



PwC announces new strategy: The New Equation

Client Advisory Letter

**Old school ^{p4} | Splitting heirs ^{p5} |
Affordable medicine ^{p8} | PFRS 15 ^{p10}**

July-August 2021



At a glance

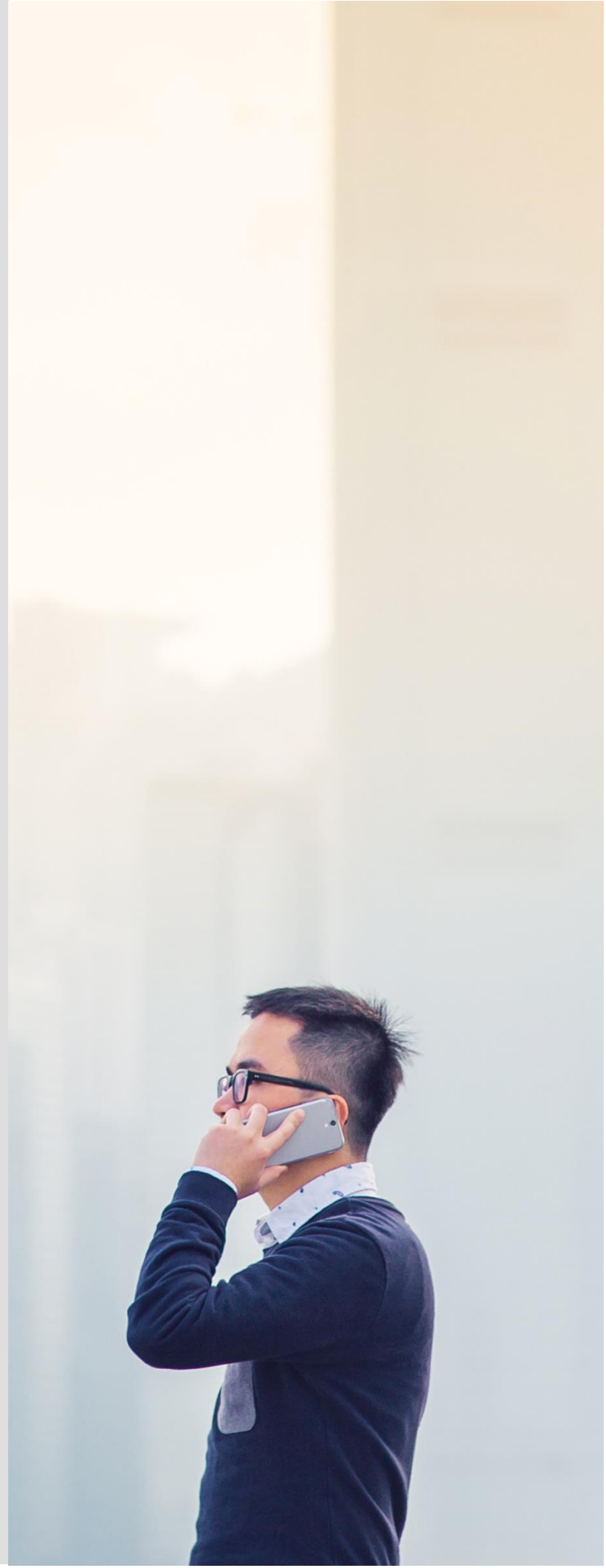
Updates, reiterations, and
clarifications on selected topics

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

Mandatory examination.....	3
Substance over form.....	3
Oplan Kandado.....	3
Settlement of estate	4
Soft copies	4
Old school.....	4
Pay your taxes	5
Splitting heirs	5
New deadlines	6
CARS Program	7
Copy furnished.....	7
List of TWAs	7
Proof of filing.....	8
Affordable medicine	8
Alpha code.....	8
Bank instructions.....	8

Latest on regulatory landscape..... 9

Bond return	9
User guide	9
ASEAN CIS.....	9
PFRS 15	10
Forex transactions	10
DIGICUR compliance.....	11
Digital submission	11



Taxes, compliance matters, assessments, and refunds

Mandatory examination

When the prescriptive period for collection of taxes is suspended

Based on a Supreme Court decision, the CTA ruled that the statute of limitations for the collection of taxes is suspended or interrupted only when there is a request for reinvestigation and if the CIR granted such request.

To interrupt the running of the prescriptive period to collect, the CIR must have conducted a reinvestigation which would involve the reception and examination of additional evidence. In the case, however, the CTA found that no actual reinvestigation was conducted since:

- a. no additional documents were examined by the revenue examiners when they recommended the reiteration of the assessment; and
- b. the assessment in the FAN/FLD was merely reiterated in the Final Decision without any modification or adjustment.

(CTA Case No. 9451, promulgated 23 July 2021)

Substance over form

Reassignment or transfer of tax audit cases among revenue officers

Revenue Memorandum Order No. 43-1990 provides that any reassignment or transfer of tax audit cases to another revenue officer requires the issuance of a new Letter of Authority (LOA).

For an LOA to be a valid, it should authorize a revenue officer to examine a taxpayer's books and other accounting records, and to collect the correct amount of taxes and should be issued either by the CIR or by his/her duly authorized representative.

According to the Third Division of the CTA, a Memorandum of Assignment, a Referral Memorandum, Tax Verification Notice, or any other letter seeking to

authorize the audit of a taxpayer may be considered a valid LOA if it was issued by any of the following:

1. CIR;
2. Deputy Commissioner;
3. Regional Director; or
4. Other officials as may be authorized by the CIR for the exigencies of service.

(CTA Case No. 9613, promulgated 22 July 2021)

Oplan Kandado

Requirements for validity of the 48-Hour and 5-Day VAT Compliance Notices

During a tax investigation, the Bureau of Internal Revenue (BIR) found that the taxpayer failed to issue official receipts. Subsequently, the BIR Regional Director issued a *48-Hour Notice* informing the taxpayer:

1. of its alleged failure to comply with VAT registration requirements by failing to issue sales invoices or receipts and to reflect correct taxable sales/receipts; and
2. that the closure of the taxpayer's business could result to the issuance of a *5-Day VAT Compliance Notice* pursuant to *Oplan Kandado* under Revenue Memorandum Order (RMO) No. 3-2009.

The Revenue District Officer also issued *5-Day VAT Compliance Notice* for failure of the taxpayer to pay deficiency VAT.

However, the CTA ruled that the issuance of the *48-Hour Notice* and the *5-Day VAT Compliance Notice* violated the taxpayer's right to due process because the BIR did not observe the prescribed procedure under RMO No. 3-2009. Specifically, the BIR did not conduct and conclude surveillance activities pursuant to a Mission Order.

CTA also pointed out that RMO No. 3-2009 is not a mere guideline and directory in nature. This is because administrative issuances such as RMO No. 3-2009 have the force and effect of law as long as they are not contrary to laws or the Constitution.

