



Asia Pacific CEOs' sentiments made known in formal PH launch

Client Advisory Letter

Out of period ^{p3} | Campaign donations ^{p3} |
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February 2022



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Taxes, compliance matters, assessments, and refunds

Out of period

Service of the Letter of Authority within 30 days from issuance

On 1 April 2016, the Bureau of Internal Revenue issued a Letter of Authority (LOA) to investigate a certain taxpayer. Said LOA was served upon the taxpayer on 2 June 2016. Subsequently, the taxpayer was assessed for deficiency taxes.

Eventually, the case was elevated to the CTA which cancelled the Formal Letter of Demand assessing deficiency taxes. The CTA reasoned that the revenue officers who conducted the investigation lacked authority to do so because the LOA was served to the taxpayer beyond the 30-day period prescribed by Revenue Audit Memorandum Order No. 1-2000. Since the LOA was issued on 1 April 2016, it should have been served on or before 1 May 2016. Also, the CTA noted that there was no revalidation of the LOA. Hence, the LOA served on 2 June 2016 was already void for being out of period.

(CTA Case No. 10155, promulgated 27 January 2022)

Fresh start

Evidence not submitted at the BIR level may still be offered in the CTA proceedings

The failure of the taxpayer to submit supporting documents in its administrative claim for refund with the BIR is not fatal to its judicial claim for refund with the CTA. There is nothing in Section 112 of the Tax Code or in RMO No. 53-1998 which states that the failure to submit all documents enumerated therein will automatically result in the dismissal of the taxpayer's judicial claim for refund.

As a court of record, the CTA is not barred from receiving, evaluating and appreciating evidence submitted before it. Hence, the taxpayer is allowed to present new or additional documents before the CTA even if the same were not presented to the BIR. Cases filed with the CTA are litigated *de novo* ('again' or 'anew') which means that the parties must prove every minute aspect of their cases. No value is given to documentary evidence submitted to the BIR unless it is formally offered in the CTA.

(CTA EB No. 2334, promulgated 20 January 2022)

Proper claimant

Withholding agent may file a claim for refund of taxes erroneously withheld and remitted

The CTA affirmed the rule that a withholding agent may file a claim for refund of taxes erroneously withheld and remitted to the BIR if the taxpayer does not file such claim. The CTA stressed that the withholding agent and the taxpayer need not be related parties in order for the withholding agent to have such right to file a claim for refund.

(CTA EB No. 2359, promulgated 5 January 2022)

Campaign donations

Tax compliance reminders in relation to the May 2022 elections

The BIR issued the following tax compliance reminders for candidates, political parties and party-list groups in the 9 May 2022 national and local elections:

- All candidates, political parties, party-list groups and campaign contributors are required to register with the BIR, issue official receipts and withhold taxes pursuant to RR No. 8-2009, as amended by RR No. 7-2011.
- All candidates, political parties and party-list groups are required:
 - a. to pay the Annual Registration Fee of PHP500.00 and be issued a Certificate of Registration (COR). However, the COR is not required for individual candidates who are not engaged in business;
 - b. to keep books and other accounting records and register the same with the concerned Revenue District Office (RDO); and

Glossary

BIR – Bureau of Internal Revenue

CTA – Court of Tax Appeals

RMO – Revenue Memorandum Order

RR – Revenue Regulations

c. to register Non-VAT Official Receipts to be issued for every contribution received, whether in cash or in kind valued at fair market value.

- Generally, campaign contributions are not included in the taxable income of the candidate-recipient if they have been utilized to cover electoral campaign expenditures during the campaign period. However, unutilized campaign contributions, and donations utilized before the campaign period, net of campaign expenditures, shall be subject to income tax.
- Any candidate, political party or party-list group, whether winning or losing, who fails to file with the Commission on Elections (COMELEC) the Statement of Contributions and Expenditures shall be automatically precluded from claiming campaign expenditures as deductions from campaign contributions.
- Contributions in cash or in kind to any candidate, political party or party-list group duly reported to the COMELEC shall be exempt from donor's tax to the extent that were utilized or spent during the campaign period.
- Donations made by corporations in violation of Section 36(9) of the Corporation Code are subject to donor's tax and are non-deductible for income tax purposes.
- Income payments by political candidates, political parties and party-list groups for their purchases of goods and services (as campaign expenditures) and income payments made by persons for their purchases intended as campaign contributions are subject to the 5% creditable withholding tax.
- All candidates, political parties and party-list groups shall be responsible for the preservation of records and contributions and expenditures in accordance with Section 235, in relation to Sections 203 and 222, of the Tax Code.
- Every candidate and Treasurer of the political parties and party-list groups shall submit the Statement of Contributions and Expenditures to the COMELEC and concerned RDO within 30 days after the election.

