

Inspiring Future Leaders in
Uncertain Times



Client Advisory Letter

**Transfer Pricing ^{p3} | Machine permits ^{p6} |
Game resumption ^{p7} | Hard publication ^{p8}**

July 2020



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clarifications on selected topics

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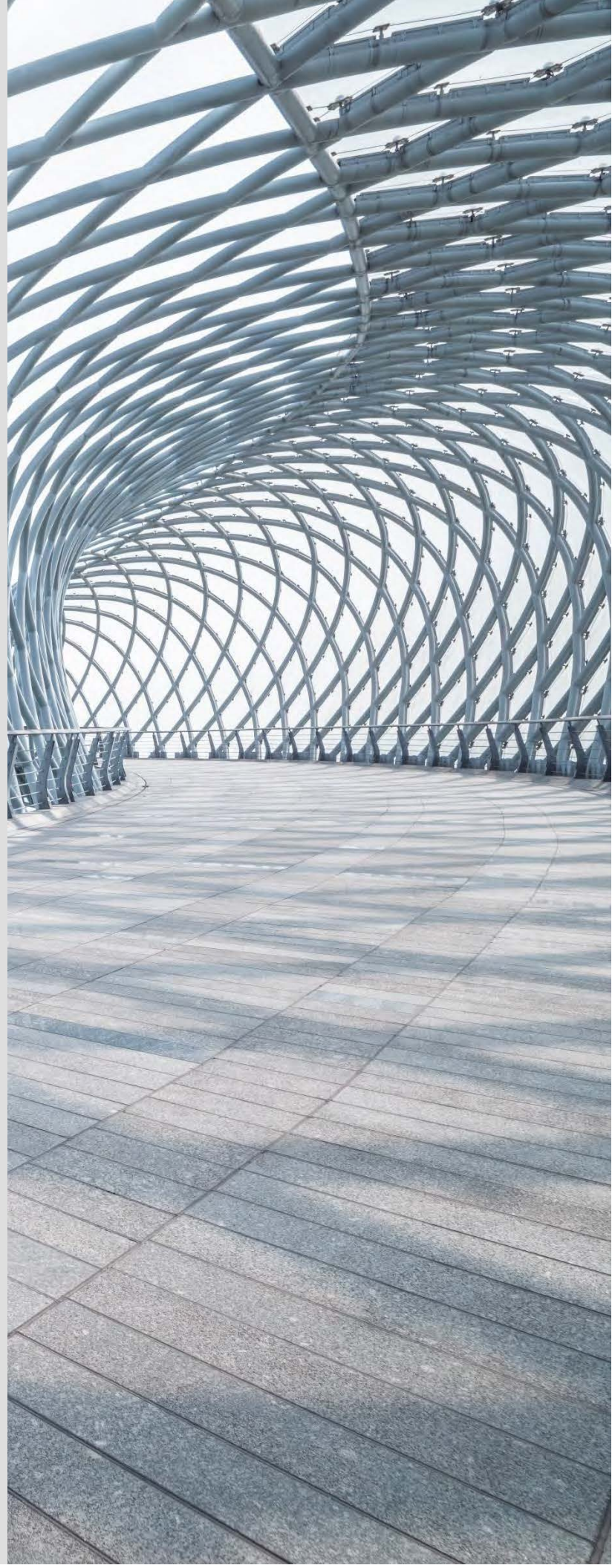
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Taxes, compliance matters, assessments, and refunds

Drug watch

Inclusion of VAT-exempt drugs and medicines in the VAT Regulations

In light of Republic Act No. 11467, the Consolidated VAT Regulations of 2005 (RR No. 16-2005, as amended by RR No. 13-2018) have been amended to include the VAT-exempt sale or importation of prescription drugs and medicines for:

1. Diabetes, high cholesterol and hypertension (beginning 1 January 2020); and
2. Cancer, mental illness, tuberculosis and kidney disease (beginning 1 January 2023).

The amendments provide that VAT exemptions only apply to the sale or importation by manufacturers, distributors, wholesalers and retailers of drugs and medicines included in the “list of approved drugs and medicines” issued by the DOH for this purpose.

(Revenue Regulations No. 18-2020, published 9 July 2020)

Transfer pricing

Requiring the attachment of BIR Form No. 1709 to the annual income tax return

The BIR issued regulations implementing the use of the new tax form, BIR Form No. 1709 (Information Return on Related Party Transactions (International and/or Domestic) which replaces BIR Form No. 1702H (Information Return on Transactions with Related Foreign Persons). Issues arising from said regulations were subsequently addressed in RMC No. 76-2020.

The regulations and subsequent clarifications provide for the following:

- The ultimate objective of the regulations is to improve and strengthen the transfer pricing audit and risk assessment of the BIR through information gathering. It shall also be used to monitor compliance with transfer pricing documentation (TPD) requirements.
- The submission of BIR Form No. 1709 and supporting documents is required for taxpayers with related party transactions **regardless of the amount and volume of transactions**. Non-stock, non-profit corporations with related party transactions are also covered.
- Determination of related parties
 - a. A person or a close member of this person's family is related to a reporting entity if said person:
 1. has control or joint control of the reporting entity;
 2. has significant influence over the reporting entity; or
 3. is a member of the key management personnel or the reporting entity or a parent of the reporting entity.
 - b. An entity is related to a reporting entity if any of these conditions is present:
 1. The entity and the reporting entity are members of the same group
 2. One entity is an associate or joint venture of the other entity
 3. Both entities are joint ventures of the same third party
 4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity
 5. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the

Glossary

BIR – Bureau of Internal Revenue

DOH – Department of Health

RMC – Revenue Memorandum Circular

RR – Revenue Regulations

VAT – Value-Added Tax

reporting entity. If the reporting entity is itself such plan, the sponsoring employers are also related to the reporting entity.

