



Isla Lipana & Co./PwC Philippines  
proudly present ten new partners,  
effective 1 July 2022

# Client Advisory Letter

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June 2022

# At a glance

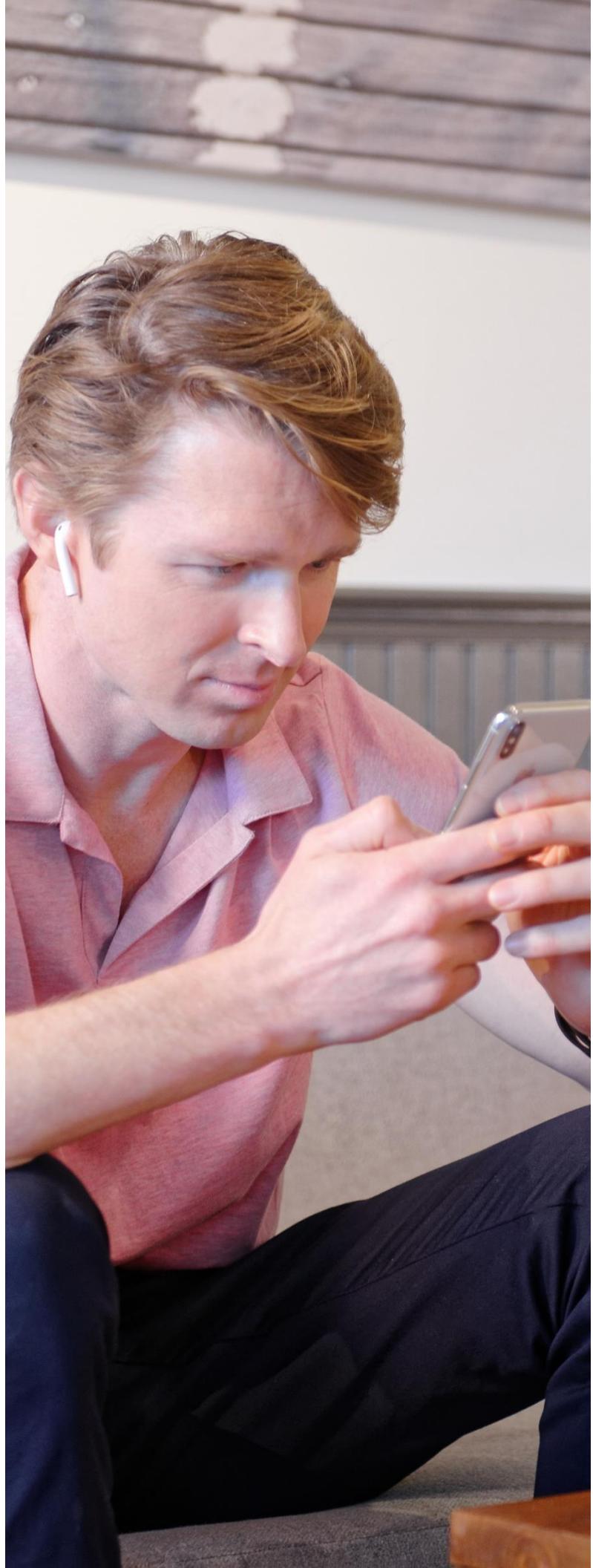
Updates, reiterations, and clarifications on selected topics

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# Taxes, compliance matters, assessments, and refunds

## Digital evidence

### Admissibility of electronically reported and generated sales and purchase data

Under Section 237-A of the Tax Code, as amended by the TRAIN Law, the BIR shall require Large Taxpayers, and taxpayers engaged in the export of goods and services to electronically report their sales data to the BIR through the use of electronic point of sales systems. This shall be implemented by the BIR within 5 years from the effectivity of the TRAIN Law and upon the establishment of a system capable of storing and processing the required data.

In compliance, the BIR already developed the Electronic Invoicing/Receipting and Sales Reporting System (EIS) which is capable of not only storing and processing data but of also issuing sales documents to be used by qualified taxpayers.

Accordingly, the BIR issued regulations to address concerns regarding substantiation of sales and purchases, and to ease BIR compliance. Here are the policies and guidelines of said regulations:

- At the time of tax audit or verification of a taxpayer, sales and purchase data generated and verified through the EIS, in lieu of hard copies, are admissible as long as they are compliant with information/data requirements and the minimum information required under Section 113 of the Tax Code.

The stamping of “zero-rated sales” on the receipt or invoice is no longer necessary inasmuch as a separate reporting to EIS is required for each sales classification, *i.e.*, VAT-able, zero-rated and exempt.

- Taxpayers duly authorized to use the EIS, whether through the web-based format or through Application Programming Interface transmission of sales data, shall not be required to submit printed copies of their receipts or invoices for their sales.

### Glossary

BIR – Bureau of Internal Revenue

VAT – Value-added Tax

- Printed receipts/invoices for purchases from suppliers using the web-based issuance in the EIS or through Sales Data Transmission System shall no longer be required to be submitted.

However, only purchases data validated in the EIS shall be allowed for purposes of claiming input VAT or for claiming deductible expenses.

- The original form or digital copies, whichever is applicable, must be retained in accordance with Sections 235 and 237 of the Tax Code.
- Taxpayers may be required to present or submit hard copies of the receipts or invoices or allowed access to the computerized system under the following instances:
  - There are missing or vague details in receipts or invoices transmitted to the EIS;
  - There are pieces of information in the receipts or invoices that are not included in the data required to be transmitted to the EIS;
  - During validation of export sales data to verify claims for refund of input VAT attributable to zero-rated sales;
  - During fraud investigations;
  - There are skipped or missing series in the receipts or invoices issued; and
  - Other instances as determined by the Commissioner of Internal Revenue.

Representative samples of total sales or purchases may be presented or submitted.

- Revenue officers are not precluded from accessing the computerized accounting system (CAS) or point-of-sale machines / cash register machines for validation purposes.
- In case the taxpayer refuses to allow revenue officers access to the CAS, the latter are authorized to use alternative means to verify taxpayer records. Such refusal may also result in the revocation of the Acknowledgment Certificate or Permit to Use CAS.

