

# Profile of the Philippine Food Service Industry\*

## I. INTRODUCTION

Filipinos are known to be certified food lovers, and dining at restaurants is considered a family-bonding activity or a time for celebration. According to the food consumption component of the 8<sup>th</sup> National Nutrition Survey in 2013 by the Food and Nutrition Research Institute, 4 out of 10 Filipinos ages 19 to 59 years old are out-of-home eaters. Thus, it is not surprising that the food service industry is considered one of the most lucrative sectors in the Philippines.

However, in March 2020, the government-imposed series of enhanced community quarantines (ECQs) in the country due to the outbreak of COVID-19, leaving most employees with no choice but to work from home and students to attend online classes. Since eating out-of-home was prohibited, sales of business establishments were affected. Only after a few months of implementation were these mobility restrictions slowly lifted to start the gradual opening of establishments, including those in the food service industry.

To aid policymakers in assisting the food service industry, this paper seeks to provide a profile study of the country's food service industry, its tax liabilities, and determine the impact of COVID-19 on the taxes collected therefrom.

## II. BACKGROUND INFORMATION

### A. Profile of the Food Service Industry

The food service industry is an important component of the economy as it provides the primary need of the country's workforce to sustain all the other industries. Based on the 2019 Annual Survey of Philippine Business and Industry (ASPBI), there were 28,579 establishments in the food service industry, sharing 83% of the 34,248 total establishments under the Accommodation and Food Service Activities (AFSA) sector. These establishments are economic units under a single ownership or control

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which engage in a predominantly one kind of economic activity at a single fixed location and may be categorized as single proprietorship, partnership, government corporation, stock corporation, non-stock corporation, or cooperative.

The food service industry is composed of three subsectors. One is the Restaurants and Mobile Food Service Activities which include restaurants, fast food chains, cafeterias, refreshment stands, kiosks and counters, dining cars (carried on separate units), other restaurants, and mobile food service activities. The other two subsectors are Event Catering and Other Food Service Activities, and Beverage Serving Activities which include bars, taverns, cocktail lounges, discotheques, beer parlors and pubs, coffee shops, fruit juice bars, mobile beverage vendors, night clubs. Based on the Survey, the majority, or 89% of the food service industry establishments, are categorized under Restaurants and Mobile Food Service Activities, 9% from Beverage Serving Activities, while the rest is from Event Catering and other Food Service Activities. (See Table 1.)

**Table 1**

*Food Service Industry: Number of Establishments*

Particulars	Number of establishments	% From total establishments
Restaurants and mobile food service activities	25,424	88.96
Event catering and other food service activities	658	2.30
Beverage serving activities	2,497	8.74
Total	28,579	100.00

*Note.* From Philippine Statistics Authority (2022). *2019 Annual Survey of Philippine Business and Industry (ASPBI) – Accommodation and Food Service Activities Sector* [Data Set]. Retrieved from <https://psa.gov.ph/content/2019-annual-survey-philippine-business-and-industry-aspbi-accommodation-and-food-service>

The number of registered taxpayers in the food service industry grew by 4.70% annually, from 151,321 in 2015 to 190,348 in 2020, or an average of 172,656 taxpayers per year. While there was an apparent yearly increase in absolute numbers, the annual increment declined from 6.02% in 2015-2016 to 2.49% in 2019-2020. This implied that more establishments were going out of business than those venturing in and/or registering under the food service industry. (See Table 2.)

The ASPBI 2019 also showed that the food service industry contributed 76% or P697 billion to the total revenue generated by the AFSA, with expenses worth P581 billion. The majority, or 92%, of the revenue generated and expenses incurred by the food service industry, was from the Restaurants and Mobile Food Service Activities, followed by the Beverage Serving Activities (5%), then the Event Catering and Other Food Service Activities (3%).

**Table 2***Number of Registered Taxpayers in the Food Service Industry, 2015-2020*

Year	Number of registered taxpayers	% Growth
2015	151,321	-
2016	160,432	6.02
2017	169,961	5.94
2018	178,143	4.81
2019	185,731	4.26
2020	190,348	2.49
Average	172,656	4.70

*Note.* Data from Bureau of Internal Revenue, Official Communication (28 February 2022)

Employee compensation was one of the major expenses incurred by the food service industry, reaching P69 billion for Restaurants and Mobile Food Service Activities, P5 billion for Beverage Serving Activities, and P3 billion for Event Catering and Other Food Service Activities. On average, the compensation of employees corresponds to 15% of the expenses of each sub-industry. (See Table 3.)