6. The entity is controlled or jointly controlled by a person identified in section “a” above
 7. A person identified in section “a.1.” above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity
 8. The entity or any member of a group of which it is a part provides key management personnel services to the reporting entity or to the parent of the reporting entity
- In the determination of related parties, the substance of relationships between entities shall be taken into account and not merely the legal form.
 - Related party transactions include, but are not limited to:
 - a. Purchases or sales of goods
 - b. Purchases or sales of property and other assets
 - c. Rendering or receiving of services
 - d. Leases
 - e. Transfers of research and development
 - f. Transfers under license agreements
 - g. Transfers under finance agreements (including loans and equity contributions in cash or in kind)
 - h. Provision of guarantees or collateral
 - i. Commitments to do something upon the occurrence or non-occurrence of a particular event, including executory contracts
 - j. Settlement of liabilities on behalf of the entity or by an entity on behalf of that related party
 - Related party disclosures
 - a. Taxpayers should observe the following requirements:
 1. The required disclosures on transactions and outstanding balances shall be made

separately for each of the following categories:

- i. the parent
 - ii. entities with joint control or significant influence over the entity
 - iii. subsidiaries
 - iv. associates
 - v. joint ventures in which the entity is a member
 - vi. key management personnel of the entity or its parent
 - vii. other related parties
2. For each of the above categories, the following information shall be provided:
 - i. amount of the transactions
 - ii. amount of outstanding balances, including commitments, and their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlement, and details of any guarantees given or received
 - iii. provisions for doubtful debts related to the amount of outstanding balances
 - iv. expense recognized during the period in respect of bad or doubtful debts due from related parties
- Procedures and guidelines in filling out BIR Form No. 1709
 - a. The nature of the transaction and accounts affected shall be described in detail.
 - b. Required disclosures for “business overview of the ultimate parent company” and “functional profile”
 - c. Required attachments
 - d. No spaces shall be left unanswered. If one or some portions are inapplicable, such fact shall be stated.
 - The TPD submitted must be the documentation upon which taxpayer relied to determine transfer pricing prior to or at the time of the undertaking of the related party transaction. Hence, the BIR requires submission of the TPD prepared prior to or

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BIR – Bureau of Internal Revenue

at the time of the transaction, or after the transaction but not later than the filing of the annual income tax return (AITR).

- BIR Form No. 1709 is a required attachment to the AITRs and applicable starting with AITRs covering the fiscal year (FY) ended 31 March 2020. In this relation, the 30 July 2020 deadline for submitting the attachments to AITRs for FY ended 31 March 2020 was extended to **30 September 2020**.
- Whether or not the TPD has to be updated yearly will depend on whether there are significant changes in the business model, the factors or conditions considered in drafting the TPD, and the nature of the related party transactions. If there are none, the old TPD shall suffice.
- For 2020 filings, the TPD of the immediately preceding year may be attached if:
 - a. The transaction is of the same type and was undertaken with the same related party; and
 - b. The taxpayer can prove that the same conditions are squarely applicable to the related party transaction in the taxable year concerned.
- RR No. 19-2020 requires more details to be disclosed on related party transactions. Accordingly, taxpayers cannot generally rely on the PAS 24 disclosures in the AFS for purposes of preparing BIR Form No. 1709.
- Formal written cost-sharing arrangements, in addition to receipts, proofs of payment, etc., should be submitted to prove the legitimacy of expenses.
- All contracts are required to be attached regardless of volume. In lieu of hard copies, soft copies in Portable Data Format (PDF) may be submitted in accordance with the guidelines in "Q19" of RMC No. 76-2020.
- Taxes paid in a foreign country must be declared and proof of payment attached. If such have not yet been paid, the taxpayer must attach the relevant

contract, proof of receipt of income and Tax Residency Certificate issued by the ITAD and submitted to the foreign country when tax treaty benefits were availed.

- Deadline for submission of BIR Form No. 1709
 - a. Manual filers – It must be manually submitted with the AITR to the concerned Large Taxpayers (LT) Division or Revenue District Office (RDO) on or before the statutory due date.
 - b. eFPS filers – It must be manually submitted to the concerned LT Division or RDO within fifteen (15) days from the statutory due date or actual date of filing, whichever comes later.
- BIR Form No. 1709 shall be filed manually, whether the taxpayer is a manual or eFPS filer.
- Consequences of non-filing of BIR Form No. 1709 and its required attachments
 - a. Penalty between PHP1,000 to PHP25,000 for failure due to reasonable cause and not to willful neglect
 - b. For second and subsequent offenses, the maximum penalty prescribed
 - c. If the taxpayer still fails to file after receiving summons, the partner, president, general manager, branch manager, treasurer, officer-in-charge and responsible employees shall be punished by fine and imprisonment.

(Revenue Regulations No. 19-2020, published 10 July 2020; and Revenue Memorandum Circular No. 76-2020, issued 29 July 2020)

Final call

Extending the deadline for registration of taxpayers conducting online businesses

Last June, RMC No. 60-2020 was issued to remind all persons doing business and earning income, specifically those using electronic platforms and media and other digital means, to ensure that their businesses are registered and that they are tax compliant. The BIR prescribed a 31 July 2020 deadline for registration (without penalty imposition).

The BIR extended this deadline to 31 August 2020. Newly registered taxpayers are again encouraged to voluntarily declare past transactions and pay corresponding taxes, which shall not be subject to penalties if paid on or before 31 August 2020.

Glossary

AFS – Audited Financial Statements
BIR – Bureau of Internal Revenue
eFPS – Electronic Filing and Payment System
ITAD – International Tax Affairs Division
PAS – Philippine Accounting Standard
RMC – Revenue Memorandum Circular

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

(Revenue Memorandum Circular No. 75-2020, issued 29 July 2020)

Prescription freeze

Suspending the running of the Statute of Limitations for assessment and collection

In light of the COVID-19 pandemic, RMC No. 34-2020 was issued last March to suspend the running of the prescriptive periods for the right to assess and collect taxes from 16 March 2020 until the lifting of the state of national emergency and for sixty (60) days thereafter.

The CIR recently clarified the above period to mean the period starting 16 March 2020 **until the lifting of the Enhanced Community Quarantine (ECQ)** and for 60 days thereafter.

Note: The ECQ in Metro Manila was lifted on 15 May and downgraded to a Modified ECQ from 16 May to 31 May.

