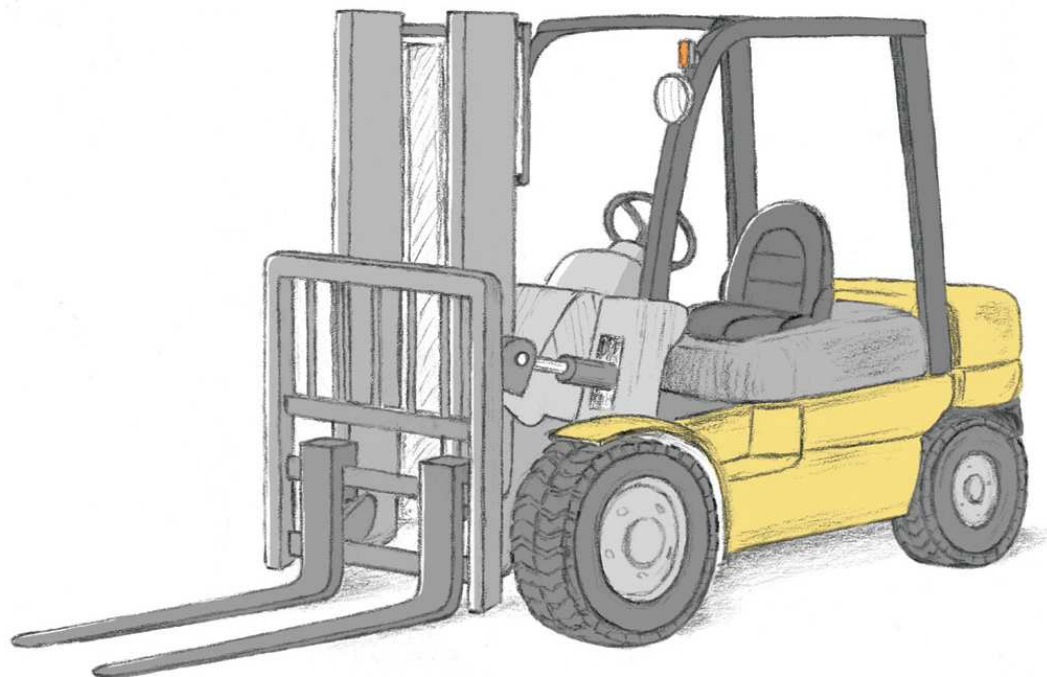

COLA granted in NCR and Region III

After consultations and in consideration of the socio-economic conditions of the regions (citing the extraordinary increases in prices of crude oil and local petroleum products), the Regional Tripartite Wages and Productivity Board of the National Capital Region (NCR) and Region III (RBIII) came out with the following Wage Orders: Wage Order No. NCR-16 and Wage Order No. RBIII-16. The Boards mandated the increase in the minimum wage rate in the form of Cost of Living Allowance (COLA) of all private sector minimum wage workers and employees in the NCR and Region III.

The salient features of the Wage Orders are as follows:

- Wage Increase:
NCR: COLA of P22 per day effective May 26, 2011
Region III: COLA of P14 per day effective June 24, 2011, and on January 1, 2012, the P4 COLA under RBIII-15 (previous wage order) will be integrated into the basic pay.
- The following may be exempted from the applicability of the Wage Orders upon application with and as determined by the Board: 1) distressed establishments; 2) retail/service establishments regularly employing not more than 10 workers; 3) establishments whose total assets, including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, are not more than P3 million; and 4) establishments adversely affected by natural calamities.
- Any increase granted by an employer in an organized establishment within three months (90 days in the case of RBIII) prior to the effectivity of these Orders shall be credited as compliance with the prescribed increase set forth herein, provided that an agreement to this effect between the parties or a collective bargaining agreement (CBA) provision allowing creditability exists. In the absence of such an agreement or provision in the CBA, any increase granted by the employer shall not be credited as compliance with the COLA prescribed in these Orders.
- In case the increases given are less than the prescribed COLA, the employer shall pay the difference. Such increases shall not include anniversary increases, merit wage increases and those resulting from the regularization or promotion of employees.
- In the case of contracts for construction projects and for security, janitorial and similar services, the COLA shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. However, if the principals or clients fail to pay the prescribed wage rates, the construction/service contractor shall be jointly and severally liable with his principal or client.