(CTA Case No. 9845, promulgated 30 June 2021)

Glossary

CIR – Commissioner of Internal Revenue
CTA – Court of Tax Appeals
FAN – Final Assessment Notice
FLD – Formal Letter of Demand
VAT – Value-Added Tax

Settlement of estate

Extending the effectivity of the Estate Tax Amnesty to 14 June 2023

Following the enactment of Republic Act (RA) No. 11569 which extended the effectivity of the Estate Tax Amnesty under RA No. 11213 from 15 June 2021 to 14 June 2023, the BIR amended Revenue Regulations No. 6-2019, as follows:

- The Estate Tax Amnesty Return (BIR Form No. 2118-EA) or ETAR shall be filed no later than 14 June 2023.
- Within five working days from receipt of the ETAR, APF-BIR Form No. 0621-EA and complete documents, the concerned Revenue District Office shall endorse the APF-BIR Form No. 0621-EA for payment of the estate amnesty tax or shall notify the taxpayer of any deficiency in the application.
- Proof of settlement of the estate need not accompany the ETAR if not yet available at the time of filing. However, no electronic Certificate Authorizing Registration (eCAR) shall be issued unless such proof is presented.
- Failure to submit the ETAR, APF-BIR Form No. 0621-EA with proof of payment and complete documents on or before 14 June 2023 is tantamount to non-availment of the estate tax amnesty.
- Until such time that the eCAR system is capable of generating one eCAR for all properties covered by a single transaction, one eCAR shall be issued per real property, including any improvements.
- If the proof of estate settlement includes properties that are not indicated in the ETAR, such properties shall be excluded from the eCAR unless additional estate tax amnesty payment is made. If no such payment is made, the excluded properties shall be subject to estate tax plus interest and penalties.

Except for the foregoing amendments, earlier BIR issuances which implement or clarify the Estate Tax Amnesty under RA No. 11213 shall continue to apply during the extension.

(Revenue Regulations No. 17-2021, published 4 August 2021)

Glossary

BIR – Bureau of Internal Revenue
RA – Republic Act

Soft copies

Amending the manner of storing and submitting BIR Form Nos. 2307 and 2316

The BIR amended Revenue Regulations (RR) No. 2-2006 and RR No. 2-1998 (both as previously amended by RR No. 2-2015) to change the prescribed manner of storing and submitting BIR Form Nos. 2307 and 2316, respectively, as follows:

1. Scan the original copies of BIR Form Nos. 2307 and 2316 through a scanning machine or device;
2. Store the soft copies of BIR Form Nos. 2307 and 2316 using the file format and naming conventions prescribed under the available modes or submission facilities of the BIR; and
3. Submit the soft copies of said BIR Forms in accordance with revenue issuances governing the selected modes or submission facilities of the BIR.

The requirement to submit a DVD-R and a notarized Certification for both BIR Form Nos. 2307 and 2316 has been removed.

(Revenue Regulations No. 16-2021, published 4 August 2021)

Old school

Suspending the implementation of certain provisions of RR No. 5-2021

Revenue Regulations (RR) No. 5-2021 which implements Tax Code amendments introduced by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, provides the following definitions:

- a. Section 2(c) defines 'proprietary educational institutions' to refer to private schools which are non-profit, maintained and administered by private individuals or groups; and
- b. Section 2(e) defines 'non-profit' to mean that no net income or asset accrues to or benefits any member or specific person, with all the net income or assets devoted to the institution's purposes and all its activities conducted not for profit.

The BIR has suspended the above definitions in Sections 2(c) and 2(e) of RR No. 5-2021 to ease the burden among proprietary educational institutions and to account for pending legislative bills seeking to clarify the taxation of schools.

The BIR likewise suspended Section 3(B) of RR No. 5-2021, which illustrates the tax treatment of proprietary educational institutions.

(Revenue Regulations No. 14-2021, published 28 July 2021)

Pay your taxes

Tax compliance requirements of social media influencers

In light of reports regarding non-payment of income taxes and non-registration of certain social media influencers, the BIR issued the following clarifications and reminders:

- Social media influencers include all individuals or corporations receiving income in cash or in kind (1) from social media sites and platforms in exchange for services performed as bloggers, video bloggers or vloggers or influencers and (2) from any other activities performed on such social media sites and platforms.
- Unless exempt under the Tax Code or other laws, social media influencers are liable to pay income tax, and percentage tax or VAT.
- To constitute gains or profits from the conduct of trade or business, the payments must be received in consideration of services, irrespective of the manner or form of payment.
- Social media influencers derive income from the YouTube Partner Program, sponsored social and blog posts, display advertising, becoming brand representatives or ambassadors, affiliate marketing, co-creating product lines, promoting own products, photo and video sales, digital courses, subscriptions or e-books, and podcasts and webinars.
- The fair market value of free products received in exchange for promotion thereof constitute income.
- In the computation of taxable income, social media influencers may deduct expenses that are directly and exclusively related to the production or realization of income and that can be supported with sufficient evidence such as BIR-registered receipts and invoices.
- The 40% Optional Standard Deduction may be chosen in lieu of itemized deductions.

- All persons subject to tax must register with and secure a Taxpayer Identification Number from the Revenue District Office having jurisdiction over the place where the head office is located or over the place of residence. Social media influencers who are registered as employees must amend their BIR registration.
- Taxpayers whose gross annual sales or receipts exceed PHP3m must have their book of accounts audited and examined by independent Certified Public Accountants and their income tax returns accompanied by Account Information Forms.
- Social media influencers are generally required to withhold creditable withholding taxes, withholding taxes on compensation of employees and other applicable withholding taxes.
- The following are punishable by fine and imprisonment:
 1. Attempt to evade or defeat taxes; and
 2. Failure to file return, supply correct and accurate information, pay tax, withhold and remit tax, and refund excess taxes withheld on compensation.
- A social media influencer receiving income from a nonresident person in a country with which the Philippines has a tax treaty may avail of the preferential income tax rate under such tax treaty.

(Revenue Memorandum Circular No. 97-2021, issued 16 August 2021)

Splitting heirs

Donor's tax implications of a renunciation of one's share in an inheritance

The BIR clarified below the donor's tax implications of an heir's waiver or renunciation of his/her share during the settlement of a decedent's estate:

- The general renunciation of an inheritance is not subject to donor's tax.
- In the settlement of an estate, the heirs may agree amongst themselves who will receive which specific property. This results in a situation where the heirs will receive respective shares that are higher or lower than the value of their rightful share.
- If an heir receives a lower share, there is partial renunciation of inheritance. The value forgone because of such waiver or renunciation shall be subject to donor's tax.

Glossary

BIR – Bureau of Internal Revenue

VAT – Value-Added Tax

Revenue Memorandum Circular No. 94-2021 provides a detailed illustration of how to compute the donor's taxes and the proper tax base in case of a partial waiver or renunciation.

(Revenue Memorandum Circular No. 94-2021, issued 10 August 2021)

New deadlines

Suspending the statute of limitations and extending tax filing/ payment deadlines

Due to the declaration of an Enhanced Community Quarantine (ECQ) and Modified ECQ (MECQ) from 6 August 2021 to 20 August 2021 in the National Capital Region and other parts of the country, the BIR:

1. Suspended the running of the statute of limitations or prescriptive periods for the assessment and collection of deficiency taxes

The suspension is effective during the ECQ and/or MECQ period and for sixty (60) days after and is applicable only to areas under ECQ or MECQ. This 60-day suspension shall apply in case of future declarations of ECQ and/or MECQ.