(Revenue Regulations No. 9-2022, published on 1 July 2022)

# Invoicing requirement

## Mandatory issuance of e-Receipts/e-invoices, and electronic reporting of sales

The BIR promulgated regulations to set out policies and guidelines and to prescribe the requirements for the issuance of electronic receipts/invoices (e-Receipts / e-Invoices) in lieu of manual receipts/invoices, and for the electronic reporting of sales data to the BIR.

The regulations provide as follows:

- These persons are required to issue e-Receipts/e-Invoices:
  - a. Taxpayers engaged in the export of goods and services;
  - b. Taxpayers engaged in e-commerce; and
  - c. Taxpayers under the Large Taxpayers Service.
- In addition to issuing e-Receipts/e-Invoices, the above taxpayers must also:
  - a. Register their computerized accounting system (CAS) generating e-Receipts/e-Invoices and/or Cash Register Machines/Point-of-Sales (POS) Systems and secure certification of their Sales Data Transmission System; and
  - b. Transmit sales data covered by the e-Receipts/e-Invoices using their Sales Data Transmission System to the Electronic Information System (EIS) of the BIR.
- The Sales Data Transmission System should be based on the Standard Application Programming Interface Guidelines.
- Enrolment of taxpayers is necessary before actual transmission of sales data to the EIS.
- The Sales Data Transmission System developed by the taxpayer shall be certified by the BIR through the EIS. In this regard, taxpayers must submit applications for EIS Certificate or EIS CERT subject to online verification.
- Covered taxpayers are required to submit applications for Permit to Transmit (PTT) in order to allow the transmission of sales data to the EIS.
- Taxpayers must apply for EIS CERT and PTT regardless of the role or arrangement with their software providers.

## Glossary

BIR – Bureau of Internal Revenue  
ITH – Income Tax Holiday

- Sales reporting shall be done immediately for transactions on the day following the PTT issuance.
- Sales data shall be transmitted within 3 calendar days from transaction date.
- Encrypted sales data shall be in Java Script Object Notation (JSON) file format.
- Only authorized taxpayers are allowed to access the EIS.
- Late or no transmission shall be penalized.
- Taxpayers who are not required and do not opt to issue e-Receipts/e-Invoices and/or transmit sales data to the EIS may continue using manual receipts/invoices or issuing CAS/POS machine-generated receipts/invoices.

(Revenue Regulations No. 8-2022, published on 1 July 2022)

# Clean breaks

## Implementing the tax incentives under the Renewable Energy Act of 2008

The Secretary of Finance promulgated regulations regarding the tax incentive provisions of Republic Act No. 9513 or the Renewable Energy (RE) Act of 2008. Said regulations provide for the following:

- RE developers, and manufacturers, fabricators and suppliers of locally produced RE equipment shall secure the following before any incentive under the RE Act may be availed of:
  - a. Department of Energy (DOE) Certificate of Registration or Accreditation;
  - b. Certification of Endorsement by the DOE;
  - c. Registration with the Board of Investments (BOI); and
  - d. Certificate of ITH Entitlement issued by the BOI.
- Fiscal incentives
  - a. Income tax holiday (ITH)
    1. Existing projects - 7 years from start of commercial operations which is when the Certificate of Compliance was issued by the Energy Regulatory Commission and the RE Project is ready to inject power into the grid
- RE developers that acquire, operate and/or administer existing RE facilities that have been in commercial operations for more than 7 years, upon effectivity of the RE Act of 2008, shall not be entitled to ITH.

2. New investment in RE Resources - 7 years from start of commercial operations resulting from new investments

RE developers undertaking discovery and development of new RE resources distinct from their registered operations may qualify as new projects subject to the setting up of separate books of accounts to be registered with and approved by the BIR.

3. Additional investments in the RE Project – Not more than 3 times the period of the initial availment
- b. Net operating loss carry-over during the first 3 years shall be carried over for the next 7 consecutive taxable years following the year of loss.
- c. 10% corporate income tax (CIT) rate after ITH expiration
- d. The RE developer shall submit the following to the BIR:
  1. Certificate of Endorsement issued by the DOE prior to the first year of availment of the 10% CIT rate;
  2. Valid and subsisting RE service/operating contract and the corresponding Certificate of Registration; and
  3. Sworn Undertaking stating that for the year of availment of the 10% CIT rate incentive, the taxpayer has not been found to have breached its obligations under the RE service/operating contract and that it shall pass on the savings derived from this incentive in the form of lower power rates.

After the initial availment of the 10% CIT rate incentive, RE developers shall attach the above documents to their ITR in addition to proof of submission to the DOE and ERC of the Report, supported by technical and financial documents.

- e. Accelerated depreciation, if the RE Project fails to receive an ITH incentive before full operation

If an RE developer applies for accelerated depreciation, the project or its expansions shall no longer be eligible to avail of the ITH.

- f. VAT zero-rate on the sale of power or fuel and ancillary services generated through renewable sources of energy

- g. VAT zero-rate on the:

1. Purchase of local goods, properties and services needed for the development, construction and installation of plant facilities of RE Developers; and
2. Whole process of exploration and development of RE sources up to its conversion into power, including services performed by contractors and subcontractors.

- h. Tax exemption of carbon credits

- Hybrid and co-generation systems
- Incentives for manufacturers, fabricators and suppliers of locally produced RE equipment and components
  - a. VAT-exempt importations of components, parts and materials
  - b. ITH and exemption
  - c. VAT zero-rate on purchases from local suppliers of goods, property and services needed in the manufacture or fabrication of RE equipment
- Incentives for farmers engaged in the plantation of biomass resources
- Tax rebate for purchase of RE components
- Prohibition against double availment of incentives
- Annual filing and reportorial requirements

(Revenue Regulations No. 7-2022, published on 1 July 2022)

## No expiry

Removing the 5-year validity period of receipts/invoices

The BIR has removed the 5-year validity period of the Permit to Use (PTU) and/or system-generated receipts/invoices. Therefore, all PTUs issued shall remain valid until and unless revoked by the BIR.