(Revenue Memorandum Circular No. 22-2022, issued on 21 February 2022)

Glossary

BIR – Bureau of Internal Revenue
eBIRForms – Electronic BIR Forms
eFPS – Electronic Filing and Payment System
RDO – Revenue District Office
VAT – Value-Added Tax

Full utilization

Reporting of input VAT on purchases or importations of capital goods

Section 110(A) of the Tax Code, as amended by the TRAIN Law (Republic Act No. 10963), provides that the amortization of input VAT on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed shall only be allowed until 31 December 2021 after which taxpayers with unutilized input VAT shall be allowed to utilize the same as scheduled until fully utilized.

In this regard, the following work-around procedures and guidelines are prescribed in the preparation of BIR Form Nos. 2550Q and 2550M in the meantime that they are being revised:

BIR Form No.	Affected Fields	Description	Remarks
2550M (v. February 2007)			Instead of the actual useful life in terms of months, place number "1" under columns "E" and "F" and encode the input tax claimed from purchase/s of capital goods exceeding PHP1m in Column "G"
2550Q (v. February 2007)	Schedule 3(A)	Purchases/ Importation of Capital Goods (Aggregate Amount Exceeds PHP1m)	

Under the eFPS and eBIR Forms, the balance of input tax to be carried to the succeeding period is computed automatically by these systems. Hence, the taxpayer shall indicate Roman numeral "1" as the estimated useful and recognized useful life and encode the total input taxes claimed from purchase/s of capital goods exceeding PHP1m under Column "G" in order to show a nil amount of "Balance of Input Tax to be Carried to Next Period" under Column "H" of the monthly and quarterly VAT returns.

Taxpayers with unutilized input VAT on capital goods purchased or imported prior to 1 January 2022 shall be allowed to amortize the same as scheduled until fully utilized. Hence, Schedule 3(B) shall still be filled out. However, if the depreciable capital good is sold/transferred within 5 years or prior to the exhaustion

of the amortizable input tax thereon, the entire unamortized input tax on the capital goods sold/transferred can be claimed as input tax credit during the month/quarter when the sale or transfer was made.

(Revenue Memorandum Circular No. 21-2022, issued on 21 February 2022)

Sustained entitlement

Filing of requests for confirmation, and tax treaty relief and tax sparing applications

For purposes of reducing the number of filings with the International Tax Affairs Division, the BIR clarified as follows:

- Taxpayers with issued Certificates of Entitlement to Treaty Benefit (COEs) the tenor of which allows the ruling to be applied to subsequent or future income payments, shall no longer file a Request for Confirmation (RFC) or Tax Treaty Relief Application (TTRA) every time an income of similar nature is paid to the same nonresident.

However, the income payor should be mindful of the requisites in the COE. Hence, if tax residency is a requisite in the COE, the nonresident should be required to submit a Tax Residency Certificate for such relevant year before making any payment.

The foregoing also applies to the COE to the Reduced Dividend Rate issued by the BIR for tax sparing applications. A new RFC, TTRA or tax sparing application shall only be filed if any of the requisites mentioned in the COE is absent.

- During a tax audit, the BIR is requiring the income payor to submit or present a copy of the COE and proof of satisfaction of the requisites therein.
- For business profits, income from services, capital gains, income derived by teachers and such other income from non-recurring transactions, the RFCs or TTRAs shall still be filed following the procedures and requirements laid down in RMO No. 14-2021, as amended by RMC No. 77-2021.

As regards the annual updating that is required for long-term contract of services, RMC No. 20-2022 enumerates the requirements to be submitted by the taxpayer.

(Revenue Memorandum Circular No. 20-2022, issued on 17 February 2022)

Substituted basis

Clarifications, guidelines, and requirements for tax-free exchanges

Under Section 40(C)(2) of the Tax Code, prior BIR confirmation or tax ruling is no longer required for purposes of availing the tax exemption of tax-free exchanges. Accordingly, Section 8 of RR No. 5-2021 allows concerned parties to implement a tax-free exchange without the issuance of a Certificate Authorizing Registration (CAR).

