



Alex Cabrera signs 'Covenant for Shared Prosperity' for Integrity Initiative

# Client Advisory Letter

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November 2020



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# Taxes, compliance matters, assessments, and refunds

## Ruling not required

### Upholding tax exemption despite the absence of a tax-free exchange ruling

Four individuals were majority shareholders in Company K and in Company P. These shareholders transferred all their Company K shares to Company P in exchange for more shares in Company P. As a result of the exchange, Company P became the majority owner of Company K and the four shareholders gained further control of Company P.

In light of their transfer of Company K shares, the four shareholders paid capital gains taxes (CGT). Subsequently, however, the CGT paid were claimed for refund with the BIR on the ground of erroneous payment considering that the transaction was a tax-free exchange under Section 40(C)(2) of the Tax Code, hence, exempt from CGT.

The claim was not acted upon and, when it reached the courts, the BIR argued that the transfer was not exempt because the shareholders failed to secure the requisite prior BIR certification or ruling confirming that the transaction qualifies as a tax-free exchange.

The Supreme Court granted the CGT refund claim, reasoning as follows:

- If all the requirements for exemption under the law are complied with, the transaction is considered exempt, whether or not a prior BIR ruling was secured by the taxpayer. Tax rulings merely operate to “confirm” the existence of the conditions for exemption provided under the law.
- In practice, a taxpayer often secures a BIR ruling, prior to entering into a transaction, to prepare for any tax liability. However, if the taxpayer already paid the tax and later on files a claim for refund on the basis

of an exemption provided under the law, requiring a prior BIR ruling as a condition for the approval of the refund claim is clearly illogical. The underlying principle of prior application with the BIR becomes moot in refund cases where the very basis of the claim is erroneous or excessive payment.

- There is nothing in Section 40(C)(2) of the Tax Code which requires the taxpayer to first secure a prior confirmatory ruling before the transaction may be considered as a tax-free exchange. The BIR should not impose additional requirements not provided by law, which would negate the availment of the tax exemption.

(G.R. No. 241424, promulgated 26 February 2020)

## Means with end

### Collecting taxes from offshore gaming licensees, operators and agents

The funding of subsidies and stimulus measures under the Bayanihan to Recover as One Act<sup>1</sup> shall be sourced from, among others, the following:

1. 5% franchise tax on the gross bets or turnovers or the agreed pre-determined minimum monthly revenues from gaming operations earned by offshore gaming licensees, including gaming operators, gaming agents, service providers and gaming support providers; and
2. Income tax, VAT and other applicable taxes on income from non-gaming operations earned by the same persons above.

In this light, the Commissioner of Internal Revenue issued the following implementing rules:

- The above taxes shall be computed on the peso equivalent of the foreign currency used and based on the prevailing official exchange rate at the time of payment.
- PAGCOR and/or the company awarded or chosen as its third-party intermediary/audit platform shall furnish the following information to the BIR:

### Glossary

BIR – Bureau of Internal Revenue

PAGCOR – Philippine Amusement and Gaming Corporation

VAT – Value-added Tax

<sup>1</sup> Republic Act No. 11494.

- Gross bets or turnovers earned;
- Minimum Guarantee Fee or the minimum amount of regulatory fees paid; and
- Other relevant data such as List of Licensees and accredited Service Providers and number of foreign nationals employed.
- Non-payment, underpayment and/or payment of taxes computed not in accordance with the prevailing official exchange rate at the time of payment shall be considered as fraudulent acts which are subject to penalties under the Tax Code.
- The BIR shall implement closure orders against those who fail to pay the above taxes and/or who commit any of the above fraudulent acts. Closure orders against operators, licensees or agents shall necessarily include the closure of all their accredited service providers.
- After two years or upon a determination that the COVID-19 threat has been successfully contained or abated, whichever comes first, revenues derived from franchise taxes on gross bets or turnovers and income from non-gaming operations shall continue to be collected and shall accrue to the General Fund of the Government.

(Revenue Regulations No. 30-2020, published 31 October 2020)

## Cooperative sector

### Clarifying tax matters and compliance requirements involving cooperatives

In light of the tax issues and concerns raised by cooperatives during Technical Working Group discussions and workshops, the Commissioner of Internal Revenue issued the following clarifications:

- Cooperatives securing Certificates of Tax Exemption (CTEs) must submit the following:

New Applications	Renewal
Certified true copies (CTCs) of Articles of Cooperation and By-Laws, as certified by the Cooperative and Development Authority (CDA)	CTCs of latest Articles of Cooperation and By-Laws, as certified by the CDA

New Applications	Renewal
CTC of new Certificate of Registration issued by the CDA under the new Cooperative Code, as certified by the CDA	
CTC of the current Certificate of Good Standing issued by the CDA effective on the date of application	
CTC of the BIR Certificate of Registration of the cooperative	N/A
Original copy of Certification under oath of the List of Cooperative Members with respective TINs and capital contributions	N/A
N/A	CTC of latest audited financial statements of the immediately preceding year

- All registered cooperatives with duly issued CTEs are required:
  - To immediately communicate and update their BIR registration regarding any amendment to the Articles of Cooperation or By-Laws; and
  - To annually submit the following to the concerned Revenue District Office (RDO) together with the Annual Income Tax Return:
    - CTC of the current and effective Certificate of Good Standing from the CDA;
    - Original copy of certificate under oath by the Chairperson/General Manager stating the type/category of the cooperative and principal activities; that the cooperative is transacting business with members only or with both members and non-members; amount of accumulated reserves; amount of net surplus; and that a least 25% of net surplus is returned to the members in the form of interest on share capital and/or patronage refund;
    - Original copy of yearly summary records of transactions; and
    - Original copy of certification under oath by the Chairperson/General Manager of the List of Active and Inactive Members, their TINs and share capital contributions.
- If the TINs of members cannot be supplied yet, the CTE application will not be denied and the concerned office will process and issue/revalidate CTEs, provided, that the cooperative submits an original copy of a certification under oath of the list of

## Glossary

BIR – Bureau of Internal Revenue

TIN – Tax Identification Number

cooperative members with their full names and capital contributions.

