

Philippines update



Speakers



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FSI Developments in the Philippines

Growth of Digital Banking



Significant Expansion of Fintech and Digital Payments



Remittance Innovation



Green & Sustainable Finance



Increasing Regulations and AML Controls



Capital Markets Efficiency Promotion Act (CMEPA)



Proposed Legislation

- **Passive Income and Financial Intermediary Taxation Act (PIFITA)**
- **Amendments to the Bank Secrecy Law**
- **Digital Payments Promotion Bill**



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Electronic Invoicing System

Type of Taxpayer	Issuance of Electronic Invoice (E-Invoicing, Section 237)	Sales Data Transmission (E-Sales Reporting, Section 237-A)
Taxpayers engaged in electronic commerce of internet transactions	31 Dec 2026	Upon establishment of system capable of storing and processing of sales data
Taxpayers under jurisdiction of the LTS	31 Dec 2026	Yes, limited to 100 pilot large taxpayers
Taxpayers classified as Large Taxpayers under RA 11976 (EOPT Law)	31 Dec 2026	Upon establishment of system capable of storing and processing sales data
Taxpayers using CAS, CBA and other invoicing software	31 Dec 2026	Upon establishment of system capable of storing and processing sales data
Taxpayers engaged in exports	Upon establishment of system capable of storing and processing sales data	Upon establishment of system capable of storing and processing sales data
Registered Business Enterprises	Upon establishment of system capable of storing and processing sales data	Upon establishment of system capable of storing and processing sales data
Taxpayers using Point-of-Sales (POS) system	Upon establishment of system capable of storing and processing sales data	Upon establishment of system capable of storing and processing sales data
Other taxpayers as may be required by the BIR	Upon establishment of system capable of storing and processing sales data	Upon establishment of system capable of storing and processing sales data

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Tax Audit Reforms

Suspension of Tax Audits



Suspends starting 24 November 2025 all field audits and related operations of the BIR, such as issuing Letters of Authority (LOAs), Mission Orders (MOs), examinations, and verification of taxpayer records and other related transactions (RMC 107/109-2025)

Resumption of Tax Audits

(RMO 01-2026, RMO 06-2026 and RMC 14-2026)



1. Resumption of tax audit starting 24 January 2026 under new audit program
2. Verification of LOA through chatbot Revie
3. Single-Instance Audit Framework—One eLA including VAT (abolition of task forces/VATAS/LT-VAU)
4. System-Assisted Audit—Selection of taxpayers for audit shall be based on system-based risk parameters
5. Anonymised Selection and Assignment Process—Taxpayer identity will be concealed during initial assignment
6. Mandatory use of standardised audit check list and documentation of audit events. Minutes must be duly signed by taxpayer and revenue officer
7. Option to examine books of accounts and other records at BIR or place of business if records are voluminous and handling and transporting is impractical
8. Finding of fraud under Regional or National Investigation Division (RID/NID)
 - If fraud is established, the case should be referred to R/NID

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Revised Audit Selection Criteria

• Mandatory Cases •

Issuance of Letters of Assessment

1. Taxpayer with under declaration of sales/income or overstatement of expenses/deductions by at least 30%
2. Taxpayers with intelligence information such as specific business knowledge, third party data and publicly available information
3. Taxpayers with Mission Order with preliminary indicator that taxpayer has understatement of sales by 30% or more
4. One-time transactions—cases with deficiency tax review findings and real property transactions with review findings in eCAR system
5. Taxpayer enjoying tax exemptions /incentives
6. Occurrences of non-compliance with tax obligations from Exchange of Information
7. Taxpayers requesting for tax clearance with gross sales more than PP1M or gross assets more than P3M (death of taxpayer, taxpayers retiring from business or those undergoing corporate reorganisations)

Issuance of Tax Verification Notice

1. Taxpayers with claims for income tax refund or issuance of tax credit certificate
2. Taxpayers with claims for Value-Added Tax (VAT) refund/credit
3. Claims for tax refund/credit of excise tax under Title VI of the Tax Code, as amended, regardless of amount
4. Claims for tax refund/credit on erroneous/double payment of taxes, regardless of amount

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Revised Audit Selection Criteria

Priority Cases

1. Taxpayer with drastic decrease in reported sales/VAT payments
2. Taxpayers with significant increase in exempt/zero-rated sales/revenues
3. Discrepancy notices
4. Taxpayers whose excess input tax carried forward in VAT return of the succeeding quarter is different from input tax reflected in the VAT return of the previous quarter
5. Taxpayers whose VAT returns reflect substantial input taxes such as when total input taxes claimed exceed 75% of total output tax
6. Taxpayers with income tax due less of less than 2% of gross sales/revenues
7. Taxpayers filing percentage tax returns whose gross sales/receipts exceed the VAT threshold
8. Taxpayers with substantial sales but reporting net loss
9. Taxpayers who have been in operation for more than 5 years from inception, and have not been audited
10. Taxpayers with increase in assets of more than 50% from previous year but reported net loss
11. Taxpayers with claims for losses/damages due to natural calamities or those claiming inventory obsolescence
12. Taxpayers deriving its revenue/income exclusively or substantially from its parent company/subsidiaries/affiliates
13. Taxpayers claiming write-off of input taxes as allowable deduction in its annual income tax return
14. Taxpayers with shared expenses and other interrelated charges being imputed by a parent company to its affiliates and affiliate to another affiliate in a conglomerate



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