2. Extended the deadlines for taxpayers to file certain letters or correspondences

The deadlines are extended by the following respective numbers of days counted from the lifting of the ECQ and/or MECQ:

Position paper and supporting documents in response to Notice of Discrepancy	30 days
Reply and supporting documents in response to PAN	15 days
Protest letter in response to FAN/FLD	30 days
Transmittal letter and supporting document in Request for Reinvestigation	30 days
Request for Reconsideration to the CIR on FDDA	30 days
Submission of documents in response to <i>Subpoena Duces Tecum</i>	15 days
Submission of documents in relation to First, Second and Final Notices	10 days
Other similar letters and correspondences	30 days
Filing of VAT refund with the VCAD	30 days

Moreover, face-to-face meetings between BIR personnel and taxpayers are deferred and rescheduled until the lifting of ECQ and/or MECQ.

The above extensions (number of days) and deferral of meetings shall apply in case of future declarations of ECQ and/or MECQ.

3. Extended the tax filing and tax payment deadlines for fifteen (15) calendar days counted from 20 August 2021

If the ECQ and/or MECQ is extended, the deadline shall also be extended by 15 days counted from the lifting of the ECQ or MECQ.

During the ECQ and/or MECQ, taxes may be paid through the following:

- a. AAB regardless of jurisdiction of the Revenue District Office (RDO);
- b. Revenue Collection Officer of the nearest RDO, even if the areas have AABs;
- c. Land Bank of the Philippines (LBP) Link.biz Portal – for taxpayers who have ATM accounts with LBP and/or holders of BancNet ATM/Debit/Prepaid Card;
- d. PesoNet through LBP Link.Biz Portal – for taxpayers who have accounts with RCBC and Robinsons Bank);
- e. Development Bank of the Philippines Pay Tax Online – for holders of Visa/Mastercard Credit Card and/or BancNet ATM/Debit Card;
- f. Union Bank Online Web and Mobile Payment Facility – for taxpayers who have accounts with Union Bank of the Philippines; or
- g. Mobile payment (GCash/PayMaya).

(Revenue Memorandum Circular Nos. 93-2021, 92-2021 & 91-2021, issued 9 August 2021, 9 August 2021 & 3 August 2021, respectively)

Glossary

AAB – Authorized Agent Bank
BIR – Bureau of Internal Revenue
CIR – Commissioner of Internal Revenue
FAN – Final Assessment Notice
FLD – Formal Letter of Demand
PAN – Preliminary Assessment Notice
VAT – Value-Added Tax
VCAD – VAT Credit Audit Division

CARS Program

Guidelines and procedures on the utilization of TPCs under CARS Program

The BIR issued specific guidelines and procedures for the utilization of Tax Payment Certificates (TPCs) under the Comprehensive Automotive Resurgence Strategy (CARS) Program. Revenue Regulations No. 12-2021 that was earlier issued by the BIR prescribes the general policies and guidelines.

The specific guidelines and procedures include the following:

- A TPC refers to a non-transferrable certificate which shall be used to defray the tax and duty obligations of Eligible and Registered Participants (ERPs) of the CARS Program.
- ERPs shall request the TPC from the Department of Trade and Industry-Board of Investments (DTI-BOI) based on the statutory deadlines for tax and/or duty payments.
- TPCs shall only be applied against the excise tax, income tax and VAT liabilities incurred in the course of the ERPs operations. They cannot be applied against withholding taxes.
- The amount of the TPC shall be indicated in the tax return as a deduction from tax due. The phrase “TPC No. (control or serial number)” and corresponding amount shall be indicated in the boxes provided for “Other Tax Credits/Payments (specify)” located immediately after the “Tax Due” line item.
- The tax return shall be filed using the eFPS or eBIRForms facility. The printed hard copy of the duly filed tax returns, together with the BIR copy of the TPC and other prescribed attachments, shall be submitted to the Revenue District Office, Large Taxpayer Division Office or Large Taxpayer Processing and Quality Assurance Division where the ERP is registered.

The ERP copy of the TRC shall be retained by the ERP while the BIR copy shall be used by the BIR for recording purposes.

- If a TPC is not presented or utilized, the ERP should immediately surrender and return the original copy to the DTI-BOI for reinstatement in the Participating Car Maker Incentive Account. However, if the TPC is surrendered beyond its validity period, it shall be forfeited in favor of the government.

(Revenue Memorandum Circular No. 90-2021, issued 28 July 2021)

Copy furnished

Disseminating the CREATE Act and its IRR

The BIR circulated a copy of Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which amends the National Internal Revenue Code of 1997. The CREATE Act took effect on 11 April 2021.

The major amendments include the reduction of the corporate income tax rate from 30% to 25% and to 20% under certain conditions, and the introduction of a new Title XIII - Tax Incentives which rationalizes the incentives of enterprises registered with the various Investment Promotion Agencies such as the Board of Investments, the Philippine Economic Zone Authority, the freeport zones and other special economic zones.

The BIR likewise circulated a copy of the Implementing Rules and Regulations (IRR) of Title XIII that was approved by the Secretary of Finance and Secretary of Trade and Industry.

Note: The salient features of the CREATE Act have been discussed in the article entitled “Inside CREATE” on page 4 of our March-April Client Advisory Letter (CAL) while the key provisions of the IRR have been discussed in the article entitled “Incentives Guidelines” on page 13 of our May-June CAL.

(Revenue Memorandum Circular Nos. 89-2021 & 83-2021, issued 19 July 2021 & 12 July 2021, respectively)

List of TWAs

Circularizing the list of Top Withholding Agents (TWAs)

In connection with the newly prescribed criteria set forth under Revenue Regulations (RR) No. 31-2020 in identifying the TWAs, the BIR recently published the lists of withholding agents for inclusion to and deletion from the existing list of TWAs who are required to deduct and remit either the 1% or 2% creditable withholding tax (CWT) from income payments to suppliers of goods and services, respectively. The lists are posted at www.bir.gov.ph.

Glossary

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

Accordingly, the obligation to withhold and remit the 1% and 2% CWT shall continue, commence, or cease, as the case may be, effective 1 August 2021. Taxpayers who are not in the published list of TWAs are deemed excluded.

Any written request by taxpayers as a separate documentary proof for being identified as TWAs, despite the publication in the newspaper of general circulation being deemed sufficient, shall be filed with the Revenue District Office and the corresponding Certification issued by its Revenue District Officer where the concerned withholding agent is duly registered.

(Revenue Memorandum Circular No. 88-2021, issued 16 July 2021)

Proof of filing

Alternative proof of submission of documents via the eAFS

The BIR noted incidents involving the failure of taxpayers to receive confirmation or acknowledgment emails with respect to the submission of scanned documents through the electronic Audited Financial Statements (eAFS) System. Consequently, these taxpayers are not able to present the required proof of submission to the Securities and Exchange Commission and other government agencies.

Accordingly, the BIR has declared that the copies of screenshots from the eAFS clearly showing the details contained in each screenshot are considered sufficient proof of submission to the BIR. A sample screenshot may be viewed in Revenue Memorandum Circular No. 82-2021

(Revenue Memorandum Circular No. 82-2021, issued 7 July 2021)

Affordable medicine

Publishing the FDA List of VAT-Exempt Products

The BIR published the letter dated 17 June 2021 from the Director-General of the Food and Drugs Administration (FDA) containing the List of VAT-Exempt Products. Pursuant to the Tax Code, as amended by Republic Act Nos. 10963, 11467 and 11534, the VAT exemption for sale and importation shall take effect on the following dates:

- a. Medicines for diabetes, high cholesterol and hypertension beginning 1 January 2020;

- b. Medicines for cancer, mental illness, tuberculosis, and kidney diseases beginning 1 January 2021;
- c. Drugs and vaccines prescribed and directly used for COVID-19 treatment beginning 1 January 2021 until 31 December 2023; and
- d. Medical devices directly used for COVID-19 treatment beginning 1 January 2021 until 31 December 2023.

