle/KF4iBSimLKvChCwRA> that shall be accessible to the public from Monday to Friday (8AM to 5PM) but **until 15 July 2020 only**.

3. Manner of submission

Printed copies of the MDF must be duly notarized and may be submitted through the following means:

a. Via courier services

MDFs filed via courier services shall be deemed to have been filed on the date they were received by the courier. The courier packaging or label must clearly show the date when the MDF was filed and must be addressed to:

“Atty. Oliver O. Leonardo

Officer-in-Charge

Enforcement and Investor Protection
Department

Securities and Exchange Commission

Ground Floor, PICC Secretariat Building, PICC
Complex,

Roxas Boulevard, Pasay City”

b. Via registered mail through postal services/post offices

The post office stamp must clearly reflect the date it was mailed. MDFs filed through registered mail shall be deemed to have been filed on the date they were mailed. They shall be addressed to the same person and address in option “a” above.

c. Via email

i. Scanned copies of the printed and notarized MDFs may be sent in Portable Document Format (PDF) to mdfsubmission_aml@sec.gov.ph.

ii. The following information shall be indicated in the subject field of the email:

“MDF submission – [company name] [date of online submission: mm/dd/yy]”

iii. The authorized person who signed the verification/declaration page of the MDF must execute an undertaking stating that they shall submit a hard copy of the printed and notarized MDF should they be required to do so by the SEC. Such a written undertaking shall likewise be scanned and sent in PDF in the same email along with the scanned copy of the printed and notarized MDF. A template for the undertaking may be downloaded from http://www.sec.gov.ph/2020aml_form_annex-a/.

Glossary

BOC – Bureau of Customs

SEC – Securities and Exchange Commission

- iv. The same official company email address used in filling out the MDF online must be used in submitting the scanned copy of the MDF. All SEC communications may be sent to such official company email address and the entity concerned is charged with the responsibility of maintaining the same.

Any change in the official email address should be immediately communicated in writing to the Enforcement and Investor Protection Department (EIPD) by the corporate secretary. Until then, all communications sent to the official company's email address as appearing on record shall be deemed to have been received by the company.

- v. The scanned notarized MDFs sent through email shall be deemed to have been filed on the date the email was sent, provided that the printed and notarized copy is submitted within a specified period as may be required by the SEC.
- vi. An email acknowledgment receipt shall be sent within five days from the date the MDF was received and must be printed and attached to the printed and notarized MDF.

4. Receiving copy

Companies filing their MDFs through courier and registered mail shall include a duplicate copy of the MDF for their receiving copy. Only one original copy will be received by the SEC.

The duplicate copies stamped received by the EIPD may later be picked up by an authorized representative of the party concerned with a valid government ID and proper authorization by the company being shown. Only those who have sent two copies may claim their receiving copy from the SEC Main Office once the community quarantine has been officially lifted.

5. Submission to the Extension Offices

Printed and notarized MDFs may still be accepted and received at the SEC Extension Offices.

(SEC Notice posted 9 June 2020)

Glossary

ECQ – Enhanced Community Quarantine
GCQ – General Community Quarantine
NGO- Non-Government Organization
PDF – Portable Document Format
SEC – Securities and Exchange Commission

CGFD companies

Deadlines and procedures for SEC filings and compliance requirements

In view of the GCQ declaration in Metro Manila effective 1 June 2020, investment companies, registered issuers of proprietary and non-proprietary shares/timeshares, public companies, financing companies, lending companies, foundations, accredited microfinance NGOs, corporate governance institutional training providers and publicly-listed companies under the supervision of the Corporate Governance and Finance Department (CGFD) are advised as follows:

1. Receiving and filing of reports, letters and requests

The CGFD Office in PICC Complex, Pasay City is now open from Monday to Friday (8AM to 3PM) to receive hard copies of SEC Form 20-IS, SEC Form 12-1, ICA-7-1 and SEC Form 19-1; requests for exemption and Exemptive Relief under the Securities Regulation Code; and applications for voluntary revocation.