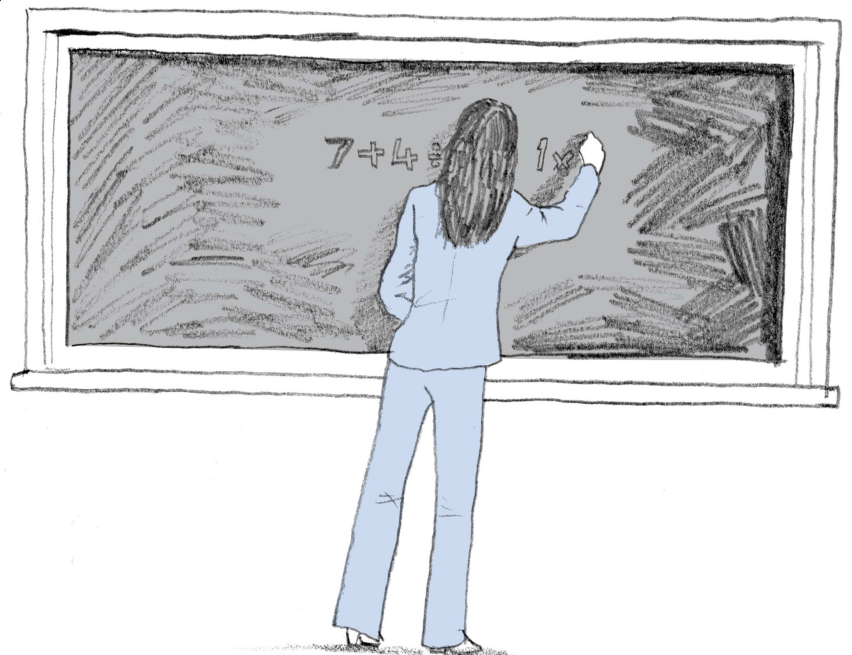


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- In the case of private educational institutions, the share of covered workers and employees in the increase in tuition fees for School Year 2011-2012 shall be considered as compliance with the COLA prescribed herein. However, payment of any shortfall in the wage increase set forth herein shall be covered starting School Year 2012-2013. Educational institutions that have not increased their tuition fees for School Year 2011-2012 may defer compliance with the COLA prescribed herein until the beginning of School Year 2012-2013. In any case, all private educational institutions shall implement the COLA prescribed herein starting School Year 2012-2013.
 - All workers paid by result, including those who are paid on piecework or task basis, shall be entitled to receive not less than the prescribed COLA a day, or a proportion thereof for working less than eight hours.
 - Wages of apprentices and learners shall in no case be less than 75% of the applicable new wage rates prescribed in these Orders. Recognized learnership and apprenticeship agreements entered into before the effectivity shall be considered automatically modified insofar as their wage clauses are concerned to reflect the new wage rates.

All qualified handicapped workers shall receive the full amount of the new wage rates prescribed herein pursuant to Republic Act No. (RA) 7277, otherwise known as the Magna Carta for Disabled Persons.

Where the applications of the COLA results in distortions in the wage structure within the entity, the wage distortions may be corrected following the procedure provided under Article 124 of the Labor Code of the Philippines.

For the full version of both Wage Orders, please refer to the website of the National Wages and Productivity Commission: www.nwpc.dole.gov.ph.



RMC 27-2011: Revocation of exemption from tax of voluntary contributions

The BIR Revenue Memorandum Circular No. (RMC) 27-2011 was issued to revoke BIR Ruling Nos. 002-99, DA-184-04, DA-569-04 and DA-087-06, which excludes from the gross income of the taxpayer and hence, from income tax, contributions to Pag-IBIG 2, Government Service Insurance System (GSIS), Social Security System (SSS), life insurance, and/or pre-need plan *in excess of the mandatory monthly contribution*, such as the GSIS Optional Insurance Premium, GSIS Educational Plan Premium, GSIS Memorial Plan Premium, and GSIS Unlimited Optional Insurance Premium.

The BIR observed that the grant of income tax exemption to SSS, GSIS, Philippine Health Insurance Corporation (PhilHealth) and Pag-ibig contributions *in excess of the mandatory contributions* is

being abused. The BIR believes the voluntary contributions take the form of investment. Moreover, a contribution as defined in various sections of RA 8424 and referred to in Section 32(B)(7)9(f) of the NIRC of 1997 cover *only the mandatory/ compulsory contributions* of the concerned employees to SSS, GSIS, PhilHealth and the Home Development Mutual Fund or Pag-IBIG. Thus, the BIR holds that *voluntary contributions* in excess of what the law allows to these institutions are **not** excludible from the gross income of the taxpayer and, hence, are **not** exempt from income tax and withholding tax.

