STSR TAXBITS

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The ASEAN Single Window

by

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The ASEAN

The Association of Southeast Asian Nations (ASEAN) is composed of the following countries: (a) Brunei Darussalam, (b) Cambodia, (c) Indonesia, (d) Lao People's Democratic Republic, (e) Malaysia, (f) Myanmar, (g) the Philippines, (h) Singapore, (i) Thailand, and (j) Vietnam.

The ASEAN evolved through the years and with it the idea to create the ASEAN Single Window (ASW), wherein the whole ASEAN would act uniformly in terms of cross border trade. The following regional conferences were held towards the creation of a common market as well as the ASW:

- **July 8-10, 2003** – The ASEAN adopted as customs facilitation core component the ASW on the 11th Annual Meeting of ASEAN Directors-General of Customs held in Bangkok, Thailand, resulting in the establishment of the initiatives by the ASEAN Customs senior officers[1];

- **September 2003 –** The ASEAN leaders, in their 9th Summit held in Bali, Indonesia gave the highest level of endorsement to the ASW, and supported the recommendations of the High-Level Task Force of the ASEAN Director-Generals of Customs on issues directly relevant to Customs cooperation, contained in Bali Concord II stating that the ASW should include the electronic processing of trade documents at regional and national levels.[2]

- **August 4-6, 2004** – The 1st Inter-Agency Task Force Meeting on ASW held in Manila, Philippines adopted the view that *"the single decision-making would be uniformly interpreted as a single point of decision for the release of cargoes on the basis of decisions taken by the line ministries and communicated timely to the Customs"* as the uniform interpretation to the definition of the ASW[3];

- **April 2005** – The 3rd Inter-Agency Task Force Meeting on ASW held in Manila, Philippines. The Philippines volunteered to be the pilot country for the implementation of the National Single Window (NSW) for Cargo Clearance. All the ASEAN Member-States agreed to establish National Working Groups or similar entities with the following responsibilities:

  1. Monitor, supervise and coordinate the overall progress and implementation of the ASW Project;
  2. Provide inputs and technical documents for the design and establishment of the ASW Project; and
  3. To conduct regular views of the project and monitor its implementation at national level.[4]

- **August 22, 2006** – The ASEAN Economic Ministers Meeting (AEM) was held in Kuala Lumpur, Malaysia to develop *"a single and coherent blueprint for advancing ASEAN Economic Community (AEC) by identifying the characteristics and elements of the AEC by 2015 consistent with the Bali Accord II with clear targets and timelines for the implementation of various measures as well as pre-agreed flexibilities to accommodate the interests of all ASEAN Member Countries".*

- **January 13, 2007** - The 12th ASEAN Summit was held in Cebu, Philippines in order to accelerate the establishment of the ASEAN Community to 2015, including its ASEAN Economic Community pillar. The three pillars, i.e., Security Community, Economic Community, and Social-Cultural Community shall work together with the establishment of the ASEAN Community.

- **November 20, 2007** – The ASEAN meeting was held in Singapore in order to adopt the ASEAN Charter to transform the ASEAN into a more effective organization. It adopted the AEC Blueprint wherein each member-country ASEAN shall abide by and implement the AEC by 2015. The Blueprint *"will transform the region into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy".*

National Single Window Philippines

On December 27, 2005, EO Order No. 482 was issued by President Gloria Macapagal Arroyo creating a task force towards the establishment of a National Single Window in order to bring about a more efficient and effective service to the public. The technical working group shall be presided by the BOC Commissioner and participated in by different government agencies like the Commission of Information and Communications Technology (CICT), the Bureau of Internal Revenue (BIR), the Tariff Commission (TC), the Philippine Ports Authority (PPA), and the Bureau of Plant Industry (BPI), among others. The created task force shall coordinate and seek assistance from the ASEAN Secretariat with the end in view of integrating the National Single Window of the Philippines with the ASW.

By 2015, the date of the establishment of the ASEAN single market, the Philippine National Single Window will be integrated with the ASW. By that time, a uniform customs procedure would have been

1 WHEREAS Clause ,Executive Order 482, Creating the National Single Window Task Force for Cargo Clearance.
2 Ibid, page 1.
3 Ibid, page 1.
4 Ibid, page 2.

established within the region, optimizing the use of computers. As early as 2005, the Philippines was a pilot country by creating a National Single Window. It implies that the country should be ready and technically competent when the ASW is established.