- The TIN requirement of cooperative members is based on Section 236(l) of the Tax Code and Revenue Regulations No. 7-2012.
- A cooperative may apply for TINs of its members if it is properly authorized by the latter and by collating the requirements and submitting the same to the concerned RDO.
- The following are considered inactive members:
  - Members who are declared not in good standing;
  - Members whose whereabouts are not known for the last six months;
  - Members who did not have any transaction with or did not patronize the business of the cooperative for at least six months; and
  - Members who did not participate in the activities of the cooperative within six months.
- The inactive status reverts into an active status as soon as the member transacts business with, patronizes and/or participates in the activities of the cooperative and his/her whereabouts are known.
- Interest income earned from savings and time deposit accounts of members of a lending cooperative is tax-exempt.
- Transactions between a cooperative and its members are not subject to documentary stamp tax.
- The employer's share of the cooperative in GSIS, SSS, Medicare and Pag-IBIG contributions are excluded from gross income and are considered allowable deductions.
- A cooperative is exempt from withholding the 1% and 2% expanded withholding tax under Section 2.57.2(l) of Revenue Regulations No. 2-1998 only if it is not classified as a Top Withholding Agent.

- Cooperatives which transact business with both members and non-members and whose accumulated reserves and undivided net savings exceed PH₱10m shall be prioritized for audit by the BIR.

(Revenue Memorandum Circular No. 124-2020, issued 26 November 2020)

## With a grain of salt

### Clarification regarding the list of VAT-exempt drugs

In its letter dated 7 August 2020, the Food and Drugs Administration (FDA) clarified that the List of VAT-Exempt Diabetes, High-Cholesterol and Hypertension Drugs is based on the International Non-Proprietary Name (INN) or generic name which includes the salt form.

For example, the INN of Metformin is "Metformin" while its generic name and salt form is "Metformin hydrochloride." As such, "Metformin" and "Metformin hydrochloride" is considered one and the same drug product.

To minimize confusion, the next List of VAT-Exempt Diabetes, High-Cholesterol and Hypertension Drugs will be including the corresponding salt forms, where applicable.

(Revenue Memorandum Circular No. 122-2020, issued 23 November 2020)

## Online bidding clearance

### Pilot implementation of the online application for tax clearance for bidding

The Online Application for Tax Clearance for Bidding Purposes and Tax Compliance Verification Certificate (TCBP/TCVC) is already available for taxpayers registered with Revenue Region Nos. 4 – Pampanga, 7A – Quezon City and 7B – East NCR and the Large Taxpayers Service (except LTDO Cebu and Davao), and for non-resident foreign corporations and non-resident aliens not engaged in trade or business.

The policies provide the following:

- All applications for TCBP are encouraged to electronically file and submit the requirements to [etcbp@bir.gov.ph](mailto:etcbp@bir.gov.ph) using the prescribed template.
- The criteria in Revenue Regulations No. 8-2016 should be observed.

## Glossary

GSIS – Government Service Insurance System

LTDO – Large Taxpayers District Office

NCR – National Capital Region

SSS – Social Security System

TIN – Tax Identification Number

VAT – Value-added Tax

- Documents submitted online are warranted by the taxpayer to be faithful and true copies of the original.
- Documentary requirements and procedures for TCVC and TCBP applications

(Revenue Memorandum Circular No. 121-2020, issued 17 November 2020)

## Retirement with benefits

### Tax exemption of retirement benefits under the Bayanihan to Recover as One Act

The Commissioner of Internal Revenue further clarified the implementation of the tax exemption of retirement benefits received from 5 June 2020 to 31 December 2020 as follows:

- Retirement benefits received by an employee who was not able to satisfy all the conditions under a retirement benefit plan (e.g., tenure) tenure requirement may be considered exempt.
- If the employee retired in August 2020 but was re-hired in October 2021 by a subsidiary of the employer, the retirement benefits will remain exempt because the re-employment occurred after twelve months from the retirement date.
- Retirement benefits received within the period 5 June 2020 to 31 December 2020 by an employee who retired before 5 June 2020 are subject to income tax.
- Retirement benefits received by a 45-year old employee with a 15-year tenure are subject to income tax if the employer has no BIR-registered retirement plan.
- A retirement plan is considered duly registered with the BIR if it has been issued a Certificate of Qualification as Reasonable Employees' Retirement Benefit Plan.
- The portion of retirement benefits received in excess of what was provided in the BIR-registered retirement plan is subject to income tax.
- Retirement benefits received by an employee pursuant to Republic Act No. 7641 are exempt from

income tax. These benefits will remain exempt in case the employee is re-employed either by the same employer or its affiliate, or by an unrelated person.

- Employees included in the required list of recipients of retirement benefits under Revenue Regulations No. 29-2020 shall also be included in the Annual Alphabetical List of Employees required to be submitted on or before 31 January 2021.

(Revenue Memorandum Circular No. 120-2020, issued 9 November 2020)

## New edition

### Availability of the Offline eBIRForms Package Version 7.7

The Offline eBIRForms Package Version 7.7 is already available for download from [www.bir.gov.ph](http://www.bir.gov.ph) and [www.knowyourtaxes.ph](http://www.knowyourtaxes.ph). This updated package now includes the January 2018 versions of the following tax returns:

1. BIR Form No. 1604-C;
2. BIR Form No. 1604-F; and
3. BIR Form No. 1604-E.

(Revenue Memorandum Circular No. 118-2020, issued 6 November 2020)

## Split decision

### Bank advisory regarding the division of Revenue Region Nos. 7 and 8

Authorized agent banks (AABs) are advised of the following:

1. Splitting of Revenue Region (RR) No. 7 – Quezon City into RR Nos. 7A – Quezon City and 7B – East NCR

RR No. 7A – Quezon City	RR No. 7B – East NCR
RDO No. 28 – Novaliches	RDO No. 41 – Mandaluyong
RDO No. 38 – North Quezon City	RDO No. 42 – San Juan
RDO No. 39 – South Quezon City	RDO No. 43 – Pasig
RDO No. 40 - Cubao	RDO No. 45 – Marikina
	RDO No. 46 – Cainta/Taytay

### Glossary

BIR – Bureau of Internal Revenue  
 NCR – National Capital Region  
 RDO – Revenue District Office

2. Splitting of RR No. 8 – Makati City into RR Nos. 7A – Makati City and 7B – South NCR

RR No. 8A – Makati City	RR No. 8B – South NCR
RDO No. 47 – East Makati	RDO No. 44 – Taguig/Pateros
RDO No. 48 – West Makati	RDO No. 51 – Pasay City
RDO No. 49 – North Makati	RDO No. 52 – Paranaque
RDO No. 50 – South Makati	RDO No. 53A – Las Pinas City
	RDO No. 53B – Muntinlupa City

The list of AABs affected by the splitting is attached to Bank Bulletin No. 16-2020. The following procedures should be undertaken:

- Affected AABs shall update the new RDO number to be serviced in the Limited Bank Data Entry System/over-the-counter or online facility being used.
- Outstanding reportorial obligations should be submitted to the former RDO.
- AABs should coordinate with the new RDO regarding the transmittal of daily collection reports.

(Bank Bulletin No. 16-2020, dated 29 September 2020)

## Glossary

NCR – National Capital Region

RDO – Revenue District Office



# Latest on regulatory landscape

## Critical path

### Tax and import duty exemptions of imported critical or essential goods

The Commissioner of Customs issued rules and regulations to implement the tax-exempt and duty-free nature of imported critical or needed equipment or supplies or essential goods, and personal computers, laptops, tablets or similar equipment pursuant to Sections 4(cc) and 4(zzz) of the Bayanihan to Recover as One Act.

The rules and regulations seek to establish an informed compliance regime for concerned importers, to facilitate speedy customs clearance of importations and to provide a seamless refund mechanism for exempt importations retroactively covered. Here are some of the salient features thereof:

- The rules provide a non-exclusive enumeration of covered products, equipment, supplies and goods subject to tax and import duty exemption.
- All covered and qualified shipments that arrived and were cleared by the BOC starting from 25 June 2020 subject to refund shall be processed pursuant to Customs Administrative Order No. 4-2019. A Tax Exemption Indorsement should be secured from the Department of Finance.
- The release of donated medical equipment and supplies deemed critical or necessary shall not be delayed and the clearance procedure shall be under informal entry process.

(Customs Administrative Order No. 12-2020, dated 18 September 2020)

## Matter of choice

### Basis of preparing the audited financial statements for BFSIs

In consideration of the government's initiative to provide relief to industries impacted by the COVID-19 pandemic, the Securities and Exchange Commission has given BSP Supervised Financial Institutions (BSFIs) the option to prepare their financial statements (FS) using the SEC-adopted industry-specific framework or full PFRS for the duration and terms allowed by the BSP.

In this light, the following must be considered:

- BSFIs which opt for the industry-specific framework should specify in the "Basis of Preparation of the Financial Statements" section of the FS the reliefs availed of and indicate that the availment covers only current-year transactions. The prescribed wording in SEC Memorandum Circular No. 32-2020 must be followed.
- A qualitative disclosure of the impact of the reliefs availed of should be disclosed. Specific information required (in SEC Memorandum Circular No. 32-2020) for staggered booking of allowance for credit losses and for reclassification of debt securities measured at fair value to amortized cost category should be provided in tabular format in the Note to FS which contains the "Basis of Preparation of the Financial Statements."
- BSFIs have to option to take either full retrospective or the modified retrospective approach in making the adjustments when it reverts to full PFRS after the period of relief.
- The PFRS, as modified by the application of the financial reporting reliefs, shall form part of the applicable financial reporting framework for purposes of preparing and filing the general-purpose FS.
- BSFIs availing of said reliefs with non-material impact on the FS may still disclose that the FS are presented in full compliance with PFRS.
- The external auditor shall reflect in the opinion paragraph that the FS were prepared in accordance with the compliance framework described in the notes to the FS.

(SEC Memorandum Circular No. 32-2020, dated 17 November 2020)

## Glossary

BOC – Bureau of Customs

BSP – Bangko Sentral ng Pilipinas

FS – Financial Statement

PFRS – Philippine Financial Reporting Standard

SEC – Securities and Exchange Commission



## Waiver of right

### Non-filing, late filing and non-compliance with SEC reportorial requirements

To implement Section 4(www) of the Bayanihan to Recover as One Act which directs the SEC to desist from imposing fines and monetary penalties for non-filing, late filing and failure to comply with notification and reportorial requirements, the SEC has issued the following guidelines:

- Covered violations are the non-filing and late filing of General Information Sheet (GIS) and Audited Financial Statement (AFS) including other reportorial requirements that the SEC may require, and non-compliance with compulsory notification.
- No fines and other monetary penalties shall be imposed for violations incurred that will fall due from 14 September 2020 until 19 December 2020.
- Corporations may still apply for monitoring from September 2020 until December 2020 to secure monitoring clearance.
- All other violations incurred outside the covered period of 14 September 2020 until 19 December 2020 will be subject to fines and penalties.
- The guidelines cover foreign corporations except on matters pertaining to Securities Deposits and Change of Resident Agent, in which cases, the guidelines under SEC Memorandum Circular No. 24-2020 apply.

(SEC Memorandum Circular No. 31-2020, dated 5 November 2020)

## Forced disclosure

### Revised General Information Sheet of foreign corporations

The SEC issued the following guidelines regarding the revision of the General Information Sheet (GIS) of foreign corporations to include beneficial ownership information:

- The provisions of SEC Memorandum Circular (MC) No. 15-2019 shall also apply to foreign corporations insofar as they are not inconsistent with SEC MC No. 30-2020.

