REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Sections 22 (DD); 28 (A) (6); 109 (1)(J) of the Tax Code of 1997, as amended;
BIR RULING NO. 270-15.
VAT-379-2022
AUG 31 2022

GENPRO INTERNATIONAL, INC.
(doing business under the name and style of
GENPRO INTERNATIONAL REGIONAL AREA HQ)
#877 HR Capistrano St., Brgy. Ibayo-Tipas
Taguig City 1637

Attention : **Ms. Natividad B. Bui**
Secretary

Gentlemen:

This refers to your request for an issuance of a Certificate of income tax and value-added tax (VAT) exemption in favor of GENPRO INTERNATIONAL, INC. pursuant to Sections 28 (A)(5)(a) and 109 (1)(J) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted show that GENPRO INTERNATIONAL, INC., is a multinational corporation organized and existing under the laws of the Commonwealth of Northern Mariana Islands; that it is registered with and licensed to do business under the name and style of GENPRO INTERNATIONAL REGIONAL AREA HQ in the Philippines as a Regional or Area headquarters pursuant to the Omnibus Investment Code of 1987 by the Securities and Exchange Commission (SEC) under Company Registration No.
dated April 3, 2003; that GENPRO INTERNATIONAL REGIONAL AREA HQ, as a Regional or Area headquarters in the Philippines is limited to acting as supervisory, communications, and coordinating center for its affiliates, subsidiaries or branches in the region; and that GENPRO INTERNATIONAL REGIONAL AREA HQ does not derive any income from sources in the Philippines, nor will participate in any manner in the management of any of GENPRO INTERNATIONAL, INC.'s subsidiaries or branch offices operating in the country.

In reply thereto, please be informed as follows:

Income Tax

Section 28 (A)(5)(a) of the Tax Code of 1997, as amended, provides that Regional or area headquarters as defined in Section 22 (DD) of the same Code shall not be subject to income tax.

Section 22 (DD) of the Tax Code of 1997, as amended, defined the term "regional or area headquarters" as "a branch established in the Philippines by multinational companies and which headquarters do not earn or derive income from the Philippines and which act as a supervisory, communications and coordinating center for their affiliates, subsidiaries or branches in the Asia-Pacific Regional and other foreign markets."

In BIR Ruling No. 596-2012 dated October 25, 2012, this Office held that for tax purposes, a regional or area headquarters, in acting as a supervisory, communications and coordinating center for its affiliates in the region, shall not render any of the following qualifying services:

- General administration and planning;
- Business planning and coordination;
- Sourcing/procurement of raw materials and components;
- Corporate finance and advisory services;
- Marketing control and sales promotion;
- Training and personnel management;
- Logistic services;
- Research and development services, and product development;
- Technical support and maintenance;
- Data processing and communication; and business development.

which functions are applicable to a Regional Operating Headquarters pursuant to Section 4(b) of the Rules and Regulations implementing R.A. No. 8756.

Accordingly, GENPRO INTERNATIONAL REGIONAL AREA HQ will not be subject to income tax as long as in performing its functions and in acting as a supervisory, communications and coordinating center for its affiliates in the region, it shall not render any of the foregoing qualifying services, otherwise, it shall be taxed as a Regional Operating Headquarter.

However, it should be understood that the said regional or area headquarter shall be constituted as withholding agent of the government if it acts as an employer and its employees receive compensation income subject to the withholding tax under Section 79 (A), Chapter XIII, Title II of the Tax Code of 1997, as amended, as implemented by Revenue Regulations (RR) No. 2-98, as amended, or if it makes income payments to individuals or corporations subject to the expanded withholding tax provided for in Section 57 (B) of the Tax Code of 1997, as amended, also as implemented by RR No. 2-98, as amended.

Value-Added Tax

Section 109 (1)(J) of the Tax Code of 1997, as amended, provides that services rendered by regional or area headquarters established in the Philippines by multinational corporations which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines shall be exempt from VAT. Accordingly, it is clear from Section 109 (1)(J) of the Tax Code of 1997, as amended, that GENPRO INTERNATIONAL REGIONAL AREA HQ is exempt from VAT.

It is of course understood that GENPRO INTERNATIONAL, INC./GENPRO INTERNATIONAL REGIONAL AREA HQ's books of accounts and other pertinent records shall be subject to periodic examination by revenue enforcement officers of this Bureau for the purposes of ascertaining whether you have been complying with the conditions under which you have been granted tax exemption or tax incentives and your tax liability, if any, pursuant to Section 235 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,

LILIA CATRIS GUILLERMO
Commissioner of Internal Revenue

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