(BIR Revenue Memorandum Circular No. 27-2011)

SSS announces new deadline for contributions, loans

The SSS has expanded the range of cut-off dates — from the 10th day for employees and the 20th day for self-employed and voluntary members to five different deadlines based on the employer and social security number for contribution and loan remittances of members and employers. This is to eliminate long queues during payment deadlines.

The new deadline will take effect starting with payments for the applicable month or quarter ending June 30.

The revised deadlines are based on the 10th digit of the 13-digit employer number and the last digit of the 10-digit social security number of household employers, self-employed workers and voluntary members.

If the 10th digit of the employer number (for regular employers) or Social Security number (for household employers, the self-employed and voluntary members) is “1” or “2,” the deadline for contributions and loan payments falls on or before the 10th day after the applicable month of quarter.

The deadline would be the 15th day of the following month for numbers “3” and “4;” the 20th day for numbers “5” and “6;” the 25th day for numbers “7” and “8;” and the last day of the succeeding month for numbers “9” and “0.”

The new deadlines will apply to over-the-counter payments at SSS branch tellers, banks, Bayad Centers and SM Business Centers.

Payment deadlines for overseas Filipino workers, who have more flexible cut-off dates and payment methods through Auto-Debit Arrangements and BancNet Online, are unaffected by the new policy.

OFWs who are considered voluntary members can remit contributions for January to September on or before December 31 of the same year, while their premiums for October to December will be accepted until January 31 of the following year.

Source: www.sss.gov.ph

SSS expands website services

Last June 6, the SSS expanded its website services: www.sss.gov.ph now accepts members' benefit claims, loan applications and availments and employers' contribution and loan collection reports.

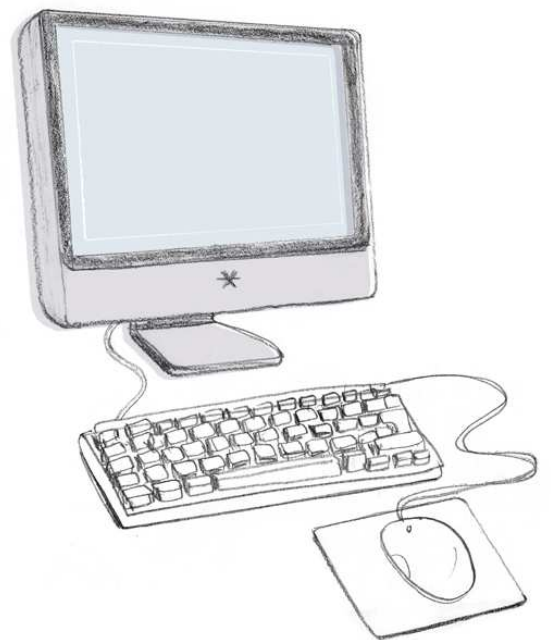
The development is aimed at giving members easy and fast access to SSS products and benefits anytime and anywhere they may need it.

The initial service offerings available online involve applications that require no supporting documents. Companies, for example, can now submit their lists of covered employees, contribution and loan collection reports and maternity notifications of workers through the SSS website. Self-employed and voluntary members can also submit salary loan applications and maternity notifications online.

Members and employers must be registered users of the SSS website to avail of all online services.

Besides the website, SSS has other self-service platforms for members and employers. TextSSS and the telephone-based Interactive Voice Response System enable members to inquire about their SSS records, loan and benefit eligibility and application status via text or landline.

About 15,000 employers and 1.1 million members are registered users of the SSS website. For inquiries, members can contact the SSS Online Services Support Department at 920-6401 local 6201.



PhilHealth Circular No. 09 s. 2011

Philippine Health Insurance Corporation (PhilHealth) recently issued Circular No. 09 s. 2011. Under this Circular, the implementation of Circular No. 25 s. 2010 relative to the “*Nine (9) Months Contribution as a Requirement for Benefits Availment*” is hereby held in abeyance relative to the proper definition and application of the requirement on “sufficient regularity.” This deferment shall be in effect until the PhilHealth Board issues the appropriate policy relative to the requirement of ‘sufficient regularity’ as basis for entitlement to benefits per section 42 of the Implementing Rules and Regulations of RA 7875, as amended.

