October 16, 2019

BIR RULING NO. 621-19

Sec. 32 (B) (7) (a); BIR Ruling No. 1369-18; BIR Ruling No. 1106-18; BIR Ruling No. 495-12

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City

Attention: *AAA*

Gentlemen :

This refers to your letter dated May 22, 2019 requesting on behalf of your client, **GIC Private Limited** ("GIC" for brevity) for confirmation of your opinion that the income derived by GIC 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 ("Tax Code"), as amended.

Background

GIC Private Limited (formerly Government of Singapore Investment Corporation Private Limited) was incorporated in 1981 under the Companies Act, Cap. 185 of the Republic of Singapore.

GIC was incorporated primarily to manage the foreign reserves of the Republic of Singapore. It manages the financial assets of the Republic of Singapore by investing them for the long term to preserve and enhance the international purchasing power of the funds placed under its management.

Pursuant to the Constitution of the Republic of Singapore, [1] GIC is a Fifth Schedule Government company ("Government company"). It is wholly-owned by the Government of Singapore and the funds it invested into the Philippines are beneficially owned by the Republic of Singapore.

GIC is governed by a Board of Directors which shall exercise such powers and

Copyright 2020 CD Technologies Asia, Inc.

perform such duties as may be required by law. The appointment or removal of a director must comply with Article 22c of the Constitution of the Republic of Singapore and shall be null and void unless with the concurrence of the President of the Republic of Singapore.

Moreover, as provided under Article 22d of the Constitution of the Republic of Singapore, the budget and supplementary budget of GIC, as a Government company, for an incoming financial year are subject to the approval of the President of the Republic of Singapore.

GIC made several investments in the Philippines. These include investments in government securities in the form of treasury bills and bonds, bank deposits, as well as equity investments in various Philippine corporations.

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

1. Certificate of Non-Registration in the name of GIC Private Limited issued by the Philippines Securities and Exchange Commission dated May 10, 2019;

2. Consularized, notarized and certified true copy of the Memorandum and Articles of Association of GIC Private Limited;

3. Consularized and notarized Certification Letter from the Ministry of Finance, Government of the Republic of Singapore; and

4. Consularized and notarized Special Power of Attorney authorizing R.G. Manabat & Co. (KPMG in the Philippines) to file the request for confirmatory BIR Ruling.

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

> "(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."

In the above-cited provision, it is clear that income derived from investment in the Philippines in loans, stocks, bonds or other domestic securities, or from interest on

Copyright 2020 CD Technologies Asia, Inc.

deposits in banks in the Philippines by foreign governments and financing institutions wholly-owned, controlled or enjoying refinancing from foreign governments shall be exempt from income tax and, consequently, to withholding tax.

Considering that GIC is beneficially owned by the Republic of Singapore, GIC falls within the purview of the term "financing institution owned by a foreign government" as contemplated under Section 32 (B) (7) (a) (ii) of the Tax Code of 1997, as amended. Hence, any income derived by GIC in the Philippines in loans, stocks, bonds or other domestic securities, or from interest on its deposits in bank in the Philippines, is exempt from Philippine income tax and, consequently, to withholding tax.

In view of the foregoing, your opinion is hereby confirmed that the income derived from current investments in loans, stocks, bonds or other domestic securities, or from interest on deposits in banks in the Philippines, derived by GIC, is exempt from Philippine income tax, and consequently, to withholding tax, and that any income to be derived by GIC from its future investments in the Philippines in loans, stocks, bond or other domestic securities, or from interest on its deposits in bank in the Philippines shall likewise be exempt from Philippine income tax, for as long as it maintains its status as a financing institution owned by a foreign government in contemplation of Section 32 (B) (7) (a) (ii) of the Tax Code of 1997, as amended. *(BIR Ruling Nos. 1106-18 dated July 24, 2018 and 1369-18 dated November 16, 2018)*

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

Footnotes

1. GIC is one of the government companies mentioned under the Fifth Schedule of the Constitution of the Republic of Singapore. The Constitution of the Republic of Singapore is a publicly available legislation. It can be viewed and downloaded online at https://sso.agc.gov.sg/Index.

Copyright 2020 CD Technologies Asia, Inc.