### Glossary

BIR – Bureau of Internal Revenue

DOE – Department of Energy

ERC – Energy Regulatory Commission

ITH – Income Tax Holiday

ITR – Income Tax Return

RE – Renewable Energy

Accordingly, the phrase “THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE OF THE PERMIT TO USE” and the phrase “Valid Until” shall be omitted from the bottom portion of system-generated receipts/invoices. Since the Authority to Print (ATP) principal and supplementary receipts/invoices, including its serial numbers and usage, have no expiration, the phrase “THIS INVOICE/RECEIPT SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE OF THE ATP.” And “Valid Until (mm/dd/yyyy)” on the manual receipts/invoices shall also be omitted, or disregarded, in the case of unused receipts/invoices.

#### Transitory rules

- a. Existing unused principal and supplementary manual receipts/invoices with the above validity date and phrases may be issued until fully exhausted. The subsequent printing of manual receipts/invoices must not reflect said phrase.
- b. All system-generated receipts/invoices that were issued with the above phrases based on previously approved system/software with PTU/AC shall be disregarded. However, the system/software must be reconfigured to omit them.
- c. All system-generated receipts/invoices that were issued with the above phrases based on previously approved CRMs and POS machines with PTU shall be disregarded. However, the system/software must be reconfigured to omit them.

(Revenue Regulations No. 6-2022, published on 1 July 2022)

## Veteran moves

### Implementing the estate tax exemption of veteran-decedent's Veterans Bank shares

Republic Act (RA) No. 11597 mandates the estate tax exemption of the transfer of Philippine Veterans Bank shares by a veteran to his/her widow, orphan/s or compulsory heir/s by way of succession. In this regard, the BIR issued the corresponding implementing regulations which has the following salient features:

#### Glossary

AC – Acknowledgment Certificate

BIR – Bureau of Internal Revenue

BOC – Bureau of Customs

CRM – Cash Register Machine

POS – Point-of-Sale

VAT – Value-Added Tax

- The term “veteran” includes:
  - a. persons who served in the regularly constituted air, land or naval services or arms, or in non-regularly organized military units in the Philippines during World War II and whose services are duly recognized by the Philippine government or United States government;
  - b. veterans referred to under RA No. 6048, as amended; and
  - c. widows, orphans or compulsory heirs.
- Prior to the registration of share transfer in the books of the Veterans Bank, the electronic Certificate Authorizing Registration (eCAR) / Tax Clearance Certificate must be secured from the Revenue District Office having jurisdiction over the decedent's estate.

(Revenue Regulations No. 5-2022, published on 24 June 2022)

## Zone movements

### Importation, transfer, transport or withdrawal of petroleum and petroleum products

The BIR issued regulations to implement Section 295(F) of the Tax Code regarding the tax treatment of the importation of petroleum and petroleum products (“Products”) into the Freeport Zones and Economic Zones (“Zones”) and their subsequent transfer, transport and/or withdrawal therefrom.

Here are the salient features of the regulations:

- The VAT and excise tax due on Products entered and imported into the Zones shall be paid by the party who entered the same or by the importer to the BOC before any and all subsequent transfer, transport and/or withdrawal.
- The VAT may be claimed for refund from the BIR if the Products are:
  1. Exported outside the Philippines; or
  2. Transferred, delivered or sold to:
    - a. a registered export enterprise and were directly and exclusively used in the registered export project/activity;
    - b. entities engaged in international shipping and air transport operations and were actually used therefor; or

- c. entities statutorily zero-rated under special laws or international agreements.
- The excise tax may be claimed for refund from the BIR if the Products are:
  1. Export outside the Philippines; or
  2. Transferred, delivered or sold to:
    - a. international carriers on their use or consumption outside the Philippines;
    - b. exempt entities or agencies covered by tax treaties, conventions and other international agreements; or
    - c. entities exempt from direct and indirect taxes.
- No refund shall be granted if the Zone enterprise subsequently sells or introduces the Products into the customer territory (except sale of fuel for use in international operations), or sells to another Zone enterprise not enjoying tax privileges.
- The BIR-approved VAT or excise claims shall be forwarded to the BOC for payment.
- Importation of Products by a registered export enterprise to be used directly and exclusively in its project or activity shall be VAT-exempt but subject to excise tax.
- Importation of crude petroleum by a Philippine refinery enjoying fiscal incentives with an IPA to be refined in its refinery within the Zone shall be exempt from duties and taxes under Section 295(G) of the Tax Code.

Upon lifting of the petroleum products produced, the applicable duties and taxes shall be paid, thus:

- a. During income tax holiday, the VAT or excise tax paid on Products sold to entities subject to the VAT zero-rate or excise tax exemption may be claimed for refund; or
- b. During the 5% special corporate income tax regime, export sales and sales inside the Zone shall be exempt from VAT and excise taxes.

The introduction of petroleum products produced into the customs territory shall be subject to the applicable duties and taxes payable by the importer. However, VAT or excise tax paid on sale to persons entitled to VAT zero-rate or excise tax exemption may be claimed for refund.

- Importations of petroleum products produced from imported crude oil by registered export enterprises

located outside the Zones and used directly and exclusively in their registered projects or activities shall be VAT-exempt but subject to excise taxes.

- The party which entered or imported the petroleum products shall comply with the following before the products are released from custody of the BOC and Zone authority:
  - a. Secure the Authority to Release Imported Goods (ATRIG) from the BIR;
  - b. Pay VAT and excise taxes; and
  - c. Obtain a Withdrawal Certificate from the BIR.
- Owners, lessors or operators of tank facilities, depots and terminals throughout the Philippines are required to register the latter with the appropriate BIR office.

These persons shall submit the following to the BIR within 15 days from the effectivity of RR No. 4-2022:

- a. BIR Certificate of Registration;
- b. Latest Blueprint of the Perspective Design;
- c. Lease or Operating Agreement;
- d. Terminalling, Lease or Storage Agreement; and
- e. Notarized undertaking containing the tank number, description and volume of inventory.

