Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

BAGONG PILIPINAS

PD No. 1869 Sec. 109(1)(K), TC	000-00	

Person to Contact: Chief, Legal & Legislative Division
Tel Nos. 8926-5536 / 8927-0963

OT- 032-2025

Date: JAN 21 2025

PLAYMATE LEISURE SOLUTIONS CORP.
9th Floor, Two/NEO, 3rd Avenue corner 28th Street
Bonifacio Global City, Taguig City 1634

Attention: **Mr. Arvin Erick M. Vicente**
President

Gentlemen:

This refers to your request for confirmation that the tax exemptions of Philippine Amusement and Gaming Corporation (PAGCOR) pertaining to its gaming operations are extended to **Playmate Leisure Solutions Corp.** ("**PLSC**"), being a contractee and licensee, hence, PLSC's income from its gaming operations are likewise not subject to corporate income tax (CIT) and value-added tax (VAT) but only subject to 5% franchise tax pursuant to Section 13(2)(a) and (b) of Presidential Decree (PD) No. 1869, as amended.

Background

As represented, PLSC is a domestic corporation organized and existing under the laws of the Republic of the Philippines doing business under the name and style of Playmate Leisure Solutions Corp.

On October 24, 2023, PAGCOR gave PLSC, under Grant of Authority, the authority to hold and operate Electronic Games. The basis of authority of PAGCOR to issue the grant to PLSC is based on Sections 8 and 9 of PD No. 1869, as amended, which read as follows:

> "**Section 8. Registration.** – All persons primarily engaged in gambling, together with their allied business, with contract or franchise from the Corporation shall register and affiliate their business with the Corporation. The Corporation shall issue the corresponding certificates of affiliation upon compliance by the registering entity with the promulgated rules and regulations thereon."
>
> "**Section 9. Regulatory Power.** – The corporation shall maintain a Registry of the affiliated entities, and shall exercise

all the powers, authority and the responsibilities vested in the Securities and Exchange Commission over such affiliated entities mentioned under the preceding section, including but not limited to amendments of Articles of Incorporation and By-Laws, change in corporate term, structure, capitalization and other matters concerning the operation of the affiliating entities, the provisions of the Corporation Code of the Philippines to the contrary notwithstanding, except only with respect to original incorporation."

Hence, this request.

Discussion/Ruling

In reply, please be informed that Section 13(2)(a) and (b) of PD No. 1869, as amended by Republic Act (RA) No. 9487, provides:

"SEC. 13. Exemptions. —

*(2) Income and other taxes — (a) Franchise Holder: **No tax of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, shall be assessed and collected under this Franchise from the Corporation, nor shall any form of tax or charge attach in any way to the earnings of the Corporation, except a Franchise Tax of five (5%) percent of the gross revenue or earnings derived by the Corporation from its operation under this Franchise.** Such tax shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.*

xxx xxx xxx

*(b) Others: The exemption herein granted for earnings derived from the operations conducted under the franchise, specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, **shall inure to the benefit of and extend to** corporation(s), association(s), agency(ies), or individual(s) with whom the Corporation or operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise and to those receiving compensation or other remuneration from the Corporation or operator as a result of essential facilities furnished and/or technical services rendered to the Corporation or operator."* (Emphasis and underscoring supplied)

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Considering the above-cited provisions, the Supreme Court clarified in **Bloomberry Resorts and Hotels, Inc. v. Bureau of Internal Revenue,**[1] that PAGCOR's tax privilege of paying only a five percent (5%) Franchise Tax for income generated from its gaming operations (i.e., casinos and other related amusement places), in lieu of all other taxes, inures to the benefit of PAGCOR's licensees.

Moreover, in the case of **Bloomberry Resorts and Hotels, Inc. vs. Bureau of Internal Revenue**, the Supreme Court declared in no uncertain terms that like PAGCOR, **its *contractees and licensees* remain exempted from the payment of corporate income tax and other taxes** since Section 13 (2) of PD No. 1869, as amended, is clear that said exemption inures to their benefit, *viz:*

> *"Simply then, in this case, we adhere to the principle that since the statute is clear and free from ambiguity, it must be given its literal meaning and applied without attempted interpretation. This is the plain meaning rule or verba legis, as expressed in the maxim index animi sermo or speech is the index of intention.*
>
> *Plainly, too, upon payment of the 5% franchise tax, petitioner's income from its gaming operations of gambling casinos, gaming clubs and other similar recreation or amusement places, and gaming pools, defined within the purview of the aforesaid section, is not subject to corporate income tax."*

With regard to the VAT exemption of PLSC, Section 109 (1) (K) of the National Internal Revenue Code of 1997 (Tax Code), as amended, provides:

> *"**SEC. 109. Exempt Transactions.** – (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:*
>
> *xxx xxx xxx*
>
> *(K) Transactions which are exempt under international agreements to which the Philippines is a signatory or **under special laws**, except those under Presidential Decree No. 529;"* (Emphasis supplied)

Thus, PAGCOR and its contractees/licensees are exempt from the payment of VAT because PAGCOR's charter, PD No. 1869, is a special law that grants PAGCOR exemption from taxes and such exemptions extend or inure to the benefit of its licensees.

Premises considered, this Office hereby rules that since PLSC is a contractee/ licensee of PAGCOR, the exemption from taxes, fees and charges enjoyed by

[1] G.R. No. 212530, August 10, 2016.

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PAGCOR is extended to PLSC pursuant to Section 13 (2)(b) of PD No. 1869, as amended. Thus, the income derived by PLSC solely from its gaming operations is subject only to the 5% Franchise Tax, and shall be exempt from CIT and VAT. Therefore, your opinion that as PAGCOR contractee/licensee, PLSC shall only pay 5% Franchise Tax in lieu of all taxes on income from gaming operations i.e., **electronic bingo, sports betting, electronic (eCasino) games** is hereby CONFIRMED but only during the validity of its Certificate of Authority issued by PAGCOR on the specified gaming site. However, for the purpose of applying the 5% franchise tax, any income that may be realized by PLSC from unrelated services or services not falling under gaming operations, shall be subject to CIT and VAT.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be 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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