

## What's Inside...

**INSIGHTS** is a monthly publication of BDB LAW to inform, update and provide perspectives to our clients and readers on significant tax-related court decisions and regulatory issuances (includes BIR, SEC, BSP and various government agencies).

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# HIGHLIGHTS for JANUARY 2026

# HIGHLIGHTS

## COURT OF TAX APPEALS DECISIONS

- The Tax Code, as amended, unequivocally mandates that service must be effectuated via personal delivery. Substituted service or service by mail are permitted only upon a showing that personal service is demonstrably impracticable. (**Commissioner of Internal Revenue v. Ma. Erlina T. Ong, CTA EB No. 2978, January 8, 2026**)
- The recipient of the assessment notices must possess a certain degree of authority or discretion that would allow him or her to grasp the gravity of the service of such notices and the potential financial impact it would have to the taxpayer he or she purports to serve and represent. (**Commissioner of Internal Revenue v. Royal Palm Residences Condominium, Inc., CTA EB No. 2968, January 16, 2026**)
- If no person is found in the party's registered or known address or should the party be found at the registered or known address but refuses to receive the notice, the ROs concerned shall bring a barangay official and two disinterested witnesses to the address so that they may personally observe and attest to such absence. (**Fortune Plastic Processing & Chemical Corporation v. CIR, CTA Case No. 10984, January 20, 2026**)
- The non-revalidation of the LOA after 120 days does not affect its validity. (**James Alekhine Yap Tan v. People of the Philippines, CTA EB No. 167, January 22, 2026**)

## BIR ISSUANCES

- **RMC No. 04-2026, January 15, 2026** – This clarifies the mandatory registration of permanently bound-loose leaf books of accounts and computerized books of accounts through the online registration and update system (ORUS), and extension of registration deadlines.
- **RMC No. 05-2026, January 23, 2026** – This is to provide taxpayers with a reliable and secure verification mechanism for LOA.
- **RMC No. 08-2026, January 27, 2026** – Resumption of all tax audit and field operations of the BIR.
- **RMO No. 01-2026, January 27, 2026** – Prescribing revised policies, controls and procedures for tax audit and assessment following the lifting of the suspension imposed under the Revenue Memorandum Circular No. 107-2025.

# HIGHLIGHTS for JANUARY 2026

# HIGHLIGHTS

## SEC ISSUANCES

- **SEC Memorandum Circular No. 1, Series of 2026, dated January 8, 2026** – This amends SEC Memorandum Circular No. 1, Series of 2020, expanding eligible REIT assets, extending reinvestment periods, and broadening public shareholder definitions.
- **SEC Memorandum Circular No. 4, Series of 2026, dated January 20, 2026** – This amends Revised Rule 68 of the Securities Regulation Code (RA 8799), raising the audit threshold and exempting corporations with assets or liabilities not exceeding ₱3 million from audited financial statements.
- **SEC Memorandum Circular No. 6, Series of 2026, dated January 22, 2026** – Change in the Rules for Increasing Authorized Capital Stock.
- **SEC Memorandum Circular No. 7, Series of 2026, dated January 26, 2026** – This prescribes a maximum cumulative term of nine (9) years for independent directors of publicly-listed companies. It also provides the guidelines on the computation of the maximum term, cooling-off period, and penalties for non-compliance.

## COURT OF TAX APPEALS DECISION HIGHLIGHTS

***The service must be effectuated via personal delivery. Substituted service or service by mail are permitted only upon a showing that personal service is demonstrably impracticable.***

The CIR claims that on January 22, 2015, a PAN was issued and was subsequently sent to the taxpayer through registered mail on January 30, 2015. The CIR further submits that the taxpayer was given all opportunities to refute the assessment, and that the service of the PAN to the taxpayer via registered mail is a valid mode of service of notices. On the other hand, in the taxpayer's protest to the FLD/FAN and Appeal to the CIR, the taxpayer claims that no PAN was received on her end. Instead, the taxpayer received an FLD/FAN which was sent via JRS Express Courier.

The Court ruled that should a taxpayer refute the service of a notice of assessment issued by the BIR, the burden of proof for establishing delivery to the taxpayer or their duly authorized representative shall shift and rest squarely upon the BIR. The Tax Code, as amended, unequivocally mandates that service must be effectuated via personal delivery. Substituted service or service by mail are permitted only upon a showing that personal service is demonstrably impracticable.

In the current case, the CIR did not present proof showing that they could not have delivered the notice personally. Furthermore, the CIR offered no reason for why they chose to use mail instead of the legally required personal service. (*Commissioner of Internal Revenue v. Ma. Erlina T. Ong, CTA EB No. 2978, January 8, 2026*)

***The recipient of the assessment notices must possess a certain degree of authority or discretion that would allow him or her to grasp the gravity of the service of such notices and the potential financial impact it would have to the taxpayer he or she purports to serve and represent.***

The BIR issued the FAN which was allegedly received by Ms. Ramboyong, an administrative staff. The taxpayer insists that there was no valid service of the FAN as Ms. Ramboyong has no authority to receive the same. The taxpayer alleges that the BIR failed to show that service to an "administrative officer" is service to a recipient who possesses the required degree of authority or discretion to grasp the gravity of the service of the FAN.