In this regard, the Commissioner of Internal Revenue issued RMC No. 19-2022 to clarify the following:

- Determination of substituted basis
- Basis for determining gain or loss on the subsequent sale or disposition of properties
- Monitoring of the substituted basis of properties

The parties of the tax-free exchange/reorganization must comply with the following requirements as set forth under RR No. 18-2001:

- a. Each corporation, which is a party to a reorganization, shall file, as part of its return for the taxable year within which the reorganization occurred, a complete statement of all facts pertinent to the non-recognition of gain or loss in connection with the reorganization.
- b. Every taxpayer, other than a corporation, party to the reorganization, who received stock or securities and other property or money upon a tax-free exchange shall incorporate in his/her income tax return for the taxable year in which the exchange took place a complete statement of all facts pertinent to the non-recognition of gain or loss in connection with the reorganization.
- c. The parties shall include as a note to their respective audited financial statements for the taxable year in which the exchange occurred a statement to the effect that they hold such assets/shares acquired in a tax-free exchange

Glossary

BIR – Bureau of Internal Revenue

RMC – Revenue Memorandum Circular

RMO – Revenue Memorandum Order

RR – Revenue Regulations

and the year in which such exchange occurred, and in the taxable years until the subject properties are subsequently transferred to another transferee.

- d. The parties shall cause to annotate, at the back of the TCT, CCT and Certificates of Stock, the date the deed of exchange was executed, the original or historical cost of acquisition of the properties or shares of stock transferred, and the fact that no gain or loss was recognized as a result of such exchange.
- e. A photocopy of the TCT/CCT/Certificate of Stock that bares the annotation of the substituted bases of the real properties/shares of stock transferred/received, as duly certified by the Corporate Secretary, should be submitted to the Revenue District Office (RDO) which issued the CAR, within 90 days from the date of receipt of the CAR, by any of the parties. Otherwise, the RDO shall refer the case docket to the Legal Division for appropriate action.
- f. The shareholders of the absorbed/transferor corporation and the surviving/transferee corporation shall record in their respective books the mandatory accounting entries in Annexes "A", "A-1" and "A-2" of RMC No. 19-2022.
- The transfers of properties in exchange for shares of stock pursuant to Section 40(C)(2) of the Tax Code shall be exempt from the following:
 - a. Capital gains tax
 - b. Creditable withholding tax;
 - c. Income tax;
 - d. Donor's tax;
 - e. Value-added tax; and
 - f. Documentary stamp tax on conveyance of real properties and shares of stocks.
- The following issuances shall continue to apply:
 - a. RR No. 18-2001;
 - b. RMR No. 1-2001;
 - c. RMR No. 1-2002;
 - d. RMR No. 2-2002;
 - e. RMO No. 32-2001; and
 - f. RMO No. 17-2016.

- Venue for the issuance of the CAR
 - a. In case of real property, in the RDO having jurisdiction over the place where the property is located.
 - b. In case of shares of stock, in the RDO where the issuing corporation is registered.
 - c. In case of multiple real properties and/or shares of stock covered by different RDOs, in the RDO having jurisdiction over the place where the transferee corporation is registered.
- The CAR should specify that the transaction is a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended by the CREATE Act, the date of the transaction and the substituted basis for the subject properties.
- If, after conduct of a post-audit, the transaction is found to be not entitled to the tax deferment treatment under Section 40(C)(2) of the Tax Code, the transaction shall be subject to applicable taxes plus interest, penalty and surcharge. However, the CAR previously issued shall not be invalidated.
- The taxpayer is not precluded from requesting a ruling/legal opinion from the Law and Legislative Division of the BIR National Office to clarify legal and tax issues.

(Revenue Memorandum Circular No. 19-2022, issued on 4 February 2022)

Vaccine update

Updated list of VAT-exempt drugs and vaccines for COVID-19 treatment

The BIR has called attention to the Department of Health letter dated 3 January 2022 that included the Molnupiravir 200 mg capsule under brand name Molnarz in the "List of VAT-Exempt Drugs and Vaccines Prescribed and Directly Used for COVID-19 Treatment" (the "List").

Glossary

BIR – Bureau of Internal Revenue
CCT – Condominium Certificate of Title
RMC – Revenue Memorandum Circular
RMO – Revenue Memorandum Order
RMR – Revenue Memorandum Ruling
RR – Revenue Regulations
TCT – Transfer Certificate of Title

The BIR also attached the updated List Revenue Memorandum Circular No. 17-2022 which may be viewed at or downloaded from www.bir.gov.ph.