The following are the seven (7) core elements of the ASEAN common market:

1. free flow of goods,
2. free flow of services,
3. free flow of investment,
4. free flow of capital,
5. free flow of skilled labor,
6. priority integration sectors, and
7. food, agriculture and forestry.

Of the 7 core elements, the free flow of goods is important in the creation of the ASW.[5]

Philippine preparations[6]

The Philippines, aside from being the pilot country to establish a National Single Window, has implemented several measures in preparation for the creation of the ASW by 2015. The following are the relevant undertakings made by the Philippines towards the full implementation of the ASW:

- **CEPT-AFTA[7]**

  The CEPT-AFTA liberalizes trade among the ASEAN Member-Countries. Its ultimate objective is to increase ASEAN's competitive edge as a production base geared for the world market. A critical step in this direction is the liberalization of trade in the region through the elimination of intra-regional and non-tariff barriers.

  The CEPT Scheme is the main instrument for making ASEAN a free trade area in ten (10) years. This means that ASEAN Member-States shall have common effective tariffs among themselves but the level of tariffs vis-à-vis non-ASEAN countries shall continue to be determined individually.

- **RICE**

  Rice is a highly sensitive product of the Philippines. As such, high tariff and other restrictions will be imposed if exported to the Philippines. Such tariff shall be excluded from the CEPT-AFTA[8]:

  - For the ASEAN 6 – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, rice was included in the CEPT-AFTA by January 1, 2010;
  - For Vietnam, rice was included in the CEPT-AFTA by January 1, 2013;
  - For Lao PDR and Myanmar, rice shall be included in the CEPT-AFTA by January 1, 2015; and
  - For Cambodia, rice shall be included in the CEPT-AFTA by January 1, 2017.

- **Rules of origin (ROO)**

  The ROO is important because it is a device ascertaining that an import originates from the ASEAN region. Once an import is has been proven to originate from the ASEAN region, then the privileges under the CEPT-AFTA will be applied. The Philippines has reviewed and implemented the CEPT-ROO Scheme.

- **ASEAN Trade Facilitation Work Programme** was finalized.

- **ASEAN Single Window (Bureau of Customs)**

  The National Single Window was launched recently and was included in the standardized data elements for digital processing and exchange. However, it is yet to be fully operational;

- **Standards and Conformance (Bureau of Product Standards)**

  ASEAN Reference Laboratories were established and the ASEAN Cosmetic Directive was implemented. However the Bureau has not implemented the following:

  1. ASEAN Common Technical Dossier and ASEAN Harmonized Common Technical Requirement; and
  2. Signing of ASEAN Sectoral MRA (Mutual Recognition Agreement) on GMP (Good Manufacturing Processes) of Inspection of Manufacturers of Medicinal Products.

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5 Jenny D. Balboa, Fatima Lourdes E. del Prado, and Josef T. Yap, Achieving the AEC 2015: Challenges for the Philippines, page 103, from the book of Sanchita Basu Das entitled Achieving the ASEAN Economic Community 2015 – Challenges for Member Countries and Businesses.

6 Ibid, page 104.

7 Primer entitled – Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (AFTA), www.tariffcommission,gov.ph/afta-cept.html, 5:00 p.m., December 4, 2013.

8 ASEAN Economic Blueprint, www.r1phils.org/PDF%20FILES/AFTA%20CEPT.pdf., 5:30 p.m., December 5, 2013.

ASW and the Joint Congressional Oversight Committees

The following are the three (3) Joint Congressional Committees affecting the importation process:

1. Congressional Oversight Committee on the Physical Examination of Imported Articles

– The Oversight Committee is contained in RA 7650 which became a law on April 6, 1993. It was incorporated in Section 1401 of the Tariff and Customs Code of the Philippines (TCCP).

