DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Sec. 32 (B) (7) (a) of the National Internal Revenue Code of 1997, as amended
BIR Ruling No. 449-2012
#070-2018

1-25-2018

R.G. MANABAT & 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 December 2, 2016, requesting on behalf of your client, **Monetary Authority of Singapore ("MAS" for brevity)**, for confirmation of the validity of Bureau of Internal Revenue (BIR) Ruling No. [DA-289-08] dated May 15, 2008 for taxable year 2016 and subsequent years, without need for subsequent revalidation as long as MAS remains qualified for tax exemption under Section 32 (B) (7) (a) of the National Internal Revenue Code of 1997, as amended.

Background:

MAS is a central bank and a statutory board established on January 1, 1971 under the Monetary Authority of Singapore Act (Chapter 186), ("MAS Act" for brevity). The principal objects of MAS under the MAS Act are to:

a. Maintain price stability conducive to sustainable growth of the economy;
b. Foster a sound and reputable financial centre and to promote financial stability;
c. Ensure prudent and effective management of the official foreign reserves of Singapore; and
d. Grow Singapore as an internationally competitive financial centre.

Its principal functions provided under the MAS Act are to:

a. Act as the central bank of Singapore, including the conduct of monetary policy, the issuance of currency, oversight of payment systems and serving as banker to and financial agent of the Government of Singapore;
b. Conduct integrated supervision of the financial services sector and financial stability surveillance;
c. Manage the official foreign reserves of Singapore; and
d. Develop Singapore as an international financial centre.

Pursuant to its function as banker and financial agent of the Government of Singapore, MAS has several investments in the Philippines. As a central bank and a statutory board established under the MAS Act, several BIR Rulings were issued, one of which is BIR Ruling No. [DA-289-08] dated May 15, 2008 which states that:

"Accordingly, this Office holds that income derived by MAS from the sale of its investments in the Philippines is not subject to Philippine income tax and consequently to withholding tax".

Based on the foregoing representations, you now request for confirmation of the validity of BIR Ruling No. [DA-289-08] dated May 15, 2008 for taxable year 2016 and subsequent years, without need for subsequent revalidation as long as MAS remains qualified for tax exemption under Section 32 (B) (7) (a) of the National Internal Revenue Code of 1997, as amended.

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

> "***SEC. 32. Gross Income*** –
>
> *xxx xxx xxx*
>
> *(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 financing institutions established by foreign governments."* (Emphasis and underscoring supplied)

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 deposits in banks in the Philippines, including sale of investments 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 MAS is a financial institution owned, controlled and financed by the State of Singapore as contemplated under Section 32 (B) (7) (a) (ii) of the National Internal Revenue Code of 1997, as amended, any income derived by it in the Philippines in loans, stocks, bonds or other domestic securities, sale of its investments in the Philippines, or from interest on its deposits in bank in the Philippines, is exempt from Philippine income tax and, consequently, to withholding tax. Any income to be derived by MAS from its future investments in the Philippines in loans, stocks, bond or other domestic securities, sale of its investments in the Philippines, or from interest on its deposits in bank in the Philippines shall likewise be exempt from Philippine income tax. ***(BIR Ruling No. 449-2012 dated July 10, 2012)***

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

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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