(Revenue Memorandum Circular No. 17-2022, issued on 31 January 2022)

Wider scope

Clarifying the coverage of the extension of deadlines under RR No. 1-2022

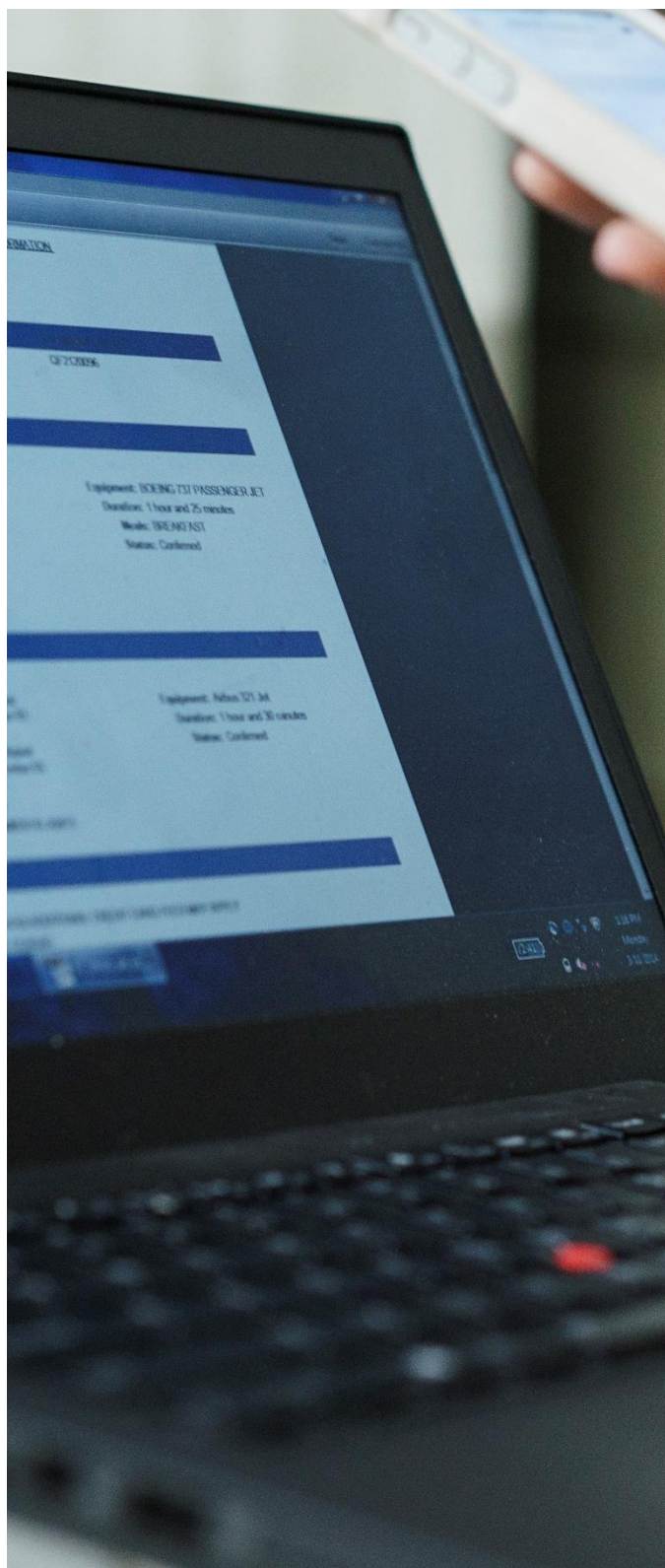
In Revenue Regulations (RR) No. 1-2022, the statutory deadlines for the following activities falling due within January 2022 were extended by the BIR for 30 calendar days following the Inter-Agency Task Force (IATF) declaration placing various parts of the country under Alert Level 3 or higher levels:

1. Filing of returns and submission of documents, including the payment of taxes;
2. Filing of position papers, replies, protests, documents and other similar letters and correspondences in relation to BIR audits;
3. Filing of tax refund applications and processing of value-added tax refund claims; and
4. Issuance and service of Assessment Notices, Warrants of Dstraint and/or Levy and Warrants of Garnishment.

