REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Section 32(B)(7)(a) of the National Internal Revenue Code of 1997, as amended; Section 2.57.5(B) of the Revenue Regulations No. 2-98, as amended
BIR Ruling No. 51-2012
BIR Ruling No. 178-2016
BIR Ruling No. 1106-2018
BIR Ruling No. 433-2019
OT-125-2022
APR 04 2022

R.G MANABAT & CO.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati city
Philippines 1226

Attention: **MARY KAREN E. QUIZON-SAKKAM**
Partner, Tax

Gentlemen:

This refers to your request on behalf of your client, Reco Herrera Private Limited ("**RHPL**"), for confirmation that income derived by RHPL from its current and future investments in the Philippines in loans, stocks, bonds, or other domestic securities, or from interest on its deposits in banks in the Philippines, is exempt from Philippine income tax, and consequently, from withholding tax pursuant to Section 32(B)(7)(a) of the National Internal Revenue Code of 1997, as amended ("**Tax Code**").

It is represented that RHPL, with registered office address at 168 Robinsons Road, #37-01 Capital Tower, Singapore 068912, is an entity organized and existing under the laws of Singapore engaged to carry on the business of investment, to act as a holding company and to undertake and to transact all kinds of investment business. Likewise, RHPL was established to make investments with the aim to preserve and enhance the international purchasing power of the Government of Singapore's reserves by achieving good long-term returns on the investments.[1] RHPL is not registered as a corporation, partnership, or One Person Corporation ("**OPC**") in the Philippines.[2]

It is further represented that RHPL is a wholly owned subsidiary of Recosia Pte Ltd ("**RPL**"), a Singaporean entity which is, in turn, wholly owned by GIC (Realty) Pte Ltd ("**GICR**"), formerly Government of Singapore Investment Corporation (Realty) Private Limited. GICR is also a company incorporated under the laws of Singapore and is wholly

[1] Per Letter issued by the Government of Republic of Singapore signed by Mr. Lim Zhi Jian, Director (Reserves and Investments) for Permanent Secretary, Ministry of Finance dated May 10, 2021; Register of Members of GIC (Realty) Private Limited.
[2] Per Certification of Non-Registration of Company issued by the Securities and Exchange Commission dated June 25, 2021.

owned by the Government of Singapore.[3] Thus, RHPL is ultimately owned and controlled by the Government of Singapore. Also, all income of RHPL inures to the benefit of the Government of Singapore.[4]

Under Regulation 10(2) of the Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 of Singapore and as confirmed by the Inland Revenue Authority of Singapore, RHPL is classified as a "non-reporting financial institution" for common reporting standard purposes, specifically, under the category "Governmental Entity".[5]

In reply, please be informed that Section 32(B)(7)(a) of the Tax Code provides that income derived from investments in loans, stocks, bonds or other domestic securities, or from interest on deposits in banks in the Philippines by (1) foreign governments, (ii) financing institutions owned, controlled, or enjoying refinancing from foreign governments, and (iii) international or regional financial institutions established by foreign governments are exempt from income tax, to *wit* –

> *"Section 32. Gross income. –*
>
> *xxx xxx xxx*
>
> *(B) Exclusions from Gross Income. – The following items shall not be included in gross income and shall be exempt from taxation under this Title:*
>
> *xxx xxx xxx*
>
> *(7) Miscellaneous Items. –*
>
> *(a) Income Derived by Foreign Government. - Income derived from investments in the Philippines in loans, stocks, bonds or other domestic securities, or from interest on deposits in banks in the Philippines by (i) foreign governments, (ii) financing institutions owned, controlled, or enjoying refinancing from foreign governments, and (iii) international or regional financial institutions established by foreign governments."*

Further, Section 2.57.5(B) of the Revenue Regulations No. 2-98, as amended, provides that withholding of creditable withholding taxes shall not apply to income payments made to entities enjoying exemption from payment of income taxes pursuant to the provisions of any general or special law.

Based on the foregoing, any income derived from investment in the Philippines in loans, stocks, bonds, or other domestic securities, or from interest on its deposits in banks in the Philippines by financing institutions owned, controlled, or enjoying refinancing from foreign

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[3] Per Letter issued by the Government of Republic of Singapore signed by Mr. Lim Zhi Jian, Director (Reserves and Investments) for Permanent Secretary, Ministry of Finance dated May 10, 2021; Register of Members of GIC (Realty) Private Limited.

[4] Per Memorandum and Articles of Association of Reco Herrera Pte Ltd.

[5] Per Letter issued by the Inland Revenue Authority of Singapore confirming that Reco Herrera Pte Ltd falls within the scope of a "non-reporting financial institution" for common reporting standard purposes, signed by Ms. Koh Wei Ling, Manager-Automatic Exchange of Information of International Tax and Relations Division dated January 8, 2021.

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governments are not subject to Philippine income tax and, consequently, to any withholding tax.[6]

Considering that RHPL is a bank and/or financial holding company wholly owned and controlled by the Government of Republic of Singapore, it falls under the purview of Section 32(B)(7)(a)(ii) of the Tax Code. Hence, RHPL's current and future investments in the Philippines in loans, stocks, bonds, or other domestic securities, or from interest on its deposits in banks in the Philippines are not subject to Philippine income tax and, consequently, to any withholding tax.

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

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[6] BIR Ruling No. 433-2019 dated August 1, 2019; BIR Ruling No. 1106-2018, July 24, 2018; BIR Ruling No. 178-2016 dated May 16, 2016; BIR Ruling No. 51-2012 dated February 9, 2012; *Commissioner of Internal Revenue v. Manila Electric Company*, G.R. No. 181459, June 9, 2014.