2. Issuance of Payment Assessment Form (PAF)

CGFD-covered companies may request for and be issued electronic copies of the PAF by sending a request via email to cgfd@sec.gov.ph.

3. Payment of annual fees

Lending and financing companies with annual fees that fell due during the ECQ from 16 March 2020 up to 15 June 2020 are now required to settle and pay starting 15 June 2020 until 28 June 2020.

4. Request for monitoring of the following companies shall be sent via email to cgfd_md@sec.gov.ph:

Lending companies	http://www.sec.gov.ph/lending-companies-and-financing-companies/request-for-monitoring/
Financing companies	
Foundations	http://www.sec.gov.ph/microfinance-ngo-regulatory-council/request-for-monitoring/
Accredited microfinance NGOs	

5. Submission of hard/printed copies

a. Previously filed via email

The hard copies of reports, letters and requests previously filed via email since the commencement of the ECQ on 16 March 2020 up to 5 June 2020 are required to be filed within ten business days from 8 June 2020, or until 23

June 2020 via SEC Express Nationwide Submission (SENS) through any courier or registered mail.

b. New submission

The hard copies of reports, letters, requests and other documents shall be filed via SENS through any courier or registered mail, provided that an advance copy of the submitted document is sent via email to cgfd@sec.gov.ph starting 8 June 2020 and thereafter.

All inquiries pertaining to CGFD matters and application/s shall be sent via email to cgfd@sec.gov.ph.

(SEC Notice posted 8 June 2020)

Face to face

Online applications with the SEC Company Registration and Monitoring Department

Pursuant to the Guidelines on the Implementation of the General Community Quarantine (GCQ) effective 1 June 2020, the Company Registration and Monitoring Department (CRMD) shall implement online platform applications through the respective links/electronic mail gateways which may be viewed at http://www.sec.gov.ph/wp-content/uploads/2020/06/2020NOTICE_GCQ-CRMD_Rev060720.pdf.

To mitigate the risk of COVID-19 infection, stringent social distancing measures shall be implemented during manual or “face to face” operations at the SEC Main Office. These operations shall be limited to specific receiving and releasing activities, and to the registration of stock and transfer/membership book.

Only applications assessed and approved for payment through online processing will be entertained. Electronic proof of approval for payment/proof of payment (if paid) may be presented through the guard on duty to be allowed entry.

CRMD applications that were processed prior to the Enhanced Community Quarantine (ECQ) shall be

entertained for the release of documents for payment and for the issuance of Payment Assessment Forms. However, for companies with applications not yet approved for payment but were pre-processed before the ECQ, they may get their pre-processed documents but must further comply online through the abovementioned emails.

(SEC Notice posted 3 June 2020)

Restrictions

Amended guidelines for permitted business establishments during the quarantine

The DTI amended Memorandum Circular No. 20-22, which identifies business establishments allowed to operate in areas under ECQ and GCQ. The amendments include the following:

- Revised list of Category I-IV business establishments or activities which may be accessed at https://www.dti.gov.ph/sdm_downloads/memorandum-circular-no-20-33/. No presumption shall arise as to the exclusivity of the enumeration of business establishments or activities.

- Movement of workers

Quarantine control points or checkpoints shall permit the movement of workers of business establishments or of activities allowed to operate. Workers may be asked to present their company identification cards, certificates of employment or previously issued IATF IDs to allow passage. Rapid Pass shall not be required.

Receiving local government units (LGUs) shall neither require nor impose mandatory fourteen (14) day quarantine on workers entering their jurisdiction. This applies to receiving LGUs that have a different community quarantine classification from the worker's point of origin.

