January 24, 2020

BIR RULING NO. VAT-006-20

Sections 109 (J) and 108 (B) (3) of the National Internal Revenue Code of 1997, as amended; Executive Order No. 226; BIR Ruling No. 270-2015

Noble Systems Philippines Corporation
U2108 Raffles Corporate Center, F Ortigas Road
San Antonio, Ortigas Center
Pasig City 1605

Attention: *AAA*

Gentlemen :

This refers to your letter dated August 14, 2014, requesting on behalf of **Noble Systems Philippines Corporation**, for value added tax (VAT) exemption pursuant to Section 109 (J) of the National Internal Revenue Code of 1997, as amended, and Chapter IV, Article 65, Book III of Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, as amended.

Background:

Noble Systems Corporation, a multinational company organized and existing under the laws of the United States of America, was granted a license by the Securities and Exchange Commission (SEC) under SEC Registration No. FS200903109 dated March 03, 2009, to establish a regional headquarter in the Philippines and do business under the name of Noble Systems Philippines Corporation, in accordance with the Omnibus Investment Code of 1987, as amended by Republic Act (RA) No. 8756.

Noble Systems Philippines Corporation with BIR Taxpayer's Identification No. (TIN) 000-000-000-000 and Certificate of Registration No. OCN 3RC0000478741 dated September 18, 2009, was established to act as supervisory, communication and coordinating center for its affiliates, subsidiaries or branches in the Philippines. Its SEC registration does

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not allow to derive any income from sources within the Philippines and to participate in any manner in the management of any subsidiary or branch office the foreign entity have in the Philippines.

In reply, please be informed that Section 109 (1) (J) of the National Internal Revenue Code of 1997, as amended, states that:

"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

(J) Services rendered by regional or area headquarters established in the Philippines by multinational corporations which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines";

Moreover, Section 108 (B) (3) of the National Internal Revenue Code of 1997, as amended, provides that services rendered by VAT-registered persons to persons or entities exempt under special laws shall be subject to VAT at zero-percent (0%) rate, to wit:

"SEC. 108. Value-Added Tax on Sale of Services and Use or Lease of Properties. —

xxx xxx xxx

(B) Transactions Subject to Zero Percent (0%) Rate. — The following services performed in the Philippines by VAT-registered persons shall be subject to zero-percent (0%) rate:

xxx xxx xxx

(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is signatory effectively subjects the supply of such services to zero percent (0%) rate:

xxx xxx xxx"

Furthermore, Chapter IV, Article 65, Book III of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, provides *viz.*:

"Article 65. Value-Added Tax. — The regional or area headquarters established in the Philippines by multinational companies shall be exempted from the

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value-added tax. In addition, the sale or lease of goods and property and the rendition of services to regional or area headquarters shall be subject to zero percent (0%) VAT rate as provided for in the National Internal Revenue Code, as amended."

Under the above quoted provisions, it is clear that regional or area headquarters established in the Philippines by multinational companies which act as supervisory, communications and coordinating centers for its subsidiaries, branches or affiliates in the Asia-Pacific Region and other foreign markets and which does not earn or derive income in the Philippines are exempt from VAT and that the sale or lease of goods or properties to them are subject to the zero-percent (0%) VAT rate. Thus, considering that Noble Systems Philippines Corporation was established to act as supervisory, communication and coordinating center for its affiliates, subsidiaries or branches in the Philippines, it shall be exempt from VAT, provided, that it does not earn or derive income from the Philippines. Also, since Executive Order No. 226 is a special law, the sale or lease of goods and property and the rendition of services to Noble Systems Philippines Corporation shall be subject to zero percent (0%) VAT.

Please take note however, that Noble Systems Philippines Corporation's books of accounts and other pertinent records shall be subject to periodic examination by revenue enforcement officers of this Bureau for purposes of ascertaining whether it has been complying with the conditions under which it has been granted tax exemption or tax incentives and its tax liability, if any, pursuant to Section 235 of the National Internal Revenue Code of 1997, as amended.

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

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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