- The resident agent, country or regional/area head of the foreign corporation shall exercise the due diligence required in obtaining, keeping, reporting and updating information on its beneficial ownership.
- The SEC should be timely informed of all relevant changes in beneficial ownership as they arise. The change shall be indicated in the Notification Update Form (NUF) to be submitted within thirty days from the occurrence or effectivity of the change.
- The forms of the Beneficial Ownership Declaration Page of the GIS and the NUF are in Annexes "A" and "B", respectively, of SEC MC No. 30-2020.
- The GIS shall be filled out in accordance with the instructions in the Beneficial Ownership Declaration Page.
- Foreign corporations that, without lawful cause, fail to disclose their Beneficial Owners shall be penalized in accordance with Section 11(i) of SEC MC No. 15-2019.
- Resident agent or country or regional heads who failed to exercise due diligence in ensuring compliance with the foregoing shall be penalized in accordance with Section 11(ii) of SEC MC No. 15-2019.

(SEC Memorandum Circular No. 30-2020, dated 13 October 2020)

## Program guide

### Money Laundering and Terrorist Financing Prevention Program (MTPP)

The SEC has promulgated the 2020 MTPP Submission and Monitoring Guidelines which applies to all Covered Institutions as defined in the 2018 Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Guidelines. The 2020 MTPP Submission and Monitoring Guidelines provide for the following:

- All Covered Institutions registered after the effectivity of the 2018 AML/CFT Guidelines but before the effectivity of SEC Memorandum Circular No. 29-2020 who have not yet submitted their MTPPs/revised MTPPs are required to submit the hard and soft copies thereof within two months from the effectivity of SEC Memorandum Circular No. 29-2020.
- The MTPP supersedes the Anti-Money Laundering Operating Manual referred to in SEC Memorandum Circular No. 2-2010. It must conform to and embody the principles and policies in the 2018 AML/CFT Guidelines.

### Glossary

SEC – Securities and Exchange Commission

- The MTPP shall no longer be included among the documents required to be submitted to the CRMD by Covered Institutions applying for registration and issuance of a secondary license. In lieu thereof, a sworn certification to the effect that the applicant's MTPP has been prepared, noted and approved by the Board of Directors or country/regional/area head shall be submitted.
- Financing Companies and Lending Companies whose minimum paid-up capital shall reach PHP10m or whose foreign equity shall reach more than 40% must submit hard and soft copies of their MTPPs within sixty (60) days.

(SEC Memorandum Circular No. 29-2020, dated 13 October 2020)

## Contact center

### Disseminating the contact details of various SEC offices

Given that the SEC continues to operate at a limited capacity and implement alternative work arrangements, the public may nevertheless reach the SEC through email addresses and interim hotline numbers for queries and other concerns. The contact list containing said email addresses, interim hotline numbers and corresponding matters of concern may be accessed at <https://www.sec.gov.ph/notices/sec-contact-emails-to-send-their-queries-requests-for-clarification-and-other-concerns/>.

(SEC Notice, dated 27 November 2020)

## Soft and hard

### Manner of submitting email accounts and phone numbers to the SEC

The online submission of forms/notices pursuant to SEC Memorandum Circular No. 28-2020 requiring the creation and/or designation of official email accounts and cellular phone numbers for SEC transactions shall be sent to [MC28\\_S2020@sec.gov.ph](mailto:MC28_S2020@sec.gov.ph).

On the other hand, hard copies of said forms/notices must be filed through the Electronic Records Management Division at the SEC Main Office, Secretariat Building, PICC, Pasay City. The filing procedures may be viewed at <https://www.sec.gov.ph/notices-2020/opening-of->

### Glossary

DTI – Department of Trade and Industry  
SEC – Securities and Exchange Commission

[receiving-area-for-filing-of-auditedfinancial-statements-afs-and-general-informationsheet-gis-at-the-sec-ortigas-office-through-anappointment-system/](#).

(SEC Notice, dated 4 November 2020)

## Set the date

### Reception of audited financial statements and general information sheet

On 16 November 2020, the SEC will be opening a receiving area at the SEC Ortigas Office for the filing of audited financial statements (AFS) and general information sheet (GIS). The following should be noted:

- All filers must first set an appointment online through the SEC Express Submission Appointment System (SESAS) before they can proceed to the SEC Ortigas Office for the submission of AFS and GIS.
- Filers must present their appointment slip printed from the SESAS to the guard on duty before they can proceed to the ERMD Receiving Area.
- Other types of reports and documents submissions may be filed at the SEC Head Office Secretariat Building, PICC Complex, also through SESAS. Reports for the Corporate Governance and Finance Department (CGFD) submitted via email shall remain per SEC Notice dated 29 July 2020.

(SEC Notice, dated 20 October 2020)

## Returning to normal

### Increasing the allowable operational capacity of more businesses or activities

The DTI issued guidelines to increase the operational capacity of business establishments or activities under Category III. In this regard, the following are allowed to operate at 75% capacity under the General Community Quarantine (GCQ) and 100% capacity under the Modified GCQ:

1. Testing, tutorial and review centers;
2. Gyms, fitness centers, and sports facilities (limited to individual and non-contact sports/activities);
3. Internet cafes;
4. Dermatological clinics offering aesthetic procedures;
5. Other personal care services including full body massage;
6. Pet grooming services;
7. Drive-in cinemas; and

8. Travel agencies, tour operators, reservation service and related activities.

The increase in the allowable operational capacity is conditioned on compliance by business establishments with the minimum public health and safety standards and protocols.

The DTI also issued a revised list of business establishments or activities allowed to operate under the applicable Community Quarantine.

(DTI Memorandum Circular No. 20-57, dated 31 October 2020)

## Controlled risk

### Shifting from total risk avoidance to risk management

Pursuant to the Government's resolutions to shift from total risk avoidance to risk management and to further re-open of the economy, the following policy directions have been adopted:

- Local government units are enjoined to ease curfew hours, e.g., from midnight up to 4.00 a.m.
- Although work-from-home arrangements are still encouraged, business establishments are enjoined to adopt multiple and staggered work shifts to allow more workers to report to work, to spread out road congestion and to ease demand for public transportation.