**Table 3***Total Revenue and Expenses of Establishments in the Food Service Industry (in Million Pesos)*

Particulars	Revenue	Expenses		
		Total	Compensation	Others
Restaurants and mobile food service activities	643,785	534,822	68,599	466,224
Event catering and other food service activities	18,669	15,887	2,537	13,351
Beverage serving activities	34,536	29,877	4,867	25,010
Total	696,989	580,587	76,003	504,584

*Note.* Philippine Statistics Authority (2022). *2019 Annual Survey of Philippine Business and Industry (ASPBI) – Accommodation and Food Service Activities Sector* [Data Set]. Retrieved from <https://psa.gov.ph/content/2019-annual-survey-philippine-business-and-industry-aspbi-accommodation-and-food-service>

On average, there were 140,957 enterprises engaged in the business of AFSA from 2018 to 2020, with micro, small, and medium enterprises (MSMEs) comprising 140,868. When the pandemic started in March 2020, the number of MSMEs and large enterprises declined by 7%, 4%, 1%, and 8%, respectively. This showed the apparent

lesser demand and inability to transition to online services by those in the AFSA sector as an impact of the lockdowns and quarantine measures regardless of the size of the enterprise. (See Table 4.)

**Table 4**

*Number of Enterprises Under the Accommodation and Food Service Activities, by Size*

Size of enterprise	2018	2019	2020	2020-2019 % change	Average
Micro	125,396	126,815	117,483	(7.36)	123,231
Small	18,802	16,909	16,267	(3.80)	17,326
Medium	337	300	296	(1.33)	311
Total MSMEs	144,535	144,024	134,046	(6.93)	140,868
Large	105	84	77	(8.33)	89
Total no. of enterprises	144,640	144,108	134,123	(6.93)	140,957
% Share MSMEs	99.93%	99.94%	99.94%	(0.00)	99.94%
% Share Large	0.07%	0.06%	0.06%	(1.51)	0.06%

*Notes.* Size of enterprise depends on either employment and asset size. Micro enterprises have 1-9 employees or an asset size of up to P3 million. Small enterprises have 10-99 employees or with assets more than P3 million but not exceeding P15 million. Medium enterprises have 100-199 employees or with assets more than P15 million but not exceeding P100 million. Large enterprises have more than 200 employees or with assets more than P100 million. (Department of Trade and Industry, 2020)

Department of Trade and Industry (2018). *2018 Philippine MSME Statistics in Brief* [Data Set].

Retrieved from <https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing+a+Business/MSME+Statistics/2018/2018+Philippine+MSME+Statistics+in+Brief.pdf>

Department of Trade and Industry (2019). *2019 Philippine MSME Statistics in Brief* [Data Set].

Retrieved from <https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/BSMED/MSME+2019+Statistics/2019+Philippine+MSME+Statistics+in+Brief.pdf>

Department of Trade and Industry (2020). *2020 Philippine MSME Statistics in Brief* [Data Set].

Retrieved from <https://dtiwebfiles.s3.ap-southeast-1.amazonaws.com/BSMED/MSME+2020+Statistics/2020+Philippine+MSME+Statistics+in+Brief.pdf>

According to the 2019 ASPBI, the food service industry employed almost 445,000 workers, with paid employees comprising 97% of the total number of employed while working owners and unpaid workers correspond to 3%. The majority of the workers (90%), whether paid or unpaid, were from restaurants and mobile food service activities. The beverage serving activities employed 7% or 30,935 workers, while the event catering and other food service activities employed 3% or 15,474 of the total. (See Table 5.) However, the Labor Force Survey of 2020 showed that the number of persons employed by the AFSA vis-à-vis the total number of persons employed in all sectors declined by 19.56% from 4.60% in 2019 to 3.70% in 2020. In absolute terms, this translated to a decline from 1.93 million workers in 2019 to 1.46 million in 2020 (Philippine Statistics Authority, 2020).

**Table 5***Number of Employees in the Food Service Industry, 2019*

Particulars	Paid employees	Unpaid employees	Total employees
Restaurants and mobile food service activities	386,853	11,671	398,524
Event catering and other food service activities	14,851	623	15,474
Beverage serving activities	29,788	1,147	30,935
Total	431,492	13,441	444,933

*Note.* Philippine Statistics Authority (2022). *2019 Annual Survey of Philippine Business and Industry (ASPBI) – Accommodation and Food Service Activities Sector* [Data Set]. Retrieved from <https://psa.gov.ph/content/2019-annual-survey-philippine-business-and-industry-aspbi-accommodation-and-food-service>