(Revenue Memorandum Circular Nos. 77-2020, 74-2020 and 34-2020, issued 22 and 30 July, and 30 March 2020)

Machine permits

Procedures for cancellation of permits to use CRMs, POS and other sales machines

The CIR issued revised guidelines and procedures for the cancellation of permits to use (PTUs) cash register machines (CRMs), point-of-sale (POS) machines and other similar sales machines generating invoices/receipts.

The guidelines and procedures include the following:

- The cancellation of the PTUs shall be processed by the concerned Revenue District Office (RDO)/Large Taxpayers (LT) office.
- The taxpayer shall file a written request for PTU cancellation within five days from the date the machine was last used/withdrawn from use.
- Required submissions as attachments to the request or to the assigned Revenue Officer (RO) at the time of machine inspection

- Actual inspection of the CRM/POS machines shall be mandatory in case of withdrawal from use or transfer to another branch.
- Non-payment of the penalties at the time of the request for PTU cancellation shall not be a ground for the non-issuance of the Cancellation Certificate.
- Upon approval of the Memo Report of the assigned RO, the Client Support Section shall cancel the PTU and the Machine Identification Number, and generate the Cancellation Certificate.
- The Cancellation Certificate must be issued within seven days from receipt of the letter-request of the taxpayer. If inspection is dispensed with, the Cancellation Certificate shall be issued within three working days from receipt of the complete requirements.
- The policies, requirements and procedures in RMC No. 72-2018 apply only to machines found during Post-Evaluation to have requested for PTU cancellation but have not been acted upon by the concerned LT Office/RDO. Otherwise, the provisions on PTU cancellation under RMC No. 69-2020 shall apply.

(Revenue Memorandum Circular No. 69-2020, issued 13 July 2020)

Islamic banks

Regulation of Islamic Banks by the Bangko Sentral ng Pilipinas

The BIR circulated Republic Act (RA) No. 11439 entitled “An Act Providing for the Regulation and Organization of Islamic Banks.” RA No. 11439 provides for, among others, the following:

- The Bangko Sentral ng Pilipinas (BSP) shall exercise regulatory powers and supervision over the operations of Islamic banks.
- Islamic banks shall be responsible for complying with Shari’ah principles and, for this purpose, shall constitute a Shari’ah advisory council.
- Islamic banks shall be licensed and regulated in the same manner as universal banks.
- The BSP, taking consideration the peculiar characteristics of Islamic banking, may:
 - formulate rules and regulations for the extension of financial facilities to Islamic banks for purposes provided in the New Central Bank Act; and

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BIR – Bureau of Internal Revenue

CIR – Commissioner of Internal Revenue

RMC – Revenue Memorandum Circular

- require Islamic banks to maintain reserves against their deposit accounts and funds held in trust or under investment accounts.
- The Government shall endeavor to achieve neutral tax treatment between Islamic banking transactions and equivalent conventional banking transactions within the Tax Code.

(Revenue Memorandum Circular No. 67-2020, issued 2 July 2020)

Cooperatives

Circularizing the law reorganizing and strengthening the CDA

The BIR circulated Republic Act (RA) No. 11364 which reorganizes and strengthens the Cooperative Development Authority (CDA), and repeals RA No. 6939. The salient features of RA No. 11364 include:

- The modification of the composition of the Board of Administrators wherein each director will represent a cooperative sector instead of a geographical region.
- The Board of Administrators will also function as a policy-making and adjudicating body.
- The CDA shall furnish the BIR, local government units and other concerned agencies a certified list of duly registered cooperatives for purposes of processing tax exemptions.

(Revenue Memorandum Circular No. 66-2020, issued 2 July 2020)

Game resumption

Tax clearance of POGO licensees and service providers resuming operations

The BIR issued "Revised Guidelines and Requirements for POGO Licensees and Service Providers" for purposes of processing applications for BIR clearance for the resumption of operations.

Glossary

BIR – Bureau of Internal Revenue

ITR – Income Tax Return

PAGCOR – Philippine Amusement and Gaming Corporation

POGO – Philippine Offshore Gaming Operator

RDO – Revenue District Office

TIN – Taxpayer Identification Number

The guidelines are as follows:

- The Application Letter and all documents should be filed with the BIR POGO Task Force or submitted to the pogo.taskforce@bir.gov.ph.
- The Application Letter should indicate the company name, TIN, business address, and its authorized representative & his/her contact details. The monthly regulatory fees paid to PAGCOR in prior years should also be specified.
- For prompt processing, the submission of complete documentary requirements should be ensured.
- The submission of falsified or fraudulent documents shall result in the denial of the Application Letter.

The respective conditions and requirements are as follows:

	Licensees or Operators	Service Providers
Conditions		
Registration with the concerned RDO	Yes	Yes
Payment of franchise tax and proof of payment	Yes	N/A
2019 ITR and proof of payment	N/A	Yes
Remittance of withholding taxes	Yes	N/A
Remittance of withholding taxes from January to April 2020	N/A	Yes
Notarized undertaking to pay tax arrears	Yes	Yes
Documentary requirements		
BIR Form No. 1903 or 2303	Yes	Yes
BIR Form No. 2553 and proof of payment	Yes	N/A
BIR Form No. 1701 or 1702 and proof of payment	N/A	Yes
BIR Form Nos. 1601C, 0619E, 0619F, 1601EQ, 1601FQ and BIR Form No. 0605	Yes	N/A
BIR Form Nos. 1601C, 0619E, 0619F, 1601EQ, 1601FQ and BIR Form No. 0605 from January to April 2020	N/A	Yes
Notarized undertaking to pay tax arrears	Yes	Yes

(Revenue Memorandum Circular No. 64-2020, issued 24 June 2020)

Hard publication

Effectivity date of Republic Act No. 11467

The Secretary of Finance has opined that Republic Act (RA) No. 11467 (which increased certain excise tax rates) took effect on 27 January 2020 when it was published in a newspaper of general circulation. This is notwithstanding Section 15 thereof which provides that it will take effect on 1 January 2020 after its complete publication either in the Official Gazette or in a newspaper of general circulation.

The Secretary reasoned as follows:

- Generally, laws shall only have prospective effect.
- The retroactive application of higher excise tax rates under RA No. 11467 will be unjust.
- Tax laws must be interpreted strictly against the government and liberally in favor of the taxpayer.
- Publication of laws is essential to give effect to the principle that ignorance of the law excuses no one from compliance therewith.
- **Publication through the website of the Official Gazette is not** considered compliance with the publication requirement.