(DTI-DOLE-DILG Joint Advisory No. 20-01, dated 22 October 2020)

## Anti-discrimination

### Guidelines to protect PWDs from discrimination in the insurance industry

Section 3 of the "Guidelines to Protect Persons with Disabilities From Any Form of Discrimination in the Insurance Industry"<sup>2</sup> was amended as follows:

**"SECTION 3. NO DISCRIMINATION. —**

There shall be no outright declination or refusal of any application to be covered by any insurance policy *solely* on the ground

of disability except for insurance policies approved by this Commission offered under a Simplified Underwriting Offer. x x x"

(IC Circular Letter No. 2020-107, dated 8 November 2020)

## Cancelled tours

### Financial assistance for displaced workers in the tourism sector

The DOLE and DOT have issued guidelines in the Grant of financial assistance to displaced employees of DOT-accredited Primary and Secondary Tourism Enterprises, LGU-licensed primary enterprises, members of registered Community-Based Tourism Organizations (CBTOs), and displaced Tour Guides.

The guidelines provide for the following:

- Displaced Tourism Workers are entitled to avail of the Financial Assistance or Cash for Work Program pursuant to the Bayanihan to Recover as One Act.
- Priority shall be given to unserved beneficiaries under the Bayanihan to Heal as One Act.
- The following are excluded:
  - Government employees;
  - Beneficiaries of the COVID-19 Adjustment Measures Program (CAMP), the Small Business Wage Subsidy (SBWS) Program, the Social Amelioration Program (SAP) and the SSS Unemployment Benefit;
  - Managerial employees and workers with monthly gross salary of at least PHP40,000; and
  - Foreign nationals except Persons of Concern.
- Tourism Enterprises and CBTOs whose employees or members are entitled to Financial Assistance must be accredited and/or registered for the periods specified in Section 6 of DOLE-DOT Joint Memorandum Circular No. 2020-1.
- General procedural guidelines detailing the eligibility and documentary requirements
- Displaced Tour Guides may be entitled to avail of the Financial Assistance.

(DOLE-DOT Joint Memorandum Circular No. 2020-1, dated 7 December 2020)

### Glossary

DTI – Department of Trade and Industry  
DOLE – Department of Labor and Employment  
DOT – Department of Tourism  
LGU – Local Government Unit  
SSS – Social Security System

<sup>2</sup> IC Circular Letter No. 2020-86.

## Holiday reminder

### Payment of deferred holiday pay by year-end

All private sector employers who deferred their payment of holiday pay due to the COVID-19 situation are required to pay the same on or before 31 December 2020. Here are earlier Labor Advisories providing for the deferment:

Labor Advisory Number	Title
13-A	Deferment of Payment of Holiday Pay for April 2020 Holidays
15	Payment of Wages for the Regular Holiday on 1 May 2020
20	Payment of Wages for the Regular Holiday on 25 May 2020
22	Payment of Wages for the Regular Holiday on 12 June 2020
25	Payment of Wages for the Regular Holiday on 31 July 2020
27	Payment of Wages for the Special Day on 21 August 2020 and Regular Holiday on 31 August 2020
29	Payment of Wages for the Special Days on 1 and 2 November 2020 and Regular Holiday on 30 November 2020

(Labor Advisory No. 31-2020, dated 25 November 2020)

## CAMP II

### Implementation of the COVID-19 Adjustment Measures Program

The DOLE has issued guidelines on the implementation of the COVID-19 Adjustment Measures Program (CAMP) under the Bayanihan to Recover as One Act. Said guidelines specify the following:

- The CAMP provides one-time financial support to affected workers in the formal sector, regardless of status, in private establishments or to those who are employed by any person acting in the interest of an employer in relation to an employee.
- The CAMP covers displaced workers or employees due to COVID-19. However, the following preference shall be followed:

#### Glossary

DOLE – Department of Labor and Employment  
 DSWD – Department of Social Welfare and Development  
 SSS – Social Security System

- Micro, small and medium establishments who applied for the CAMP on or before 15 April 2020 but did not receive any financial assistance under the Bayanihan to Heal as One Act;
- Other private establishments not categorized as micro, small and medium establishments who applied for the CAMP on or before 15 April 2020 but did not receive any financial assistance under the Bayanihan to Heal as One Act;
- Micro, small and medium establishments who will apply for the first time under the Bayanihan to Recover as One Act; and
- Other private establishments not categorized as micro, small and medium establishments who will apply for the first time under the Bayanihan to Recover as One Act.

- The following assistance will be given:

Private establishments, retrenched and temporarily laid-off workers	One-time financial assistance of PHP5,000
Displaced workers in the education sector	Cash assistance program in partnership with the DepEd, CHED and TESDA
Displaced workers in the Tourism Sector	One-time financial assistance of PHP5,000

- Affected workers shall be provided continuous access to available job opportunities through job matching, referral and placement services, employment coaching and labor market information.
- In order for a private establishment to be eligible, it should have retrenched workers or implemented temporary or permanent closure due to the COVID-19 pandemic. For displaced and temporarily laid-off workers to be eligible, they should submit the documentary requirements.
- The following are disqualified from the CAMP:
  - Government employees;
  - Beneficiaries of the Small Business Wage Subsidy (SBWS) Program; the SSS Unemployment Benefit; the DSWD Expanded and Enhanced Pantawid Pamilyang Pilipino Program and Assistance to Individuals in Crisis Situation; and DA Cash Assistance for Rice Farmers;
  - Owners, top management or workers with monthly gross salary of at least PHP40,000; and

- Foreign nationals except Persons of Concern.
- CAMP applications may be denied if the applicants are ineligible, if there was a misrepresentation of facts or if falsified or tampered documents were submitted.
- The CAMP financial assistance shall be paid using digital technologies or e-wallet in addition to using money remittance service providers.
- The DOLE shall enter into a data sharing agreement with the SSS to facilitate the cross-checking and verification of beneficiaries under the SBWS program and the SSS Unemployment Benefit. Therefore, the submission of SSS Certifications by individual applicants is hereby waived.
- Affected workers of micro, small and medium establishments that implemented Flexible Work Arrangements or Alternative Work Schemes who applied for CAMP on or before 15 April 2020 but did not receive any financial assistance under the Bayanihan to Heal as One Act shall be covered by the CAMP under the Bayanihan to Recover as One Act.