In this regard, the BIR clarified as follows:

- Item 1 shall include the submission of all required documents including, but not limited to, Inventory Lists, all returns (whether tax returns or information returns), alphabetical lists, and registration of books of accounts.
- In item 3, the 30-day extension applies even if the taxpayer is a registered taxpayer in the area placed under Alert Level 1 or 2 provided that the filing venue is in the area placed under Alert Level 3 or higher. This is applicable to the filing of claims with the VAT Credit Audit Division (VCAD) by exporters. The extension also applies to the 90-day processing period prescribed for VAT refund processing.
- The extension of deadlines applies to all taxpayers within the jurisdiction not only of the Revenue Regions and Revenue District Offices but also of the Large Taxpayers Service offices placed under Alert Level 3 or higher by the IATF in January.

(Revenue Memorandum Circular No. 16-2022, issued on 31 January 2022)



Glossary

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

Latest on regulatory landscape

Public notice

Alternative means of distributing notices of annual stockholders' meetings

In light of the continuing COVID-19 threat, all publicly listed companies, public companies and other companies with registered securities under the supervision of the SEC Markets and Securities Regulation Department and Corporate Governance and Finance Department have been given an alternative mode of complying with the requirements in the conduct of their 2022 Annual Stockholders' Meetings (ASM).

Concerned companies may notify their stockholders by causing the publication of the Notice of Meeting informing the stockholders of the following:

1. Date, time and place of meeting and other information as may be required under the Revised Corporation Code (RCC), SEC issuances or the by-laws of the corporation; and
2. Availability of an electronic copy of the Information Statement and Management Report and SEC Form 17A and other pertinent documents on the Company's website and PSE Edge.

The Notice of Meeting shall be published in the business section of two newspapers of general circulation, in print and online format, for two consecutive days; provided that, the last publication of the Notice of Meeting shall be made no later than 21 days prior to the scheduled ASM.

Compliance with the foregoing shall be considered fulfillment of the requirements on the distribution and provision of the aforementioned documents as required under the 2015 IRR of the SRC, RCC and other applicable SEC issuances.

(SEC Notice, posted 16 February 2022)

MDF guidelines

Guidelines 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

Those who have not submitted as of the 31 July 2020 deadline may fill out the online MDF thru the link, <https://forms.gle/2HMFZqXtLYRmJuDD8>, using the step-by-step guide in https://www.sec.gov.ph/2020faq_online-mdf_06mar2020/.

2. Manner of submission

Printed copies of the MDF must be duly notarized and may be submitted through any of 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
Director

Enforcement and Investor Protection Department
Securities and Exchange Commission
Ground Floor, PICC Secretariat Building, PICC
Complex,
Roxas Boulevard, Pasay City"

Glossary

IRR – Implementing Rules and Regulations
PSE – Philippine Stock Exchange
SEC – Securities and Exchange Commission
SRC – Securities Regulation Code

- 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:

“Atty. Oliver O. Leonardo

Director

Enforcement and Investor Protection Department
Securities and Exchange Commission
Ground Floor, PICC Secretariat Building, PICC
Complex,
Roxas Boulevard, Pasay City”

- c. Via electronic mail (email)

- 1) Scanned copies of the printed and notarized MDFs may be sent in Portable Document Format (PDF) to `mdfsubmission_amlid@sec.gov.ph`.
- 2) The following information shall be indicated in the subject field of the email:

“MDF 7submission – [company name] [date of online submission: mm/dd/yy]”
- 3) 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/.
- 4) 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 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.

- 5) 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.
- 6) 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.

3. 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.

4. Submission to Extension Offices

Printed and notarized MDFs may still be accepted and received at the SEC Extension Offices. Although only one original copy will be received, a duplicate copy may be presented for stamping as a receiving copy.

5. Failure to submit within the deadline constitutes a ground for the imposition of penalties and/or the revocation of the Certificate of Incorporation.

(SEC Notice, posted 10 February 2022)

Glossary

EIPD – Enforcement and Investor Protection Department

MDF – Mandatory Disclosure Form

RHQ – Regional Headquarters

ROHQ – Regional Operating Headquarters

SEC – Securities and Exchange Commission

Annual SEC filings

Filing of audited financial statements and general information sheet

The SEC issued guidelines for the 2022 filing of the following:

1. Audited Financial Statements (AFS) for fiscal year ended 31 December 2021

- All corporations, and branches, representative offices, RHQs and ROHQs of foreign corporations shall file their AFS depending on the last digit of their SEC registration or license in accordance with the following schedule:

July	1 - 15	1 and 2
July	16 - 31	3 and 4
August	1 - 15	5 and 6
August	16 - 31	7 and 8
September	1 - 15	9 and 0

The foregoing also governs the Extension Offices.