(Revenue Memorandum Circular No. 65-2020, issued 30 June 2020)

Drug imports

Issuance of ATRIG by the RDO having jurisdiction over the port of entry

The Authority to Release Imported Goods (ATRIG) shall be issued for all importations of VAT-exempt articles, including prescription drugs and medicines for diabetes, high cholesterol, hypertension, cancer, mental illness, tuberculosis, and kidney diseases. The ATRIG shall be issued in the Revenue District Office (RDO) having jurisdiction over the port of entry.

Said RDO shall process the ATRIG applications of manufacturers, distributors, wholesalers and retailers of drugs and medicines included in the "list of approved drugs and medicines" issued by the Department of

Health. The policies, guidelines and procedures in RMO No. 35-2002 should be strictly followed and observed.

(Revenue Memorandum Order Nos. 25-2020 and 23-2020, issued 29 July and 15 July 2020)

Proper disposal

How to ensure the deductibility of assets declared as waste, obsolete or expired

The BIR has revised and updated the policies and guidelines for its inspection and supervision of the destruction/disposal of the inventories, machineries or equipment in relation to the determination of deductible expense for assets declared as waste or obsolete due to spoilage, deterioration, obsolescence, expiration, or other causes rendering the same unfit for sale or for use in production.

Said policies and guidelines include the following:

- The "Application for Destruction/Disposal of Goods/Assets" with complete requirements shall be filed with and processed by the concerned Large Taxpayers (LT) office or Revenue District Office (RDO) at least seven days before the proposed date of destruction/disposal.
- Generally, the date of destruction shall be scheduled on regular working days. It may be conducted on a weekend or on a non-working holiday upon prior BIR approval.
- The valuation for the inventory or assets to be disposed/destroyed shall be actual cost. In the case of fixed assets, carrying book value shall be considered.
- Deduction of losses for income tax purposes arising from inventory destruction or disposal shall be allowed after witnessing in accordance with Revenue Memorandum Order No. 21-2020 and issuance of the "Certificate of Deductibility of Goods/Assets Destroyed/Disposed."
- The BIR shall issue the "Certificate of Deductibility of Goods/Assets Destroyed/Disposed" within five days from the submission of complete documents (e.g., photos and videos, inventory count sheet, etc.) of destruction/disposal.

(Revenue Memorandum Order Nos. 21-2020, issued 10 July 2020)

Glossary

BIR – Bureau of Internal Revenue

RMO – Revenue Memorandum Order

VAT – Value-Added Tax

Smoker's code

New ATCs and modified ATC descriptions for excise taxes on tobacco products

The following Alphanumeric Tax Codes (ATCs) have been created:

New ATC	Description
XT155	Cigarettes Packed by Machine (for tax rates effective 2020 to 2023)
XT160	On Heated Tobacco Products (for tax rates effective 2020 to 2023)
XT165	Vapor Products (for tax rates effective 2020 to 2023)
	On Vapor Products
XT170	Nicotine Salt or Salt Nicotine (for tax rates effective 2020 to 2023)
XT180	Conventional Freebase or Classic Nicotine (for tax rates effective 2020 to 2023)
	Inspection Fee
XT190	Heated Tobacco Products
XT200	Vapor Products

On the other hand, the descriptions of the following ATCs have been modified:

ATC	Modified/New Description
XT010	Tobacco Products Tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and curing (for tax rates effective 2020 to 2023) Tobacco prepared or partially prepared with or without the use of any machine or instrument or without being pressed or sweetened (for tax rates effective 2020 to 2023) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems, midribs and sweepings of tobacco (for tax rates effective 2020 to 2023)
XT020	Chewing Tobacco Unsuitable for Use in Any Other Manner (for tax rates effective 2020 to 2023)
	Cigars
XT035	Ad Valorem Tax Based on the Net Retail Price per Cigar (for tax rates effective 2020 to 2023)
XT036	Specific Tax (for tax rates effective 2020 to 2023)
	Cigarettes
XT040	Cigarettes Packed by Hand (for tax rates effective 2020 to 2023)

(Revenue Memorandum Order No. 20-2020, issued 8 July 2020)



Latest on regulatory landscape

Critical importations

Lifting the tax and duty exemptions of imported health equipment and supplies

Republic Act (RA) No. 11469, otherwise known as the “Bayanihan to Heal as One Act”, granted tax and duty free exemption to all importations of health equipment and supplies deemed critical or needed to carry out the objective of said RA and address the COVID-19 emergency. RA No. 11469 was effective until 24 June 2020.

In light of the expiration of the effectivity of RA No. 11469, the public is hereby informed that the grant of tax and duty exemption to all importations of health equipment and supplies above ceased effectivity starting 25 June 2020. This is without prejudice to the privilege granted to importers under Sections 121 or 800(m) of the Customs Modernization and Tariff Act.

(BOC Office of the Commissioner Memorandum No. 129-2020, dated 23 June 2020)

Seized goods

Proceedings and appeals process in the seizure and forfeiture of goods

The Secretary of Finance has approved the procedures to be observed during proceedings for the seizure and forfeiture of imported or exported goods. The procedures include the following:

- Properties subject to seizure and forfeiture
- Conditions for forfeiture
- Seizure and forfeiture pursuant to the power of the Commissioner of Customs to inspect or visit
- Issuance and service of warrant of seizure and detention
- Custody over seized goods
- Rules of procedure during forfeiture proceedings
- Remedies

(Customs Administrative Order No. 10-2020, approved 5 June 2020)

Import clearance

Customs clearance procedures for goods entered for consumption

The Secretary of Finance has approved the procedures in the customs clearance of importations covered by goods declaration for consumption through a Formal Entry Process. The procedures include the following:

- When importation begins and is deemed terminated
- Methods of valuation
- Ascertainment of the accuracy of the declared value
- Rules on classification
- Lodgment of goods declaration
- Examination
- Assessment
- Payment
- Release
- Dispute mechanism
- Alert orders

(Customs Administrative Order No. 9-2020, approved 6 March 2020)

e-VRIS

Implementing the Enhanced Valuation Reference Information System (e-VRIS)

The Commissioner of Customs has implemented the e-VRIS in the Electronic to Mobile (E2M) system in order to establish a reliable and comprehensive database of information on the value and classification of imports, to collect additional revenues and to properly assess and collect duties and taxes.