The CTA ruled that the rules on service of assessment notices on the taxpayer are there to ensure that the recipient possesses a certain degree of authority or discretion that would allow him or her to grasp the gravity of the service of such notices and the potential financial impact it would have to the taxpayer he or she purports to serve and represent.

In this case, the RO who served the assessment notices did not ascertain the authority of the person who received the notices on behalf of the taxpayer. As such, the said RO miserably failed to comply with the requirements. (*Commissioner of Internal Revenue v. Royal Palm Residences Condominium, Inc., CTA EB No. 2968, January 16, 2026*)

## COURT OF TAX APPEALS

### DECISION HIGHLIGHTS

***If no person is found in the party's registered or known address or should the party be found at the registered or known address but refuses to receive the notice, the ROs concerned shall bring a barangay official and two disinterested witnesses to the address so that they may personally observe and attest to such absence.***

The taxpayer asserts that it was not served with the PAN or FAN in connection with its tax assessment, and that it only received the WGs through BDO and MBTC. It contends that its right to prior notice was violated when its account was subjected to garnishment. The BIR argues that upon visiting the taxpayer's registered address in Valenzuela City, the corporation had already vacated the premises. Before effecting constructive service of the PAN and FAN, it allegedly exerted diligent efforts to personally deliver the notices to the taxpayer.

The CTA ruled that if no person is found in the party's registered or known address, or if the party is found at the registered or known address but refuses to receive the notice, the ROs concerned must bring a barangay official and two disinterested witnesses to the address so that they may personally observe and attest to such absence or refusal. This fact shall be contained in the bottom portion of the notice.

In this case, the bottom portion of the notices does not contain the facts surrounding the circumstances of the substituted service, nor does it include the names, official positions and signatures of the witnesses. (*Fortune Plastic Processing & Chemical Corporation v. CIR, CTA Case No. 10984, January 20, 2026*)

***The non-revalidation of the LOA after 120 days does not affect its validity.***

The BIR issued a LOA to examine the taxpayer's records. Despite multiple notices and the issuance of an SDT, the taxpayer failed to fully comply, submitting only partial documents as requested.

Thereafter, the taxpayer was charged with disobeying the BIR's SDT. The MTCC issued its Decision finding the taxpayer liable therefor. The taxpayer appealed to the RTC but the RTC affirmed the decision of the MTCC. In the taxpayer's Petition for Review, the taxpayer argues that the LOA was invalid and unenforceable since it was not revalidated.

The CTA ruled that as early as 2010, the BIR had already done away with the revalidation requirement. RMO No. 44-2010 issued on May 12, 2010 superseded RMC No. 23-2009, an earlier issuance that still includes the said requirement. The earlier RMC No. 23-2009 itself already made clear that the LOA's non-revalidation does not result in its nullification: failure on the part of the RO to request for the revalidation of LOA or the expiration of the "revalidation period" does not nullify the LOA. Hence, the non-revalidation of the LOA after 120 days does not affect its validity. (*James Alekhine Yap Tan v. People of the Philippines, CTA EB No. 167, January 22, 2026*)

## BIR ISSUANCES HIGHLIGHTS

### **RMC No. 04-2026, January 15, 2026.**

*This clarifies the mandatory registration of permanently bound-loose leaf books of accounts and computerized books of accounts through the online registration and update system (ORUS), and extension of registration deadlines.*

#### **I. Manual Registration through ORUS**

The registration of the Permanently Bound Loose-Leaf Books of Accounts and Computerized Books of Accounts shall be strictly and mandatorily completed online through ORUS within the prescribed deadlines except when an extension is granted by the Commissioner or his duly authorized representative upon request of the taxpayer filed before the lapse of the original period.

After successful registration via ORUS, a QR Code stamp shall be generated, which can be validated online.

DOCUMENTS	REMARKS
Permanently Bound Loose-Leaf Books of Accounts	The QR Code shall be affixed to the first page of the bound books.
Computerized Books of Accounts	The QR Code shall be printed and kept for record purposes.

#### **II. Manual Registration; Exceptional Cases**

An application for manual registration is allowed at the RDO of the Head Office or Branch Office where the taxpayer's TIN or Branch TIN is registered in case of system downtime or technical errors.

However, the following conditions must be complied:

1. An official advisory on ORUS system availability has been issued; or
2. A screenshot of the error message encountered during the online registration process is presented.

#### **III. Records not covered by ORUS Registration**

The registration of Loose-Leaf Invoices, Receipts, and other accounting records shall continue to be processed manually at the concerned RDO, as these transactions are not available online through ORUS.