The oversight committee was never implemented since 1993 because of the following developments:

1) Technical barriers to trade (1995) - The oversight committee was considered by the World Trade Organization (WTO) as a technical barrier to trade. The GATT-Uruguay Round Agreement on the Agreement on Technical Barriers to Trade refers to the standards an import must have before entering the territory on the importing country. The Agreement sees to it that technical regulations on imports must not be higher than the set international standard. It may be imposed only on the following conditions: (a) national security, (b) prevention of deceptive practices, (c) protection of human life and safety, animal or plant life or health, or (d) protection of the environment;

2) The Revised Kyoto Convention of 2009 (RKC) - The RKC provides for the procedures to be taken by customs authorities in order to facilitate trade. The oversight committee, adding another bureaucratic layer to the BOC, runs contrary to the idea of trade facilitation;

3) The ASEAN Single Window (ASW) – Aside from the RKC, the ASEAN Single Window will be operational by 2015, simultaneous with the establisment of the ASEAN Common Market. The ASW mandates that all customs procedures must be synchronized in order to establish some sort of a "customs union" similar to the European Union. It is envisioned that by 2015, the ASEAN would operate as a single market. The oversight committee, adding another bureaucratic layer to the BOC, runs counter to the principles set by the ASW;

4) Constitutionality - The oversight committee deals with the daily operations of the BOC which might give rise to its unconstitutionality regarding the separation of powers between the legislature and the executive department; and

5) Graft and corruption – If the oversight committee is activated, it might give rise to issues regarding the participation of the members of Congress in alleged corrupt practices in the BOC.

2. **Congressional Oversight Committee on the Safeguard Measures**.

It is contained in Section 33 of RA 8800 which became a law on July 19, 2000.

When the WTO was established on January 1, 1995, the provisions on Safeguard Measures became part of the legal system of the country by virtue of approval by the Senate of the GATT-Uruguay Round of 1994. The Philippines "localized" the treaty provision only five (5) years after it became a member of the WTO. The Tariff Commission is mandated to implement the provisions on Safeguard Measures.

3. **Congressional Oversight Committee on Anti-Dumping.**

The first Anti-Dumping law was RA 7845 which was enacted in 1994 while the Senate was evaluating the then GATT-Uruguay Final

Round of 1994. The current law on Anti-Dumping is RA 8752 which became a law on August 12, 1999, five (5) years after the Senate approved the GATT-Uruguay Final Round.

The European Customs Union:
A model for the ASW

The European Union Customs Union (EUCU) is a customs union of all members of the European Union (EU) and some of its neighboring countries like Andorra, Monaco, San Marino and Turkey. It was established in 1956. Under the EUCU, a common external tariff is imposed on all goods entering the Union. One of the consequences of the customs union is that the EU has to negotiate as single entity in international trade deals such as the WTO.

The customs union is a foundation of the EU and an essential element in the functioning of the single market, which can function properly only when there is a common application of common rules at its external borders. The 28 customs administrations of the EU must act as though they were one. The customs union has a common tariff and a common trade policy, such as preferential trade, health and environmental controls, common agricultural and fisheries policies, protection of the interest of the EU by non-tariff instruments and external relation policy measures.[9]

The Customs Union has the following strategy for the future:

- A paperless environment for customs and trade, by modernizing customs working methods, developing staff competence and re-allocating resources in an efficient and effective way;
- Protecting society and the EU's financial interests by developing effective measures against illicit, restricted and prohibited goods and developing effective risk assessment as part of the fight against terrorist and criminal activity;
- Supporting the competitiveness of European companies by modernising customs working methods and developing new EU standards;
- Facilitating legitimate trade by designing and improving control systems to reduce interference in the flow of goods, and reducing the administrative burden on businesses;
- Controlling and managing the supply chains used for the international movement of goods by enhancing effective and systematic sharing of risk information; and
- Developing and enhancing cooperation between customs authorities and with other governmental agencies and the business community.

The EU customs union has been in existence for more than six decades now. It has encountered difficulties and has learned valuable lessons along the way. The EUCU structure and procedures would serve as a good model towards the establishment of the ASW by 2015. ASEAN would be able to create and implement an ASW suitable to the demands of the ASEAN environment.

[9] ec.europa.eu/taxation_customs/customs/policy_issues/customs_strategy/, 10:00 pm, December 5, 2013.