- High-risk groups

In areas under ECQ, MECQ, and GCQ, the following shall not be allowed to be outside their residences except when reporting to work in permitted industries and offices, and when obtaining essential goods and services:

- those aged between 18 - 21 years
- those sixty (60) years old and above
- those with immunodeficiency, co-morbidities or other health risk
- pregnant women

Glossary

DTI – Department of Trade and Industry

ECQ – Enhanced Community Quarantine

GCQ – General Community Quarantine

IATF – Inter-Agency Task Force

MECQ – Modified Enhanced Community Quarantine

SEC – Securities and Exchange Commission

- any person who resides with the aforementioned
- Business establishments allowed to operate must:
 - strictly implement the required public health standards prescribed by the DOH for offices/workplaces under Administrative Order No. 2020-0015, DTI-DOLE Joint Interim Guidelines on Workplace Prevention and Control of COVID-19 and any issued protocols for specific sectors;
 - report or notify public health authorities of workers who show COVID-19 signs or symptoms; and
 - implement contact tracing in coordination with the DOH and the LGU concerned in case a worker or workers have been exposed to COVID-19.

(DTI Memorandum Circular No. 20-33, issued 8 June 2020)

Governing ICRCs

Corporate Governance for ICRCs

The Insurance Commissioner promulgated the Revised Code of Corporate Governance for Insurance Commission Regulated Companies, which include insurance/reinsurance companies, insurance and reinsurance brokerage companies, mutual benefit associations, pre-need companies and health maintenance organization companies duly authorized by the Insurance Commission to conduct business.

The above Revised Code is attached to IC Circular Letter No. 2020-71 which may be accessed at www.insurance.gov.ph.

(IC Circular Letter No. 2020-71, dated 13 June 2020)

Glossary

AML – Anti-Money Laundering
 CTF – Counter-Terrorism Financing
 DOH – Department of Health
 DOLE – Department of Labor and Employment
 DTI – Department of Trade and Industry
 IC – Insurance Commission
 ICRC – Insurance Commission Regulated Companies

Insurance deadlines

Further extending the period to comply with IC CL Nos. 2019-65 and 2020-08

All Insurance Commission Regulated Entities shall comply with the following regulatory requirements on or before the extended deadlines:

Regulatory requirement	Old deadline	Extended deadline
Making of necessary form and system changes and updating of the regulated entities' Money Laundering and Terrorism Financing Prevention Programs under Section 29 of CL No. 2019-65	30 June 2020	30 July 2020
Submission of duly accomplished and certified under oath AML and CTF Compliance Questionnaire under CL No. 2020-08	30 June 2020	30 July 2020

(IC Circular Letter No. 2020-68, dated 22 May 2020)

Establishment Report

Requirement for employers implementing FWAs, retrenchment and closures

Pursuant to Labor Advisory No. 17-2020, all employers implementing the following must accomplish and submit an Establishment Report (RKS Form 5 of 2020), which may downloaded from <https://www.dole.gov.ph/news/labor-advisory-no-17-a-series-of-2020-establishment-report-form/>:

1. Flexible work arrangement (FWA) or alternative work scheme (AWS)
2. Temporary closure
3. Retrenchment or reduction of work force
4. Permanent closure

Effective 16 June 2020, the Establishment Report shall be submitted either personally or online to the DOLE provincial/field office that has jurisdiction. Establishment Reports must be submitted as soon as possible in case of FWA/AWS or temporary closure, and within thirty (30) days before the effectivity of termination in case of retrenchment or permanent closure.

(DOLE Labor Advisory No. 17-A-2020, dated 11 June 2020)

Due and demandable

Effect of lifting of ECQ/MECQ on loan and interest payment obligations

The BSP Governor added the following frequently asked questions on the implementing rules and regulations of the Bayanihan Act³:

1. How will the classification of NCR under the GCQ and certain parts of the country under the ECQ or MECQ effective 1 June 2020 affect the mandatory grace period provided under the Bayanihan Act?

Answer: The mandatory 30-day grace period shall no longer apply effective 1 June 2020 pursuant to IATF Resolution No. 40, which places a majority of provinces and cities under the GCQ or MGCQ. Hence, all loan payments with principal and interest falling due from 1 June 2020 onwards shall be due and demandable.

With the lifting of the ECQ in a majority of provinces and cities, the condition for granting the 30-day grace period under the Bayanihan Act is no longer present.