The Imports and Assessment Service shall be responsible for establishing, maintaining and implementing the e-VRIS as a database, with the technical assistance of the Management Information System and Technology Group.

The operational guidelines for the e-VRIS include the following:

- The reference values stored in the e-VRIS shall serve as a risk management tool to ascertain the veracity of any statement, document or declaration presented for valuation purposes.
- The e-VRIS reference values shall be for internal use only and shall not be available to the public.
- Scanned copies of import documents shall be uploaded by the assigned customs examiner for every entry in the system.
- All customs examiners/appraisers shall ensure that the application of subsequent methods of valuation will not cause undue delay, obstruct or impede the regular clearance procedure of cargoes.

(Customs Memorandum Order No. 16-2020, dated 6 July 2020)

Government outsourcing

Guidelines for the accreditation and supervision of VASPs

The CoC issued administrative and operational guidelines for the accreditation and supervision of Value-Added Service Providers (VASPs) to provide front-end services for the Electronic to Mobile (E2M) System.

An E2M VASP is a BOC-accredited information and communications technology (ICT) company which may provide the services enumerated in Customs Memorandum Order No. 15-2020 and collect transaction fees. The services involve front-end services for the receipt and transmission of electronic data or documents required under the E2M system.

In order to be accredited as an E2M VASP, the company must satisfy the following:

1. It should be comprised of Filipino individuals or domestic corporations, provided that the company is at least sixty percent (60%) owned by Filipinos.
2. Joint venture companies are eligible provided that at least 60% of the legal and beneficial ownership belongs to Filipino citizens.

Glossary

BOC – Bureau of Customs
CoC – Commissioner of Customs
SEC – Securities and Exchange Commission
SENS – SEC Express Nationwide Submission

3. The company or, in the case of a joint venture, all member-companies have been operational in the Philippines for the immediately preceding five years.

(Customs Memorandum Order No. 15-2020, dated 29 June 2020)

SEC closure

Filing of audited financial statements and general information sheet

In light of the temporary closure of the SEC Main Office from 26 June to 26 July 2020, the following filing guidelines should be noted:

1. Adjusted Deadlines

a. Audited financial statements (AFS)

Filing Schedule	Last Digit of SEC Registration/ License Number
1-3, 6-10 July 10-14 August	1 and 2
13-17 July 17-20 August	3 and 4
20-24 July 24-28 August	5 and 6
27-30 July 3-7, 9 August	7 and 8 9 and 0

b. General Information Sheet (GIS)

Corporations, which held their annual stockholders' meetings during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ) in the National Capital Region have until 31 August 2020 to submit their GIS.

2. Modes of Filing

a. Via Courier Only

Submissions to the SEC Main Office shall be made through courier only using the SENS facility at <https://sens.secexpress.ph> while the SEC Main Office remains closed. Corporations may request for their return copies by including in their submissions prepaid return envelopes with stamps.

Alternatively, corporations may request for plain or authenticated copies of their AFS, GIS and other documents through the SEC Express System at <https://secexpress.ph> two months after receipt. Documents received between 1 and 26 July 2020 shall be made available three months from receipt.

b. Email Submissions

Corporations may continue sending the scanned copies of their duly signed and, if applicable, notarized reports through email at the following addresses:

AFS	ermdfs1@sec.gov.ph ermdfs2@sec.gov.ph
GIS	mlmliwanag@sec.gov.ph mtdmabuyo@sec.gov.ph

Corporations shall follow the pertinent guidelines on the submission of documents through email, as provided in previous notices posted on <http://www.sec.gov.ph/public-information-2/investors-education-and-information/covid-19-related-issuances/>.

The documents shall be considered received on the date stated in the Acknowledgment Receipt (AR) sent by the SEC through email. Accordingly, the printed copies may be submitted through courier or the Philippine Postal Corporation following the filing schedule provided above. However, the reckoning of the date of receipt shall be based on the AR.

Corporations shall follow the pertinent guidelines posted on the SEC website at <http://www.sec.gov.ph/public-information-2/investorseducation-and-information/covid-19-related-issuances/>.

c. Submissions to the SEC Extension Offices

Corporations outside the National Capital Region may continue filing their reports with the SEC Extension Offices. Please note, however, that the SEC - Cebu Extension Office shall be closed while Cebu City remains under Enhanced Community Quarantine.

3. Requests for SEC Documents

a. Online Application Only

The SEC shall continue accepting requests for plain or authenticated copies of annual reports and other documents submitted by corporations through the SEC Express System at <https://secexpress.ph>. Such requests shall be processed upon the resumption of operations in

the SEC Main Office. Accordingly, documents requested between 1 and 26 July 2020 shall be released fifteen to twenty working days from 27 July 2020.

b. No Self-service Processing

The appointment system for self-service processing in the SEC Main Office shall remain suspended until further notice.

4. Payment of Filing / Processing Fees

The SEC shall issue electronic Payment Assessment Forms for the applicable filing and/or processing fees through email.

Corporations may pay the applicable filing and/or processing fees at the ground floor of the SEC's former headquarters along EDSA in Ortigas, Mandaluyong City. The payment center is open from 8AM to 3PM, from Monday to Friday.

The SEC shall make further adjustments in its operations, when necessary. Updates shall be posted on the SEC website, www.sec.gov.ph, and the official Facebook page, @PhilippineSEC.

For clarifications on the foregoing, the public may contact the Commission during office hours through the following interim hotline numbers: (+63) 906-620-2298, (+63) 939-426-6081, (+63) 939-588-5262 and (+63) 918-962-0311.

(SEC Notices, dated 29 June and 14 July 2020)

I-ACGR deadline

Extending the I-ACGR filing deadline to 1 September 2020

Publicly listed companies (PLCs) are required to submit an Integrated Annual Corporate Governance Report (I-ACGR) every May 30 for each year that they remain listed in the Philippine Stock Exchange. Due to the COVID-19 pandemic, the 30 May 2020 deadline was extended to 30 July 2020.