(Revenue Memorandum Circular No. 81-2021, issued 6 July 2021)

Alpha code

New ATC for excise taxes on exports of sweetened beverage products

The BIR created the following Alphanumeric Tax Code (ATC) for Excise Taxes on Exports of Sweetened Beverage Products paid through BIR Form No. 0605:

ATC	Description	Form No.
EXB10	Excise Tax on Export of Sweetened Beverages Products	0605

(Revenue Memorandum Order No. 24-2021, issued 13 August 2021)

Bank instructions

Facilitating bank acceptance of tax payments in ECQ and MECQ areas

Due to the declaration of Enhanced Community Quarantine (ECQ) in the National Capital Region, Iloilo City, Iloilo Province, Cagayan de Oro City, Gingoog City and Modified ECQ (MECQ) in Ilocos Norte, Bataan, Lapu-lapu City and Mandaue City from 6 August to 20 August 2021, all Authorized Agent Banks (AABs) shall:

1. Accept all tax payments from taxpayers registered with Revenue District Offices (RDOs) in the above areas, including out-of-district returns - which should be batched separately. Using the Limited Bank Data Entry System/Bank System, tax payment data shall be encoded indicating the RDO of the accepting AAB branch and not the RDO Number of the taxpayer.
2. Accept check payments even without the name of the receiving AAB branch indicated in the check. However, all checks shall be made payable to the BIR.

(Bank Bulletin No. 10-2021, issued 3 August 2021)

Glossary

BIR – Bureau of Internal Revenue
RA – Republic Act
VAT – Value-added Tax

Latest on regulatory landscape

Bond return

Petition for general safeguard measures on the importation of motor vehicles

The Department of Trade and Industry (DTI) dismissed the petition for general safeguard measures on the importation of motor vehicles (passenger cars and light commercial vehicles) falling under AHTN 2017 headings 87.03 and 87.04. Said dismissal was based on the following conclusions and recommendation by the Tariff Commission:

- a. Locally produced passenger cars are considered “directly competitive” with imported completely built-up (CBU) passenger cars classified under 33 AHTN 2017 subheadings.
- b. Locally produced light commercial vehicles (LCVs) classified under AHTN 2017 subheading 8704.21.29 are considered “directly competitive” with imported LCVs classified under the same heading.
- c. There was no increase in imports of CBU passenger cars and CBU LCVs during the period of investigation.
- d. Since there was no such increase of imports during the period of investigation, the determination of serious injury or threat thereof, causation and unforeseen developments has been rendered moot and academic.

Pursuant to the DTI dismissal, the Bureau of Customs directed the immediate return to concerned importers of all cash bonds imposed and previously collected as provisional safeguard measure on the shipments of motor vehicles (passenger cars and LCVs) which were entered or were withdrawn from warehouses in the Philippines for consumption from 1 February 2021.

(Customs Memorandum Order No. 28-2021, dated 18 August 2021)

Glossary

AHTN – ASEAN Harmonized Tariff
Nomenclature
BOI – Board of Investments

User guide

Processing of Tax Payment Certificate transactions under the CARS Program

The Bureau of Customs issued guidelines for the utilization of Tax Payment Certificates (TPCs) as payment for customs duties and taxes due on importations by eligible and registered participants under the Comprehensive Automotive Resurgence Strategy (CARS) Program. It also prescribed the procedures for processing TPC transactions.

Here are some of the guidelines:

- The TPC issued by the DTI-BOI shall be recognized and accepted as payment for duties and taxes upon verification with the Online Facility System.
- The TPC is valid for thirty (30) days from date of issue.
- A TPC can only be used on importations during an Eligible and Registered Participant's operations. It cannot be applied against fees and other charges, penalties, and surcharges.

(Customs Administrative Order No. 4-2021, dated 15 June 2021)

ASEAN CIS

Promulgating the rules regarding ASEAN Collective Investment Schemes (CIS)

The Securities and Exchange Commission issued rules to assist:

1. Investment Companies and Fund Managers incorporated in the Philippines who intend to participate in the ASEAN CIS Framework and offer for sale the shares of Investment Companies cross-border; and
2. Foreign CIS Operators that will offer foreign CIS for sale in the Philippines under the ASEAN CIS Framework.

The rules provide for the following:

- Requirements for Authorization of Investment Companies as Qualifying CIS
 - Registration under the Investment Company Act and the Securities Regulation Code

- Assessment as Qualifying CIS and Compliance with local regulations and Standards of Qualifying CIS
- Additional Requirement for Investment Companies offering cross-border
- Recognition of Foreign CIS to be offered in the Philippines
 - Requirements for Recognition of a Foreign CIS
 - Requirement to Appoint a Local Representative and a Local Distributor in the Philippines
 - Application for Approval or Recognition for the sale or offering of units of a foreign CIS in the Philippines
 - Offering Document/Prospectus of foreign CIS
 - Reportorial Requirements

(SEC Memorandum Circular No. 9-2021, dated 16 August 2021)

PFRS 15

Consolidating the MCs on the implementation of PFRS 15

The Securities and Exchange Commission (SEC) issued the following Memorandum Circulars (MCs) regarding pronouncements by the Philippine Interpretations Committee (PIC) and International Financial Reporting Interpretations Committee (IFRIC) on the implementation of Philippine Financial Reporting Standards (PFRS) 15 – Revenue from Contracts with Customers:

MC	Rule/Guideline	Date Issued
MC No. 14-2018	Deferral of the application of PIC Q&A No. 2018-12 with respect to accounting for significant financing component, and treatment of uninstalled materials and land in the calculation of the percentage of completion for a period of 3 years.	29 October 2018
MC No. 3-2019	Deferral of PIC Q&A 2018-12(H) on Accounting for Common Usage Service Area Charges and PIC Q&A 2018-14 on Accounting for Cancellation of Real Estate Sales until December 31, 2020.	8 February 2019
MC No. 4-2020	Deferral of the Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods [PAS 23-	21 February 2020

MC	Rule/Guideline	Date Issued
	Borrowing Cost] for the Real Estate Industry until 31 December 2020.	
MC No. 34-2020	Deferral of PIC Q&A 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) for the Real Estate Industry for Another Period of 3 Years or Until 2023.	17 December 2020

The above MCs, except MC No. 34-2020, contain a transitional provision wherein, effective 1 January 2021, real estate companies will adopt the above PIC's Q&As/IFRIC Agenda Decisions and any subsequent amendments retrospectively or as the SEC will later prescribe.

On the other hand, MC No. 34-2020 further extended the deferral of application of the provisions of PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of percentage of completion and IFRIC Agenda Decision on Overtime Transfers of Constructed Goods under PAS 23-Borrowing Cost, for another three years or until 2023.

(SEC Memorandum Circular No. 8-2021, dated 8 July 2021)

Forex transactions

Approval of amendments to the foreign exchange regulations

The Monetary Board approved certain amendments to the Manual of Regulations on Foreign Exchange Transactions ("FX Manual"). The revised provisions and appendices of the FX Manual are provided in BSP Circular No. 1124-2021.