## B. Top Players in the Food Service Industry

From 2019 to 2021, only Max's Group Inc. was included in the Top 1,000 Corporations in the restaurant industry. Under the fast-food chain sub-industry, Epicurean Partners Exchange, Inc., Freemont Foods Corp., Fresh N' Famous Foods, Inc., Golden Arches Development Corp., Jollibee Foods Corp., Mang Inasal Philippines, Inc., PERF Restaurants Inc., PPI Holdings, Inc., S&R Pizza, Inc., and Shakey's Pizza Asia Ventures, Inc., were included. Meanwhile, Real American Doughnut Co., Inc. was included in the refreshment stands, kiosks, and counters sub-industry. Bounty Agro Ventures, Inc., Food Panda Philippines, Inc., and GRABEXPRESS, Inc. entered the list under the restaurants and mobile food service activities, and Rustan Coffee Corp. under the café or coffee shops sub-industry.

Jollibee Foods Corp. was the top player included in the Top 1,000 Corporations from 2019 to 2021. This was followed by Bounty Agro Ventures, Inc., Fresh N' Famous Foods, Inc., Freemont Foods Corp, Rustan Coffee Corp, Shakey's Pizza Asia Ventures, Inc., PERF Restaurants, Inc. which remained on the list during the same period. In 2020, Real American Doughnut Co., Inc. entered the list and placed 837<sup>th</sup>, while the Golden Arches Development Corp was excluded. In 2021, as online and food service delivery increased demand due to the height of the pandemic when many were forced to stay and work at home, Food Panda Philippines, Inc., GRABEXPRESS, Inc., and S&R Pizza, Inc. entered the list on the 497<sup>th</sup>, 593<sup>rd</sup>, and 990<sup>th</sup> spots, respectively, but Epicurean Partners Exchange, Inc., Mang Inasal Philippines, Inc., and PPI Holdings, Inc. were dropped from the list. (See Table 6.)

Because of the impact of the pandemic mitigation and management policies, Jollibee Foods Corp., the leading fast-food chain and top food service industry player in the country, had a 29% decline in gross revenue from 2019 to 2020. This decreased further by 44% in 2021. All the other listed top players also exhibited a reduction in their gross revenue at rates ranging from 8% to 58% from 2019 to 2021. Only Bounty

Agro Ventures, which grew by 16% from 2019 to 2020, went back to its almost pre-pandemic level in 2021.

**Table 6**

*Gross Revenue of Top 1,000 Corporations in the Food Service Industry  
(in Million Pesos)*

Rank as of 2021	Company	2019	2020	2021	2019-2021 % change
74	Jollibee Foods Corp.	71,012	50,444	8,355	-60.07
153	Bounty Agro Ventures, Inc.	15,003	17,379	15,563	3.73
228	Fresh N' Famous Foods, Inc.	25,534	22,201	10,686	-58.15
248	Freemont Foods Corp.	14,617	15,374	9,984	-31.70
259	Rustan Coffee Corp.	10,883	12,881	9,409	-13.54
475	Shakey's Pizza Asia Ventures, Inc.	7,072	7,629	4,527	-35.99
497	Food Panda Philippines, Inc.	n.a.	n.a.	4,278	n.a.
593	GRABEXPRESS, Inc.	n.a.	n.a.	3,561	n.a.
603	PERF Restaurants, Inc.	3,800	4,484	3,477	-8.50
961	Real American Doughnut Co., Inc., The	n.a.	2,527	1,671	n.a.
990	S&R Pizza, Inc.	n.a.	n.a.	1,589	n.a.
-	Epicurean Partners Exchange, Inc.	2,818	3,208	n.a.	n.a.
-	Golden Arches Development Corp.	27,426	n.a.	n.a.	n.a.
-	Mang Inasal Philippines, Inc.	13,274	5,413	n.a.	n.a.
-	Max's Group, Inc.	n.a.	2,056	n.a.	n.a.
-	PPI Holdings, Inc.	5,206	5,157	n.a.	n.a.

*Notes.* Business World (2019). Top 1,000 Corporations in the Philippines. *Is the Philippines ready to play with FIRE?* Business World Publishing Corporation

Business World (2020). Top 1,000 Corporations in the Philippines. *Navigating Recovery.* Business World Publishing Corporation

Business World (2021). Top 1,000 Corporations in the Philippines. *Reset, Rebuild, Recover.* Business World Publishing Corporation

The net income of all companies that remained in the Top 1,000 Corporations from 2019 to 2021 declined from 48% to 2,400%. Bounty Agro Ventures, Inc. incurred a net income of P307 million in 2021, a 48% decline from its pre-pandemic level of P593 million in 2019. On the other hand, the net income of Jollibee Foods Corp. declined by only 2%, from P6.53 billion in 2019 to P6.40 billion in 2020. However, its net income fell by 99% after Jollibee Foods Corp. bought other food and beverage chains such as Tim Ho Wan, Yoshinoya, and Milksha while expanding its network by opening more stores and renovating existing domestic and international branches in

2021. All the other institutions listed in the Top 1,000 Corporations reported a negative net income by the end of 2021. (See Table 7.)

