REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 127(B); RR 6-2008
BIR Ruling No. 349-16
BIR Ruling No. 406-16
OT-0334-2020
JUN 16 2020

SYCIP GORRES VELAYO & CO.
6760 Ayala Avenue
1226 Makati City

Attention: **<u>Atty. Maria Margarita D. Mallari-Acaban</u>**
Principal, Tax Services

Gentlemen:

This refers to your letter dated January 11, 2019 requesting on behalf of your client, Cal-Comp Technology (Philippines) Inc. ("CCPH"), for confirmation that the primary and/or secondary sale of CCPH's shares of stock through an initial public offer ("IPO") done through the facilities of the Philippine Stock Exchange ("PSE") will not be subject to the percentage tax imposed under Sec. 127(B) of the 1997 National Internal Revenue Code ("Tax Code"), as amended.

<u>Background:</u>

1. CCPH is a domestic corporation duly registered with the Securities and Exchange Commission (SEC) under SEC Registration No. [redacted] with Tax Identification Number (TIN) [redacted]. Its principal place of business is at Block 7, Lot 1, Main Boulevard, Lima Technology Center – Special Economic Zone, Lipa City, Batangas. It is primarily organized --

   "To engage in the importation of raw materials, experimentation, testing and manufacturing of electronic equipment of every kind as well as their spare parts; the calibration of testing tools and equipment in support of the manufacturing processes, and to engage in the marketing, sale and distribution for wholesale of the manufactured electronic equipments in the Philippines and for export thereof."

2. CCPH has a capital stock of [redacted] Pesos (P[redacted]) and said capital stock is divided into [redacted] ([redacted]) Shares with par value of [redacted] ([redacted]) each.

3. In the Amended Registration Statement filed by CCPH with the SEC on September 2, 2019, as approved by the Commission in a Pre-Effective Letter dated October 18, 2019, CCPH sought the registration of [redacted] common shares, broken down as follows:

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Primary Offering To be offered and sold by way of Initial Public Offering	common shares	At an initial public offering price of up to P per share
Over-Allotment Option To be offered and sold pursuant to an Over-Allotment Option	common shares	At an initial public offering price of up to P per share
Issued and Outstanding Shares Not included in the Offer	common shares	With par value of P per share
Total	**common shares**	

Of these, common shares from CCPH's unissued capital stock will be offered and sold by way of primary offering, while common shares from CCPH's issued and outstanding capital stock will be offered and sold pursuant to an over-allotment option. The remaining common shares from CCPH's issued and outstanding capital stock will not be included in the offer –

Total par value (in Peso)

As of 08/08/2018 General Information Sheet
Authorized Capital Stock
Issued and Outstanding Capital Stock
Unissued Capital Stock

Registered for listing

(1) Primary Offering
(out of the Unissued Capital Stock)
Unissued Capital Stock Before IPO
Less: Shares for Primary Offering
Unissued Shares After IPO

(2) Over-Allotment Option
(out of the Issued and Outstanding Capital Stock)

Issued and Outstanding Capital Stock Before IPO
Less: Shares for Over-Allotment Option
Issued and Outstanding Capital Stock (not included in the Offer)

(3) Issued and Outstanding Capital Stock
(not included in the Offer)

After the IPO
Authorized Capital Stock
Issued and Outstanding Capital Stock
Unissued Capital Stock

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4. CCPH has a total of ten (10) corporate and individual shareholders.

Listed below are the details of CCPH's subscribers[1]:

Name of Subscriber	Nationality	No. of Shares Subscribed	Amount Subscribed and Paid	% Ownership
Cal-Comp Electronics (Thailand) PCL	Thai			
Kinpo International (Singapore) Pte. Ltd	Singaporean			
Shen, Shyh-Yong	Taiwanese			
Khongsit Choukitcharoen	Thai			
Lo, Guo-Lun	Taiwanese			
Huang Kuan-Jen	Taiwanese			
Gregory L. Domingo	Filipino			
Cirilo P. Noel	Filipino			
Emmanuel M. Lombos	Singaporean			
Shih-Tung Yu	Taiwanese			
Total				

5. Kinpo International (Singapore) Pte. Ltd. ("KPSG") (formerly: Kingbolt International (Singapore) Pte. Ltd.) is a corporation duly registered and existing under the laws of Singapore with the following shareholders[2]:

Name of Subscriber	No. of Shares Subscribed	% Ownership
Kinpo Electronics Inc. (KPO)		
Hsu Sheng-Hsiung @ Rock Hsu		
Total		

KPSG holds (a) 80.81% of CCPH and (b) 6.60% of Cal-Comp Electronics (Thailand) PCL.