## BIR ISSUANCES HIGHLIGHTS

### IV. Extension of Registration Deadlines

REGISTRATION	DEADLINE	EXTENSION
Registration of Permanently Bound Loose-Leaf Books of Accounts/ Invoices and Other Accounting Records	January 15, 2026	January 31, 2026
Registration of Computerized Books of Accounts and Other Accounting Records	January 30, 2026	February 17, 2026

#### **RMC No. 05-2026, January 1, 23, 2026.**

*This is to provide taxpayers with a reliable and secure verification mechanism for LOA.*

#### **Procedure**

- A. Visit the BIR website ([www.bir.gov.ph](http://www.bir.gov.ph)) and select 'LOA Verifier' from the Chatbot REVIE dropdown menu.
- B. Enter the relevant details in LOA verifier such as the TIN, Taxpayer's Name, and LOA Case Number. The response will depend on detail matching the system.

☑ If there is a match in the system, the response is LOA found.

☑ If there is no match in the system, the response is LOA not found.

- C. In case the reply is LOA NOT FOUND, the taxpayer shall send an email to [contact\\_us-LOA@bir.gov.ph](mailto:contact_us-LOA@bir.gov.ph) attaching the copy of the LOA and providing the TIN, Taxpayer's Name, LOA Case Number and Issuing Officer.

#### **II. Timeline**

The Assessment Service shall complete the validation and prepare the official response within three working days from the receipt of complete request.

## BIR ISSUANCES HIGHLIGHTS

### **RMC No. 08-2026, January 27, 2026.**

*Resumption of all tax audit and field operations of the BIR*

#### **Scope of Resumption**

The resumption of tax audit and related field operations shall cover, but shall not be limited to, the following activities:

- ☑ Issuance of Electronic Letters of Authority (eLAs), Mission Orders (MOs), and Tax Verification Notices (TVNs);
- ☑ Continuation and completion of audit cases previously suspended pursuant to RMC No. 107-2025;
- ☑ Enforcement, verification, assessment, and collection activities requiring audit or field operations; and
- ☑ Other audit or enforcement activities necessary to protect revenue or enforce compliance.

#### **II. Compliance with Revenue Memorandum Order No. 001-2026**

All tax audit and related field operations conducted upon the effectivity of this RMC shall comply with RMO No. 001-2026, prescribing revised policies, controls, and procedures for tax audit and assessment.

### **RMO No. 01-2026, January 27, 2026.**

*Prescribing revised policies, controls and procedures for tax audit and assessment following the lifting of the suspension imposed under the Revenue Memorandum Circular No. 107-2025.*

#### **I. Resumption of Audit and Field Operations**

The resumption of tax audit and related field operations shall cover, but shall not be limited to, the following activities:

- ☑ Issuance of Electronic Letters of Authority (eLA), Mission Orders (MO), and Tax Verification Notices (TVN);
- ☑ Continuation and completion of audit cases previously suspended pursuant to RMC No. 107-2025;
- ☑ Enforcement, verification, assessment, and collection activities requiring audit or field operations; and
- ☑ Other audit or enforcement activities necessary to protect revenue or enforce compliance

## II. Mandatory Labels for Taxpayer Verification

Audit/Verification Instrument	Mandatory Label
eLA	"FULL EXAMINATION OF BOOKS AND OTHER ACCOUNTING RECORDS"
MO	"VERIFICATION, SURVEILLANCE, MONITORING, AND INSPECTION ACTIVITIES ONLY – LIMITED AUTHORITY"
TVN	"VERIFICATION AUTHORITY – LIMITED SCOPE"

## III. Single – Instance Audit Framework

### Application

General Rule – Only one eLA for a given taxable year, covering all applicable internal revenue tax types, including Value-Added Tax (VAT). The issuance of multiple or overlapping eLAs covering the same taxpayer and taxable year is prohibited.

Exception – In fraud cases, one eLA may cover several years.

In case of findings arising from verifications under an MO or a TVN indicate the need for a broader examination, such examination shall be subject to the issuance of a separate eLA.

### Coverage and Exceptions

Covered Activities –

- New audits from the effectivity of RMO No. 1-2026
- Audits resumed from the suspension which were automatically consolidated into a single eLA
- Re-issued eLA for audit continuation

Exceptions – Separate audit/verification authority may be issued for:

- One-Time Transactions
- Requests/applications for tax clearance
- Applications for cancellation of business registration
- Cases with fraud or irregularity

## Findings of Fraud

If findings of fraud are established or reasonably indicated, all records, documents, and working papers relating to the affected eLAs shall be referred to the appropriate investigating office for further action:

- ☑ Regional Investigation Division (RID) – For cases falling within regional jurisdiction.
- ☑ National Investigation Division (NID) – For cases falling within national jurisdiction or those otherwise requiring national-level investigation

Upon referral, the handling office shall cease further audit action without prejudice to the issuance of a new eLA by the RID or NID.

## **IV. Issuance of New eLAs**

### System-Assisted Audit Selection

As a matter of policy:

- ☑ All taxpayers are generally considered potential taxpayers for audit and assessment.
- ☑ Initiation of audits shall be limited to taxpayers selected through the system-assisted process.