(Revenue Regulations No. 4-2022, published on 30 May 2022)

## TWA list

### Updating the list of TWAs required to deduct the 1% and 2% EWT

In connection with the lists of Top Withholding Agents (TWAs) published on 16 March 2022, the BIR issued an additional list of withholding agents who, starting 1 July 2022, either are required to deduct and remit the 1% or 2% creditable withholding tax (CWT) from income payments to their suppliers of goods and services, respectively, or are for deletion from the list of TWAs. The lists are posted at [www.bir.gov.ph](http://www.bir.gov.ph).

Taxpayers who are not found in any of the published lists of TWAs are deemed excluded and therefore not required to withhold the 1% or 2% CWT.

(Revenue Memorandum Circular No. 80-2022, issued on 22 June 2022)

## Glossary

BIR – Bureau of Internal Revenue

BOC – Bureau of Customs

IPA – Investment Promotions Agency

RR – Revenue Regulations

VAT – Value-Added Tax

## Smoking area

### List of manufacturers, importers and exporters of tobacco and vapor products

The BIR issued the Updated List of Registered Manufacturers / Importers / Exporters with Corresponding Product Brands / Variants of Cigarettes, Heated Tobacco and Vapor Products as of 31 May 2022 reflecting the following product categories:

1. Cigarette Brands by PEZA Registered Manufacturers;
2. Cigarette Brands by Local Manufacturers (Export);
3. Cigarette Brands by Local Manufacturers (Domestic);
4. Importers of Cigarette Brands;
5. Importers of Heated Tobacco Products;
6. Manufacturers of Vapor Products; and
7. Importers of Vapor Products.

Newly registered excisable articles after 31 May 2022 shall be included in the list of products in the BIR website within 30 days from date of registration or official notification from the taxpayer as to product availability in the market.

The BIR also integrated the following requirements:

- The minimum/floor price of the above products shall be the total production cost/expenses of the cheapest brand of tobacco product plus excise tax and VAT based on submitted Sworn Declarations.
- The products must comply with the required Graphic Health Warning and affixing of BIR Tax Stamps except for vapor products where Internal Revenue Stamps Integrated System stamps are not yet available in the system.
- Any product not included in the list, without the Graphic Health Warning or BIR Tax Stamp, or which is lower than the floor/minimum price shall be considered as unauthorized or illicit subject to seizure/apprehension.

(Revenue Memorandum Circular No. 79-2022, issued on 10 June 2022)

### Glossary

BIR – Bureau of Internal Revenue

PEZA – Philippine Economic Zone Authority

VAT – Value-Added Tax

## School rules

### Taxation of the different classifications of educational institutions

The BIR clarified the different classifications of educational institutions under the Tax Code and their respective income tax regimes, applicable withholding taxes and compliance requirements.

A. Here are the income tax regimes of the various kinds of educational institutions:

1. Proprietary educational institutions
  - a. Domestic corporation
    - i. 10%, in general (1% from 1 July 2020 to 30 June 2023). These rates also apply to domestic non-stock, non-profit educational institutions whose net income or assets accrue/inure to or benefit any member or specific person
    - ii. 25% or 20% (on the entire taxable income), if gross income from unrelated trade, business or activity exceeds 50% of total gross income
  - b. Individual – income tax rates in Sections 24 and 25 of the Tax Code
  - c. Resident foreign corporation – 25%
2. Government educational institutions – Exempt under either their charter or Section 30(l) of the Tax Code
3. Non-stock and non-profit (NSNP) educational institutions

All revenues and assets used actually, directly and exclusively for educational purposes shall be tax-exempt. However, the NSNP educational institution is required to submit its income tax return with a detailed breakdown of expenses.

B. Tax treatment of contributions, gifts or donations to educational institutions

1. These constitute allowable deductions but only up to 10% (individual) or 5% (corporation) of the donor's taxable income.
2. Gifts or donations to NSNP educational institutions are exempt from donor's tax if not more than 30% is used by the donee for administration purposes.

C. Withholding taxes

1. An educational institution is a withholding agent as an employer and as an income payor to persons subject to withholding tax.
2. NSNP educational institutions are not subject to withholding tax on their revenues and assets used actually, directly and exclusively for educational purposes if they present their certificate of income tax exemption or exemption rulings, and their SEC registrations.
3. Income payments to proprietary educational institutions and to NSNPs subject to the 10% income tax are subject to creditable and final withholding taxes not to exceed 10%.
4. Income payments to educational institutions organized as sole proprietorships are subject to creditable and final withholding taxes.

D. Compliance requirements

Here are the tax returns required to be filed:

Educational Institution	Tax Form
NSNP educational institutions whose assets are all used actually, directly and exclusively for educational purposes	BIR Form No. 1702-EX
NSNP educational institutions whose assets are <u>not</u> used actually, directly and exclusively for educational purposes	BIR Form No. 1702-MX
Proprietary educational institution, in general	BIR Form No. 1702-MX
Proprietary educational institution whose gross revenues from unrelated activities exceeds 50% of total gross revenues	BIR Form No. 1702-RT
Sole proprietorship	BIR Form Nos. 1701 or 1701A

NSNP educational institutions are required to secure a one-time certificate of tax exemption or exemption ruling from the BIR pursuant to existing issuances. Absent such certificate, the income shall be subject to applicable taxes.

(Revenue Memorandum Circular No. 78-2022, issued on 9 June 2022)

## Off-field

### Suspending all BIR field audit and other field operations until further notice

The BIR suspended all its field audit and other field operations covered by Letters of Authority (LOAs) and Mission Orders (MOs) with respect to examinations and verifications of taxpayer books of account, records and other transactions. The suspension also covers Task Forces created through Revenue Special Orders, Operation Memoranda and other similar orders or directives regarding taxpayer examinations and verifications.

Hence, no field audit, field operations or any form of business visitation in execution of LOAs or MOs should be conducted, and no new LOAs or MOs should be issued.