(BSP Circular No. 1124-2021, dated 10 August 2021)

Glossary

BSP – Bangko Sentral ng Pilipinas

PAS – Philippine Accounting Standards

DIGICUR compliance

Anti-Money Laundering Council reminder for DIGICUR compliance by BSFIs

All BSP-Supervised Financial Institutions (BSFIs) are reminded of the deadline for compliance with the Digitization of Customer Records (DIGICUR), specifically:

1. Update the Money Laundering/Terrorism Financing Prevention Program (MTPP) within 6 months from effectivity of the DIGICUR;
2. Develop a central database of customer records to be maintained in the respective head offices or main branches of foreign banks operating in the Philippines immediately upon effectivity of the updated MTPP, which shall not exceed 6 months from effectivity of the DIGICUR;
3. Start the digitization of all customer records to be received, created, or opened immediately upon effectivity of the updated MTPP, which shall not exceed 6 months from effectivity of the DIGICUR; and
4. Complete the digitization of all existing customer records within 2 years from the expiration of the 6-month period to update the MTPP.

The deadline for compliance is 30 September 2021. All BSFIs are reminded that non-compliance with the DIGICUR is a Grave Violation (subject to a penalty between PHP37,500 to PHP375,000 per customer) under Table A.A, Section 2, Rule IV of the AMLC Rules of Procedure in Administrative Cases.

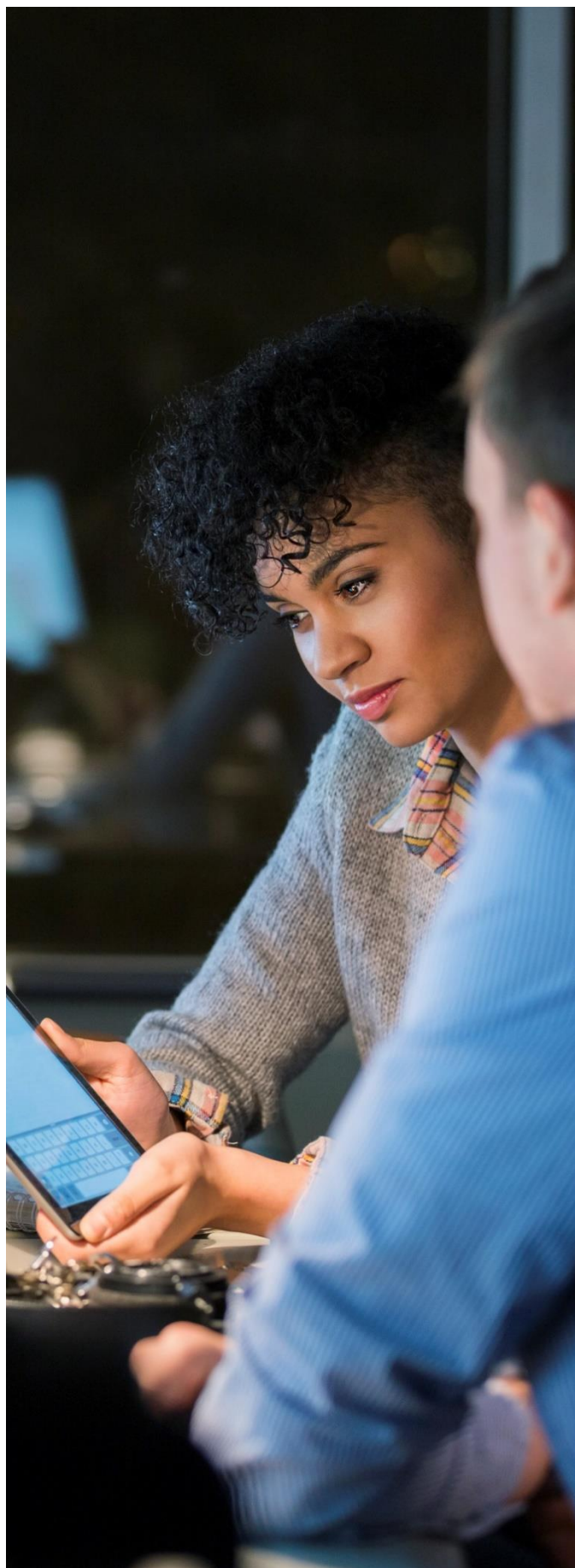
(BSP Circular Letter No. CL-2021-63, dated 9 August 2021)

Digital submission

Mandatory submission of soft copies of interim financial statements by HMOs

To support the government's effort to maximize digitalization of transactions and paperless submissions, and to minimize face-to-face interactions in view of the pandemic, the Insurance Commission (IC) amended CL No. 2019-46 to require, starting 30 June 2021, all Health Maintenance Organizations (HMOs) to submit interim financial statements only in soft copies (MS Excel format) via email to hmoifs@insurance.gov.ph.

(IC Circular Letter No. 2021-46, dated 22 July 2021)



Glossary

AMLC – Anti-Money Laundering Council

Meet us

Introducing our new Executive Leadership Team and three new partners

Isla Lipana & Co., the Philippine member firm of the PwC global network, announced its new executive leadership team from 1 July 2021. For the full story on the new ELT, click [here](#).



Isla Lipana & Co./PwC Philippines' Executive Leadership Team
(Effective 1 July 2021)



Firm admits three new partners

Three new partners have been admitted to the partnership of Isla Lipana & Co./PwC Philippines with effect from 1 July 2021:

- Tax Partner Mary Jean Balboa
- Assurance Partner Dennis Malco
- Assurance Partner Jocelyn de Chavez

To know more about our new partners, click [here](#).



PricewaterhouseCoopers Services plants trees for its fifth anniversary



Two weeks before its fifth anniversary, PricewaterhouseCoopers Services (PwC) held a tree planting activity in collaboration with local NGO Green Brunei.

More than 30 PwC employees planted saplings of *Bucida Molineti* and *Tebebuia Yellow* along Muara Beach on 8 July 2021. The activity is in support of the PwC network's commitment made last year to achieve net zero greenhouse gas emissions by 2030.

PricewaterhouseCoopers Services is PwC in Brunei Darussalam. We deliver quality assurance and assurance-related services to our clients through our office in Bandar Seri Begawan.

For the full story, click [here](#).

Pampanga public schools receive printer sets from Isla Lipana & Co.



Two more schools in Mexico, Pampanga received printers and reams of A4 bond paper through Isla Lipana & Co. Foundation's Repurposed Seat of Hope program.

Nueva Victoria Elementary School and Dolores Piring Elementary School, both located in Mexico, Pampanga, are the latest recipients.

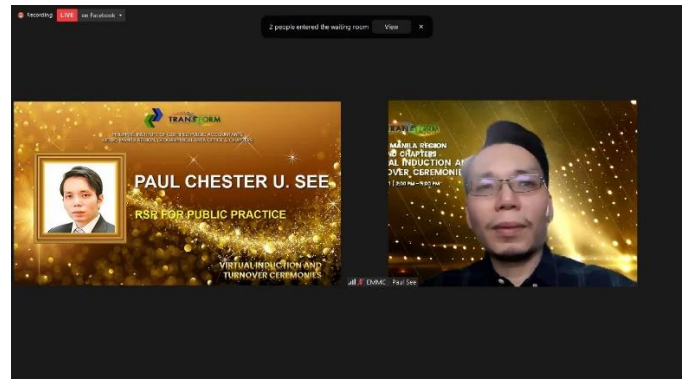
Isla Lipana & Co., through the Foundation, is helping public schools address the challenges brought about by the pandemic. Printers and paper are requested by public schools, which implement modular distance learning (MDL) to ensure continuity of education. MDL is in consideration of learners in areas where Internet connection is not accessible or steady for online learning, and those who do not have gadgets for online classes.