### Criteria for Audit Selection

Mandatory Case – For taxpayers with:

- A. To be covered by an eLA:
  - ☑ Prima facie evidence of fraud (at least 30% underdeclaration of sales/income or overstatement of expenses/deduction)
  - ☑ Intelligence information (such as specific business knowledge, third party data, and publicly available information)
  - ☑ MO with preliminary indicator of understatement of sales by 30% or more
  - ☑ One-Time Transactions
    - ✓ Cases with review findings resulting to a deficiency tax; or
    - ✓ Real property transactions with findings in the eCAR system.
  - ☑ Enjoying tax exemptions/incentives
  - ☑ Non-compliance with tax obligations arising from Spontaneous Exchange of Information

- ☑ Tax clearance requests for taxpayers with more than P1,000,000.00 gross sales or more than P3,000,000.00 gross assets due to:
  - ✓ Death of the taxpayer
  - ✓ Retiring from business
  - ✓ Merger/consolidation/split-up/spin-off and other types of corporate reorganizations

B. To be covered by an TVN:

- ☑ Claims for income tax refund or issuance of tax credit certificate
- ☑ Claims for VAT refund/credit
- ☑ Claims for excise tax refund/credit, regardless of amount
- ☑ Claims for refund/credit on erroneous/double payment of taxes, regardless of amount

Priority Case – For taxpayers with:

- ☑ Drastic decrease in reported sales/VAT payments
- ☑ Significant increase in exempt/zero-rated sales/revenues
- ☑ Discrepancy Notices
- ☑ Excess input tax carried forward in the VAT return of the succeeding quarter is different from the input tax reflected in the previous quarter VAT return
- ☑ VAT returns reflect substantial input taxes (e.g. total input taxes claimed exceed 75% of the total output tax)
- ☑ Income tax due of less than 2% of gross sales/revenues
- ☑ Percentage tax returns whose gross sales/receipts exceed VAT threshold
- ☑ Substantial sales but reporting net loss
- ☑ Operations of more than 5 years from inception but have not yet been audited
- ☑ Increase in assets of more than 50% from previous year but with net loss
- ☑ Claims for losses/damages due to natural calamities or inventory obsolescence
- ☑ Revenue/income exclusively or substantially from its parent company/subsidiaries/affiliates
- ☑ Write-off of input tax as allowable deduction in its annual income tax returns
- ☑ Shared expenses and other interrelated charges

A more comprehensive procedure for taxpayer selection, case assignment and eLA issuance shall be implemented on or before April 16, 2026.

## System-Assisted Generation of Audit Lists

- ☑ Automatically generated through BIR information systems based on the approved audit selection criteria.
- ☑ Shall be submitted to the CIR for approval. Only taxpayers included in the approved audit list may be issued new eLAs.
- ☑ Written recommendations/justification may be made by an RDO, OAS, RID, NID, LTS offices, or other authorized offices which shall be endorsed by the Regional Director, ACIR-LTS, ACIR for Enforcement and Advocacy Service, or the DepCom for the Legal Group, as applicable. All endorsed recommendations shall be subject to validation against the approved audit selection criteria and subject to CIR approval.

## Anonymized Selection and Assignment Process

Process	Particulars
Central generation, approval, and dissemination of taxpayer lists	<ul style="list-style-type: none"> <li>☑ Taxpayers shall be represented solely by a system-generated identifier</li> <li>☑ No disclosure of taxpayer's name, TIN, or registration details</li> <li>☑ The list of taxpayers shall be disseminated to the respective Regional Director/ACIR-LTS</li> </ul>
Assignment of ROs	Assignment shall be based strictly on the following: <ul style="list-style-type: none"> <li>☑ Workload balancing</li> <li>☑ Applicable rotation rules</li> </ul>
Return and De-anonymization	The Information Systems Group shall de-anonymize the list which shall be forwarded to the appropriate Office
Documentation and Monitoring	Monthly compliance reports shall be submitted to the ACIR of the Assessment Service

The anonymized selection and assignment process shall be implemented pending full automation.

### **Compliance Instructions**

- ☑ No RO and GS shall be informed of taxpayer identity prior to confirmation of assignment.
- ☑ Deviations from the anonymization procedures shall require endorsement by the concerned Regional Director or ACIR-LTS and prior approval by the CIR.

### **eLA Issuance**

All eLAs shall:

- ☑ Comply with the Single – Instance Audit Framework
- ☑ Be properly encoded and reflected in the appropriate BIR systems
- ☑ Clearly reflect the approved taxpayer name, TIN, taxable year/s, tax types, and assigned ROs and GS

### **V. Transfer of Task Force Audits and Assessment**

- ☑ The existing task forces are now deemed concluded and their audit and assessment functions shall be absorbed by the appropriate regular BIR offices.
- ☑ An accomplishment report shall be submitted to the CIR, detailing the status of all cases, actions taken, and the offices to which such cases have been transferred.

