PHILIPPINES

CONTINUOUS TRANSACTION CONTROLS (CTC)

OVERVIEW

In 2017, the Philippines launched a framework called the Tax Reform for Acceleration and Inclusion (TRAIN), which included several tax reform proposals. After having worked closely with experts from South Korea to investigate and adopt a CTC e-invoicing regime, the Philippines is on the cusp of launching its CTC system and is expected to keep pushing forward with VAT control reforms over the next several years.

Among its many initiatives, the TRAIN law requires large taxable persons and taxpayers who engage in e-commerce and/or export to issue e-invoices and e-receipts and report them to the local tax authorities, the Bureau of Internal Revenue (BIR).

The Philippines continues to advance towards full implementation of its CTC system, which consists of near real-time reporting of electronically issued invoices and receipts, with no e-invoice clearance required. On 4 April 2022, testing began on the Electronic Invoicing/Receipting System (EIS), the government's platform, with six selected companies piloting the launch of the project. July 2022 marks the go-live for the next step where 100 pilot taxpayers are required to officially start reporting invoice data.

WHEN DO I NEED TO COMPLY?

2022 APR

Six appointed pilot companies begin system testing by transmitting e-invoices through the EIS.

2022 JUL

CTC reporting pilot program for B2B invoicing and B2C receipts began. 100 appointed pilot taxpayers in the country (the largest companies in the economy) to start reporting.

2023 2023

An advanced phased roll-out is expected and will include taxpayers under the mandate's scope, including:

- ✓ Taxpayers engaged in the export of goods or services
- ✓ Taxpayers engaged in e-commerce
- ✓ Taxpayers under the jurisdiction of the Large Taxpayers Service (LTS)

WHAT DO I NEED TO DO?

Once the second phase of the pilot program is completed, after the July 2022 go-live, it is expected that the pool of taxpayers required to participate in the CTC e-reporting scheme will broaden.

To ensure your businesses' compliance with the new mandate, the following will be required:

- E-invoice and e-receipt reporting can be done through dedicated APIs or the BIR's web portal
- E-invoices and e-receipts must be submitted in JavaScript Object Notation (JSON) format and include the issuer's electronic signature
- All e-invoices and e-receipts must be submitted through the EIS either immediately after issuance or in batch submissions in up to three days (near real-time) from the transaction date
- Parties can continue to exchange invoices in any agreed way, e.g. electronically via email in PDF format or in hard copy
- E-invoices must be archived for 10 years. Hard paper copies must be retained for the first five years, after which exclusive electronic storage is permitted

HOW CAN SOVOS HELP?

As the Philippines' CTC reform matures, Sovos' software enables businesses to keep up with the changing requirements to meet VAT compliance demands in the country.

Sovos already provides early adopters with a solution connected to the Philippines Tax Authority Platform and helps other taxpayers prepare for the extended rollout of the CTC e-reporting system.

Our experts monitor, interpret and codify these legal changes and requirements into our software solutions, taking care of your indirect tax compliance so you can focus on your core business.

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