REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

RA No. 7916, E.O. No. 226; Section 57, National Internal Revenue Code of 1997, as amended; Revenue Regulations No. 2-98 **ST-** 020-2024
MAR 14 2024

BASIC NECESSITY, INC.
Tel: (
Tel/Fax:
e-mail:

Km. 50 Emilio Aguinaldo Hi-way,
Lalaan 2nd, Silang, Cavite
P.O. Box 42, Silang, 4118 Cavite

Attention: **Lyndo Co Say Tan**
President

Gentlemen:

This refers to your request for a confirmatory ruling that Basic Necessity, Inc. ("BNI" for brevity) is exempt from the creditable withholding tax (CWT) imposed under Revenue Regulations (RR) No. 2-98, as amended.

It is represented that BNI is a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, registered with the Securities and Exchange Commission with Company Registration No. . The primary purpose of the company is:

> "To engage in, conduct, and carry on the business of buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind of description; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise, broker, indentor, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise, or products whether natural or artificial."

Pursuant to its primary purpose, BNI is engaged in the production of bean sprouts and alfalfa sprouts and is duly registered with the Philippines Board of Investments (BOI) with Certificate of Registration No. 2023-041. As a duly qualified Domestic Market Enterprise, BNI was granted the following incentives by the BOI subject to the terms and conditions of the Registration Agreement:

a) Income Tax Holiday (ITH) for six (6) years;

OT- 020-2024
MAR 14 2024

b) Enhanced Deductions for five (5) years;
c) Duty Exemption for twelve (12) years.

In reply, please be advised that Section 2.57.5 (B) (2) of RR No. 2-98, as amended, implementing Section 57 (B) of the National Internal Revenue Code (Tax Code) of 1997, as amended, states that the withholding tax prescribed in the said Regulations shall not apply to income payments to persons enjoying exemption from the income tax provided by Republic Act No. 7916 and the Omnibus Investment Code of 1987.

Thus, Basic Necessity, Inc. is exempt from CWT on revenues generated from its registered project or activity duly registered with the BOI under Certificate of Registration No. 2023-41 dated March 8, 2023, for a period of six (6) years beginning June 2023 or the actual start of commercial operations within three (3) years from the date of registration[1], whichever is earlier, but in no case earlier than the date of registration of the project or activity with the BOI, pursuant to Executive Order (EO) No. 226, otherwise known as the "Omnibus Investments Code of 1987" and Section 2.57.5 (B) (2) of RR No. 2-98, as amended. Also, only revenues derived exclusively from the registered activity or project shall be exempt from CWT.

Lastly, BNI's entitlement to CWT exemption for its BOI – registered project is subject to compliance with the provisions of the Specific Terms and Conditions of its BOI-COR.

This ruling is being issued on the basis of the foregoing facts as represented. However, if, upon investigation, it is ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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[1] Specific Terms and Conditions of Board of Investments – Certificate of Registration No. 2023-41