The firm also gives environmentally friendly copy paper, *i.e.*, certified by the Forest Stewardship Council (FSC), a not-for-profit alliance of government and non-government organizations dedicated to responsibly managing forests.

Gett Apostol, Paul See take their oath at PICPA MMR ceremonies



Geraldine (Gett) Apostol



Paul Chester See

PwC Philippines Internal Audit Lead Partner Gett Apostol and Assurance Partner Paul Chester See took their oath during the Virtual Induction and Turnover Ceremonies of the Philippine Institute of Certified Public Accountants (PICPA) Metro Manila Region, Geographical Area Office and Chapters on 5 July 2021 via Zoom.



Corazón de la Paz-Bernardo

Ms. Corazón de la Paz-Bernardo, Past PICPA National President and former PwC Philippines Chairman and Senior Partner, was the Keynote Speaker. As Inducting Officer for the 2021-2022 PICPA Metro Manila Region Council, Ms de la Paz-Bernardo inducted Gett as Chairman and Paul as Regional Sector Representative for Public Practice.

Hon. Noe G. Quiñanola, Chair of the Board of Accountancy of the Professional Regulation Commission, was the Inducting Officer for the Metro Manila Geographical Area Office Council, where Gett is the Liaison Director for Public Practice, while Paul is the Regional Sectoral Director for Public Practice.

In her inaugural address as the new Chair of the Metro Manila Regional Council for FY 2021-2022, Gett stated, “During these next twelve months, we work our way towards realizing that vision. And we do so with a careful yet agile mindset, with well-thought-out yet decisive actions, with respect for tradition yet with an eye on innovations, cognizant of local needs yet globally sophisticated.”

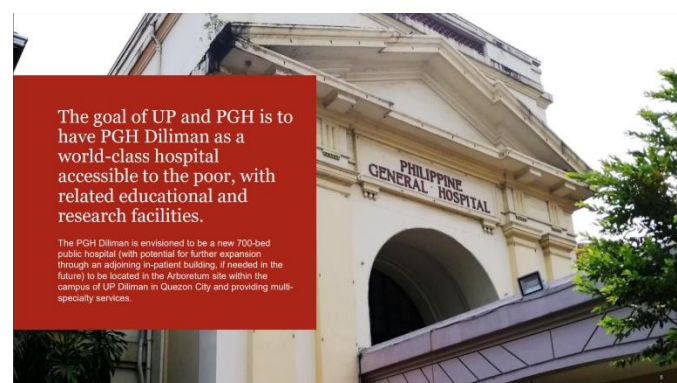
Various leaders from PwC Philippines also took their oath in their various positions in the MMR Council, and in the Eastern Metro Manila Chapter, with Gett as the Inducting Officer.

They start the new fiscal year guided by PICPA's theme “Transform. Embracing Possibilities. Realizing Potentials.” The theme encapsulates PICPA's need to be open and willing to embrace new ways of doing things in order to maintain its competitive advantage.

PwC is the lead transaction advisor for a healthcare PPP project

PwC is the lead Transaction Advisor for the UP Philippine General Hospital (PGH) Diliman PPP (public-private partnership) Project.

The UP PGH Diliman Project seeks to build a world-class, 700-bed hospital with integrated healthcare, teaching, research facilities, and specialized services that are not readily available in other public hospitals.



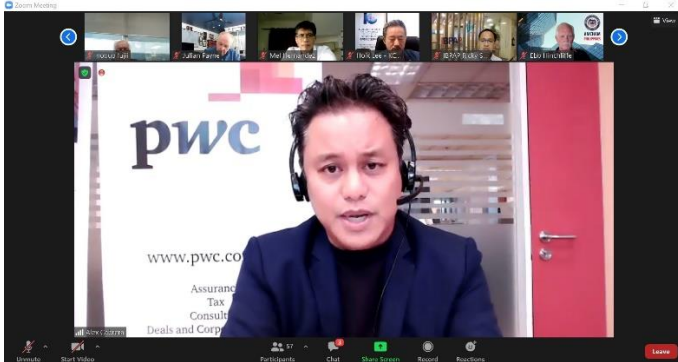
It will complement and enhance the capacity of UP PGH Manila in addressing the medical needs of the poor and the overcrowding concerns.

As a teaching and research hospital with multi-specialty capabilities, the UP PGH Diliman Project will house both the College of Medicine and the Genomic Cancer Research.

The UP PGH Diliman Project is undergoing National Economic and Development Authority (NEDA) Investment Coordination Committee evaluation.

For more information, click [here](#) and access the project brief [here](#).

Alex Cabrera joins business groups in a presscon on VAT imposition



PwC Philippines Chairman Emeritus Alex Cabrera was a speaker at a press conference calling for the urgent repeal of Revenue Regulation 9-2021 on 13 July via Zoom.

Organized and attended by Philippine business groups that are major exporters of bananas, electronics, garments, other manufactured products and business services, the press conference was held in partnership with members of the joint foreign chambers, the Tax Management Association of the Philippines, and leading accounting firms.



As a take-off from his *Philippine STAR* column on 11 July, Alex explained how the BIR regulations are seriously challenging the export sector.

Aldie Garcia on the future of work at AmCham meeting



PwC Philippines Assurance Managing Partner and Technology Leader Aldie Garcia was a speaker in a web event organized by the American Chamber of Commerce of the Philippines (AmCham). Entitled "A Road Map to Business Resurgence in the Next Normal", the event was held on 14 July via Zoom and drew over 65 members and guests.

Aldie described the human and technological aspects of the future of work, which was vastly changed by the pandemic. He did this with insights derived from PwC's Hopes and Fears Survey and other studies, and connectivity facts and figures.

His co-speakers Eric Cheng (Regional Sales Director, Cato Networks) and Edsel Paglinawan (Product & Innovations Head, Eastern Communications) focused on sustainable solutions through improved connectivity.



AmCham PH ICT Co-Chair Don Felbaum moderated the Q&A and open discussion. Aldie tackled questions

about the future of the gig economy compared with traditional employment, and the telco companies' game plan to pave the way for digitalization across key cities in the Philippines.

Ebb Hinchliffe, AmCham PH Executive Director, delivered the closing remarks.

AmCham conducts regular webinars that are somehow alike to regular committee meetings that were held in the past.

PwC Philippines cited as finalist in PwC's Global Digitising the Network Awards

PwC Philippines was a finalist in the Most Innovative Digital Upskilling Programme category at PwC's Global Digitising the Network (DTN) Awards held on 14 July.

The Philippines was named finalist for the said category, along with the Middle East, France, Israel, Mexico and China. Israel won.

The Awards celebrated the successes of the DTN Programme and recognized territories and DTN leaders who made outstanding contributions in digitally upskilling our people and transforming the network.

Launched in 2019, DTN is about investing in our people, equipping them with the new skills, knowledge and resources so that they remain relevant in the face of technology change. This upskilling solution addresses the mismatch between the skills people have and the skills needed for the future. To date, PwC has deployed numerous digital programs and assets and has upskilled thousands of digital champions across territories.