**Table 7**

*Net Income of Top 1,000 Corporations in the Food Service Industry (in Million Pesos)*

Rank as of 2021	Company	2019	2020	2021	% Change
153	Bounty Agro Ventures, Inc.	593	598	307	-48.23
990	S&R Pizza, Inc.	n.a.	n.a.	82	n.a.
74	Jollibee Foods Corp.	6,534	6,402	60	-99.08
961	Real American Doughnut Co., Inc., The	n.a.	70	(166)	n.a.
475	Shakey's Pizza Asia Ventures, Inc.	618	1,115	(209)	-133.82
593	GRABEXPRESS, INC.	n.a.	n.a.	(279)	n.a.
259	Rustan Coffee Corp.	127	137	(435)	-442.52
60	PERF Restaurants, Inc.	(419)	(269)	(607)	44.87
248	Freemont Foods Corp.	32	39	(736)	-2,400.00
228	Fresh N' Famous Foods, Inc.	700	52	(2,802)	-500.29
497	Food Panda Philippines, Inc.	n.a.	n.a.	(4,022)	n.a.
-	Epicurean Partners Exchange, Inc.	(37)	3	n.a.	n.a.
-	Golden Arches Development Corp.	1,605	n.a.	n.a.	n.a.
-	Mang Inasal Philippines, Inc.	570	446	n.a.	n.a.
-	Max's Group, Inc.	n.a.	58	n.a.	n.a.
-	PPI Holdings, Inc.	7	(107)	n.a.	n.a.

*Notes.* Business World (2019). Top 1000 Corporations in the Philippines. *Is the Philippines ready to play with FIRE?* Business World Publishing Corporation

Business World (2020). Top 1000 Corporations in the Philippines. *Navigating Recovery.* Business World Publishing Corporation

Business World (2021). Top 1000 Corporations in the Philippines. *Reset, Rebuild, Recover.* Business World Publishing Corporation

### C. Contribution of the Food Service Industry to the Economy

Out of the P918 billion total revenue generated by the AFSA in 2019, 75.92%, or P697 billion, came from the food service industry. The AFSA revenue was equivalent to at least 2.21% of the Gross Domestic Product (GDP) valued at P19.52 trillion and 2.01% of the Gross National Income (GNI) valued at P21.42 trillion. Thus, the contribution of the food service industry to the GDP and GNI in that period was P327.82 billion. (See Table 8.)

**Table 8**

*Contribution of the Food Service Industry to the Philippine Economy in 2019  
(in Million Pesos)*

Particulars	Value
Food service industry revenue	696,989.00
AFSA revenue	918,010.93
% Food service industry revenue to AFSA revenue	75.92%
AFSA GVA	431,778.00
GDP	19,517,863.00
GNI	21,472,060.00
% AFSA to GDP	2.21
% AFSA to GNI	2.01
Estimated share of food service industry to GDP	327,822.37
Estimated share of food service industry to GNI	327,822.37

*Note.* Philippine Statistics Authority (2022). *2019 ASPBI – AFSA Sector*. Philippine Statistics Authority. <https://psa.gov.ph/content/2019-annual-survey-philippine-business-and-industry-aspbi-accommodation-and-food-service>  
Philippine Statistics Authority (2021). *Q1 2019 to Q4 2021 National Accounts of the Philippines*. Philippine Statistics Authority. <https://psa.gov.ph/sites/default/files/4th%20Quarter%202021%20National%20Accounts%20of%20the%20Philippines.pdf>

### III. TAXATION OF THE FOOD SERVICE INDUSTRY

#### A. Income Tax

Income derived by individuals who are operators of food service industry establishments registered under single proprietorship are subject to personal income tax rates corresponding to the schedule as follows:

Not over P250,000	0%
Over P250,000 but not over P400,000	15% of the excess over P250,000
Over P400,000 but not over P800,000	P22,500 + 20% of the excess over P400,000
Over P800,000 but not over P2,000,000	P102,500 + 25% of the excess over P800,000
Over P2,000,000 but not over P8,000,000	P402,500 + 30% of the excess over P2,000,000
Over P8,000,000	P2,202,500 + 35% of the excess over P8,000,000



Meanwhile, income derived by corporations in the food service industry is subject to the payment of an income tax of 25% upon their taxable income derived in and out of the country during each taxable year pursuant to Section 27(A) of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act (RA) No. 11534<sup>1</sup> or the CREATE Law. For corporations with net taxable income less than P5 million and assets excluding the land on which the office, plant, and equipment are situated, less than P100 million shall be taxed at 20%.