However, written orders to audit taxpayers may be issued or served under the following instances:

1. Investigation of cases prescribing on or before 31 October 2022;
2. Processing and verification of estate tax returns, donor's taxes, capital gains tax returns and withholding tax returns on the sale or real properties or shares of stock together with the related documentary stamp tax returns;
3. Tax examination and/or verification of taxpayers retiring from business;
4. Audit of national government agencies, local government units and government-owned and -controlled corporations; and
5. Other matters/concerns where deadlines have been imposed or under the orders of the Commissioner of Internal Revenue.

Furthermore, Assessment Notices, Warrants and Seizure Notices should still be effected and taxpayers may voluntarily pay their known deficiency taxes without need to secure authority from concerned BIR officers.

(Revenue Memorandum Circular Nos. 77-2022 and 76-2022, issued on 30 May 2022)

## Glossary

BIR – Bureau of Internal Revenue

NSNP – Non-Stock Non-Profit

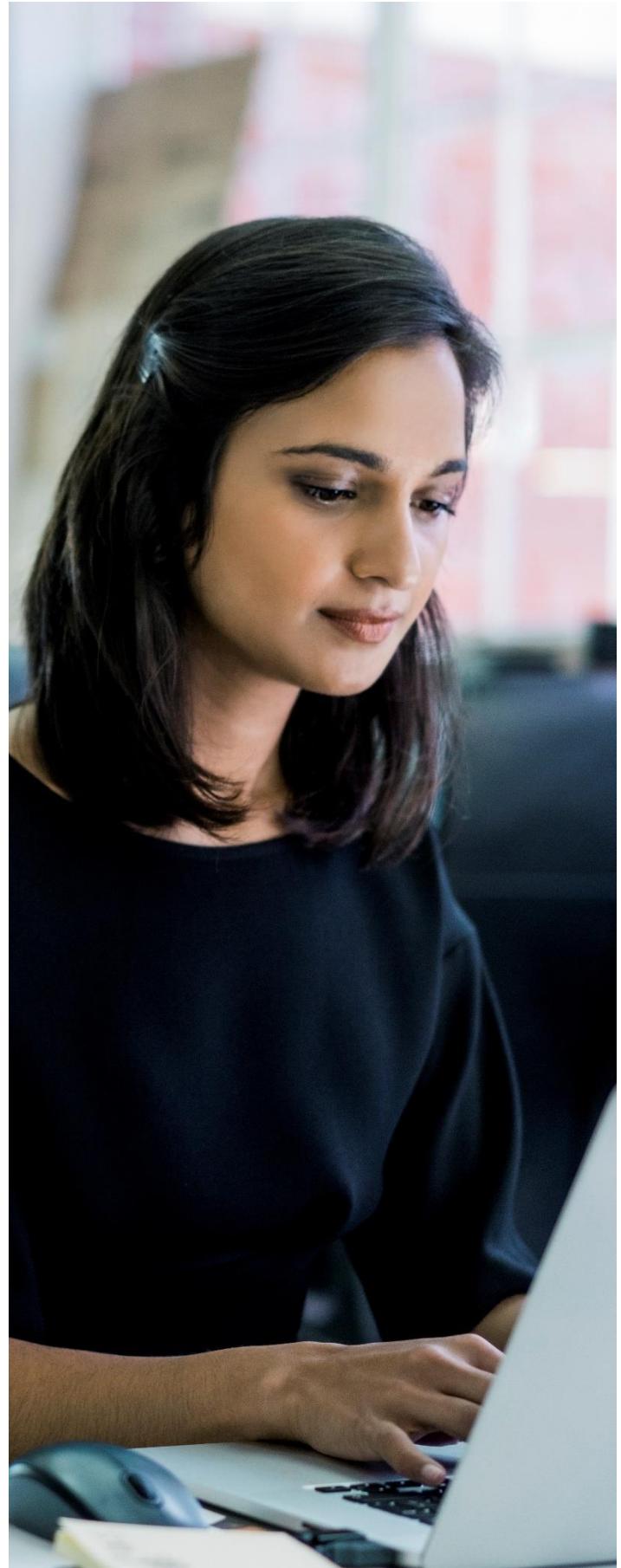
SEC – Securities and Exchange Commission

# Separation benefits

## Delegating the authority to approve CTE of separation pay

To expedite the processing of applications in the Large Taxpayers Service, the Commissioner of Internal Revenue delegated his authority to approve and sign "Certificates of Tax Exemption from Income Tax and Withholding Tax for Separation Benefits Received by Officials and Employees on Account of Their Separation from Employment Due to Death, Sickness or Other Disability" to the Assistant Commissioner, Large Taxpayers Service or, in his/her absence, the concerned Head Revenue Executive Assistant.

(Revenue Delegation Authority Order No. 4-2022, dated 2 June 2022)



### Glossary

CTE – Certificate of Tax Exemption

# Latest on regulatory landscape

## Interest ceiling

### Frequently Asked Questions on SEC Memorandum Circular No. 3-2022

In order to facilitate the enforcement of SEC Memorandum Circular (MC) No. 3-2022 which implements BSP Circular No. 1133-2021 on the Ceiling/s on Interest Rates and Other Fees Charged by Lending Companies (LCs), Financing Companies (FCs) and their Online Lending Platforms (OLPs), the SEC issued answers to frequently asked questions regarding the following:

- Covered institutions and loans
- Cap structure on interest rates and fees of loans offered
- Reason for imposition of caps on interest rates and fees/charges for loans
- BSP authority to set caps
- Responsibility of SEC to ensure compliance
- BSP approach in designing the cap structure for interest rates
- Economic and social factors considered by the BSP
- Main considerations of the BSP in prescribing the interest rate ceilings
- Time-bound nature and periodic review of the cap imposition
- Other BSP and SEC measures to maintain credit accessibility and affordability
- Differences between interest rate ceiling on credit card loans and ceiling on interest rates and other fees charged by FCs, LC, and their OLPs
- Effectivity of SEC MC No. 3-2022
- Penalties for violations
- Manner of amending rates to comply with BSP Circular No. 1133 and SEC MC No. 3-2022
- Prescribed format for the Business Plan and manner of submission to the SEC
- Amendment of Business Plan
- For covered restructured and renewed loans, amount of loan relevant in applying the ceilings
- Discount on the interest/loan amount in case of advance payment of the loan

## Glossary

BSP – Bangko Sentral ng Pilipinas

SEC – Securities and Exchange Commission

SRC – Securities Regulatory Code

- Sample computation of the Effective Interest Rate (EIR) of the loan

(SEC Notice, posted 20 June 2022)

## Compulsory conversion

### Extending the deadline for transition from sole practitioner to partnership

Part III of the Revised SRC Rule 68 prescribed the following compliance requirements:

1. Auditing firms with less than two partners as of the effectivity date of the Rule have until 30 June 2022 to comply with the new two-partner requirement.
2. Sole practitioners as of effectivity date of the Rule have until 30 June 2022 to comply with the requirement to convert from a Sole Proprietorship to a Partnership in order to continue being accredited by the SEC.