Previously, under this circular, PhilHealth required 9 months of contribution within 12 months prior to the month of availment for all confinement, including availment of outpatient benefits. This requirement is based on the following conditions:

1. Three months within six months paid premium contributions prior to the first day of the member’s or the dependents of the member’s availment, and
2. Sufficient regularity of premium contribution and
3. No legal penalties as defined in RA 7875 amended by RA 9241

Under Condition 1, PhilHealth allowed premium contributions for three months to be paid even a day before the confinement; while under Condition 2, PhilHealth considered nine months paid premium contributions within the immediate 12 months preceding the month of confinement. The definition of “sufficient regularity” is not clear.

PhilHealth issued Advisory 07-02-2011 to emphasize its clear and direct intent to immediately suspend the implementation of Circular No. 25 s. 2010.



Account coding: Tool for strategic leverage

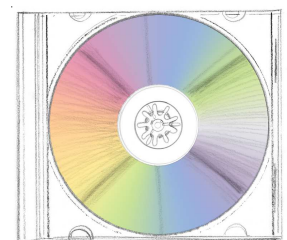
Management has recognized that the financial data churned by the more sophisticated software nowadays can be segmented in such a manner that they greatly help decision makers. While these software can provide the depth and extent of details, the design or the architecture of how deep and how extensive the details will be usually rests on the users, primarily the Accounting Department, at the time of software development or customization. The level of details is driven in large part by the requirements and the decision making process of the management. In accounting parlance, the design or the architecture of the level of details is called account coding, and such account coding is embodied in the Chart of Accounts.

Each company has its own Chart of Accounts. While companies in the same industry generally have the same accounts titles in their Chart of Accounts, the level of details and the account titles usually vary. For some companies, the Chart of Accounts is designed to cover the basics, such as making sure that the accounts for taxes (for example, input VAT, output VAT, expanded withholding taxes, etc.) are indicated and that the account titles that best describe the nature and operations of the company are used. Aside from the foregoing basics, other companies design their Chart of Accounts to include details from divisions, to departments, to groups, and possibly even a level down.

The level of details can be very helpful since it provides the users with so much information to make sound decisions. On the other hand, too much data can also carry confusing information that may mislead, rather than enlighten, users. Thus, the level of details in the Chart of Accounts should generally reflect the way management uses such details. As they say, structure follows strategy.

Handwritten Chart of Accounts table with columns for account numbers and descriptions. The table is written on a piece of paper and includes various account titles and their corresponding numbers.

Account Number	Description
1000	Assets
1100	Current Assets
1110	Cash
1120	Accounts Receivable
1130	Inventory
1140	Prepaid Expenses
1150	Other Current Assets
1200	Non-current Assets
1210	Property, Plant, and Equipment
1220	Intangible Assets
1230	Other Non-current Assets
2000	Liabilities
2100	Current Liabilities
2110	Accounts Payable
2120	Short-term Debt
2130	Other Current Liabilities
2200	Non-current Liabilities
2210	Long-term Debt
2220	Other Non-current Liabilities
3000	Equity
3100	Common Stock
3200	Retained Earnings
3300	Other Equity



Problems with SSS/PhilHealth?

Recent SSS/PhilHealth issue

In the past few months, we have heard of companies having problems with the SSS and the PhilHealth. Some companies have been considered “delinquent” by the SSS because they have problems in the posting of their employees’ premium contributions and loan remittances. Basically, their employees’ records with the SSS are not up-to-date because some employee data required for posting by the SSS are not indicated. Accordingly, their employees are not able to avail of salary loans and other benefits. Similarly, PhilHealth contributions of some companies have not been posted because certain employee data also required by PhilHealth are not included when the companies submit and remit their contributions. In both cases, companies are bothered by employees’ complaints and are looking at ways or actions to address the problems.

What we can do for you

Being a seasoned outsourced payroll provider, we have helped several companies bring their SSS and PhilHealth records up to date. We can liaise with SSS and PhilHealth so we can identify those employees whose records are not updated. In some engagements, we have assisted the companies in “running after” those employees so we can gather the data for submission to these agencies. Once the employees’ data are complete, we liaise with the concerned government agencies again so they can institute actions to update their records. We can get a certification that states that the companies are current and updated.

Companies that know how to fix the issue but do not have the manpower and resources to do the job can benefit from this service. We can also assist organizations that may have the staff and resources to handle the paperwork but don’t have the necessary skills and the proper coordination with the relevant government agencies.

If you are one of those companies that are affected by problems with SSS and PhilHealth and are interested in resolving these issues as soon as possible, call our F&A Outsourcing Division and look for Jessie C. Carpio, partner and head of the Division, at 813-6957 or 864-0741 local 800 or send an email to Jessie.Carpio@ph.gt.com.



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