On the other hand, instead of the regular corporate income tax, a corporation has to pay a minimum corporate income tax (MCIT) of 2% of the gross income when the minimum income tax is greater than the tax computed under Section 27(A) of the Tax Code beginning the fourth year of operation as provided under Section 27(E) of the NIRC of 1997, as amended. Pursuant to Section 7 of the CREATE Law, the MCIT shall be one percent (1%) effective on 1 July 2020 until 30 June 2023.

## **B. Value-Added Tax and Percentage Taxes**

Pursuant to Section 106 of the NIRC of 1997, as amended, any person engaged in the food service industry is subject to a value-added tax (VAT) of 12% of the gross selling price or gross value in money of the goods sold. A zero percent VAT is levied for export sales as defined by Section 106(A)(2)(a) of the Tax Code. Meanwhile, those with food and/or beverage gross annual sales that do not exceed P3 million are exempt from the payment of VAT.

Any input tax of any VAT-registered person with an invoice or official receipt may be credited against the output tax of persons engaged in the food service industry. These include the purchase of services or goods for sale, for conversion, for use as supplies in the course of business, for use as materials supplied in the sale of service, and for use in a trade or business for which deduction for depreciation or amortization is allowed.

On the other hand, persons engaged in the food and beverage service industry who are not VAT-registered and are not liable to pay the 12% VAT are likewise required to pay a percentage tax equivalent to 3% of their gross quarterly sales or receipts, provided that the rate shall be 1% effective July 1, 2020, until June 30, 2023, pursuant to Revenue Regulations (RR) No. 4-2021 issued on April 8, 2021. In the same issuance, cooperatives are exempt from the percentage tax on the condition that they must secure a tax exemption certificate.

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<sup>1</sup> Entitled, “An Act Reforming the Corporate Income Tax and Incentives Systems, Amending for the Purpose Sections 20, 22, 25, 27, 28, 29, 34, 40, 57, 109,116, 204, and 290 of the National Internal Revenue Code of 1997 as Amended and Creating Therein New Title XIII, and for Other Purposes”, (March 26, 2021).

### C. Excise Tax and Other Taxes

Pursuant to Sections 141, 142, and 143 of the NIRC of 1997, as amended by RA 10963<sup>2</sup> or the TRAIN Law, an excise tax is imposed on distilled spirits, wines, and fermented liquor based on either net retail price or volume. In addition to the existing excise taxes from the TRAIN Law, RA 11346<sup>3</sup> imposes an additional tax on tobacco products, vapor products, cigars, and cigarettes based on the volume of tobacco or nicotine, number of packs, or net retail price pursuant to Sections 144 and 145 of the NIRC of 1997, as amended. On the other hand, sweetened beverages are taxed based on volume depending on the type of sweetener used as per Section 150. (See Table 9.)

**Table 9**

*Rates of Excise Taxes on Alcoholic Products, Tobacco and Vapor Products, and Sweetened Beverages*

NIRC section	Particulars	Excise tax rate
141	Distilled spirits	22% of the net retail price per proof and a specific tax of P52 per liter
142	Wines	P50 per liter and is increased by 6% every year thereafter, effective January 1, 2021
143	Fermented liquor	P39 per liter and shall be increased by 6% every year thereafter, effective January 1, 2025
144 (A)	Tobacco	P 1.75 per kilogram of tobacco
144 (B)	Heated tobacco	P30 per pack of 20 units or packaging combinations of more than 20 units

<sup>2</sup> Entitled “An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes”, (December 19, 2017).

<sup>3</sup> Entitled, “An Act Increasing the Excise Tax on Tobacco Products, Imposing Excise Tax on Heated Tobacco Products and Vapor Products, Increasing the Penalties for Violations of Provisions on Articles Subject to Excise Tax, and Earmarking a Portion of the Total Excise Tax Collection from Sugar-Sweetened Beverages, Alcohol, Tobacco, Heated Tobacco and Vapor Products for Universal Health Care, Amending for this Purpose Sections 144, 145, 146, 147, 152, 164, 260, 262, 263, 265, 288, and 289, and Repealing Section 288(B) and 288(C), and Creating New Sections 263-A, 265-B, and 288-A of the National Internal Revenue Code of 1997, as Amended by RA 10963 and for Other Purposes”, (July 25, 2019).