The SEC resolved to further extend the deadline to 1 September 2020. The extension is automatic, so PLCs need not submit a request. Nevertheless, they are not precluded from submitting on or before 30 July 2020.

(SEC Notice posted 22 July 2020)

Glossary

SEC – Securities and Exchange Commission

Final extension

Filing of SEC Forms 17-A and 17-Q within the prescribed deadline

Last March, the SEC extended the deadline for filing SEC Forms 17-A (2019 annual report) and 17-Q (2020 first quarter report) until 30 June 2020, or sixty days from the date of lifting of travel restrictions, if the company has foreign operations.

Despite the extension, the SEC observed that concerned companies have filed queries for additional extension. Considering that the SRC IRR already provides for the filing of SEC Form 17-L (Notification of Inability to File All or Any Portion of SEC Form 17-A or 17-Q) to extend the filing of SEC Forms 17-A and 17-Q, and in light of the lapse of the extended deadline, concerned companies are given five days from 3 July 2020 to file their respective SEC Form 17-L.

The concerned companies are directed to file the particular SEC Form with the PSE Edge (for publicly-listed companies) or msrd_covid19@sec.gov.ph (for issuers of securities under MSRD supervision).

(SEC Notice posted 3 July 2020)

Non-appearance

Submitting the MDF through courier, registered mail or email and deadline

The public is highly discouraged from personally coming to the SEC Main Office to file the Mandatory Disclosure Form (MDF). This is in view of the continued risk of being infected or spreading the COVID-19 infection. Instead, everyone is urged to submit the MDF through courier service, registered mail or through electronic mail as explained in detail in https://www.sec.gov.ph/wp-content/uploads/2020/06/2020Notice_MDF-Submission-Guidelines.pdf

If completely unavoidable, the MDF may be dropped off at the SEC chute box located at the G/F, Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City until 5PM on 30 July 2020.

Glossary

BSP – Bangko Sentral ng Pilipinas

IRR – Implementing Rules and Regulations

PSE – Philippine Stock Exchange

SEC – Securities and Exchange Commission

SRC – Securities Regulation Code

The following instructions must be followed:

- For the submission to be deemed complete, please make sure that the following forms are submitted.
 - Printed accomplished online MDF
 - Notarized declaration/verification page
- Only two copies of the above documents, in properly labeled (write “MDF” in the envelope) and sealed brown envelopes, will be received by the SEC.

The following filing deadlines for the MDF should be noted:

- Online filing - 31 July 2020 (using the link <https://forms.gle/KF4iBSimLKvChCwRA>)
- Filing of printed original copy with signed and notarized Declaration/Verification page - 31 July 2020

(SEC Notices posted 28 and 14 July 2020)

Online transmission

Guidelines for the mandatory electronic AR/AFS submissions of Non-Bank BSFIs

The following Non-Bank BSP-Supervised Financial Institutions (BSFIs) are required to electronically transmit (in Portable Document Format) their Annual Reports (ARs) and Audited Financial Statements (AFS) beginning with the 2019 AR and AFS to the Department of Supervisory Analytics (DSA) of the BSP:

1. Non-Banks with Quasi-Banking Functions
2. Non-Stock Savings and Loan Associations except those with total resources of Php10 million or less
3. Trust Corporations
4. Non-Bank Financial Institutions without Quasi-Banking Functions
5. Electronic Money Issuers
6. Virtual Currency Exchanges
7. Pawnshops which were issued Type C or Type D license
8. All Money Service Business except Type F

Non-Bank BSFIs should use the specific emails and format provided in BSP Memorandum No. M-2020-60.

Those unable to electronically transmit the AR and AFS may use any portable storage device (e.g., USB flash drive) and submit the same through courier or postal services within the prescribed deadline to the DSA.

The following should also be observed:

1. For AFS submissions, only the six required files as described in BSP Memorandum No. M-2020-60 shall be submitted.
2. The following may result in an erroneous or failed submission, among others:
 - a. Failure to use the prescribed file names
 - b. Failure to use the correct file format
 - c. Failure to use the prescribed subject line or reporting date
 - d. Failure to use an officially registered e-mail address
 - e. Transmitting to the wrong e-mail address
 - f. Attachments that do not contain the exact number of files
3. Report submissions that do not conform with the prescribed guidelines shall not be accepted and will be considered non-compliant with the BSP reporting requirements.

(BSP Memorandum No. M-2020-60, dated 24 July 2020)

Altered lists

Documentary requirements for amending AOIs/AOCs and by-laws

The BSP amended **Annex B** (List of Documentary Requirements on the Amendment of Articles of Incorporation and/or By-Laws) and **Annex C** (List of Documentary Requirements on the Amendment of Articles of Cooperation and/or By-Laws of Cooperative Banks) of **BSP Circular Letter No. CL-2009-42**.

The amended Annexes may be viewed at <http://www.bsp.gov.ph/downloads/regulations/attachments/2020/m058.pdf>

(BSP Memorandum No. M-2020-58, dated 16 July 2020)

Glossary

BSP – Bangko Sentral ng Pilipinas

Disaster risk

Submission of Annual Catastrophe Exposures – Property Insurance Reports

All non-life companies are required to submit Annual Catastrophe Exposures - Property Insurance Reports (also known as Disaster Risk Financing and Insurance (DRFI) Reports) for each calendar year of data using the following templates attached to IC Circular Letter No. 2020-75:

- Annex A: Property Insurance Policy database
- Annex B: Property Insurance Incurred Loss database
- Annex C: Cover Letter

All submissions should be encrypted and uploaded to the DRFI Uploading System through <https://icdrfi.insurance.gov.ph/reports>. The file size of each upload must be limited to a maximum of 25MB. The DRFI Uploading System will only be opened for uploading ten working days prior to the set deadline every year and shall be closed at the end of business day of the deadline.

Due to the restrictions caused by the community quarantine, the submission of 2019 reports is extended until 31 August 2020. However, annual submissions for succeeding years shall remain due on the 31st of May.