1. Commissioner of Customs and the District Collector of the Port of Subic, Petitioners, vs. Hypermix Feeds Corporation, Respondent. (G.R. No. 179579, February 1, 2012), Sereno, *J.*

Facts:

At the center of controversy in this case is Customs Memorandum Order (CMO) No. 27-2003 issued by the Commissioner of Customs on November 7, 2003. Said issuance provided that, for tariff purposes, wheat shall be classified according to the following: (1) importer or consignee; (2) country of origin; (3) port of discharge. The same likewise made an exclusive list of corporations, ports of discharge, commodity descriptions and countries of origin. On these factors would depend whether wheat would be classified as food grade (3%) or feed grade (7%). The CMO also placed the procedure for protest or Valuation and Classification Review Committee (VCRC) cases.

In anticipation of the implementation of CMO 27-2003, respondent filed on December 19, 2003, a Petition for Declaratory Relief with the Regional Trial Court (RTC). Hypermix claims that said CMO: (1)

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SLSO - II

was issued without observing the provisions of the Revised Administrative Code; (2) declared it to be a feed grade supplier sans the benefit of prior assessment and examination; (3) violated the equal protection clause of the 1987 Constitution; and (4) was confiscatory in nature since it had a retroactive application.

The RTC issued a twenty (20) day Temporary Restraining Order (TRO) on January 24, 2004. Subsequently the Commissioner of Customs filed a Motion to Dismiss based on the ensuing grounds: (1) that RTC is without jurisdiction because Hypermix was seeking for a judicial determination of the classification of wheat; (2) action for Declaratory Relief is improper; (3) The CMO was an internal administrative rule and not legislative in character; (4) Hypermix' assertions were speculative and premature. Finally, petitioner *"X x x likewise opposed the application for a writ of preliminary injunction on the ground that they had not inflicted any injury through the issuance x x x; and that the action would be contrary to the rule that administrative issuances are assumed valid until declared otherwise."*

The RTC and Court of Appeals (CA) decided in favor of respondent Hypermix Feeds Corporation.

Issues:

1. Did the CA decide a question of substance?
2. Did the CA made a mistake in pronouncing that the RTC acted within its jurisdiction?

Held:

The Supreme Court (SC) denied the petition and decided in favor of Hypermix Feeds Corporation, the respondent herein..

The SC first tackled the issue regarding Declaratory Relief. The court mentioned that for an action for Declaratory Relief to prosper, these requisites must be present: (1) justiciable controversy; (2) persons whose interests are adverse; (3) legal interest of the party seeking the action; and (4) issue must be ripe for judicial determination. The court ruled that the petition filed by respondent in the lower court meets the requirements.

The SC said: *"Indeed, the Constitution vests the power of judicial review or the power to declare a law, treaty, international or executive agreement, presidential decree, order, instruction, ordinance, or regulation in the courts, including the regional trial courts. This is within the scope of judicial power, which includes the authority of the courts to determine in an appropriate action the validity of the acts of the political departments."*

The court also ruled that the controversy is between two parties who have adverse interest, *i.e.*, the Commissioner of Customs is imposing the tariff rate that Hypermix is refusing to pay. On the third requirement, the SC declared: *"X x x. Respondent has adequately shown that, as a regular importer of wheat, on 14 August 2003, it has actually made shipments of wheat from China to Subic. The shipment was set to arrive in December 2003. Upon its arrival, it would be subjected to the conditions of CMO 27-2003. The regulation calls for the imposition of different tariff rates, depending on the factors enumerated therein. Thus, respondent alleged that it would be made to pay 7% tariff applied to feed grade wheat, instead of the 3% tariff on food grade wheat. In addition, respondent would have to go through the procedure under CMO 27-2003, which would undoubtedly toll its time and resources."*

The SC likewise mentioned that issue is ripe for judicial determination because litigation is forthcoming for the reason that Hypermix is not included in the list of flour millers grouped as food grade wheat importers. The court struck down CMO 27-2003 for violating the Revised Administrative Code rules on *Filing* and *Public Participation*. Furthermore, it ruled that the provision of the Memorandum is unconstitutional for being violative of the equal protection clause of the 1987 Constitution. There must be a valid classification. Moreover, the SC declared that petitioner Commissioner of Customs went beyond his powers when CMO 27-2003 limited the customs officer's duties

mandated under Section 1403 of the Tariff and Customs Code of the Philippines (TCCP)[Duties of Customs Officer Tasked to Examine, Classify, and Appraise Imported Articles].

2. Lascona Land Co., Inc., Petitioner, vs. Commissioner of Internal Revenue, Respondent. (G.R. No. 171251, March 5, 2012), Peralta, *J*.