Task Force	Particulars
Run After Fake Transactions (RAFT)	<ul style="list-style-type: none"> <li>☑ To be immediately turned over to the NID</li> <li>☑ No further action shall be done by RAFT Task Force members on transferred cases</li> <li>☑ All existing LOAs issued under RAFT Task Force are cancelled to allow issuance of new eLAs for further audit or investigation by NID ROs and GS</li> <li>☑ If further audit or investigation is not warranted, the NID may recommend closure or termination</li> </ul>
Other Task Forces	<ul style="list-style-type: none"> <li>☑ Shall be transmitted to the relevant Revenue Region, RDO, or LT Audit Office</li> <li>☑ For fraud cases, the case shall be endorsed to the RID or NID</li> <li>☑ For non-fraud cases, audit cases shall be consolidated consistent with the Single – Instance Audit Framework</li> <li>☑ If further audit or investigation is not warranted, the Revenue Region, RDO, or LT Audit Office may recommend closure or termination</li> </ul>

## VI. Transition of VAT Audit Sections (VATAS) and Large Taxpayers VAT Audit Units (LTVAU)

The VATAS and LTVAU shall wind up operations until May 15, 2026. Thus, they shall:

- ☑ Transmit all documents, records, working papers, and audit dockets relating to cases subject to consolidation or transfer to the designated handling office; and
- ☑ Review, organize, and prepare all ongoing audits and assessments for transfer to the appropriate regular offices of the BIR on or before April 30, 2026.

## VII. Audit and Assessment Proper

### Mandatory Use of Standardized Audit Checklist

- ☑ All ROs shall be required to use a standardized checklist of documents. The checklist shall be applied consistently across all offices and audit cases.
- ☑ Additional documents may be requested only when directly relevant to the specific issues. Such requests shall be clearly explained and properly documented.
- ☑ Industry-specific or sector-specific checklists shall be issued. However, pending such checklist, the general standardized checklist shall be used.

### Proper Documentation of Audit Events and Taxpayer Interactions

Meetings/Discussions	Documentation
Discussion on Discrepancy (after issuance of Notice of Discrepancy)	Minutes of meetings/discussions shall be prepared and duly signed by the taxpayer/authorized representative and RO, with any refusal to sign clearly noted

Meetings/Discussions	Documentation
All other meetings/discussions	Coursed through official channels of the ROs or GS

### Guidelines on the Preparation of Assessments

- ☑ Revenue Officers shall not issue unreasonable assessments.
- ☑ Assessment notices shall be anchored only on issues that remain unresolved after the Discussion on Discrepancy and shall clearly state the factual and legal bases, including the applicable law and jurisprudence.

## Examination of Voluminous Records

At the option of the taxpayer, examination and inspection may be through:

Venue of Examination	Particulars
Physical submission to the BIR office	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Photocopies may be submitted provided these are certified as true and faithful reproductions of the original by the taxpayer or authorized representative</li> <li><input checked="" type="checkbox"/> If there is no certification, the BIR may require presentation of original documents for verification</li> </ul>
Examination at the principal place of business of the taxpayer	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> With prior coordination with the handling RO</li> <li><input checked="" type="checkbox"/> Taxpayer shall provide suitable area</li> </ul>

## Observance of Due Process and Audit Safeguards

Due process and audit safeguards shall be observed:

- Proper and timely service of audit notices and communications
- Clear identification and communication of the scope of audit and documents
- Reasonable opportunity to submit documents and explanations
- Proper conduct and documentation of all meetings, conferences, submissions, and audit actions

Prohibited actions:

- Request documents not relevant to the authorized scope or audit
- Conduct verification or examination beyond the taxable year or tax types covered
- Use audit or verification activities to exert undue pressure

## **VIII. Sanctions**

A BIR official or employee who violates, circumvents, or fails to comply with the provisions of this RMO shall be subject to the appropriate administrative, civil, and criminal liabilities, without prejudice to the filing of other actions warranted under existing laws.

Report of alleged violations may be submitted to [contact\\_us-LOA@bir.gov.ph](mailto:contact_us-LOA@bir.gov.ph).

## SEC ISSUANCES HIGHLIGHTS

### **SEC Memorandum Circular No. 1, Series of 2026, dated January 8, 2026**

*This amends SEC Memorandum Circular No. 1, Series of 2020, expanding eligible REIT assets, extending reinvestment periods, and broadening public shareholder definitions.*

#### **Income-generating real estate**

- It means real property, whether owned directly or indirectly, through a shareholding in an unlisted special purpose vehicle duly constituted to primarily hold/own real estate, and wholly-owned or partially-owned by a REIT by at least 2/3 of its outstanding and voting capital stock, including through incorporated joint ventures, held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees, and storage fees; provided, that "regular stream of income" refers to recurring and predictable cash inflows generated by the income-generating real estate, those derived from the lease of, or other similar arrangements involving, the income-generating real estate, and other passive income, which may include rental properties from toll roads, railways, airports and air navigation facilities, ports, information and communications technology infrastructure, energy infrastructure assets, data centers, parking lots, buildings, malls, warehouses or storage facilities, immovable fixtures, machineries, facilities, and structures, and real rights over properties including but not limited to usufruct, easements, and registered leases.
- Excluded from this definition are real properties held primarily for sale or disposition, such as inventory properties and assets whose income is derived mainly from their sale rather than their continuing use or operation.