(Labor Advisory No. 30-2020, dated 11 November 2020; and DOLE Department Order No. 218, dated 28 October 2020)

- Investments in activities supportive of the *Balik Probinsya* Program or similar Government programs that aim to generate employment opportunities outside of congested urban areas

The 2020 IPP also provides the Bangsamoro Autonomous Region in Muslim Mindanao Proposed List containing priority investment areas in export activities; agriculture, agribusiness, aquaculture and fishery; infrastructure and services; engineering industries; logistics; BIMP-EAGA related investment; tourism; health and education; Halal industry; and energy.

(Office of the President Memorandum Order No. 50, dated 18 November 2020)

## Top priority

### New preferred activities under the 2020 Investment Priorities Plan

The President has approved the 2020 Investment Priorities Plan (IPP) which covers the following preferred activities:

- Qualified activities relating to the fight against the COVID-19 pandemic such as the production or manufacture of essential goods such as medicines, medical equipment and devices, PPE, etc.
- Provision of essential services such as crematoriums, health waste treatment and disposal, laboratories, test facilities, hospitals and quarantine facilities

#### Glossary

BIMP-EAGA - Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area

DA – Department of Agriculture

DOLE – Department of Labor and Employment

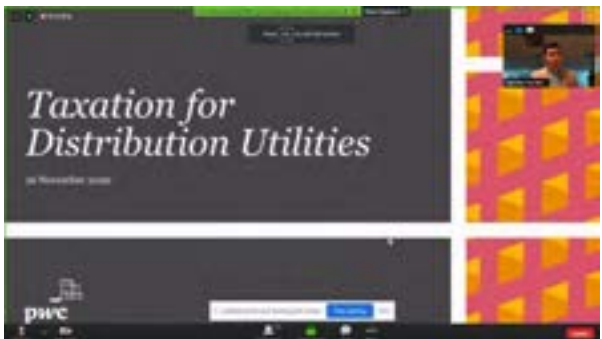
PPE – Personal Protective Equipment

SSS – Social Security System

# Meet us

## PwC conducts successful webinar for Mindanao electric cooperative officers

PwC Philippines conducted a successful webinar on taxation for electric distribution utilities for the members of the Association of Mindanao Rural Electric Cooperatives, Inc. (AMRECO).



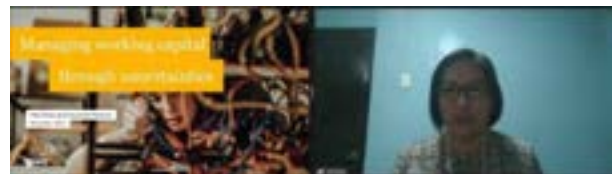
The webinar was attended on Zoom platform by finance managers, internal audit managers, human resource managers, legal officers, accountants and payroll officers of the Mindanao electric cooperatives.

- AMRECO President Corazon D. Cullantes delivered the welcome address.
- Electric Cooperatives Finance Managers' Association of the Phils. Inc. (EC-FIMAP) President Francis Ian A. Fedoc and CORPLAN Mindanao President Melquisedec M. Bompat set the expectations for the webinar.
- Cotabato Electric Cooperative, Inc. (COTELCO) Information Officer Romnick E. Cabaron was the webinar host.



Our Tax and Deals lecturers handled these topics:

- Income tax issues for electric cooperatives
- VAT reporting and declaration
- Withholding tax on purchase and sales
- Basics in handling tax assessment
- Working capital management – tools and techniques



Deals and Corporate Finance Managing Partner Jade Divinagracia and Assurance Partner Zaldy Aguirre attended the webinar as well to support the PwC team. [AMRECO](#) is an island-wide organization representing Mindanao's 34 electric cooperatives (power co-ops).

## Alex Cabrera discusses crisis management during CPAs' annual meet

On 28 November, PwC Philippines Chairman and Senior Partner Alex Cabrera talked about the role of CPAs in crisis management in a three-hour roundtable discussion during the 75th Annual National Convention of the Philippine Institute of Certified Public Accountants (PICPA).

Key takeaways from his talk include:

- how CPAs should learn to leverage on conservatism to manage the diversity of risks
- for CPAs to develop sensitivity to environment, social and governance (ESG) issues, and not only financial reporting
- to always protect the three lines of defense—business units, risk management and internal audit—to prevent fraud.



During the open forum, Alex reminded PICPA members to remain committed to quality and not to make the pandemic an excuse in failing to deliver excellent service to their clients.

## PwC Philippines sends aid to areas affected by twin typhoons

PwC Philippines, through its Corporate Responsibility Team and the Isla Lipana & Co. Foundation, quickly mobilized its resources after Typhoon Rolly devastated large areas in Bicol, and after Typhoon Ulysses wreaked havoc to lives and properties in a number of regions in Luzon, including NCR. Here is a rundown of our relief efforts that benefitted an estimated 1,000 families in various locations:

### Albay

- Relief packs for around 100 families whose houses were totally damaged in Brgy. Travesia in Guinobatan. Each pack consisted of canned goods, milk, cupcakes, coffee, sugar and rice.
- Funds for families in Brgy. San Francisco in Guinobatan. Through the family of our former partner Jenny Arciga, and with the help of our other alumni, relief packs were assembled and distributed. Packs consisted of blankets, sleeping mats and slippers.
- Relief packs of rice, canned goods, milk, coffee and sugar for families in Brgy. San Francisco in Guinobatan who were temporarily housed at Marcial O. Rañola Memorial School after their houses were totally damaged by typhoons and lahar flow.