Facts:

This is a Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court. The same seeks the reversal of a decision dated October 25, 2005 and resolution dated January 20, 2006 of the Court of Appeals (CA), which set aside a decision dated January 4, 2000 and resolution dated March 3, 2000 of the Court of Tax Appeals (CTA), and declared an Assessment Notice sent to petitioner Lascona Land Co., Inc. by the Commissioner of Internal Revenue (CIR) to be final, executory and demandable.

Here are the antecedent events as gathered from the case:

The CIR issued an Assessment Notice against Lascona informing the latter of its alleged deficiency income tax in the amount of P753,266.56, covering the year 1993. Petitioner herein filed a letter protest that was denied by the Officer-In-Charge (OIC) of the Regional office of the Bureau of Internal Revenue (BIR). Thereafter, Lascona appealed the decision with the CTA, alleging that OIC was wrong in ruling that the failure to appeal to the CTA within 30 days from the expiration of the 180-day period under Section 228 of the Tax Code, rendered the assessment final and executory.

The CTA nullified the assessment, holding that Section 228 gives two choices to the taxpayer: (1) appeal to the CTA within 30 days from the lapse of the 180-day period; or (2) wait for the CIR's decision before elevating the case. The latter moved for reconsideration stating that it based its action on a Revenue Regulation. The CTA denied the CIR's motion for reconsideration (MR) for lack of merit. It said that the RR must conform with the provisions of Section 228 of the National Internal Revenue Code (NIRC), as amended.

The CIR appealed to the CA. The latter granted herein respondent's petition and declared the Assessment as final, executory and demandable. Herein petitioner's MR was denied for lack of merit.

Issues:

1. *"The Honorable Court has, in the Revised Rules of Court of Tax Appeals which it recently promulgated, ruled that an appeal from the inaction of respondent Commissioner is not mandatory."*

2. "*The Court of Appeals seriously erred when it held that the assessment has become final and demandable because, allegedly, the word 'decision' in the last paragraph of Section 228 cannot be strictly construed as referring only to the decision per se of the Commissioner, but should also be considered synonymous with an assessment which has been protested, but the protest on which has not been acted upon by the Commissioner*."

Stated differently, the main question to be settled here is, whether the Assessment has become final, executory and demandable because of non-filing by petitioner Lascona of an appeal before the CTA within 30 days from the lapse of the 180-day period as per Section 228 of the NIRC, as amended.

Held:

The SC decides that the petition of Lascona is with merit. The court quoted the pertinent provision of the Tax Code, viz:

Sec. 228. Protesting of Assessment. - x x x

X x x

"*Within a period to be prescribed by implementing rules and regulations, the taxpayer shall be required to respond to said notice. If the taxpayer fails to respond, the Commissioner or his duly authorized representative shall issue an assessment based on his findings.*

"Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment in such form and manner as may be prescribed by implementing rules and regulations. Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; otherwise, the assessment shall become final.

"If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable."

The SC pronounced that in cases where the CIR fails to act on a disputed assessment within the 180-day period from the date of submission of documents, a taxpayer has two (2) options: (1) file a petition for review with the CTA within 30 days after the lapse of the 180-day period; or (2) await the final decision of the CIR on the questioned assessment and appeal said final decision to the CTA within 30 days after receipt of a copy of such decision. The SC ruled that "*these options are mutually exclusive and resort to one bars the application of the other*." The SC said that the foregoing is consistent with the provisions of the Revised Rules of the CTA, to wit:

"SEC. 3. *Cases within the jurisdiction of the Court in Divisions. – The Court in Divisions shall exercise:*

"(a) Exclusive original or appellate jurisdiction to review by appeal the following:

"(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue;

"(2) Inaction by the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue, where the National Internal Revenue Code or other applicable law provides a specific period for action: Provided, that in case of disputed assessments, the inaction of the Commissioner of Internal Revenue within the one hundred eighty day-period under Section 228 of the National Internal revenue Code shall be deemed a denial for purposes of allowing the taxpayer to appeal his case to the Court and does not necessarily constitute a formal decision of the Commissioner of Internal Revenue on the tax case; ***Provided, further, that should the taxpayer opt to await the final decision of the Commissioner of Internal Revenue on the disputed assessments beyond the one hundred eighty day-period above-mentioned, the taxpayer may appeal such final decision to the Court under*** *Section 3(a), Rule 8 of*

these Rules; and Provided, still further, that in the case of claims for refund of taxes erroneously or illegally collected, the taxpayer must file a petition for review with the Court prior to the expiration of the two-year period under Section 229 of the National Internal Revenue Code;