#### **Public shareholder**

- Any person with substantial influence over the management or operations of the REIT, provided that "substantial influence" shall be deemed to exist when such person holds, directly or indirectly, ten percent (10%) or more of the total issued and outstanding shares of the REIT.
- Any person who, although with total shareholdings less than 10% of the total issued and outstanding shares in the REIT, may have influence in the management or operations of the same, such as when shares are held by members of a director, principal officer or principal stockholder's immediate family sharing the same household.

#### **Extending the reinvestment period**

- The reinvestment shall be made **within two (2) years** from the date of receipt of proceeds or money by the sponsor/promoter.

## SEC ISSUANCES

### HIGHLIGHTS

**SEC Memorandum Circular No. 4, Series of 2026, dated January 20, 2026**

*This amends Revised Rule 68 of the Securities Regulation Code (RA 8799), raising the audit threshold and exempting corporations with assets or liabilities not exceeding ₱3 million from audited financial statements.*

**Increase in the audit threshold**

The audit threshold was increased from PhP600,000.00 to **PhP3,000,000.00** for both stock and non-stock corporations.

**Coverage of Audit Requirement**

Corporations with total assets or total liabilities at or below the prescribed threshold **shall not be required to submit audited financial statements**. Instead, such corporations shall submit financial statements accompanied by a Statement of Management's Responsibility signed under oath by the following:

CORPORATIONS	SIGNATORIES
Stock and Non-stock	Chairman of the Board, President or Chief Executive Officer, Treasurer or Chief Financial officer, and all duly authorized by the Board of Directors
One Person Corporations	President and Treasurer
In the absence of the authorized signatories	Specific officer or director expressly delegated by the Board of Directors

However, the following entities are **required** to submit audited financial statements:

GROUP	ENTITIES
A	<ol style="list-style-type: none"> <li>1. Issuers of registered securities which have sold a class of securities except those issuers of registered timeshares, proprietary and non-proprietary membership certificates which are covered in Group B. This category shall also cover corporations applying for the registrations of their securities;</li> <li>2. Issuers with a class of securities listed for trading in an Exchange;</li> <li>3. Public companies or those which have total assets of at least PHP50,000,000.00 or such amount as the Commission shall prescribe, and having 200 or more holders each holding at least 100 shares of a class of its equity securities;</li> <li>4. Clearing agency and clearing agency as depository; and</li> <li>5. Stock and securities exchange/s and other self-regulatory organizations.</li> </ol>

B	<ol style="list-style-type: none"> <li>1. Issuers of registered timeshares, proprietary and non-proprietary membership certificates, and corporations applying for the registration of such securities;</li> <li>2. Investment houses;</li> <li>3. Brokers and dealers of securities;</li> <li>4. Investment companies that are not in the process of registering securities or have no registered securities yet;</li> <li>5. Government securities eligible dealers;</li> <li>6. Universal banks registered as underwriters of securities;</li> <li>7. Investment company advisers;</li> <li>8. Special purpose corporations registered under the Securitization Act of 2004 and its implementing rules; and,</li> <li>9. Such other corporations which may be required by law to be supervised by the Commission.</li> </ol>
C	<ol style="list-style-type: none"> <li>1. Financing companies whose assets in the preceding year are above PhP10,000,000.00;</li> <li>2. Lending companies whose assets in the preceding year are above PhP5,000,000.00;</li> <li>3. Transfer agents;</li> <li>4. Non-stock, non-profit corporations including foundations which solicit or receive annual donations or contributions and/ or with fund balance amounting to more than PhP25,000,000.00 and PhP100,000,000.00, respectively, over the preceding 3 years, or such higher amount that the Commission may set through order or guidelines. A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its annual donations or contributions and/ or fund balance fall below PhP25,000,000.00 and PhP100,000,000.00, respectively, over the preceding 3 years; and,</li> <li>5. Such other corporations that the Commission may consider as imbued with public interest regardless of the lack of a requirement to obtain a secondary license from the Commission.</li> </ol>

## ***Amendment to Small and Micro Entity Definitions***

<b>BEFORE</b>	<b>AMENDED</b>
<p>Small entities are those that meet all of the following criteria:</p> <ol style="list-style-type: none"> <li>Total assets of between PhP3,000,000.00 to PhP100,000,000.00 or total liabilities between PhP3,000,000.00 to PhP100,000,000.00. If the entity is a parent company, the said amounts shall be based on the consolidated figures; xxx</li> </ol>	<p>Small entities are those that meet all of the following criteria:</p> <ol style="list-style-type: none"> <li>Total assets or total liabilities exceeding PhP3,000,000.00 but not exceeding PhP100,000,000.00. If the entity is a parent company, the said amounts shall be based on the consolidated figures; xxx</li> </ol>
<p>Micro entities are those that meet all of the following criteria:</p> <ol style="list-style-type: none"> <li>Total assets and liabilities are below PhP3,000,000.00; xxx</li> </ol>	<p>Micro entities are those that meet all of the following criteria:</p> <ol style="list-style-type: none"> <li>Total assets or total liabilities at or below PhP3,000,000.00; xxx</li> </ol>

Micro entities may opt to use either their income tax basis or Philippine Financial Reporting Standards for Small Entities as their financial reporting framework so long that it consists of a Statement of Management’s Responsibility signed under oath, Statement of Financial Position, Statement of Income and Notes to Financial Statements, with two (2) comparative periods, if applicable.