(IC Circular Letter No. 2020-75, dated 29 June 2020)

Suspension lifted

Online submission of requests for approval of products/forms

The Insurance Commission (IC) has lifted the suspension of filings for new requests for approval of products/forms or other related requests of life insurance companies, mutual benefit associations, pre-need companies, and health maintenance organizations under IC Circular Letter No. 2020-41.

In this relation, the IC issued guidelines which provide for the following:

- Filing through the Online Product Submission Portal of the Actuarial Division
- Deadline and manner of payment of filing fees
- Documentary requirements
- Transmittal letter and information required

- Review and approval
- Deadline and manner of submission of hard copies of documents and required certificate of verification

(IC Circular Letter No. 2020-76, dated 30 June 2020)

RPT cutback

Reduction of RPT and condonation of interest in relation to 2019 RPT of IPPs

All real property tax (RPT) liabilities and special levies accruing to the Special Education Fund for 2019 assessed by local government units against independent power producers (IPPs) with respect to property, machinery, and equipment actually and directly used in the production of electricity under a Build-Operate-Transfer scheme or similar contracts with GOCCs are reduced to an amount equivalent to the tax due if computed based on an assessment level of 15% of fair market value depreciated at 2% per annum.

Any amounts previously paid by IPPs in excess of the reduced amount may be applied against future RPT liabilities. Interest on any deficiency RPT are condoned.

(Executive Order No. 117, dated 24 July 2020)

Start of classes

Authorizing the President to defer the start of the school year

Republic Act No. 7797 (An Act to Lengthen the School Calendar From Two Hundred Days to Not More Than Two Hundred Twenty Class Days) has been amended to include a provision wherein, in the event of a declaration of a state of emergency, the President, upon the recommendation of the Secretary of Education, may set a different date for the start of the school year in the country or parts thereof.

Further, any deferred school opening set by the President pursuant to the above provision applies to all basic education schools, including foreign or international schools.

(Republic Act No. 11480, approved 17 July 2020)

Glossary

GOCC – Government-Owned and -Controlled Corporation

Terror bill

Promulgating the Anti-Terrorism Act of 2020

The President approved the Anti-Terrorism Act of 2020 (Republic Act No. 11479). Here are the salient features thereof:

- Terrorism is committed when a person:
 - Engages in acts intended to cause death or serious bodily injury or endanger a person's life;
 - Engages in acts intended to cause extensive damage or destruction to a government or public facility, public place or private property;
 - Engages in acts intended to cause extensive interference with, damage or destruction to critical infrastructure
 - Develops, manufactures, possesses, acquires, transports, supplies or uses weapons, explosives or biological, nuclear, radiological or chemical weapons; and
 - Release of dangerous substances, or causing fire, floods or explosions

and the purpose is to:

- intimidate the general public or a segment thereof;
- create an atmosphere or spreading a message of fear;
- provoke or influence by intimidation the government or any international organization;
- seriously destabilize or destroy the fundamental political, economic or social structures of the country; or
- create a public emergency or seriously undermine safety.
- Terrorism shall not include advocacy, protest, dissent, stoppage of work, industrial or mass action, and other similar exercises of civil and political rights which are not intended to cause death, serious physical harm or serious risk to public safety.
- The penalty for committing, and for conspiracy to commit a terrorist act shall be life imprisonment without the benefit of parole and Republic Act No. 10592.

- The penalty for threat, proposal, and inciting to commit a terrorist act shall be imprisonment for twelve years.
- Inciting to commit terrorism includes speeches, proclamations, writings, emblems, banners or other representations.
- Law enforcement agents or military personnel may, upon written order by the Court of Appeals (CA), secretly wiretap, overhear, listen to, intercept, screen, read, surveil, record or collect any private communications, conversation, discussions, data, information or messages.
- The Anti-Terrorism Council (ATC) may designate individuals, groups of persons, organizations or associations as terrorists upon a finding of probable cause that said persons are committing, attempt to commit or conspire to commit terrorist acts.
- The ATC shall be composed of the Executive Secretary, National Security Adviser, Executive Director of the Anti-Money Laundering Council (AMLC) and the Secretaries of the DFA, DND, DILG, DOF, DOJ and DICT. It is responsible for implementing the policies against terrorism.
- The assets of designated terrorists shall be subject to the authority of the AMLC to freeze.
- Any group of persons, organization or association committing terrorist acts or organized to engage in terrorism shall be declared as a terrorist upon application by the DOJ with the CA and with due notice and opportunity to be heard given to said group, organization or association.

(Republic Act No. 11479, approved 3 July 2020)

Glossary

DFA – Department of Foreign Affairs

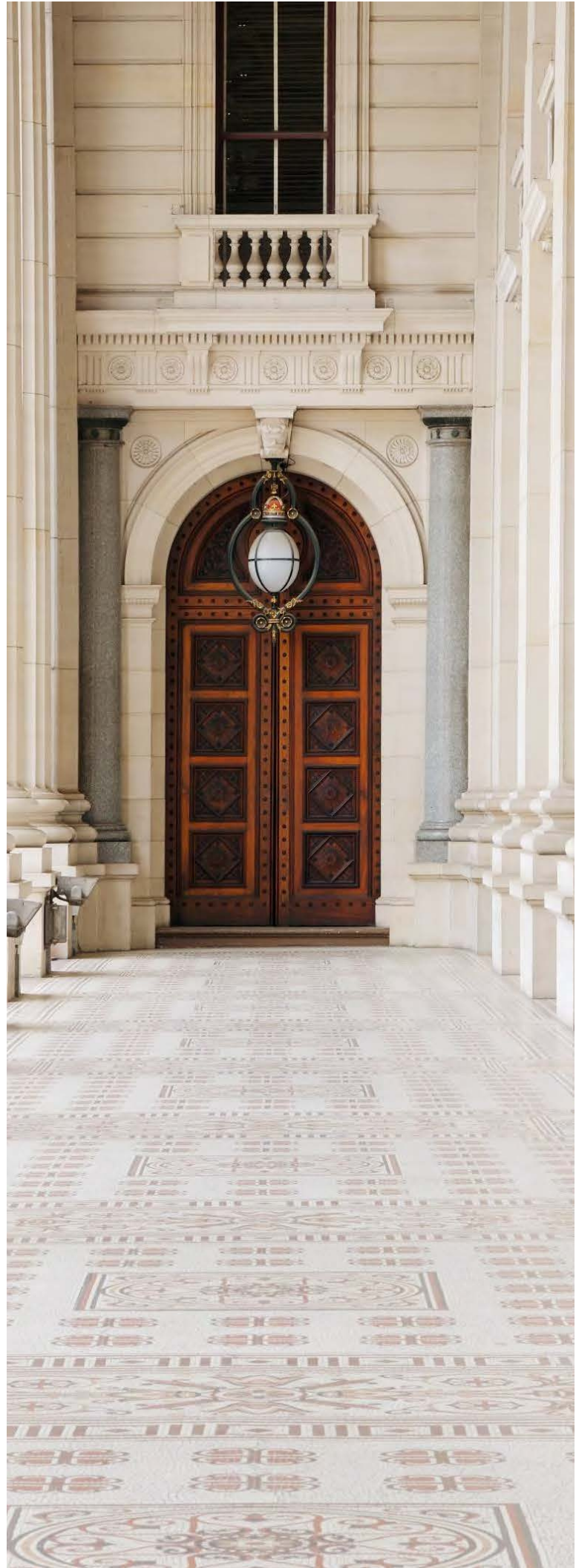
DICT – Department of Information and Communications Technology