X x x." (Emphasis ours)

The SC reminded that the word "decisions" under Republic Act (RA) No. 1125 [CTA Charter], means those rendered by the CIR on the *protest* of the taxpayer against the assessment. Citing its earlier ruling, it added:

"*In the first place, we believe the respondent court erred in holding that the assessment in question is the respondent Collector's decision or ruling appealable to it, and that consequently, the period of thirty days prescribed by section 11 of Republic Act No. 1125 within which petitioner should have appealed to the respondent court must be counted from its receipt of said assessment.* ***Where a taxpayer questions an assessment and asks the Collector to reconsider or cancel the same because he (the taxpayer) believes he is not liable therefor, the assessment becomes a "disputed assessment" that the Collector must decide, and the taxpayer can appeal to the Court of Tax Appeals only upon receipt of the decision of the Collector on the disputed assessment,*** *. . ."*

Hence, since that petitioner chose to await the final decision of the CIR, it has the right to appeal said final decision to the SC by filing a petition for review within 30 days after receipt of a copy of said document, even after the expiration of the 180-day period fixed by law for the CIR to reply on the questioned assessments.

As a final note, the SC said:

"X x x, the CIR should be reminded that taxpayers cannot be left in quandary by its inaction on the protested assessment. It is imperative that the taxpayers are informed of its action in order that the taxpayer should then at least be able to take recourse to the tax court at the opportune time. As correctly pointed out by the tax court:

"x x x to adopt the interpretation of the respondent will not only sanction inefficiency, but will likewise condone the Bureau's inaction. This is especially true in the instant case when despite the fact that respondent found petitioner's arguments to be in order, the assessment will become final, executory and demandable for petitioner's failure to appeal before us within the thirty (30) day period.

"Taxes are the lifeblood of the government and so should be collected without unnecessary hindrance. On the other hand, such collection should be made in accordance with law as any arbitrariness will negate the very reason for government itself. It is therefore necessary to reconcile the apparently conflicting interests of the authorities and the taxpayers so that the real purpose of taxation, which is the promotion of the common good, may be achieved. Thus, even as we concede the inevitability and indispensability of taxation, it is a requirement in all democratic regimes that it be exercised reasonably and in accordance with the prescribed procedure."

The petition of Lascona was granted. The Decision of the CTA dated January 4, 2000 nullifying the subject assessment, and its Resolution dated March 3, 2000 denying the MR of the CIR, were reinstated.

by

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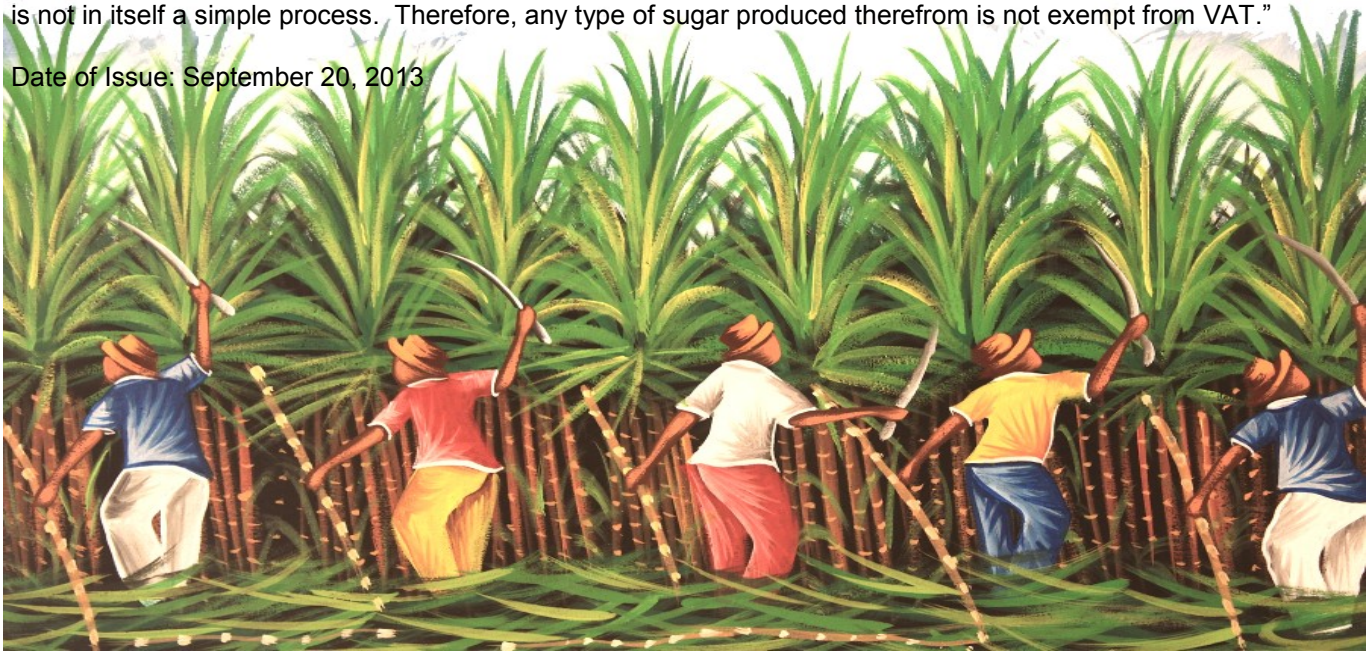
RR NO. 13-2013