In light of requests from affected partnerships and sole practitioners due to the COVID-19 pandemic, the SEC extended the 30 June 2022 deadline to 30 June 2026, without further extension.

Accordingly, the Office of the General Accountant will continue to accept applications for accreditation of sole practitioners and auditing firms with only one partner until 31 March 2026 to give way for the transition to comply with the above requirements of Revised SRC Rule 68.

(SEC Memorandum Circular No. 6-2022, dated 9 June 2022)

## Beneficial ownership

### Frequently Asked Questions regarding beneficial ownership disclosure

The SEC issued its replies to frequently asked questions as a guide in complying with the requirements on beneficial ownership disclosure. Here are some of topics covered:

- All registered corporations required to submit the General Information Sheet are required to disclose their beneficial ownership information.
- The rules on beneficial ownership are found in SEC MC Nos. 15-2019, 30-2020 and 1-2021.

- Purpose of requiring beneficial ownership information
- Who is a beneficial owner of a corporation and manner of identification
- Difference between a legal owner and a beneficial owner
- Juridical persons such as corporations are not considered beneficial owners.
- Situations or arrangements indicating beneficial ownership that should be disclosed
- Who is a person in control of the company by virtue of their positions
- When a member of the Board or a senior managing official should be indicated as a beneficial owner
- When a Beneficial Ownership Declaration page may be submitted without a named beneficial owner
- Obligation of directors/trustees and officers in relation to the identification of beneficial owners and disclosure thereof
- Penalties for failure to disclose beneficial ownership information
- Confidentiality of beneficial ownership information disclosed to the SEC

(SEC Notice dated 6 June 2022)

## Backdoor moves

### Amending the Revised Rules on Backdoor Listing

Pursuant to the directive of the SEC, the Revised Rules on Backdoor Listing were amended as follows:

- SECTION 12. Non-applicability of Backdoor Listing – Backdoor listing shall not be allowed as a mode of compliance with any law or rule requiring a company to conduct a public offering or to list in the Exchange unless such law or regulation says otherwise. Subject to the above exception, companies mandated by law or regulation to list in the Exchange or offer their shares to the public may do so by conducting an initial public offering or a listing by way of introduction.
- All references to “Mandatory Public Offering” shall be replaced with “Mandatory Follow-On Offering.”

(PSE Memorandum CN No. 2022-26, dated 22 June 2022)

## Currency flow

### Amending the Rules on Cross-Border Transfer of Local and Foreign Currencies

The Monetary Board approved the revision of Part Two (Current Account Transactions), Chapter I (Non-Trade Current Account Transactions, Peso Deposit Accounts of Non-Residents and Cross-Border Transfer of Local and Foreign Currencies).

Here are the Sections revised and their current provisions:

1. Section 4 – Cross-Border Transfer of Local and Foreign Currencies
  - A person may import or export, or bring into or take out of the Philippines, or electronically transfer, legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount not exceeding PHP50,000 without prior authorization by the BSP.
  - Amounts in excess of the limit shall require:
    - (a) prior written authorization from the BSP; and
    - (b) in case of physical cross-border transfer of Philippine currency, declaration of the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form (Annex K).
  - The peso amount of the International Passenger Service Charge refunded to outbound exempt passengers shall not be included in the limit.
  - Any person who brings into or takes out of the Philippines foreign currency, as well as other foreign currency-denominated bearer monetary instruments, in excess of US\$10,000 or its equivalent is required to declare the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form (Annex K).

2. Section 2 - Annex K (Currencies Declaration Form)

(BSP Circular No. 1146-2022, dated 26 May 2022)

## Glossary

BSP – Bangko Sentral ng Pilipinas

SEC – Securities and Exchange Commission

## Sugar effects

### Amounts received under the Sugar Workers' Maternity and Death Benefit Programs

The DOLE issued the following guidelines regarding the increase of maternity and death benefits of sugar workers under Republic Act No. 6982:

- The benefits are increased as follows:

Program	Current Amount	New Amount
Maternity Benefit	PHP 5,000	PHP 8,000
Death Benefit	PHP 10,000	PHP 14,000

- The conditions and requirements for entitlement under DOLE Department Order No. 114-2011 shall still be used as basis for availment.
- Only childbirths (including pregnancies and stillbirths) and fatalities occurring from the date of effectivity and onwards are covered by the guidelines.
- The guidelines take effect within 15 days after publication in a newspaper of general circulation or the Official Gazette.

(DOLE Department Order No. 236-2022, dated 19 May 2022)

## Transitional Framework

### Financial Reporting Framework of insurance and reinsurance companies

The Insurance Commission (IC) promulgated the following rules and regulations regarding the Financial Reporting Framework (FRF) of insurance and professional reinsurance companies:

- The Transitional FRF shall use the Standard Chart of Accounts (SCA) for insurance and professional reinsurance companies, as presented in Annexes A and B of IC Circular Letter No. 29-2022, for prudential reporting.
- The Transitional FRF shall be used during the transition period. However, a parallel run using both the existing FRF and the Transitional FRF shall be conducted from 1 January 2025 in relation to the implementation of IFRS 17 pursuant to IC Circular Letter No. 2020-62.