2. Will the mandatory 30-day grace period still apply to loan and/or interest payments falling due until 31 May 2020 even if the new due dates will fall on or after 1 June 2020?

Answer: Yes. It will continue to apply.

3. Following the lifting of the ECQ/MECQ in a majority of provinces and cities effective 1 June 2020, are borrowers required to pay in June 2020 all loan payments that were granted the 30-day grace period in March, April and May 2020?

Answer: No. The mandatory 30-day grace period had the effect of moving the due date by 30 days. The amortization will be effectively rescheduled in accordance with the grace period.

Thus, effective 1 June 2020, the borrower shall only pay the amount of the loan principal and/or interest effectively due in June 2020 or for one month following the application of the 30-day grace period. The last payment due date of the loan is effectively extended by a period equivalent to the grace period granted for the duration of the ECQ.

For accrued interest in March, April and May, the borrower may pay lump-sum in June 2020 or on a staggered basis over the remaining loan term.

4. Can covered institutions set a deadline for payment of interest accrued during the mandatory grace period?

Answer: Borrowers have the option to pay interest accrued during the mandatory grace period in lump-sum on the next payment due date or on a staggered basis over the remaining loan term. Covered institutions may offer less onerous payment terms that include setting new payment due dates for said interest accrued.

5. Can covered institutions impose additional DST for credit extensions/restructuring granted during the ECQ/MECQ period?

Answer: No. No DST shall be imposed. To this effect, the BIR has issued RR No. 8-2020, and RMC Nos. 35-2020 and 36-2020.

(BSP Memorandum No. M-2020-45, dated 1 June 2020 and SEC Notice, dated 17 June 2020)

Glossary

BIR – Bureau of Internal Revenue
BSP – Bangko Sentral ng Pilipinas
DST – Documentary Stamp Tax
ECQ – Enhanced Community Quarantine
GCQ – General Community Quarantine
MECQ – Modified Enhanced Community Quarantine
MGCQ – Modified General Community Quarantine
NCR – National Capital Region
RMC – Revenue Memorandum Circular
RR – Revenue Regulations

³ Republic Act No. 11469.

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



Alexander B. Cabrera
Chairman & Senior Partner,
concurrent Tax Partner
T: +63 (2) 8459 2002
alex.cabrera@pwc.com



Malou P. Lim
Tax Managing Partner
T: +63 (2) 8459 2016
malou.p.lim@pwc.com



Fedna B. Parallag
Tax Partner
T: +63 (2) 8459 3109
fedna.parallag@pwc.com



Lawrence C. Biscocho
Tax Partner
T: +63 (2) 8459 2007
lawrence.biscocho@pwc.com



Carlos T. Carado II
Tax Partner
T: +63 (2) 8459 2020
carlos.carado@pwc.com



Roselle Y. Caraig
Tax Partner
T: +63 (2) 8459 2023
roselle.y.caraig@pwc.com



Harold S. Ocampo
Tax Principal
T: +63 (2) 8459 2029
harold.s.ocampo@pwc.com



Geraldine E. Longa
Tax Partner
T: +63 (2) 8459 2038
geraldine.c.esguerra-longa@pwc.com

For accounting matters



Gina S. Detera
Assurance Partner
T: +63 (2) 8459 3063
gina.s.detera@pwc.com



Zaldy D. Aguirre
Assurance Partner
T: +63 (2) 8459 3023
zaldy.aguirre@pwc.com

Request for copies

You may ask for the full text of the *Client Advisory Letter* by writing our Tax Department, Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines. T: +63 (2) 8845 2728. F: +63 (2) 8845 2806. Email lyn.golez@pwc.com.

www.pwc.com/ph

© 2020 Isla Lipana & Co. All rights reserved.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/ph.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Disclaimer

The contents of this advisory letter are summaries, in general terms, of selected issuances from various government agencies. They do not necessarily reflect the official position of Isla Lipana & Co. They are intended for guidance only and as such should not be regarded as a substitute for professional advice.