This amends Section 2 (b) of Revenue Regulations No. 13-08 relative to the definition of raw sugar which states that "raw sugar refers to sugar which content of sucrose by weight in dry state, corresponds to the polarimeter reading of less than 99.5º". This has been amended to the definition of raw sugar as "sugar produced by simple process of conversion of sugar cane without a need of any of mechanical or similar device such as muscovado. For this purpose, raw sugar refers only to muscovado sugar. Centrifugal process of producing sugar is not in itself a simple process. Therefore, any type of sugar produced therefrom is not exempt from VAT."

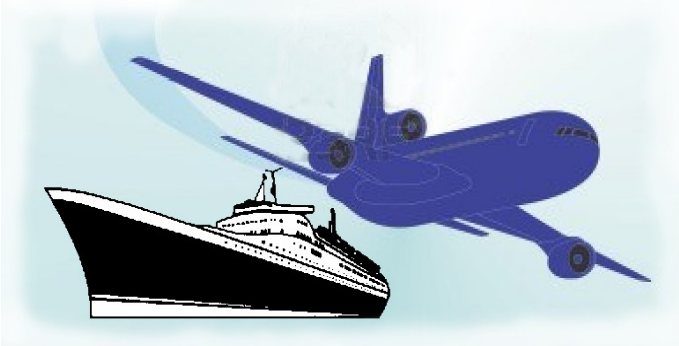
Date of Issue: September 20, 2013



RR NO. 14-2013

This amends RR No. 02-98, as last amended by RR No. 30-2003 and RR No. 17-2003. It shall be the duty and responsibility of the hospitals, clinics, HMOs and similar establishments to withhold and remit taxes due on the professional fees of their respective accredited medical practitioners, paid by patients who were admitted and confined to such hospitals and clinics. Hospitals, clinics, HMOs and similar establishments must ensure that correct taxes due on the professional fees of their medical practitioners have been withheld and timely remitted to the Bureau of Internal Revenue (BIR). For this purpose, hospitals and clinics shall not allow their medical practitioners to receive payment of professional fees directly from patients who were admitted and confined to such hospital or clinic and, instead, must include the professional fees in the total medical bill of the patient which shall be payable directly to the hospital or clinic.

Date of Issue: September 20, 2013



RR NO. 15-2013

This implements Republic Act No. 10378 entitled "An Act Recognizing the Principle of Reciprocity as Basis for the Grant of Income Tax Exemptions to International Carriers and Rationalizing other Taxes Imposed thereon by Amending Sections 28(A)(3)(A), 109, 118 and 236 of the NIRC, as amended, and for other Purposes"

An international carrier having flights or voyages originating from any port or point in the Philippines, irrespective of the place where passage documents are sold or issued, is subject to Gross Philippine Billings (GPB) Tax of 2½ % imposed under Section (A)(3)(a) and (b) of the NIRC, as amended, unless it is subject to preferential rate or exemption on the basis of an applicable tax treaty or international agreement to which the Philippines is a signatory, or on the basis of "reciprocity". It provides procedures on the application of tax treaties under preferential income tax or exemption of international carriers with flights or voyages originating from the Philippine ports. It allows the international carriers to invoke the reciprocity rule in order to avail the preferential income tax rate or exemption from payment of GPB tax based on the tax treaty it invokes.

