



Senators to probe Pharmally tax payments on PPE sales

By **CECILLE SUERTE FELIPE**

Senators will scrutinize the tax records of Pharmally Pharmaceutical Corp., the supplier of over P10 billion worth of personal protective equipment (PPE), face masks and

face shields to the government, Senate Minority Leader Franklin Drilon said over the weekend.

The Senate Blue Ribbon committee has included Pharmally officials among those subpoenaed for its hearing on Sept. 7.

More than 50 other resource persons have also been invited to the hearing and *motu proprio* investigation on the 2020 Commission on Audit (COA) report on budget utilization of the Department of

Turn to Page 6



Senators From Page 1

Health (DOH), especially its expenditures related to the fight against COVID-19.

Citing glaring red flags in the supplier's financial statements, Drilon said he will look into tax records and tax liabilities of Pharmally, the company that bagged over P10 billion in deals from the Procurement Service of the Department of Budget and Management (PS-DBM) which was headed by resigned undersecretary Lloyd Christopher Lao.

"From what has been shown, it is not clear that Pharmally has paid the correct taxes. Bayanihan 1 and 2 does not exempt from VAT (value added tax) local purchases, therefore, the amount paid to Pharmally should have been subject to a two percent withholding tax on government payments, and a five percent VAT withholding," Drilon said.

"Furthermore, the sale of the PPE to government is subject to an output VAT of 12 percent, because the product they imported are exempt, therefore, they would not have any input VAT to deduct except for the five percent VAT withheld if this was properly withheld from the payment to Pharmally by PS-DBM," Drilon said.

"Apart from the issue of overpricing, there could be violations of our tax laws by Pharmally. We should examine the potential tax liabilities of this dubious trading firm. Did Pharmally pay any percentage tax?

Did it pay any excise tax and documentary stamp tax payments?" he added.

Based on records, Pharmally is classified as a domestic corporation subject to the provisions of Section 27 of the Tax Code, he noted.

In order for a company or entity to participate in government bidding, Drilon said the companies need to get a tax clearance from the Bureau of Internal Revenue (BIR). However, there are reports that there was no record of Pharmally obtaining any tax clearances.

Drilon said the controversy should trigger a tax audit by the BIR.

"The BIR should review possible violations of the tax laws committed by this dubious and shadowy company that bagged billions of pesos in government contracts. They should zero in on potential tax crimes and tax fraud by Pharmally," he added.

Drilon also labelled as mysterious and highly questionable how Pharmally acquired over P7 billion to fund its inventory supplies.

Based on its financial statement, Pharmally has P7,485,401,046 sales, and P7,092,274,180 cost of sales. It reported a cost of inventory of P7 billion while its liabilities only stand at P1,748,879.

"Where did it get the P7 billion to buy their inventory of supplies with only P625,000 paid-up capital? How did they acquire the inventory?" the senator asked. "There is none on

record that will show a payable or equity close to P7 billion. It remains a mystery."

"There is no indication where the P7 billion came from. Without any explanation, it appears that it just fell into its lap. Pharmally executives should come out and explain this among other things," Drilon said.

With a paid-up capital of only P625,000, Pharmally recorded a gross income of P384.04 million, and a net income of P264.65 million in 2020, from zero income in 2019.

Drilon had earlier urged the officials of Pharmally to face the Senate and testify on the over P10 billion supply deals they got from PS-DBM.

"If you have nothing to hide, why would you hide? Where are the officials of Pharmally?" he asked.

Meanwhile, Vice President Leni Robredo called yesterday Malacañang's rant against the previous administration's purchase of high-end PPEs a "late attempt" to divert the issue of alleged overpricing in procurements the Duterte administration is facing.

The Palace said on Wednesday the Duterte administration's purchase of PPE sets should not be considered overpriced at P1,700, because the administration of president Aquino III purchased similar items for P3,500 to P3,800 when there was no global health crisis at the time.

"This is such a lame attempt to divert the issue," said Robredo in Filipino over her weekly radio program. — With Pia Lee-Brago