### ***Covered period of the amended threshold***

Financial statements covering fiscal years ending on or after December 31, 2025.

## SEC ISSUANCES HIGHLIGHTS

**SEC Memorandum Circular  
No. 6, Series of 2026, dated  
January 22, 2026**  
*Change in the Rules for  
Increasing Authorized  
Capital Stock.*

### **Documentary Requirements**

The documentary requirements that need to be submitted by corporations applying for an increase in their authorized capital stock are as follows:

- a. Notarized Subscription Contract executed by the subscriber/s, the President and the Treasurer of the corporation specifying the number of additional shares subscribed to and paid for; and
- b. Board Resolution authorizing a Director or Officer to sign on their behalf, if the President and/ or Treasurer are unavailable.

### **Cases requiring a Special Audit Report**

The following corporations shall continue to submit a Special Audit Report:

- a. Listed companies;
- b. Public companies as defined under the Securities Regulation Code;
- c. Companies that offer or sell securities to the public; and,
- d. Companies with secondary licenses as regulated by the Commission.

However, this list is not exclusive nor does it limit the Commission from requiring the submission of the Special Audit Report in circumstances other than those mentioned.

## SEC ISSUANCES HIGHLIGHTS

**SEC Memorandum Circular No. 7, Series of 2026, dated January 26, 2026**

*This prescribes a maximum cumulative term of nine (9) years for independent directors of publicly-listed companies. It also provides the guidelines on the computation of the maximum term, cooling-off period, and penalties for non-compliance.*

**Coverage**

It covers companies with a class of equities listed for trading with an exchange.<sup>1</sup>

**Term Limit**

An independent director (ID) shall be elected for a term of one (1) year and shall serve for a maximum cumulative term of nine (9) years in the same company.

**Computation of Nine-Year Term Limit**

Situation	Maximum Term Limit
Continuous or consecutive service of an independent director	The nine-year maximum term limit shall fall on (i) the date of the Annual Stockholders' Meeting (ASM) per the by-laws of the company or (ii) on any other ASM date priorly approved by the Commission.  For independent directors with an intermittent term, the cumulative tenure shall not exceed nine (9) years.
Intermittent service of an independent director	
If the independent director is elected as non-independent director or officer of the company within the nine-year term limit	He can be elected again as an independent director of the same company only after observing a cooling off period of two (2) years from the date he ceases being a non-independent director or officer, provided that the cumulative service as independent director has not yet reached the nine (9) year maximum limit.

Any fraction of a year exceeding six (6) months shall be considered one (1) full year, regardless of the manner or reason by which the position of independent director was relinquished or vacated.

<sup>1</sup> "Exchange," as defined under Section 3.7 of R.A. No. 8799 otherwise known as the Securities and Regulation Code, is an organized market place or facility that brings together buyers and sellers and executes trade of securities and/or commodities.

## Effects of Serving the Maximum Cumulative Term

An independent director who has served the maximum cumulative term shall be barred perpetually from re-election as an independent director of the same company.

## Conflicting Regulations

In case of conflicting regulations on term limits of independent directors, as provided by other regulatory agencies, the shorter maximum term shall be observed.

## Exception

Independent directors of GOCCs shall be governed by the terms and limitations provided in their respective charters.

## Penalties for Breach of Maximum Cumulative Term Limit

- ☑ Basic penalty of One Million Pesos (PHP1,000,000.00) per independent director per year;
- ☑ Continuing penalty of Thirty Thousand Pesos (PHP30,000.00) for every month that the independent director holds the seat;
- ☑ Other sanctions under existing laws and regulations; and
- ☑ A third or succeeding offense(s) for the same violation shall be subject to suspension or revocation of the company's secondary or primary license.

**What Does It Mean to Reduce VAT from 12% to 10%?**

By: Atty. Donato U. Vergara III

Value-Added Tax (VAT) is a tax on final consumption, levied at each stage of the production and distribution of goods and services. The impact and burden of VAT are ultimately shouldered by end consumers.

In the Philippines, where the economy is driven by consumption rather than production, the effect of VAT is keenly felt by ordinary Filipinos. As the value of goods and services increases, the impact of VAT also increases. Consequently, the purchasing power of Filipinos decreases. Ultimately, the economy suffers as the number of transactions is restricted.

With this in mind, there is a need to jumpstart the economy by encouraging ordinary Filipinos to spend more by decreasing the value of goods and services.

It is worth noting that the twelve percent (12%) VAT in the Philippines, which is a portion of a commodity's price, is the highest in Southeast Asia. In comparison, neighboring countries impose VAT at lower rates: 11% in Indonesia, 10% in Laos, 10% in Cambodia, and 10% in Vietnam.

