October 23, 2018

BIR RULING NO. 1300-18

Sec. 32 (B) (7) (a); BIR Ruling No. 294-12; BIR Ruling No. 449-12; BIR Ruling No. 495-12

SGV & Co.
6760 Ayala Avenue
1226 Makati City

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 27, 2012 requesting on behalf of your client, the People's Bank of China (PBOC), which is the Central Bank of the People's Republic of China (PRC), for confirmation that pursuant to Section 32 (B) (7) (a) of the 1997 Tax Code, any income derived by PBOC from its investments in the Philippines in loans, stocks, bonds or other domestic securities, or from interests on its deposits in banks in the Philippines, is exempt from Philippine income tax and, consequently, from withholding tax; and that as a consequence of the tax exemption, any future investments of PBOC in the Philippines in loans, stocks, bonds or other domestic securities, or from interests on its deposits in banks in the Philippines shall likewise be exempt from Philippine income tax.

It is represented that PBOC is the Central Bank of PRC, established under the Law of PRC on PBOC adopted on March 18, 1995, and amended on December 27, 2003, with address at c/o State Administration of Foreign Exchange, 3/F Ping An Mansion, 23 Jinrong Street, Xicheng District, Beijing. PBOC is also a ministry of the State Council of PRC, and as such, it is part of the government of PRC.

Based on the Law of the People's Republic of China on the People's Bank of China, PBOC shall, under the leadership of the State Council, formulate and implement monetary policy, prevent and mitigate financial risks, and maintain financial stability. PBOC may promulgate various measures in the discharge of its functions, including, among other things, those pertaining to the issuance of the currency and administration of its circulation; regulations of the inter-bank lending, inter-bank bond and inter-bank foreign exchange markets; and management of the State treasury.

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In support of this request, the following documents were submitted:

1. Certification that the English translation of the Law of PRC on PBOC is in conformity with the Chinese original;

2. Certification on the status of PBOC as part of the Chinese Government; and

3. Special Power of Attorney authorizing SGV & Co. to represent PBOC in filing a Request for a Confirmatory Ruling with the BIR.

In reply thereto, please be informed that Section 32 (B) (7) (a) (i) of the Tax Code of 1997, as amended, provides that —

"**(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."

From the foregoing, it is clear that the income derived by a foreign government from investments in the Philippines is exempt from income tax.

Articles 2 and 8, Chapter 1 of the Law of the People's Republic of China on the People's Bank of China provide:

"Article 2. The People's Bank of China is the central bank of the People's Republic of China. The People's Bank of China shall, under the leadership of the State Council, formulate and implement monetary policy, prevent and mitigate financial risks, and maintain financial stability."

"Article 8. All capital of the People's Bank of China is funded by the State and owned by the State."

Moreover, the PBOC Director General has certified (September 24, 2012) and confirmed that the PBOC is part of the Chinese Government and is in fact one of the Ministries within the State Council that is responsible for the work and functions of the Central Bank of China.

In view of the foregoing, any income derived by PBOC from its investments in the

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Philippines in loans, stocks, bonds, or other domestic securities, or from interest on deposits is not included in the gross income and shall be EXEMPT from income tax and consequently from withholding tax. However, PBOC shall be subject to other applicable taxes on the transactions it entered in the Philippines, such as stock transaction tax under Section 127 of the Tax Code of 1997, as amended, and documentary stamp tax under Title VII of the same Code. *(BIR Ruling Nos. 294-12 dated May 3, 2012, 449-12 dated July 10, 2012 and 495-12 dated July 31, 2012)*

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 null and void.

Very truly yours,

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

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