This will allow the insurance industry to assess the collective impact of the Transitional FRF

implementation and provide the IC the opportunity to engage the industry and obtain feedback.

- Unless otherwise specified by the Amended Insurance Code and IC Circulars, the recognition and measurement of accounts in the SCA shall be in accordance with the PFRS.

(IC Circular Letter No. 2022-29, dated 20 June 2022)

## ACGR extension

### Extending the period for submitting the Annual Corporate Governance Report

All Insurance Commission Regulated Companies (ICRCs) are mandated to submit Annual Corporate Governance Reports (ACGRs) subject to the following rules:

- For operations covering 2021, the ACGR shall be submitted on or before the extended deadline of 15 July 2022, without penalties for late compliance.
- Late submissions are subject to the following penalties:

Violation	Basic Penalty	Monthly Penalty
Non-submission or late submission of 2 copies	PHP 50,000	PHP 5,000
Disclosure		
Incomplete	PHP 25,000	PHP 2,500
Misrepresentation or misinformation	PHP 100,000	PHP 10,000
Signatories		
Incomplete	PHP 10,000	PHP 1,000
Incorrect		
	1 <sup>st</sup> violation: PHP 25,000	
Failure to maintain company website	2 <sup>nd</sup> violation: PHP 50,000	None
	Succeeding violations: PHP 100,000	

## Glossary

DOLE – Department of Labor and Employment

IFRS – International Financial Reporting Standards

PFRS – Philippine Financial Reporting Standards

Violation	Basic Penalty	Monthly Penalty
Non-posting or late posting of ACGR with accessible link	PHP 50,000	PHP 5,000
Non-posting or late posting of supporting documents	PHP 10,000 per document	PHP 5,000

(IC Circular Letter No. 2022-28, dated 16 June 2022)

## Over the edge

### Increasing the investment threshold allocation under the Pre-Need Code

The Insurance Commission promulgated the following guidelines to implement the two-percentage point increase in the maximum percentage allocation per investment category:

- The additional upward adjustment of two percentage points shall apply to long-term commercial papers, direct loans, equities and real estate.
- The total maximum percentage limit of the investments of the trust fund shall be in accordance with the following:

Investments of the Trust Fund	Maximum Limit (Pre-Need Code)	First Upward Adjustment	Additional Upward Adjustment	Total Maximum Limit
Long-term commercial papers	15%	2%	2%	19%
Direct loans to corporations	5%	2%	2%	9%
Direct loans to plan holders	10%	2%	2%	14%
Equities	30%	2%	2%	34%
Real estate	10%	2%	2%	14%

- The above guidelines in IC Circular Letter 25-2022 shall apply to reporting periods starting the 3<sup>rd</sup> quarter of 2022 and onwards.

(IC Circular Letter No. 2022-25, dated 19 May 2022)

## Solo flight

### Amendatory law granting additional benefits to solo parents

The Expanded Solo Parents Welfare Act which substantially amends the Solo Parents' Welfare Act of 2000 (Republic Act No. 8972) recently took effect. Here are some of the amendments:

- Definition of new terms such as "Child minding center", "Parental care and support" and "Spouse"
- The age of "Children or dependents" was increased to 22 years old and below.
- A solo parent refers an individual under any of the following categories:
  1. A parent who provides sole parental care and support due to:
    - a. Birth as a consequence of rape, even without final conviction;
    - b. Death of spouse;
    - c. Detention of spouse for at least 3 months or service of sentence for a criminal conviction;
    - d. Physical or mental incapacity of the spouse as certified by a medical practitioner;
    - e. Legal or de facto separation for at least 6 months;
    - f. Declaration of nullity or annulment of marriage or due to divorce;
    - g. Abandonment by the spouse for at least 6 months;
  2. Spouse or any family member of an OFW, or the guardian of the child of an OFW;
  3. Unmarried mother or father;
  4. Any legal guardian, adoptive or foster parent;
  5. Any relative within the 4<sup>th</sup> civil degree of consanguinity or affinity of the parent or legal guardian who assumes parental care and support due to the death, abandonment, disappearance or absence of the parents or solo parent for at least 6 months; or
  6. A pregnant woman.
- In telecommuting programs, the employer shall prioritize solo parent employees.
- Solo parent employees who have rendered at least 6 months of service shall be entitled to a forfeitable and noncumulative parental leave of not more than 7

## Glossary

IC – Insurance Commission

OFW – Overseas Filipino Worker

working days with every pay year, regardless of employment status.

- The following additional benefits were granted:
  - Means-, pension-, and subsidy-tested monthly cash subsidy of PHP 1,000.00 per month for solo parents who are earning minimum wage and below;
  - 10% discount and VAT exemption on baby's milk, food and micronutrient supplements, sanitary diapers, duly prescribed medicines, vaccines and other medical supplements purchased from birth until 6 years of age by a solo parent earning less than PHP 250,000.00 annually;
  - Automatic coverage under the National Health Insurance Program with premium contributions to be paid by the National Government, provided, that the premium contribution of solo parents in the formal economy shall be shared equally by their employers and the National Government; and
  - Prioritization of solo parents and their children in apprenticeships, scholarships, livelihood training, reintegration programs for OFWs, employment information and matching services and other poverty alleviation programs.
- Only a solo parent exercising sole parental care and support is entitled to claim solo parent benefits. He or she shall not lose solo parent status if the other parent provides occasional assistance and/or seasonal gifts that do not meet the requirement of support under the Family Code of the Philippines.

(Republic Act No. 11861, lapsed into law on 4 June 2022)

## Ownership limitations

### Approving the 12<sup>th</sup> Regular Foreign Investment Negative List

The President promulgated the 12<sup>th</sup> Regular Foreign Investment Negative List (FINL). The FINL provides for the investment areas and/or activities that are reserved for Philippine Nationals, subject to certain exceptions and conditions.

