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

RA 7916; Revenue Regulations (RR) No. 2-98
BIR Ruling No. 291-2012
#066-2018
1-25-2018

UNITED COCONUT CHEMICALS, INC.
CAIP-SEZ, Brgy. San Antonio
San Pascual, Batangas 4204

Attention: **GLACY E. GARCIA**
Finance Head

Gentlemen:

This refers to your letters dated October 29, 2015 and August 16, 2016 requesting, on behalf of **UNITED COCONUT CHEMICALS, INC.**, exemption from expanded withholding tax (EWT) on account of its registration with the Philippine Economic Zone Authority (PEZA).

It is represented that **UNITED COCONUT CHEMICALS, INC.**, with Tax Identification Number (TIN) , is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) with SEC Registration No. ; that it is registered with the PEZA as Ecozone Facilities Enterprise with Registration Certificate No. dated August 18, 2014; that pursuant to its Registration Agreement and Supplemental Agreement with PEZA dated August 18, 2014 and June 25, 2015 respectively, its registered activities consist of: (a) leasing-out to PEZA-registered enterprises its existing facilities constructed within the 92,565 square meter lot inside the Cocochem Agro-Industrial Park – Special Economic Zone (CAIP-SEZ), Barangay San Antonio, San Pascual, Batangas, and (b) operating and maintaining its jetty pier and Batangas Tank Farm (BTF) at the CAIP-SEZ, for lease to PEZA-registered enterprises; and that based on the PEZA Certification dated August 23, 2016, **UNITED COCONUT CHEMICALS, INC.** is entitled to the 5% Special Tax on Gross Income derived from the lease/sale of said existing facilities to PEZA-registered enterprises under Section 24 of Republic Act (RA) No. 7916, as amended by RA No. 8748 and in accordance with Rule XX of the Rules and Regulations to Implement RA 7916.

In reply, please be informed that Section 2.57.5(B)(2) of Revenue Regulations (RR) No. 2-98, as amended by RR No. 14-02, provides:

> *"SECTION 2.57.5. Exemption from Withholding. – The withholding of creditable withholding tax prescribed in these Regulations shall not apply to income payments made to the following:*
>
> *xxx xxx xxx*
>
> *(B) Persons enjoying exemption from payment of income taxes pursuant to the provisions of any law, general or special, such as but not limited to the following:*
>
> *xxx xxx xxx*
>
> *(2) Corporations registered with the Board of Investments, Philippine Export Processing Zones and Subic Bay Metropolitan Authority enjoying exemption from the income tax pursuant to EO 226, as amended, Republic Act No. 7916 and the Omnibus*

Investments Code of 1987 and RA 7227, as amended, respectively".

Based on the foregoing, Section 2.57.5(B)(2) of RR No. 2-98, as amended, is explicit in its provisions that the expanded withholding tax does not apply to income payments to persons enjoying exemption from payment of income taxes pursuant to the provisions of any law, general or special. Accordingly, since **UNITED COCONUT CHEMICALS, INC.** is a PEZA-registered enterprise, income payments made to it with respect to its PEZA-registered activities of leasing-out to PEZA-registered enterprises its existing facilities constructed within the 92,565 square meter lot inside the Cocochem Agro-Industrial Park – Special Economic Zone (CAIP-SEZ), Barangay San Antonio, San Pascual, Batangas, and operating and maintaining its jetty pier and Batangas Tank Farm (BTF) at the CAIP-SEZ, for lease to PEZA-registered enterprises shall not be subject to the expanded withholding tax prescribed in RR No. 2-98, as amended. (*BIR Ruling No. 291-2012 dated April 25, 2012)*

It must be emphasized, however, that **UNITED COCONUT CHEMICALS, INC.** is constituted as withholding agent for the government. As such, it is required to withhold the tax on compensation income of its employees or the withholding tax on income payments to persons subject to tax pursuant to Section 57 of the National Internal Revenue Code of 1997, as amended.

Moreover, pursuant to Section 4 of Republic Act (RA) No. 10708[1], **UNITED COCONUT CHEMICALS, INC.** is required to file its tax returns and pay its tax liabilities, on or before the deadline as provided under the National Internal Revenue Code of 1997, as amended, using the electronic system for filing and payment of taxes of the Bureau of Internal Revenue (BIR). Furthermore, it shall file with PEZA a complete annual tax incentives report of its income-based tax incentives, value added tax and duty exemptions, deductions, credits or exclusions from the tax base, as may be provided under RA No. 7916, within thirty (30) days from the deadline for filing of tax returns and payment of taxes.

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

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[1] An Act Enhancing Transparency in the Management and Accounting of Tax Incentives Administered by Investment Promotion Agencies.