DILG – Department of Interior and Local Government

DND – Department of National Defense

DOF – Department of Finance

DOJ – Department of Justice



Meet us

Tax, Deals professionals give MSME basics to aspiring agripreneurs



PwC Philippines Tax Principal, Atty. Harold Ocampo, Tax Senior Manager, Atty. Aimee dela Cruz and Deals and Corporate Finance Director Janesse Dorado guested live on "Magsasaka sa Radyo" radio program at Radyo Pilipinas (738 Khz on AM) on three consecutive Saturdays during July.

Program hosts Dexter Villamin, the President and CEO of DV Boer Farms and veteran broadcast journalist Aljo Bendijo asked them basic questions of would-be MSMEs, especially those intending to go into the agricultural sector. Harold shared information on what to consider when starting a business (applicable even to those who aren't farmers), Aimee gave the legal and regulatory aspects of business capital, while Janesse discussed how to generate cash capital.

The program also airs live on social media. Click [these links](#) to watch the 4 July, 11 July and 18 July episodes.

PwC Philippines conducts COVID-19 survey on tourism for DOT



PwC Philippines Chairman and Senior Partner Alex Cabrera presented the results of the survey on the local tourism industry in the webinar "Rising from COVID-19: Stimulus Program for MSMEs in Tourism" on 16 July 2020. More than 160 industry players participated in an event organized by the Department of Tourism - Philippines (DOT).

Tourism Secretary Bernadette Romulo-Puyat, in her welcome remarks, thanked the firm for running the survey and presenting the results to tourism industry players.

Gigie Esquerra Longa, Tax Partner of our firm and concurrently Corporate Responsibility & Stakeholder Partner, explained the journey behind the firm's role as DOT's Knowledge Partner. "Our firm has launched two purpose projects, which are part of our CSR (corporate social responsibility) initiatives and whose end goal is to promote the Philippines, even before our formal collaboration with the DOT. Driven by the same purpose, we had the privilege of being the Knowledge Partner of the DOT."

The survey results gave a backdrop of the industry players' sentiments on the challenges and concerns brought about by the pandemic. In turn, various government officials presented their agencies' responses:

- Tourism Response and Recovery Plan (TRRP) by Undersecretary Benito C. Bengzon, Jr. of the DOT Tourism Development

- “Industry Development and Strategic Recovery Initiatives in Support to Affected MSMEs in the Tourism Industry” by Exec. Director Ma. Corazon Halili-Dichosa of the Board of Investments
- The Development Bank of the Philippines’ (DBP) stimulus loan program by Mr. Emmanuel G. Herbosa, President and CEO of DBP
- The Land Bank of the Philippines’ (LBP) stimulus loan program by Ms. Cielito H. Lunaria, Vice President, Head of Retail and Mid-Market Lending Group of LBP

Director Virgilio M. Maguigad, DOT-OTSR (Office of Tourism Standards and Regulation), in his closing remarks, summed up the messages imparted by the speakers, and especially thanked PwC Philippines for mounting the survey. (Read the survey findings here: www.pwc.com/ph/tourism-covid-19)

Alex Cabrera initiates student forum to help create tomorrow's leaders

PwC Philippines Chairman and Senior Partner Alex Cabrera virtually welcomed over 450 students on 17 July 2020 to "Inspiring Future Leaders in Uncertain Times", a student forum where leaders in the business and the academe shared best practices in learning from home, maintaining health and wellness, developing an entrepreneurial mindset, and acting on the desire to help.

Alex led the forum on entrepreneurship, ethics and social responsibility. Resource persons were Ms Nanette Medved-Po (Chairwoman and President at Friends of Hope, Inc. and CEO at GenerationHope, Inc.), Mr. Josh Mahinay (CEO and President, BEAGIVER), and Ms. Diane Eustaquio (Executive Director, IdeaSpace Philippines). All of them encouraged the students to discover their passions, be on the lookout for opportunities, and lead a life of integrity.



Headlining the health and wellness forum were Dr. Flornita Tugas (President, National Association of CPAs in Education), Ms Eden Cabrera (National Accounting Teacher Awardee), and Dr. Fatima Angela B. Campaña, DSBPP (psychiatry consultant). Moderated by Human Capital Director Pam Gregorio and Deals Executive Director Raoul Villegas, the panel addressed the students’ issues on learning such as connectivity, need for a conducive environment, anxiety, and lack of focus.

Speaking live to the plenary were selected student reactors from De La Salle University - Manila, University of the Philippines - Diliman, Ateneo de Zamboanga and Mindanao State University - Iligan Institute of Technology. They effectively captured the session's important lessons, which fueled their optimism in continuing their education and lives amid the challenges of the pandemic.

The webinar also featured the recently concluded Student Survey by conducting online quizzes in between discussions.

Talk to us

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

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Request for copies

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