### Cagayan Province

- Funds for the relief operations of the Philippine Disaster Resilience Foundation (PDRF), the Philippines' major private sector vehicle and coordinator for disaster management. In a recent turnover ceremony entitled "Aksyon Para sa Cagayan," PDRF reported that our funds went to the purchase of hygiene and dignity kits, which included bath soap, laundry soap, toothbrushes, toothpaste, sanitary napkins, a pail with a cover, a dipper, shampoo, and surgical masks to ensure compliance with COVID-19 health and safety protocols. The kits were turned over to the Office of Civil Defense (OCD) Region II for repacking and distribution to the affected families in the region.
- Relief packs consisting of hygiene kits, blankets and towels for those in Brgy. Mapurao and Brgy. Capannikian Norte in Allacapan, and also in some areas in Tuguegarao City and Aparri.



**Marikina City**

- Relief packs for residents of Brgy. Tumana and Brgy. Kalumpang. The packs included rice, grocery items, shampoo, soap, toothpaste, toothbrush and face masks.



**Rizal**

- Essential packs for 200 families in San Mateo (at Banaba Elementary School, used as an evacuation center), and in Rodriguez (riverside of Sitio Masagukguk, and an Aeta community in Brgy. San Rafael).

Packs included rice, canned items (biscuits, instant coffee, sardines, meat loaf, powdered chocolate drink, bottled water), and hygiene and sanitary products (toothpaste, toothbrush, soap, shampoo, toilet paper, alcohol, face masks).



**Isabela**

- Relief packs for 300 families in Isabela's farming communities through the firm's Vice Chairman and Assurance Partner Roderick Danao. Relief packs consisted of rice, bread, canned goods, coffee, eggs, chicken, detergent soap, vitamins and milk (for senior citizens).

## PICPA honors Alex Cabrera, Paul See with prestigious awards

PwC Philippines Chairman and Senior Partner Alexander Cabrera and Assurance Partner Paul Chester See were honored during the Philippine Institute of Certified Public Accountants' (PICPA) virtual Awarding Ceremonies on 26 November 2020. It was one of the highlights of the 75th PICPA Annual National Convention.

Upon the recommendation of PICPA's Committee on Awards, the National Board of Directors has approved the granting of the prestigious Honorary Life Member Award to Alex, and the Outstanding CPA in Public Practice Award to Paul.



## PwC Philippines wraps up final webinar series for Philippine financial regulators

PwC Philippines successfully completed the third webinar series of four sessions (21-22, 29-30 October) on the International Financial Reporting Standard (IFRS) 9 Capacity Building Programme for Philippine financial regulators.







## PwC Philippines acts as buy-side financial advisor

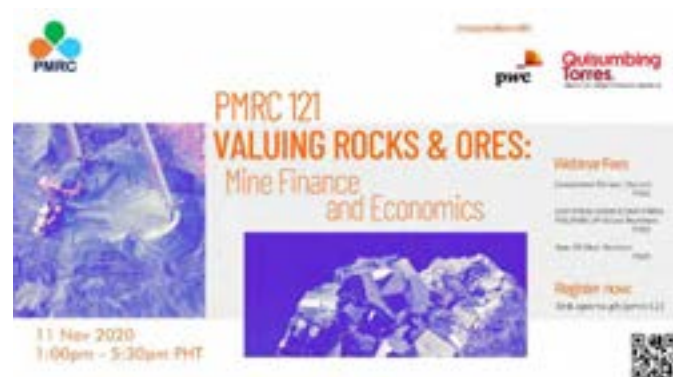


PwC Philippines congratulates Globe Telecom, Inc. on the successful closing of the Cascadeo acquisition. PwC Philippines acted as the buy-side financial advisor.

This investment echoes Globe’s thrust to build a robust ICT portfolio and deliver tools and solutions that propel businesses to stay competitive towards the digital future.

Globe’s vast resource pool and extensive reach in the Philippine market, together with Cascadeo’s specialized expertise in cloud-based products and services bring forth synergies, will be passed on to the Philippine and US enterprise clients through an upgraded cloud-based product and service offering.

## PwC specialists headline webinar on mine finance and economics



PwC specialists from the Philippine, Australian and Indonesian member firms were resource speakers in the webinar "PMRC 121 - Valuing Rocks & Ores: Mine Finance & Economics" on 11 November 2020.

- PwC Australia Assurance Partner Ben Gargett and PwC Indonesia Assurance Director Dedy Lesmana talked about mining trends and developments.
- PwC Philippines Assurance Partner Pocholo Domondon and Deals Senior Manager Darwin Saribay discussed valuation of mining companies and projects.

PwC Philippines Assurance Partner Zaldy Aguirre, Assurance Director Dennis Malco, and Assurance Manager Alvin Jay Perdio conducted the first two sessions, while PwC Philippines Consulting Senior Associate Earl Michael David and Consulting Associate Jenna Enriquez conducted the last two sessions for almost 200 participants from the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), Commission on Audit (COA), and Social Security System (SSS).

SEC General Accountant Atty. Emmanuel Artiza, in his closing remarks, was optimistic: “May this learning experience give us improved technical competence and the confidence we need to encourage fruitful analysis and discussion among ourselves. May this also strengthen our role in conducting a more effective review and analysis of the financial statements and other relevant financial reports.”

The capacity building programme aims to strengthen the capacity of Philippine financial regulators in supervising the implementation of IFRS 9, relating to the accounting for financial instruments, among regulated entities. It is under the UK Government’s UK Prosperity Fund ASEAN Economic Reform - Financial Sector and Intellectual Property (FSIP) Programme, which covers technical assistance in accounting standards development, capital markets, intellectual property, and financial technology. PwC Philippines Management Consulting Senior Associate Kevin Henry Morada has been coordinating and managing the FSIP programme in the Philippines.

- PwC Philippines Tax Partner Lawrence Biscocho tackled taxes and other regulatory developments.

