



DRILON: CHECK PHARMALLY FOR POTENTIAL TAX FRAUD



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Executives of Pharmally Pharmaceutical Corp., the trading company that cornered P8.7 billion in government procurement deals for medical supplies

in 2020 and won more contracts this year, should now explain if they paid their tax obligations, Senate Minority Leader Franklin Drilon said on Sunday.

He said in a statement that the Bureau of Internal Revenue (BIR) should also conduct an audit of Pharmally's potential liabilities.

"From what has been shown, it is not clear that Pharmally has paid the correct tax-

es," the senator said, citing "glaring red flags" in the company's financial statements.

"Did Pharmally pay any percentage tax? Did it pay any excise tax and documentary stamp tax payments?" he asked further.

"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," he said.

BIR officials have not responded to Inquirer's requests for comment at press time.

Drilon noted that the Bayanihan 1 and 2 laws did not exempt local purchases from the value-added tax or VAT.

"[T]herefore, the amount paid to Pharmally should have been subject to a 2-percent withholding tax on government payments, and a 5-percent VAT withholding," he said.

"Furthermore, the sale of the PPE (personal protective equipment) to government is subject to an output VAT of 12 percent because the product they imported... would not have any input VAT to deduct[,] except for the 5-percent VAT withheld if this was properly [done so] from the payment to Pharmally by PS-DBM," Drilon explained further, referring to the Procurement Service of

the Department of Budget and Management which is at the center of this controversy.

Drilon said Pharmally is classified, based on records, as a domestic corporation subject to the provisions of Section 27 of the Tax Code.

He pointed out that, for a company or entity to participate in government biddings, it should get a tax clearance from the BIR.

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“However, there are reports that there was no record of Pharmally obtaining any tax clearances,” Drilon said.

‘Possible violations’

The senator recommended that “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.”

In the middle of 2020, as the country experienced the first wave of COVID-19 infections, Pharmally was awarded contracts for the supply of PPE sets, face masks and COVID-19 test kits with prices that senators noted were double those offered by other companies contracted by the PS-DBM, headed at the time by then Budget Undersecretary Lloyd Christopher Lao.

The Department of Health (DOH), on orders of Health Secretary Francisco Duque III, transferred P42 billion of its

pandemic funds to the PS-DBM for the latter to procure supplies on behalf of the DOH.

But in its 2020 audit report on the health department, the Commission on Audit (COA) flagged the transaction, saying it was not accompanied by a memorandum of agreement or other supporting documents.

Connections

This, among other accounting deficiencies found by the COA from the books of the DOH, prompted the Senate blue ribbon committee to launch an inquiry.

Besides the alleged overpricing of supplies, senators found that Pharmally’s executives had given fictitious addresses in the company’s filings with the Securities and Exchange Commission.

Its starting paid-up capital of P625,000 also raised questions as to how such an under-capitalized company could bag billions of pesos worth of government deals.

Senators further learned that Pharmally’s CEO and part owner Huang Tzu Yen was now a fugitive in Taiwan, along with his father Huang Wen-Lai, who

chairs Pharmally’s parent company, Pharmally International Holding Co. Inc., and a third person, Zheng Bingqiang, president of the Full Win Group of Companies in Xiamen, China, a consortium chaired by former presidential economic adviser Michael Yang.

Tracing connections between these companies, Sen. Risa Hontiveros said President Duterte had personal ties with Yang and Zheng even before he was elected in 2016.

Photos on Chinese social media showed that Mr. Duterte visited Yang and Zheng at Full

Win’s headquarters in Xiamen in late 2015.

A government clip shown during the Senate hearing further indicated that Yang personally introduced Pharmally International’s executives to the President in Davao City in 2017.

Drilon has urged officials of Pharmally to face the Senate and testify about their supply deals with the government in the past two years.

“If they have nothing to hide, why are they in hiding? Where are the officials of Pharmally?” he said. **INQ**