[1] Based on the Certified true copy of CCPH's General Information Sheet dated August 8, 2018.
[2] Based on the Certified true copy of the Business Profile of KPSG and the Certified true copy of the Register of Members of KPSG.

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6. Cal-Comp Electronics (Thailand) PCL ("CCET") is another corporate stockholder of CCPH, with % ownership in CCPH's outstanding shares of stock.

CCET is listed in the Stock Exchange of Thailand and has stockholders[3], consisting of:

Type of Shareholder	No. of Shareholders	Combined %age of ownership in CCET
Individual		%
Corporate		%
Total		%

Listed below are the Top 5 shareholders of CCET[4]:

Name of Subscriber	No. of Shares Subscribed	% Ownership
Kinpo Electronics Inc. (KPO)		%
Far Eastern International Bank		%
Kinpo International (Singapore) Pte. Ltd. (KPSG)		%
KGI Asian Limited		%
Chern Kuan-Jan		%
Others		%
Total		%

7. Kinpo Electronics. Inc. ("KPO"), a corporation duly registered and existing under the laws of Taiwan, in turn, holds % of KPSG and % of CCET. KPO is listed in the Taiwan Stock Exchange and has shareholders[5], consisting of:

Type of Shareholder	No. of Shareholders	Combined %age of ownership in KPO
Individual		%
Corporate		%
Total		%

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

a) Certified copy of the Amended Articles of Incorporation of CCPH
b) Certified copy of the 2018 General Information Sheet of CCPH
c) Authenticated copy of the Articles of Incorporation of KPO
d) Authenticated Certification on registration of KPO
e) Authenticated List of Major Stockholders of KPO
f) Authenticated Distribution Profile and Share Ownership of KPO

[3] Based on the Authenticated shareholder registration certificate.
[4] Based on the Authenticated list of stockholders of CCET.
[5] Based on the Authenticated distribution profile of share ownership of KPO.

g) Authenticated copy of the Registration Certificate of CCET
h) Authenticated Certificate on registration of CCET
i) Authenticated List of Top 20 Stockholders of CCET
j) Authenticated copy of the Shareholder Register of CCET
k) Certified and authenticated copy of the Constitution of KPSG
l) Certified and authenticated Business Profile of KPSG
m) Certified and authenticated copy of the Register of Members of KPSG
n) Notarized Certification on Kinpo Group's ownership structure
o) Notarized Sworn Statement
p) Certified true copy of Amended Registration Statement filed with SEC on September 2, 2019
q) Certified true copy of SEC Pre-Effective Letter dated October 18, 2019

In reply thereto, please be informed that:

Section 127(B) of the Tax Code of 1997, as amended, provides that:

"Sec. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering. –

xxx xxx xxx

(B) Tax on Shares of Stock Sold or Exchanged through Initial Public Offering. — There shall be levied, assessed and collected on every sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations, as defined herein, a tax at the rates provided hereunder based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:

Up to twenty-five percent (25%)	*4%*
Over twenty-five percent (25%) but not over thirty-three and one third percent (33 1/3%)	*2%*
Over thirty-three and one third percent (33 1/3%)	*1%*

The tax herein imposed shall be paid by the issuing corporation in primary offering or by the seller in secondary offering.

For purposes of this Section, the term 'closely held corporation' means any corporation at least fifty percent (50%) in value of the outstanding capital stock or at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by or for not more than twenty (20) individuals.