NIRC section	Particulars	Excise tax rate
144 (C)	Vapor products	P47 per milliliter of nicotine or nicotine salt or a fraction thereof
		P55 per 10 milliliters of conventional or classic nicotine, effective January 1, 2022
145 (A)	Cigars and cigarettes	20% of the net retail price per cigar and a specific tax of P5 per cigar, which shall be increased by 5%, effective January 1, 2024
145 (B)	Cigarettes packed by hand	P55 per pack, which shall be increased by 5%, effective January 1, 2024
145 (C)	Cigarettes packed by machine	P55 per pack, which shall be increased by 5%, effective January 1, 2024
150 (B)	Sweetened beverages	P6 per liter of volume capacity on sugar-sweetened beverages (SSBs) using purely caloric and non-caloric sweeteners or a mix of both
150 (B)	Sweetened beverages	P12 per liter of volume capacity on SSBs using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener

A portion of the total collection from the excise taxes on SSBs, tobacco, and alcoholic products has been earmarked to bankroll the national and local government units (LGUs) social amelioration programs. Specifically, 40% of excise tax collections from SSBs, 60% from alcohol products, 40% from tobacco products, and 60% from heated tobacco and vapor products shall be rendered to the Philippine Health Insurance Commission (PhilHealth) for the implementation of RA 11223<sup>4</sup>. Nationwide medical assistance and the Health Facilities Enhancement Program (HFEP) shall be funded from the 10% collection from SSBs, 20% from alcohol products, 10% from tobacco products, and 20% from heated tobacco and vapor products. Moreover, the programs aiming to attain the Sustainable Development Goals (SDGs) shall also be funded by the 20% excise tax collection from alcohol products. Lastly, the LGUs (provincial and municipal levels) producing burley and native tobacco shall also receive a portion of revenues from the excise tax on tobacco products. (See Table 10.)

<sup>4</sup> Entitled, “An Act Instituting Universal Health Care for All Filipinos, Prescribing Reforms in the Health Care System, and Appropriating Funds Thereof”.

**Table 10**

*Allocation of Total Excise Tax Collection on Sweetened Beverages, Alcoholic Products, Tobacco Products, and Vapor Products*

Particulars	Sweetened beverages	Alcoholic products	Tobacco products	Heated tobacco and vapor products
PhilHealth	80% of 50%	60% of 100%	80% of 50%	60% of 100%
Medical assistance and HFEP	20% of 50%	60% of 100%	20% of 50%	20% of 100%
SDGs	n.a.	20% of 100%	n.a.	n.a.
LGUs	n.a.	n.a.	5% of 100%	n.a.

*Note.* National Internal Revenue Code of 1997, as amended, Sec. 288-A

#### IV. IMPACT OF COVID-19 ON THE FOOD SERVICE INDUSTRY

##### A. On the Operations of the Food Service Industry

###### 1. 2020-2021 Quarantine guidelines

At the onset of the pandemic, an ECQ had been implemented by the Interagency Task Force for the Management of Emerging Infectious Diseases or the IATF prescribing the observance of minimum public health standards at all times, strict home quarantine, and access to only essential goods and services. As such, only skeleton workforces were allowed to work or operate, including food preparation establishments insofar as take-out and delivery services, among others. When the Modified ECQ (MECQ) was implemented, food preparation services reverted to 50% of their operational capacity. Meanwhile, when the MECQ was lifted and transitioned to General Community Quarantine (GCQ) and Modified GCQ (MGQC), the food service industry reverted to full and maximum capacity, respectively (Interagency Task Force for the Management of Emerging Infectious Diseases, 2020).

###### 2. Important legislation

The different quarantine classifications adopted entail implementing safety measures to contain the spread of COVID-19. This includes the declaration of a nationwide state of a public health emergency, suspension of classes, work, and public transport by land, sea, and air to and from Metro Manila, strict social distancing, and suspension of mass gatherings (Congressional Policy and Budget Research Department, 2020). Because of these regulations, there have been adverse effects on the operations of businesses, including the food service industry, as those who avail of their goods and services inside establishments were restricted only to

essential travel. To cushion the impact of such regulations on the MSMEs, including those in the food service industry, a number of economic responses were institutionalized through RA 11469<sup>5</sup> or the *Bayanihan to Heal as One*.