- The above schedule shall not apply to the following corporations:
 - Those whose fiscal year ends on a date other than 31 December 2021;
 - Those whose securities are listed on the Philippine Stock Exchange and those which are covered under Section 17.2 of the SRC, except those companies which filed Notification of Suspension to file reports under Section 17 of the SRC (SEC Form 17-EX); and
 - Those whose AFS are being audited by the Commission on Audit provided that the certain required documents are attached to their AFS.
- All corporations may file their AFS regardless of the last numerical digit of their registration or license number on or before the applicable first day in the coding schedule.
- Late filings or filing after respective due dates shall be accepted starting 16 September 2022 and shall be subject to the prescribed penalties.
- AFS, other than the consolidated financial statements, shall have the stamped "received" by the Bureau of Internal Revenue (BIR) or its authorized agent banks, unless the BIR allows an alternative proof of filing.

- The basic components of the AFS as prescribed under Revised SRC Rule 68, shall be submitted.
- The General Financial Reporting Requirements states the threshold for an AFS as follows:
 - Stock corporations with total assets or total liabilities of PHP600,000 or more as prescribed under the Revised Corporation Code (RCC);
 - Non-stock corporations with total assets or total liabilities of PHP600,000 or more as prescribed under the RCC;
 - Branch offices/representative offices of stock foreign corporations with assigned capital in the equivalent amount of PHP1m or more;
 - Branch offices/representative offices of non-stock foreign corporations with total assets in the equivalent amount of PHP1m or more; and
 - Regional operating headquarters (ROHQ) with total revenues in the equivalent amount of PHP1m or more.
- Corporations which do not meet the applicable thresholds above may submit their AFS accompanied by a duly notarized Treasurer's Certification only (rather than an Auditor's Report).

2. General Information Sheet (GIS)

All corporations shall file their GIS within 30 calendar days from:

- Stock Corporations – date of actual annual stockholders' meeting
- Non-Stock Corporations – date of actual annual members meeting
- Foreign Corporations – anniversary date of the issuance of the SEC License

Glossary

EIPD – Enforcement and Investor Protection Department

RHQ – Regional Headquarters

ROHQ – Regional Operating Headquarters

SEC – Securities and Exchange Commission

SRC – Securities Regulation Code

3. All Reports

- All corporations (stock or non-stock) are required to file their annual reportorial requirements (AFS and GIS) through , observing the SEC issued number coding schedule for AFS. Other reports not available in the eFAST may be submitted through email at ictdsubmission@sec.gov.ph.
- Submission of reports Over-the-Counter (OTC) and/or through mail/courier via SEC Express Nationwide Submission (SENS) shall no longer be accepted.
- All reports submitted through eFAST are scanned or digital copies of the manually signed or digitally signed reports. The responsibility to ensure the integrity and authenticity of the e-signature rests upon the signatory or authorized signatory of the filer.

(SEC Memorandum Circular No. 2-2022, issued 8 February 2022)

Double standards

Adoption of Philippine Standards on Auditing and Financial Reporting Standards

The Securities and Exchange Commission approved as part of its rules and regulations on financial reporting the following pronouncements by the Auditing and Assurance Standards Council and Financial Reporting Standards Council:

A. Philippine Standards on Auditing (PSAs)

Pronouncement	Effectivity
PSA 250, Consideration of Laws and Regulations in an Audit of Financial Statements including Related Conforming Amendments to Other Philippine Standards	Audits for periods beginning on or after 15 December 2020
PSA 540, Auditing Accounting Estimates and Related Disclosures and Conforming and Consequential Amendments to Other Philippine Standards Arising from PSA 540	Audits for periods beginning on or after 15 December 2020
PSA 315, Identifying and Assessing the Risks of Material Misstatement and, Conforming and Consequential Amendments to Other Philippine Standards Arising from PSA 315	Audits for periods beginning on or after 15 December 2021

Pronouncement	Effectivity
Philippine Standard on Related 4400 Agreed-upon Procedures Engagements	Terms of engagements agreed on or after 1 January 2022
Suite of Quality Standards	
a. Philippine Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statement (FS), or Other Assurance or Related Services Engagements	As of 15 December 2022
b. Philippine Standard on Quality Management 2, Engagement Quality Reviews	Audits and reviews of FS for periods beginning on or after 15 December 2022; and other assurance and related services engagements beginning on or after 15 December 2022
c. PSA 220 Quality Management for an Audit of FS	Audits of FS for periods beginning on or after 15 December 2022

