Bringing In Revenues for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

RECEIVED NOV 15 2024

BAGONG PILIPINAS

NOV 15 2024

REVENUE MEMORANDUM CIRCULAR NO. 125-2024

SUBJECT: Amending Certain Provisions of Revenue Memorandum Circular No. 095-2017, Providing Guidelines on the Tax Treatment of the Government Securities Repurchase Transactions Governed by the Global Master Repurchase Agreement

TO: All Internal Revenue Officials, Employees and Others Concerned

---

I. BACKGROUND

Revenue Memorandum Circular (RMC) No. 95-2017 provides guidelines on the proper tax treatment of Government Securities Repurchase Program (GS Repo Program) governed by the Global Master Repurchase Agreement.

Pursuant to Section 2 of RMC No. 95-2017, the GS Repo Program will provide for the creation of an Interdealer Government Bond Repo Market with counterparties to initially include Government Eligible Securities Dealers (GESDs), which shall be governed by the Operating Guidelines for Repo Transactions from the Banker's Association of the Philippines and Money Market Association of the Philippines as duly authorized by the Securities and Exchange Commission.

This Circular is issued to provide clarification and guidance relating to the inclusion of Non-Bank Financial Institutions, including Investment Companies or Mutual Funds, Insurance Companies, Trust Companies, Unit Investment Trust Funds (UITFs), funds established and covered by a trust or Investment Management Account (IMA) agreement under a discretionary arrangement in accordance with rules and regulations of the BSP, Government Financial Institutions, and Other Non-bank Financial Intermediaries/Institutions entering into repurchase agreements in the Repo Market, in the coverage of RMC No. 95-2017.

II. AMENDMENT

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED NOV 15 2024
BY: ADMIN UNIT-1 TIME: 1:45pm

a. Section 2 of RMC No. 95-2017 is hereby amended to read as follows:

"SECTION 2. *Coverage.* —

1. The GS Repo Program will provide for the creation of an Interdealer Government Bond Repo Market with counterparties to include Government Eligible Securities Dealers <u>(GESDs), Non-Bank Financial Institutions (NBFIs), including Investment Companies or Mutual Funds,</u>

Insurance Companies, Trust Companies, Unit Investment Trust Funds (UITFs), funds established and covered by a trust or Investment Management Account (IMA) agreement under a discretionary arrangement in accordance with rules and regulations of the BSP, Government Financial Institutions, and Other Non-bank Financial Intermediaries/Institutions (collectively, the Covered Entities). It shall be governed by the Operating Guidelines for Repo Transactions from the BAP and MART as duly authorized by the SEC.

2. Eligible securities for the GS Repo Program are Philippine Peso-denominated Treasury Bills and Treasury Bonds issued by the BTr, for and on behalf of the Republic of the Philippines.

3. SEC shall authorize a Self-Regulatory Organization (SRO) for the participant Covered Entities of the GS Repo Program."

b. *Section 3 of RMC No. 95-2017 is hereby amended to read as follows:*

"SECTION 3. General Requirements. –

xxx xxx xxx

3. Covered Entities intending to participate in the GS Repo Program shall be bound by the applicable SEC, BSP and Insurance Commission regulations, the Operating Guidelines of BAP and MART, and other rules and regulations issued for the purpose. Participating Covered Entities shall likewise waive secrecy on investments in government securities pursuant to Republic Act No. (RA) 1405 in relation to their Repo transactions.

4. Participating Covered Entities shall enter into a GMRA with its repo counterparty as the standard covering documentation for Repo transactions.

5. Each of the participating Covered Entities shall also execute an undertaking to consistently adhere to the terms of the GMRA prior to entering into any Repo transaction."

c. *Section 4 of RMC No. 95-2017 is hereby amended to read as follows:*

"SECTION 4. Registration Requirements. —

Prior to entering into any Repo transaction, the participating Covered Entities shall be required by the BTr to comply with the following registration requirements:

a. File with the Scripless Securities Registry Division (SSRD) of the BTr copies of the duly signed GMRAs and the individual undertaking executed by the concerned Covered Entities; and

b. Formally transmit to the concerned BIR Revenue District Office or the Large Taxpayer District Office, as the case may be, copies of the duly signed GMRAs and respective undertaking from the Covered Entities, which were previously stamped as received by the SSRD of the BTr."

d. *Section 5 of RMC No. 95-2017 is hereby amended to read as follows:*

"SECTION 5. Reportorial Requirements. –

xxx xxx xxx

2. Within thirty (30) days after the close of the taxable year, the participating Covered Entities shall file with the concerned Revenue District Office or the Large Taxpayers Service (LTS) of the BIR through the Regular Large Taxpayers Audit Division 2 (RLTAD 2), for large taxpayers, an annual report — in soft copy — using the format provided in Annex "A", summarizing all Repo transactions for the taxable period, including subsequent sale, if any, of Repo Securities within the Repo Period, with the following information:

a. Description of the purchased securities (including CUSIP or ISIN or other identifying number or numbers, if any);

b. Principal Amount;

c. Currency;

d. Buyer and Seller;

e. Purchase Date and Price;

f. Repurchase Date and Price;

g. Applicable Repo Rate;

h. Interest Income on Repo transactions;

i. Mark to Market (MTM) Gain or Loss on subsequent sale of Repo Securities; and

j. Other Income or Loss on Subsequent Sale of Repo Securities.

Additional information may be included in the annual report in order to be aligned with the matters contained in the required reports to be submitted by participating Covered Entities to BSP and/or SEC.

3. Upon request by the LTS, the BTr, in addition to other reports that it regularly submits to BIR, shall provide such records, documents, or information as may be relevant to the taxation of the Repo transaction/s of the specific participating Covered Entities undergoing BIR tax audit. Such

request shall be accompanied with photocopies of the Letter of Authority (LOA), Tax Verification Notice (TVN), Audit Notice (AN), Letter Notice (LN), or other assessment notices, previously served with the participating Covered Entity concerned.

4. The participating Covered Entities shall copy furnished the BIR, in soft copies, of the relevant reports on Repo transactions entered into which, by existing regulations and issuances (like BSP Circular No. 923 dated 31 August 2016), are required to be submitted to BSP and/or SEC."

III. REPEALING CLAUSE

All other Circulars and/or portions thereof that are inconsistent herewith are hereby repealed, modified or amended accordingly.

All concerned are hereby enjoined to be guided accordingly and to give this Circular as wide publicity as possible.

This Circular shall take effect immediately.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

K-1

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
NOV 15 2024
ADMIN UNIT - 1
BY: ______ TIME: 1:35pm