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

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| Section 32(B)(7)(a)(ii) of the Tax Code of 1997, as amended |
| BIR Ruling No. 162-2011 |
| #178-2016 |
| 5-16-2016 |

**MANABAT SANAGUSTIN & CO.**
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226

Attention : **Maria Myla S. Maralit**
*Partner, Tax*

Gentlemen:

This refers to your letter dated 2 May 2014 requesting on behalf of your client, **ABU DHABI INVESTMENT AUTHORITY**, for the confirmation of the validity of Bureau of Internal Revenue (BIR) Ruling No. DA-079-05 dated 10 March 2005 and BIR Ruling No. 162-2011 dated 20 May 2011 for taxable year 2014 and subsequent years, without need for revalidation.

It is represented that **ABU DHABI INVESTMENT AUTHORITY** ("ADIA" for brevity) is a government investment institution established in 1976 by the Government of the Emirate of Abu Dhabi ("GoAD" for brevity). ADIA is wholly owned and subject to supervision by GoAD and has an independent legal identity with full capacity to act in fulfilling its statutory mandate and objectives. ADIA's current constitutive document is Law No. (5) of 1981, as amended ("Law 5" for brevity) Concerning the Re-organization of the Abu Dhabi Investment Authority. Law 5 provides separation of roles and responsibilities among its owner, governing body, and management.

ADIA's Law 5 objective is "to receive funds of the Government of Abu Dhabi allocated for investment, and invest and reinvest those funds in the public interest of the Emirate in such a way so as to make available the necessary financial resources to secure and maintain the future welfare of the Emirate."

ADIA manages a substantial global diversified portfolio of investments, including public listed equities, fixed income, real estate, money market, private equity and other investments. All funds managed by ADIA are funds of GoAD; ADIA does not manage funds of any third party. ADIA is a passive and long term investor. ADIA does not seek

active management in the companies in which it invests. Most of its equity investments are in publicly listed equities where it owns less than 5%. Further detail in relation to ADIA is available via its website at www.adia.ae.

It is further represented that ADIA has always enjoyed Sovereign Immunity tax exemption in the Philippines since it started investing in March 1992 and presently has various investment in stocks, bonds and other securities.

In March 2005, the BIR issued BIR Ruling No. DA-079-05 confirming ADIA's exemption from Philippine income tax and consequently from withholding tax on any income from investments in the Philippines. The said ruling expressly states that:

> *"Accordingly, since as represented ADIA is a financial institution owned, controlled and financed by the Government of the Emirate of Abu Dhabi as contemplated under Section 32(B)(7)(a)(ii) of the Tax Code of 1997, any income received by ADIA from its investment in the Philippines, such as interest on loans, interest on deposits, interest on bonds, dividends, and capital gains on sale of shares of stock, bonds, and other domestic securities, are exempt from Philippine income tax and consequently from the withholding tax."*

Based on the foregoing, you now request for the confirmation of your opinion that BIR Ruling No. DA-079-05 dated 10 March 2005 and BIR Ruling No. 162-2011 dated 20 May 2011 remains valid and effective, without need for revalidation, particularly for taxable year 2014, as well as for subsequent years provided the facts remain the same.

In reply, please be informed that Section 32(B)(7)(a) of the Tax Code of 1997 provides that 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) financial institutions owned, controlled, or enjoying refinancing from foreign governments, and (iii) international or regional financial institutions established by foreign governments shall not be included in gross income and shall be exempt from taxation.

In applying the above-cited section, this Office in BIR Ruling No. 162-2011 dated 20 May 2011 ruled that —

> *"... any income received by ADIA from its investment in the Philippines received for taxable year 2010 and started to receive for*

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> *taxable year 2011, such as interest on loans, interest on deposits, interest on bonds, dividends, and capital gains on sale of shares of stock, bonds, and other domestic securities, are exempt from Philippine income tax and consequently from the withholding tax subject to the condition that ABU DHABI INVESTMENT AUTHORITY remains as a financial institution owned, controlled and financed by the Government of the Emirate of Abu Dhabi, as contemplated under Section 32(B)(7)(a)(ii) of the Tax Code of 1997"*

Accordingly, the position of this Office in BIR Ruling No. DA-079-05 dated 10 March 2005 and BIR Ruling No. 162-2011 dated 20 May 2011 remains valid. Hence, any income received by ADIA from its investment in the Philippines received for taxable year 2014, such as interest on loans, interest on deposits, interest on bonds, dividends, and capital gains on sale of shares of stock, bonds, and other domestic securities, are exempt from Philippine income tax and consequently from the withholding tax subject to the condition that **ABU DHABI INVESTMENT AUTHORITY** remains as a financial institution owned, controlled and financed by the Government of the Emirate of Abu Dhabi, as contemplated under Section 32(B)(7)(a)(ii) of the Tax 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 null and void.

Very truly yours,

**KIM S. JACINTO-HENARES**
Commissioner of Internal Revenue

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