B. Philippine Financial Reporting Standards (PFRS)

Pronouncement	Effectivity Date
Annual Improvements to PFRS 2018-2020	For annual periods beginning on or after 1 January 2022
Amendments to Philippine Accounting Standard (PAS) 1, Classification of Liabilities as Current or Non-Current	For annual periods beginning on or after 1 January 2023
Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use	For annual periods beginning on or after 1 January 2022
Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract	For annual periods beginning on or after 1 January 2022
Amendments to PFRS 17, Insurance Contracts	For annual periods beginning on or after 1 January 2023

Pronouncement	Effectivity Date
Amendments to PFRS 3, Reference to the Conceptual Framework	For annual periods beginning on or after 1 January 2022
Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021	For annual periods beginning on or after 1 April 2021
Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies	For annual periods beginning on or after 1 January 2023
Amendments to PAS 8, Definition of Accounting Estimates	For annual periods beginning on or after 1 January 2023
Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	For annual periods beginning on or after 1 January 2023

(SEC Memorandum Circular No. 1-2022, published 3 February 2022)

Parental guidance

Wages of employees accompanying their children to vaccination

The following rules shall apply to employees who will accompany their children for vaccination during the *Bayanihan, Bakunahan* COVID-19 Vaccination Days (NVD) Part III on 10 and 11 February 2022:

- Employers are highly encouraged to allow their employees to accompany their children for vaccination, without considering them absent from their work, provided that they present proof of vaccination of their children.
- The concerned employees may likewise be allowed to utilize their available leave credits to cover their absence during the NVD, subject to company policy or collective bargaining agreement granting the same.

(DOLE Labor Advisory No. 4-2022, dated 10 February 2022)



Meet us

PwC SEA leaders discuss the state of ESG in business



Eight ESG leaders in PwC member firms in Japan and across Southeast Asia exchanged insights and experiences on climate change in the webinar “ESG Initiatives in Southeast Asian Countries: Implications For Business Models, Risks and Opportunities” hosted by the Japanese Business Desk of PwC Indonesia on 25 February via Webex. Simultaneous Japanese and English interpretations were provided throughout the event.

- PwC Asia Pacific Vice Chairman **Sridharan Nair** delivered the opening remarks.
- PwC Aarata LLC (PwC Japan) Partner **Yuki Isogai** gave the keynote speech, “Global Management and ESG—Headquarters Management Perspective—Impact on business strategy, risks and business opportunities.”
- PwC Malaysia Partner **Andrew WK Chan** then presented “ESG Trends in Southeast Asia—Targets, Policies and Hot Topics in Southeast Asia.”
- PwC Indonesia Partner and Japan Business Desk Leader **Shunsuke Wariishi** moderated the panel discussion “What are the opportunities and risks ESG brings to business in Southeast Asia?” with Sridharan Nair, Yuki Isogai, Andrew Chan and the following ESG leaders: **Chris Suradejvibul** (Partner, PwC Thailand), **Alex Cabrera** (Partner, PwC Philippines), **Bee Han Theng** (Partner, PwC Vietnam), **Tze Haung Ong** (Director, PwC Singapore) and **Julian Smith** (Partner, PwC Indonesia).

Main drivers of interest in ESG. Tze Haung, Julian and Andrew shared the main drivers of companies’ interest in ESG in the last year and how they are responding in the leaders’ respective countries. Common among their countries are regulatory and reporting requirements, and increased stakeholder interest.

Net zero initiatives. When it comes to Net Zero, Chris, Alex, Tze Haung and Julian related the initiatives being implemented by local and foreign companies. For the Philippines, Alex cited waste-to-energy products like pineapple plantation waste to biofuel, net zero rating agency being piloted for new buildings being constructed, and waste segregation and plastic collection hubs.

Who’s responsible for ESG? To the question, “Is the responsibility and strategy for ESG (and net zero) usually led by the local management or by head office?” Andrew, Chris and Bee Han responded that the headquarters provide the framework and overall direction while local management manages their response based on market needs and pressures.

Japanese companies’ main challenges in the Philippines, Singapore, Thailand, Vietnam and Indonesia in implementing their net zero commitments were identified. In the Philippines, the government has yet to come up with a clear policy on net zero commitment, continued use of coal energy, more attention to disaster resiliency than net zero and need to strongly implement environmental laws.