Our Digital Transformation and Upskilling team, who attended the awards ceremony, thanked the following:

- Chairman Emeritus Alex Cabrera for prioritizing digital transformation during his leadership
- Chairman and Senior Partner Roderick Danao for his constant presence during upskilling initiatives and emphasis on the importance of digital skills
- Chief Digital Officer and Tax Partner Carlos Carado II for leading the territory's digital transformation
- Learning and Development Leader and Chief Internal Auditor Gett Apostol for leading digital upskilling
- Deals and Corporate Finance Managing Partner, Data Analytics, and Markets Leader Mary Jade Roxas-Divinagracia for providing the data & analytics support
- The rest of the partners, directors and staff who have been very supportive of the team's digital efforts.

For more about PwC's Digital Transformation journey, click [here](#).

Major food brands certified Plastic Neutral using PwC-verified process



Century Pacific Food, Inc. (CNPF), one of the largest branded food companies in the Philippines, has recently secured Plastic Neutral certifications from the Plastic Credit Exchange (PCX) for all its brands that utilize flexible and plastic packaging.

Isla Lipana & Co./PwC Philippines has verified the certification process that is being used by PCX. PwC Philippines assessed PCX's plastic crediting procedures, identified areas of improvement and ensured that PCX consistently adheres to the principles detailed on the Plastic Neutral Pact, the first known open standard for plastic neutrality released by PCX in 2020.

PCX is a global, non-profit organization that offers a fully integrated plastic offset platform. The PCX ecosystem supports its partner organizations in seeking solutions towards transparent and responsible monitoring of recovering and recycling plastic waste. [PwC Philippines is a partner organization of PCX.](#)

The certifications affirm that CNPF brands are fully compliant with the requirements of the Plastic Pollution Reduction Standard, a testament to the organization's strong commitment to developing a circular economy and minimizing plastic waste. This means that all these brands have successfully offset their plastic footprint from 1 July 2019 to 30 June 2020 by recovering an equivalent amount of plastic waste away from leaking into nature and ensuring it is processed safely into the circular economy through PCX.

For more details, click [here](#).

PwC Philippines shares results of MAP PwC 2021 Mid-year CEO Survey

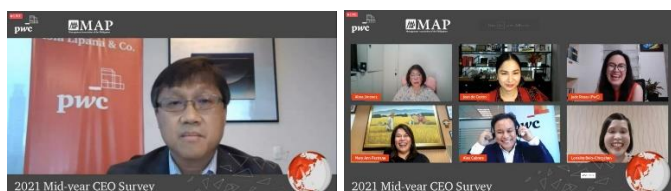
PwC Philippines and the Management Association of the Philippines (MAP) unveiled on 22 July the results of the 2021 MAP PwC Mid-year CEO Survey, which showed how business leaders are responding to the current challenges, and adjusting their plans for recovery.

Over 130 attendees, including the CEO survey respondents and journalists, were at the event.

PwC Philippines Chairman and Senior Partner Roderick Danao formally opened the program.

MAP CEO Conference Committee Chair and Health Solutions Corp President & CEO Alma Rita Jimenez delivered the opening remarks on behalf of MAP.

Chairman Emeritus Alex Cabrera gave a detailed presentation of the survey results.



ESCA Incorporated CEO and Urban Land Institute (Philippines) Chair, Atty. Jean Jacquelyn Nathania de Castro expertly managed the panel discussion. Alex and Alma joined their co-panelists, namely: Lorraine Belo-Cincochan (CEO of Wilcon Depot Inc.), Mary Ann Pastrana (EVP, Archipelago Philippine Ferries Corporation [Fast Cat]) and Mary Jade Divinagracia (Deals and Corporate Finance Managing Partner).

For the seventh straight year, PwC Philippines has been the official Knowledge Partner of the MAP's annual International CEO Conference. Each year, PwC and the MAP ask CEOs about their sentiments and outlook within and outside their organizations.

Due to the shifts in our economy brought about by the uncertainties of the pandemic, PwC and the MAP decided to run a mid-year survey before the annual conference to have a better understanding of the continuing impact of the COVID-19 outbreak on businesses in our country. Check out the findings [here](#).

Retailers, MSMEs learn from PwC PH, MY Deals & Corporate Finance leaders

The Philippine Retailers Association (PRA), together with PwC Philippines, successfully held the webinar "Best Practices in Managing Working Capital for the Retail and Service Industry" on 21 July.

The webinar is part of the 40th PRA Virtual Learning Series being conducted by PRA in partnership with PwC Philippines.

Attendees learned the drivers of working capital management, the latest data-driven digital solutions to help them monitor and manage liquidity, and global consumer insight study to pivot their operations and adapt to the changes in consumer behavior in this pandemic economy.

Our speakers were Mary Jade Roxas-Divinagracia (Managing Partner, Deals and Corporate Finance and Markets Leader, PwC Philippines), Ganesh Gunaratnam (Executive Director and Leader Working Capital Management, PwC Malaysia), Leilani Ramirez (Director, Deals and Corporate Finance, PwC Philippines), and Janesse Galicia Dorado (Director, Deals and Corporate Finance, PwC Philippines).

PRA Chairman and Picture City President Atty. Paul Santos welcomed the participants and JT Solis (Co-Founder and CEO of MAYANI) moderated the event.



Rick Danao shares macroeconomic trends in Cebu business summit



PwC Philippines Chairman and Senior Partner Roderick Danao shared current and future macroeconomic trends during the Cebu Business Month (CBM) 2021 Entrepreneurs' Summit on 28 July via Zoom.

Rick's presentation, entitled "From Great Lockdown to Great Rebound", focused on four fundamental shifts based on the different PwC surveys and first-hand information gathered during client service delivery.

His talk followed the keynote speech by Usec. Rosemarie Edillon of the National Economic and Development Authority (NEDA). Other notable speakers were Presidential Adviser for Entrepreneurship and Go Negosyo Founder Jose Ma. "Joey" Concepcion III, Cebu Landmasters, Inc. Chairman & CEO Jose Soberano, and Bo's Coffee CEO Steve Benitez.

The Cebu Chamber of Commerce and Industry (CCCI) organized the one-day summit to bring together key players from both public and private sectors for an interactive session of ideas, updates, opportunities and action plans geared to build a more Resilient, Innovative, Sustainable and Empowered (R.I.S.E.) Cebu business community, particularly the MSMEs, beyond the pandemic.

▶ To watch the replay, click [here](#).

Rosell Gomez, Robby Bassig at ICT summit

Two PwC Philippines partners were featured in the Philippine ICTex Innovation Virtual Summit that ran from 28 to 30 July via Zoom and simulcast on Facebook Live.

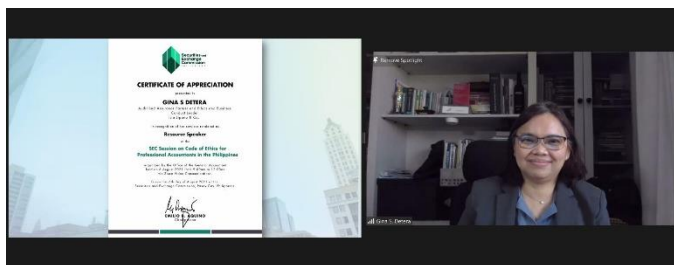


On Day 1, Risk Assurance Partner and IT Leader Rosell Gomez spoke on the topic "Preparing for the new normal: How the Philippines and East Asia Countries drive and encourage ICT innovation to level with neighboring countries". She presented the ICT landscapes of East Asian countries, Southeast Asian countries, and the Philippines. She also gave a glimpse of some of the Philippines' ICT challenges, plans and initiatives. To watch the replay, click [here](#).