Even when compared to other indirect taxes imposed by neighboring countries, the twelve percent (12%) VAT in the Philippines remains the highest. Malaysia imposes a 10% Sales Tax, Singapore a 9% Goods and Services Tax, Thailand 7%, Myanmar a 5% Commercial Tax, and East Timor a 2.5% tax on imported goods.

With this in mind, lawmakers filed Senate Bill No. 1552 and House Bill No. 4302, or the "VAT Reduction Act of 2025." In both bills, the lawmakers proposed reducing the VAT from 12% to 10%, subject to the President's power to revert it for a given year should the need arise.

However, opposition was raised against the proposal for VAT reduction. The Department of Finance (DOF) has raised concerns that the proposal to lower the VAT rate could severely impact the government's ability to fund essential operations, potentially forcing it to borrow more for even basic expenditures. The DOF even expressed that "[t]he estimated impact of the proposed VAT rate reduction is at an annual average of P339 billion from 2026 to 2030... This proposal will translate to a higher fiscal deficit and derail the administration's fiscal consolidation efforts and plan."

It should be noted that a reduction in the VAT rate does not produce a proportional (straight-line) decrease in tax revenue, nor will it necessarily prevent the government from financing its expenditures.

First, VAT is a tax on consumption. The lower the prices of commodities, the livelier the market may become. Consequently, taxpayers are encouraged to buy due to an increase in their spending power, resulting in an increase in transactions that generate VAT. Although there will be

a decrease in the VAT rate imposed, the increase in transactions can make up for the government's target collection.

Second, a lower VAT rate makes the Philippines more geographically competitive within the Southeast Asia region. A reduction in VAT decreases a company's cash outflow and allows more opportunity for reinvestment. It also reduces production costs, such as electricity and raw materials, thus resulting in higher profitability. Although the VAT rate imposed will decrease, it will encourage more investors to put their capital in the Philippines, creating development and job opportunities.

Third, reducing the VAT rate encourages the government to reduce tax leakage and improve its efficiency in collecting other taxes, including one-time transaction taxes (Donor's Tax, Capital Gains Tax, and Stock and Transfer Taxes). Considering that there will be a reduction in the VAT rate, government should improve efficiency in collecting all taxes that are due. Focus should no longer be limited to consumption taxes which greatly affects the low and medium but to all taxes in general.

Fourth, the proposed bills, which reduce the VAT rate, have a safety mechanism authorizing the President, upon the recommendation of the Secretary of Finance, to revert the VAT to twelve percent (12%) for a given year if the projected deficit target as a percentage of Gross Domestic Product (GDP) exceeds the programmed deficit. Should the reduction of the VAT rate therefore impair the government's ability to fund essential operations, the proposed law provides a corrective remedy.

Taking all of these into consideration, the proposed reduction of the VAT rate is a welcome development in Philippine taxation. In a time when inflation and the cost of living are high, a lower tax rate gives citizens room to breathe. It also makes the Philippines regionally competitive compared to its neighboring countries. Lastly, the reduction of the VAT rate embodies the constitutional mandate to establish a progressive tax system that promotes equity and social justice.

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# Glossary of Common Terms, Abbreviations, and Acronyms

AN	-	Assessment Notices
BIR	-	Bureau of Internal Revenue
BOC	-	Bureau of Customs
CIR	-	Commissioner of Internal Revenue
COC	-	Commissioner of Customs
CTA	-	Court of Tax Appeals
CWT	-	Creditable Withholding Tax
CY	-	Calendar Year
DST	-	Documentary Stamp Tax
EB	-	<i>En Banc</i>
ET	-	Excise Tax
EWT	-	Expanded Withholding Tax
FWT	-	Final Withholding Tax
FY	-	Fiscal Year
LGC	-	Local Government Code
LOA	-	Letter of Authority
FAN	-	Final Assessment Notice
FDDA	-	Formal Decision on Disputed Assessment
FLD	-	Formal Letter of Demand
IT	-	Income Tax
MR	-	Motion for Reconsideration
NIC	-	Notice of Informal Conference
NIRC	-	National Internal Revenue Code
NRFC	-	Non-Resident Foreign Corporation
PAN	-	Preliminary Assessment Notice
PCL	-	Preliminary Collection Letter
Petition	-	Petition for Review
PEZA	-	Philippine Economic Zone Authority
Protest	-	Protest to the Final Assessment Notice/Formal Letter of Demand
PD	-	Presidential Decree
PT	-	Percentage Tax
Reply	-	Reply to the Preliminary Assessment Notice
RA	-	Republic Act
RDO	-	Revenue District Office
RMC	-	Revenue Memorandum Circular
RMO	-	Revenue Memorandum Order
RR	-	Revenue Regulations
RTC	-	Regional Trial Court
STT	-	Stock Transaction Tax
SC	-	Supreme Court
TPI	-	Third Party Information
TY	-	Taxable Year
VAT	-	Value-Added Tax
WDL	-	Warrant of Distrainment and/or Levy
WOG	-	Warrant of Garnishment
WTC	-	Withholding Tax on Compensation