For instance, the statutory deadlines and timelines for paying taxes, fees, and other charges required by law were moved. A minimum of a 30-day grace period had also been provided for the payment of loans and residential rents falling due within the period of the ECQ without incurring interests, penalties, fees, and other charges. The Food Service Industry likewise benefitted from the programs offered by the Department of Trade and Industry (DTI), including the Small Business Corporation, which offered loans from P5,000 to P200,000 with a 0.5% interest rate to increase the enterprises' working capital and the *Livelihood Seeding Program-Negosyo Serbisyo sa Barangay Program* (LSP-NSB), which offered livelihood kits and business advisory assistance of P5,000 to P8,000 to help the small businesses to recover.

On the other hand, the Philippine Guarantee Corporation (PhilGuarantee) provided P120 billion worth of working capital by giving 50% guarantee cover for loans given by PhilGuarantee-accredited banks and financial institutions. The Department of Finance, with the Social Security System, also launched the Small Business Wage Subsidy Program valued at P45.6 billion for two months (Congressional Policy and Budget Research Department, 2020). With the *Bayanihan to Recover as One Act*, or the RA 11494<sup>6</sup>, the provision of said stimulus packages had been extended to bolster economic recovery.

## B. On the Tax Collections from the Food Service Industry

From 2015 to 2020, a total of P80.58 billion worth of income tax was collected from enterprises engaged in the Food Service Industry, equivalent to an average of P13.43 billion per year. During the period under review, income tax collection generally increased annually except in 2018 and 2020, when collection declined by 1.5% and 40.1%, respectively. (See Table 11.) The income tax collection in 2020 was 26% lower than the period's average, and such a decline was an apparent impact of the pandemic response to shifting work arrangements from on-site reporting to a work-from-home set-up and face-to-face classes to remote learning from home. As a result, the Food Service Industry lost its walk-in customer base and was forced to operate online to stay in business.

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<sup>5</sup> Entitled, "An Act Declaring the Existence of a National Emergency Arising from the Corona Virus Disease 2019 (COVID-19) Situation and a National Policy in Connection Therewith, and Authorizing the President of the Republic of the Philippines for a Limited Period and Subject to Restrictions, to Exercise Powers Necessary and Proper to Carry Out the Declared National Policy and for Other Purposes", (March 4, 2020).

<sup>6</sup> Entitled, "An Act Providing for COVID-19 Response and Recovery Interventions and Providing Mechanism to Accelerate the Recovery and Bolster the Resiliency of the Philippine Economy, Providing Funds Therefor, and for Other Purposes", (September 11, 2020).

**Table 11***Income Tax Collection from the Food Service Industry, 2015-2020*

Year	Income tax (in Million Pesos)	% Change
2015	11,457.14	n.a.
2016	12,894.41	12.54
2017	14,961.43	16.03
2018	14,736.34	-1.50
2019	16,595.37	12.62
2020	9,936.20	-40.13
Total	80,580.89	-13.28

*Note.* Data From Bureau of Internal Revenue, Official Communication (28 February 2022)

The same effect was observed in the VAT and percentage tax collections from the food service industry when the height of the pandemic hit in 2020. From 2015 to 2019, an average of P11.89 billion and P1.07 billion of VAT and percentage tax, respectively, were collected annually. However, collections declined by 47% for VAT and 43% for percentage tax in 2020. (See Table 12.) This was congruent to the 3.8% decrease in the number of small, medium, and large enterprises which collectively pay the VAT and the 7.4% decrease in the number of micro-enterprises that pay the percentage tax. (See Table 4.)

**Table 12***VAT and Percentage Tax Collections from the Food Service Industry, 2015-2020*

Year	VAT		Percentage tax	
	Collection (in Million Pesos)	% Change	Collection (in Million Pesos)	% Change
2015	9,795.18	n.a.	836.09	n.a.
2016	10,280.07	4.95	936.59	12.02
2017	11,853.67	15.31	1,106.57	18.15
2018	12,905.31	8.87	1,144.62	3.44
2019	14,631.35	13.37	1,344.62	17.47
2020	7,703.41	-47.35	763.96	-43.18
Total	67,169.00	-21.36	6,132.45	-8.63

*Note.* Data From Bureau of Internal Revenue, Official Communication (28 February 2022)

Excise tax collection from the food service industry in a year reached an average of P2.89 billion from 2015 to 2019 but declined by 56% in 2020. Excise taxes on alcoholic products, tobacco and vapor products, and sweetened beverages are paid by the manufacturers. The reduction in tax collection reflected the decline in the demand for such products that ceased to be sold from food service stores or establishments. Likewise, other taxes collected decreased by 25% from P891 billion in 2019 to P666 billion in 2020. (See Table 13.)