Organized by the Philippine Mineral Reporting Code Committee (PMRCC), the webinar is one of the many Zoom webinars conducted starting the third quarter of the year for the continuing professional development of competent persons, technical people and other stakeholders of the Philippine mining industry.

The PMRCC, as a National Reporting Organization (NRO), was formed on 22 November 2018 to maintain and improve the standards for the public reporting of Exploration Results (ER), Mineral Resources (MR) and Ore Reserves (OR) and metallurgical assessments and design related to mining in the Philippines; and ensure that the PMRC is aligned and substantially equivalent with internationally recognized reporting standards. There are now over 140 competent persons consisting of geologists, metallurgical engineers and mining engineers.

## Rosell Gomez is keynote speaker in healthcare IT-BPM conference



PwC Philippines Risk Assurance Partner Rosell Gomez was the keynote speaker for Day 1 of the Healthcare Information Management Services Conference (HIMSCON PH 2020) on 11 November 2020. Her topic was "MOVING FORWARD – The Next Phase in Local and Global HIMS powered by PH".

The Healthcare Information Management Association of the Philippines (HIMAP) co-presented the event with the

Department of Information and Communications Technology (DICT).

After her speech, Rosell joined the panel discussion, "CXO Forum: HIMS Philippines - Pivot. Persist. Prosper. - Challenging the New Norm in Healthcare IT and Business Process Management". Her co-panelists were Roger Salazar (President, HIMAP), Rishi Pradhan (Conduent), and Randy Knutson (Founder and CIO, DQTSI). The moderator was Jeff Williams (Board Member, HIMAP; and Co-Founder and Executive Leader, Genfinity).

HIMSCON PH 2020 is an annual event for the healthcare IT-BPM (Information Technology and Business Process Management) industry players. It highlighted global and local trends influencing the transformation towards new care delivery models in the industry.

## Alex Cabrera signs 'Covenant for Shared Prosperity' for Integrity Initiative



PwC Philippines Chairman and Senior Partner Alex Cabrera, as Integrity Initiative, Inc. (II, Inc.) Chairman, signed on behalf of II, Inc. the Philippine Business Community's Covenant for Shared Prosperity along with 25 other leaders of Philippine Business Groups (PBGs) in a 5 November 2020 convocation.

The PBGs believe that a way to address inequality in all its forms in our society and to enhance the dignity of human beings and, thus, achieve inclusive development is for the members and member-companies of the PBGs to collectively mobilize their human, technical, economic and financial resources to ensure ethical wealth creation and the sharing of prosperity with all their stakeholders.

The Management Association of the Philippines (MAP) organized the Covenant. MAP President Francisco Ed Lim gave the opening remarks. Brief presentations were then made by Securities and Exchange Commission Chairman, Atty. Emilio Aquino on implementing the stakeholder theory under the Revised Corporation Code; SM Prime Holdings Inc. Chairman of the Executive Committee, Hans Sy on commitment to the environment; and Ayala Corporation Chairman Jaime Augusto Zobel de Ayala on commitment to the community and product/service providers.

Institute of Corporate Directors (ICD) Chairman Rex Drilon, who moderated the discussion following the signing event, said that it was a historic landmark that formalizes the community's response to the global disease of inequity and lack of inclusiveness that was further aggravated by the COVID-19 pandemic.

The 26 organizations that signed the covenant were:

- Alyansa Agrikultura
- American Chamber of Commerce of the Philippines, Inc.
- Bankers Association of the Philippines
- Cebu Business Club
- Cebu Leads Foundation
- European Chamber of Commerce of the Philippines
- Federation of Philippine Industries, Inc.
- Filipina CEO Circle
- Financial Executives Institute of the Philippines
- FintechAlliance.ph
- Institute for Solidarity in Asia, Inc.
- Institute of Corporate Directors
- Integrity Initiative, Inc.
- Investment House Association of the Philippines
- IT & Business Process Association of the Philippines
- Judicial Reform Initiative
- Makati Business Club
- MAP
- People Management Association of the Philippines
- Philippine Chamber of Commerce and Industry

- Philippine Institute of Certified Public Accountants
- Philippine Women's Economic Network
- Semiconductor and Electronics Industries in the Philippines, Inc.
- Shareholders Association of the Philippines
- University of the Philippines School of Economics Alumni Association
- Women's Business Council of the Philippines, Inc.

## **PwC Philippines is the official auditor of award for frontliners**



PwC Philippines has been named as the official auditor of Gawad Bayaning Kalusugan, a national search for the exemplary performance of frontliners in the health care and case management of COVID-19 patients.

PwC has been helping the organizers improve on the judging process and will help the Board of Judges during the final deliberation to arrive at the winning individuals and teams. The virtual awarding ceremonies will happen on 26 November.

Gawad Bayaning Kalusugan is a project presented by the Philippine Chamber of Commerce and Industry (PCCI) and the Association of Allied Health Organization of the Nation (AAHON), along with other business organizations as well as almost all health and professional organizations.

# Kentaro Tojo speaks on CREATE bill in a webinar for Japanese companies



PwC Philippines Japanese Business Development Director Kentaro Tojo was a speaker in a tax update webinar entitled “Latest Information on Accounting and Taxation during Coronavirus” on 6 November 2020 via Zoom.

The long-term community isolation measures from March have had various effects on corporate tax and accounting operations. In addition, new movements are emerging, such as discussions on tax reform (the Corporate Recovery and Tax Incentives for Enterprises [CREATE] bill), which is of great interest to member companies, and the application of new rules regarding transfer pricing taxation.

Thus the Japanese Chamber of Commerce and Industry of the Philippines, Inc. (JCCI Philippines), the Japanese Chamber of Commerce and Industry of Cebu Inc. (JCCI Cebu) and the Japanese Chamber of Commerce of Mindanao, Inc. (JCCM) have jointly organized the webinar for Japanese member companies.

Ken, as a tax committee member of JCCI Philippines, discussed the current status and possible impact of the CREATE bill, which is especially relevant to Philippine Economic Zone Authority (PEZA) entities.

# 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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