On Day 3, Consulting Lead Partner Robby Bassig moderated the panel discussion on ICT solution and improvement for the community and the country with panelists from the private and public sectors. He shifted the conversation across topics such as COVID-19's acceleration of, and sustaining momentum of, digital transformation; upskilling; and people and women empowerment through ICT. To watch the replay, click [here](#).

Gina Detera speaks at SEC session on Code of Ethics



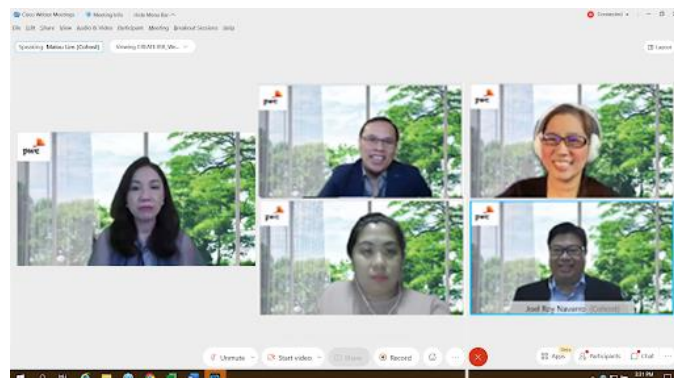
PwC Philippines Assurance Partner, Ethics and Business Conduct Leader and PICPA Ethics Committee Vice-Chair Gina Detera was a resource speaker in the Philippine Security and Exchange Commission's (SEC) two-day session on the Code of Ethics for Professional Accountants in the Philippines on 6 August via Zoom.

Gina talked about the Code's requirements for professional accountants in public practice with respect to long association of personnel, including partner rotation, with an audit client.

The webinar, which was a training session for SEC employees, was organized by the SEC's Office of the General Accountant. In attendance was Atty. Emmanuel Artiza, SEC General Accountant.

After the two-day session, the participants had a better understanding and appreciation of how complying with the Code's requirements would help SEC effectively fulfill their role, both as Certified Public Accountants and as SEC employees, in protecting and promoting the public interest.

Over 1,000 attend webinar on CREATE



Over 1,000 participants attended the "CREATE-ing a Bridge Between Borders: A webinar on CREATE IRR and other tax updates" on 13 August via WebEx. This is the firm's highest attendance number to date.

PwC Philippines Vice Chairman and Tax Managing Partner Malou Lim handled the first topic on the Corporate Recovery and Tax Incentives for Enterprises Act's (CREATE) implementing rules and regulations (IRR). Her sample illustration showed how to identify items that are qualified for enhanced deductions. She explained how taxpayers can use financial projection to know the incentives that would benefit them.

Tax Partner Lawrence Biscocho then discussed the related issues surrounding the CREATE IRR, specifically on VAT (value-added tax) exemption on importations and zero-rating on local purchases.

Tax Senior Manager Samantha Oreta, on behalf of Tax Partner Roselle Caraig, tackled recent BIR issuances related to the Tax Sparing Rule and Tax Treaty relief.

After every segment, each speaker answered the tax clients' frequently asked questions.

Meanwhile, the open forum moderated by Tax Director Joel Roy Navarro was dedicated to taking up questions received during registration and live stream. Questions were mostly on availment of incentives under CREATE by PEZA (Philippine Economic Zone Authority) entities, and BIR regulations related to 12% VAT on importations.

Business leaders hold forum on the country's hunger problem



PwC Philippines Chairman Emeritus Alex Cabrera was the co-moderator of the Management Association of the Philippines (MAP) Special General Membership Meeting on "Addressing The Country's Hunger Problem". The 25 August meeting was conducted on Zoom and streamed live on Facebook.

The event featured Cabinet Secretary Karlo Nograles, Chairperson of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF)-Zero Hunger. He presented the country's hunger and malnutrition issues and recommended sustainable solutions through the anti-hunger movement, Pilipinas Kontra Gutom (PKG).

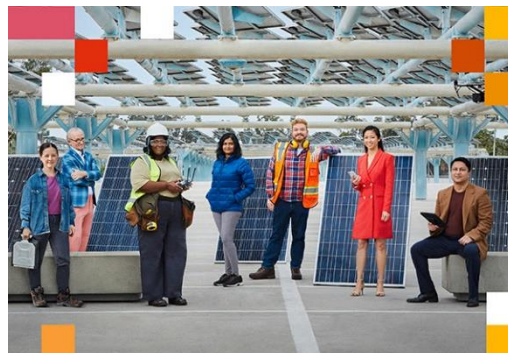
Joining the roster of speakers were Philippine Business of Social Progress President Reynaldo Antonio Laguda and PKG Private Sector Lead Margot Torres. Panel reactors were Fr. Manuel Francisco, S.J. (Tanging Yaman Foundation Chair), Dr. Cielito Habito (Brain Trust, Inc. Chair) and Ana Patricia Non (Maginghawa Community Pantry Founder).

MAP President Aurelio Montinola gave the welcome remarks while Atty. Francisco Ed Lim, Chair of the MAP Membership Committee, presented the new members for induction.

Francisco del Rosario, a past MAP President, and Alex are Chair and Vice Chair of the MAP Social Justice Committee, respectively. The said committee organized the meeting.

Catch the replay through this [link](#).

PwC announces new strategy: The New Equation



PwC unveiled The New Equation, PwC's landmark global strategy which responds to fundamental changes in the world, including technological disruption, climate change, fractured geopolitics, and the continuing effects of the COVID-19 pandemic.

The New Equation is based on analysis of global trends and thousands of conversations with clients and stakeholders. It builds on more than a decade of sustained revenue growth and continued investment.

The New Equation focuses on two interconnected needs that clients face in the coming years.

- The first is to **build trust**, which has never been more important, nor more difficult. Organizations increasingly need to earn trust across a wide range of topics that are important to their stakeholders. Success depends on fundamental shifts in the way executives think, organizational culture, systems and ambition.
- The second is to **deliver sustained outcomes** in an environment where competition and the risk of disruption are more intense than ever and societal expectations have never been greater. Businesses need to change faster and more thoroughly to attract capital, talent and customers. Too often, however, narrowly conceived transformation initiatives do not deliver the outcomes they promise. A new approach is needed.

Visit our [Press Room](#) for the following:

- Strengthening our capabilities and presence in Asia Pacific
- Commitments in PwC Philippines
- Building PwC's passionate community of solvers
- Delivering Net Zero, increasing transparency



Talk to us

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

For tax and related regulatory matters



Alexander B. Cabrera
Chairman Emeritus
ESG Business Leader
T: +63 (2) 8459 2002
alex.cabrera@pwc.com



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



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



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



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



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



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



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



Brando C. Cabalsi
Tax Partner
T: +63 (2) 8459 3060
brando.cabalsi@pwc.com



Mary Jean Balboa
Tax Partner
T: +63 (2) 8459 2025
mary.jean.c.balboa@pwc.com



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



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

www.pwc.com/ph

© 2021 Isla Lipana & Co. All rights reserved.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/ph.

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

Disclaimer

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

Request for copies

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