All others not defined under the RR shall be subject to regular income tax rate of 30%. In cases when the GPB Tax provided for in Section 28(A)(3) of the NIRC, as amended, is not applicable, the Common Carrier's Tax imposed under Section 118 of the NIRC, as amended, shall apply. Off-line international carrier having a branch/office or a sales agent in the Philippines which sells passage documents without flights or voyage starting from or passing through any port in the Philippines, is not considered engaged in business as an international carrier in the Philippines, and therefore subject to regular income tax rate of 30%.

Meanwhile, international air carriers and international shipping carriers doing business in the Philippines engaged in the transport of cargo from the Philippines to another country shall pay a Common Carrier's Tax of 3% on their quarterly gross receipts pursuant to Section 118 of the 1997 NIRC, as amended by RA No. 10378.

The transport of passengers by international carriers doing business in the Philippines shall be exempt from VAT pursuant to Sections 109(1)(E) and (S), respectively, of the 1997 NIRC, as amended by RA 10378.

Date of issue: September 20, 2013

RR NO. 16-2013

This revokes RR Nos. 16-2003 and 24-2003 relating to taxation of privilege stores and imposing new rules on the collection of business and income taxes including withholding tax on income payments by/to "privilege stores" popularly known as "tiangge/s" and the obligations of organizers or exhibitors of space for the operation of "privilege stores" as well as the obligations of the "privilege store" operators. These privilege stores are stalls or outlets engaged in business of not more than 15 days in a taxable year. The 15-day period is cumulative for any taxable year. However if the tiangge is operating more than one business activity in a separate venue or at the same time operating several or multiple business activities in one venue, it shall be considered one day per business activity in the computation of cumulative number of days in a given taxable year. However, if the business activity exceeds 15 days, a tiangge organizer or seller is considered a regular taxpayer.

Issued on: September 25, 2013

STAFF MILESTONE ACHIEVEMENT

Congratulations to
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Masters in Development Policy - Major in International Relations

Korea International Cooperation Agency (KOICA)

Korea Development Institute (KDI)
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January 3, 2013 - January 29, 2014

STSRO CORNER

CIVIL SERVICE COMMISSION (CSC)

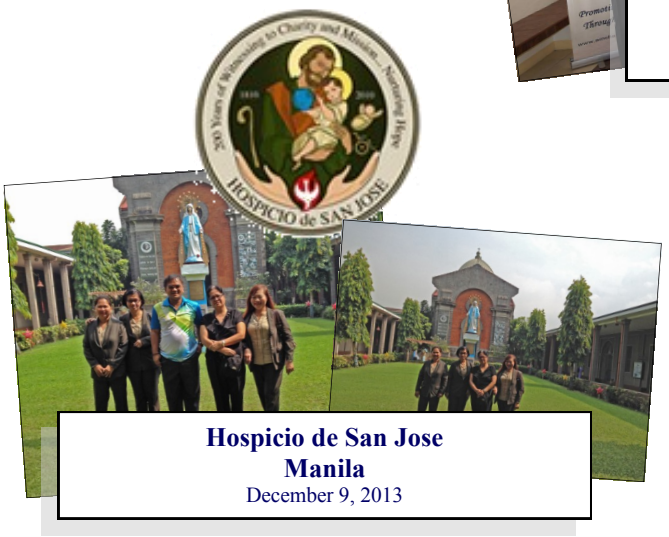
Supervisory Development Course Track II (SDC-TII)
November 12-15, 2013; and

Supervisory Development Course, Track III (SDC-TIII)
February 4-7, 2014.

Congratulations to
Mr. CLINTON S. MARTINEZ
SLSO-II

OUTREACH PROGRAM

Jose Fabella Center Transient's Home
Mandaluyong City
December 19, 2013



Hospicio de San Jose
Manila
December 9, 2013

Graces Center - DSWD NCR
Quezon City
December 9, 2013

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