**Table 13**

*Collection of Excise Tax and Other Taxes from the Food Service Industry, 2015-2020*

Year	Excise tax		Other taxes	
	Collection (in Million Pesos)	% Change	Collection (in Million Pesos)	% Change
2015	0.49	n.a.	358.94	n.a.
2016	1.70	244.94	432.33	20.45
2017	2.28	33.76	489.78	13.29
2018	4.10	80.09	693.04	41.50
2019	5.92	44.54	891.17	28.59
2020	2.60	-56.08	666.12	-25.25
Total	17.09	427.46	3,531.38	85.58

*Note.* Data from Bureau of Internal Revenue, Official Communication (28 February 2022)

## V. INDUSTRY FORECAST AND PROPOSED REGULATIONS

The Philippine food service market is expected to grow at a compound annual growth rate (CAGR) of 7.83% in 2026 from its market value of US\$10,370.6 in 2021. This is expected from the growing demand for food services using digital platforms and online financial transactions. There is also a higher online engagement and marketing between food service providers and consumers (Mordor Intelligence, 2021). Based on an online survey conducted with 10,394 respondents in August 2021, 23% of consumers order online once or twice a week, 20% order several times a month, 20% order less than once a month, 13% never ordered online, 12% order at least 3-6 times a week, 7% order several times a day, 4% order once a day. (Statista, 2022).

To help achieve or even exceed this forecast, Senate Bill (SB) No. 499<sup>7</sup> was filed to provide incentives to restaurants to help them transition to a post-pandemic economy.

<sup>7</sup> Entitled, “An Act to Revive the Restaurant Industry for a Post-Covid19 Economy and Ensure their Transition to a Better Normal”. Introduced by Sen. Loren Legarda, Nineteenth Congress, First Regular Session.

Proposed under Section 3 of the said bill, the DTI shall issue rules and regulations for the implementation of the following:

- a. All local government fees and charges shall not be due and demandable, and only 50% of what would have been assessed during the COVID-19 pandemic will be chargeable to succeeding years upon effectivity of the Act subject to certain conditions;
- b. Commercial spaces where the restaurants are established, upon showing that the tenant has endeavored to stay open and retain at least  $\frac{3}{4}$  of their staff, shall not be taxed for the current year for rentals paid;
- c. That for restaurants paying percentages taxes on their income, the 20% discount for senior citizens and persons with disability (PWD) shall be counted as deductions in the computation of income taxes or as input VAT for those paying VAT;
- d. That for restaurants with mandated payments to the government or government-owned and controlled corporations (GOCC), the owner may propose a reasonable payment plan that is spread out over 24 months with acceptance subject to certain conditions; and
- e. That no government agency, LGU, or GOCC shall apply any penalty for failure to pay any of the fees enumerated in Section 3(d) of the bill.

SB 499 also proposes establishing a Restaurant Industry Bridge Fund worth P30 billion to grant restaurants loans and bridge funds to help them continue operations. This fund is proposed to be sourced from the General Appropriations Act.

The Food Service Industry may also benefit from the provisions laid by the Unnumbered House Bill<sup>8</sup> to support economic recovery and employment by mandating the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) to expand their credit programs and rediscounting facilities to assist eligible MSMEs engaged in infrastructure, service industry (including that of the food service industry), manufacturing business, and/or agribusiness value chain. Loan Assistance Programs, rediscounting, and other programs of LBP and DBP for the eligible MSMEs shall be exempted from the payment of documentary stamp tax, capital gains tax, creditable withholding tax, VAT, gross receipts tax, and other taxes that may be imposed under the NIRC of 1997, as amended, whichever is applicable.

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<sup>8</sup> Entitled, “An Act Providing for Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)” in Substitution of House Bills No. 1, 685, 3460, and 3700. Introduced by Representatives Romualdez, F., Tieng, et al., Nineteenth Congress, First Regular Session.



## VI. CONCLUSION

The food service industry undeniably contributes much to the economy, specifically in employment and revenue generation. When the pandemic hit, the demand for dine-in services declined along with the operations of the whole food service sector, regardless of size. Even with the extension of deadlines on the filing and payment of taxes provided, collections from the food service industry on income tax, VAT, percentage taxes, excise tax, and other taxes declined significantly by at least 25% and at most 56%.

The demand for food service is slowly picking up as the community quarantines were eased and non-essential travel restrictions were lifted, work-from-home setups reverted to office reporting, and remote learning returned to face-to-face classes. As such, the industry may expect to bounce back to pre-pandemic levels as spending is encouraged to help economic recovery.

However, since the then traditional consumers have already formed the habit of buying their essentials, including food, online as a consequence of the pandemic, there is a need for the food service industry to build its online presence in order to remain resilient and create opportunities for their businesses to grow.

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