- The list of activities where no foreign equity is allowed includes:
  - Retail trade enterprises with paid-up capital of less than PHP 25m;
  - Cooperatives, except investments of former natural-born Filipinos;
- List A activities which allows up to 40% foreign equity has been modified as follows:
  - Procurement of infrastructure projects pursuant to Section 23.4.2.1(b), (c) and (e) of the IRR of Republic Act (RA) No. 9184;
  - Ownership of private lands except a natural-born Filipino who lost Filipino citizenship and has legal capacity to enter into contract under Philippine laws;
  - Operation of public utilities, taking into consideration the definition of the term "public utility" under RA No. 11659;
  - Culture, production, milling, processing, trading except retailing, of rice and corn and acquiring rice and corn and the by-products thereof, subject to the period of divestment;
- List A activities which allows up to 40% foreign equity has been modified as follows:
  - The manufacture, repair, storage and/or distribution of products requiring Department of National Defense clearance was removed from the List;
  - Micro and small domestic enterprises with a paid in equity of less than US\$200,000.00; and
  - Micro and small domestic enterprises:
    - That involve advanced technology as determined by the DOST;
    - Are endorsed as startup or startup enablers by the DTI, DICT or DOST; and
    - With majority of their direct employees as Filipinos, but in case shall the number of Filipinos be less than 15, with a paid in equity of less than US\$100,000.00.

(Executive Order No. 175, dated 27 June 2022)

## Glossary

IRR – Implementing Rules and Regulation
OFW – Overseas Filipino Worker
DICT – Department of Information Technology
DOST – Department of Science and Technology
DTI – Department of Trade and Industry
VAT – Value-Added Tax

# Meet us



**Isla Lipana & Co.**

100 years of  
trusted service

We celebrate 100 years of our illustrious past, seize the exciting present and create an innovative future.

Isla Lipana & Co., the Philippine member firm of the PwC network, has been delivering what matters to our clients and stakeholders through assurance, advisory and tax work.

Among the auditing firms in the Philippines, we have the longest affiliation with a major global accounting firm that dates back to 1958.

Established on 22 June 1922, we became a member firm of the Price Waterhouse Worldwide Organization in 1973. On 1 July 1998, the merger of two venerable firms—Price Waterhouse and Coopers & Lybrand—created PwC.

Today, we continue to deliver quality assurance, advisory and tax services to our clients through our main office in Makati City, our offices in Cebu, Iloilo and Davao, and affiliate member firms at Pasig City and Brunei Darussalam. We now have 35 partners and more than 2,000 professional and support staff.

True to our purpose, we make sure that our service and actions add up to trust.

# Isla Lipana & Co./PwC Philippines opens Davao office on its 100th year

**14 June 2022, Davao City** — Isla Lipana & Co., the Philippine member firm of PwC global network (PwC Philippines), inaugurates their new office in Davao City today — its strategic hub in the South.



Image source: <https://davao-finance-center.business.site/>

Housed at the 14-storey Davao Finance Center, the accounting and auditing firm's newest office is unveiled in time for its 100th year of providing professional services in the Philippines.

**Aldie Garcia**, PwC Philippines' VisMin Business Leader and Assurance Managing Partner, expresses the firm's full support for the city, and for Mindanao as a whole. "We have been promoting Mindanao as an investment destination for years. Setting up our hub here in Davao is a testament to our continued commitment to help spur economic activity while serving our clients and stakeholders in the region."

With offices in the cities of Makati, Cebu and Iloilo, PwC Philippines brings to Davao the trusted brand of audit, advisory and tax services that the firm has been known for.



L-R: Aldie Garcia, Roderick Danao, Chairman Emeritus Alex Cabrera, and Vice Chairperson & Tax Managing Partner Malou Lim

For his part, **Roderick M. Danao**, Chairman and Senior Partner, is optimistic. "With the Philippine economy picking up despite health threats and other challenges, our partners firmly believe that our presence in the South will translate to more business opportunities, more complex problems to solve, and better access to the consistent stream of talents that Davao and the rest of the region have to offer."

Danao adds, "We are bringing the best of our people, capabilities and technology together to support our clients in Mindanao in building trust and delivering sustained outcomes for their businesses and society."

As a partner who has contributed to the development and progress of Davao City, Isla Lipana & Co./PwC Philippines received an award from the Davao City Investment and Promotions Center (DCIPC) in 2019 for the review of the City's Investment Incentive Code as part of the firm's efforts to empower the VisMin region. This project was led by now Chairman Emeritus **Alex Cabrera**, with Tax Partner **Brando Cabalsi**.

Representatives from DCIPC and Megaworld Corporation, the developer of the township where the office is located, were among the guests during the event.

Also gracing the ceremony were PwC Philippines Vice Chairperson and Tax Managing Partner **Malou Lim**, Tax partner **Roselle Caraig**, Assurance Partner **Jan Michael Reyes**, and Assurance Partner & PwC Business Services Philippines Co. Ltd. (PwC BSP) General Manager **Paul Chester See**.

The setup of the Davao office was made possible by PwC BSP, a PwC member firm, led by its Executive Director **Jimmy Disquetado**.

# Rosell Gomez talks about digitalizing healthcare services at industry summit



PwC Philippines Partner and Risk Assurance Leader **Maria Rosell Gomez** gave a presentation on “Addressing patient safety and support services through digitalization” to healthcare executives on 16 June 2022 during the two-day Philippine Healthcare Modernization and Digitalization Summit.

Rosell covered the new digital normal for healthcare with AI and robotics, the changing role of consumers, the four key digital themes of The New Health:

- Smart Care – the use of precision medicine, robotics and medical printing
- Care anywhere – healthcare moves closer to home
- Empowered care – enabling citizens to manage their own well-being and healthcare
- Intelligent health enterprises – data-driven solutions enable healthcare workers and enterprises to efficiently and effectively monitor patient health

Organized by MyKar Events Consultancy, the Summit that ran from 15 to 16 June brought together C-level

decision makers, including hospital and health service providers, executives and senior managers, hospital operators, government healthcare and many more to present government agencies, plans, programs, and projects to discuss opportunities, challenges and solutions in hospital transformation, digitalization and modernization.

Catch the Facebook Live replays of the informative talks delivered during [Day 1](#) and [Day 2](#) of the Summit.



# 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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