Any other important ESG factors? Chris, Alex and Bee Han cited other important ESG factors besides net zero and examples of how those are managed. In Thailand, inequality is being managed through equal pay between men and women, scholarships for underprivileged students and financial inclusion. In the Philippines, good governance is being strongly pushed in the private sector and businesses, listed or not, are being educated to adopt ESG strategy. Governance factors are likewise important in Vietnam.

Impact of ESG on financing. Julian, Tze Haung and Andrew talked about the impact ESG has on financing in their countries. In Indonesia, there is a shift towards sustainable finance, and the recent launch of green taxonomy that encourages investment in industries and categories identified as green. In Singapore, the Monetary Authority of Singapore (MAS) issued the Guidelines on Environmental Risk Management that reinforce the need for financiers to assess the climate risks in their portfolio. Singapore aspires to be a green financing/carbon services hub, and its government just announced its intention to issue up to US\$35bn of green bonds by 2030. For Malaysia, large banks are implementing more ESG requirements and offering ESG products. Some of Malaysia’s largest companies in sensitive ESG sectors are finding it difficult to access financing. The Taskforce for Climate-related Financial Disclosures (TCFD) initiative is slowly being implemented, Climate Change and Principle-based Taxonomy was released by Bank Negara Malaysia, and now there are Shariah-ESG opportunities.

Asia Pacific CEOs' sentiments made known in formal PH launch



PwC Philippines launched PwC's 25th Annual Global CEO Survey – Asia Pacific Report on 9 February to over 110 leaders, journalists and other stakeholders, via Zoom.

PwC Philippines Vice Chairman and Tax Managing Partner **Malou Lim** welcomed the participants and CEO reactors, and set the tone of the event.

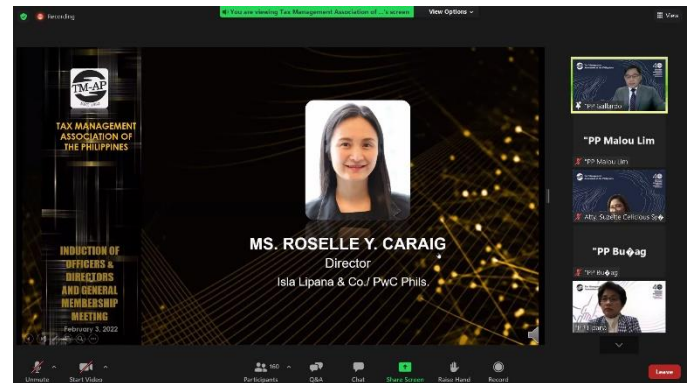
Roderick Danao, PwC Philippines Chairman and Senior Partner, discussed the key survey results from Asia Pacific CEO respondents. Within the context of the impact of the coronavirus, he touched on their level of optimism and economic outlook, growth prospects, overseas expansion, threats and risks, net-zero commitment and strategy drivers. He capped his presentation with the six priorities for the CEO.

Brief reactions to the survey results were given by two CEOs. **Alvin Lao**, President and CEO of D&L Industries, shared his group's future actions that display optimism and the country's strength despite setbacks. **Cosette Canilao**, President and CEO of Aboitiz InfraCapital, shared that with the increased vaccination in the Philippines, her company's optimism lies in infrastructure and services, and that their strategy takes into account cyber risks and climate change, with inclusive growth as their chief goal.

PwC Philippines Chairman Emeritus and ESG Leader **Alex Cabrera** opened the panel discussion with Rick, Alvin and Cosette. They talked about their outlook and practices amid the relaxation in COVID-19 related restrictions, upcoming changes in the nation's leadership, shared prosperity, ESG and work arrangements.

For more of the survey, please visit www.pwc.com/asiapacific-ceo.

Roselle Caraig sworn in as TMAP director



The partners and staff of PwC Philippines congratulate **Tax Partner Roselle Caraig** on her induction as a member of the Board of Directors of the Tax Management Association of the Philippines (TMAP) during TMAP's 2022 Induction and Inaugural General Membership Meeting on 3 February.

In attendance as well were our leaders who were past TMAP presidents, namely former Chairman and Senior Partner **Tammy Lipana**, former Tax Principal **Mary Assumption Villareal**, and Vice Chairman and Tax Managing Partner **Malou Lim**.

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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