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For purposes of determining whether the corporation is a closely held corporation, insofar as such determination is based on stock ownership, the following rules shall be applied:

(1) Stock Not Owned by Individuals. — Stock owned directly or indirectly by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by its shareholders, partners or beneficiaries.

xxx xxx xxx"

Thus, under Section 2(q) of Revenue Regulations (RR) No. 6-2008, a closely-held corporation pertains to a corporation at least fifty percent (50%) in value of the outstanding capital stock or at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote of which is owned directly or indirectly by or for not more than twenty (20) individuals. For purposes of determining whether the corporation is a closely-held corporation, it is provided therein that stock owned directly or indirectly by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

Since CCPH is owned by several individual and corporate shareholders at the time of the application to list the shares of CCPH with the PSE, the CCPH shares held by corporate shareholders will be considered as being proportionately owned by the shareholders of said corporations.

In the case of a multi-tiered corporation, the stock attribution rule must be allowed to run continuously along the chain of ownership until it finally reaches the individual stockholders. This is in consonance with the "grandfather rule" adopted in the Philippines under Section 96 of the Corporation Code (Batas Pambansa Blg. 68) which provides that notwithstanding the fact that all the issued stocks of a corporation are held by not more than twenty persons, among others, a corporation is nonetheless not to be deemed a close corporation when at least two thirds of its voting stock or voting rights is owned or controlled by another corporation which is not a close corporation.

Following the stock attribution rule, the effective ownership of the individual and corporate KPO & CCET stockholders in CCPH must be computed:

a. 80.81% of the outstanding shares of CCPH are owned by KPSG.

Since KPSG is a wholly owned subsidiary by KPO, the shareholders of KPO, consisting of [redacted] individual and corporate stockholders, are considered to indirectly hold [redacted] of the outstanding shares of CCPH through KPSG.

b. [redacted] % of the outstanding shares of CCPH are owned by CCET.

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Since KPO directly owns [redacted] of the outstanding shares of CCET, KPO effectively owns [redacted] of the [redacted] ownership of CCET in CCPH. In turn, the shareholders of KPO are considered to indirectly hold [redacted] of the outstanding shares of CCPH through CCET.

Since KPSG directly owns [redacted] of the outstanding shares of CCET and since KPSG is a wholly owned subsidiary of KPO, KPO effectively owns [redacted] of the [redacted]% ownership of CCET in CCPH. In turn, the shareholders of KPO are considered to indirectly hold [redacted]% of the outstanding shares of CCPH through KPSG and through CCET.

To summarize, the total effective ownership of KPO shareholders in CCPH is 89.83%:

Through KPSG [redacted]
[redacted] (KPO equity in KPSG)
[redacted] (KPSG equity in CCPH)

Through KPSG-CCET [redacted]
[redacted] (KPO equity in KPSG)
[redacted] (KPSG equity in CCET)
[redacted] (CCET equity in CCPH)

Through CCET [redacted].
[redacted] (KPO equity in CCET)
[redacted] (CCET equity in CCPH)

Effective ownership of KPO shareholders in CCPH [redacted]

The individual and corporate stockholders of KPO[6] and CCET[7] effectively owns CCPH. [redacted] of the [redacted] effective ownership of KPO in CCPH is owned by individuals. Hence, the individual KPO stockholders effectively owns [redacted] of CCPH. On the other hand, [redacted] of the [redacted] direct ownership of CCET in CCPH is also owned by individuals, which means that individual CCET stockholders effectively owns [redacted] of CCPH. In total, [redacted] of CCPH is effectively owned by individuals.

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[6] KPO shareholders as disclosed above:

Type of KPO shareholder	No. of shareholders	Combined %age of ownership in KPO
Individual	[redacted]	[redacted]
Corporate		
Total		

[7] CCET shareholders as disclosed above:

Type of CCET shareholder	No. of shareholders	Combined %age of ownership in CCET
Individual	[redacted]	[redacted]
Corporate		
Total	[redacted]	

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Individual stockholders of KPO and CCET in CCPH	No. of individual stockholders	Effective ownership in CCPH
Effective ownership of individual KPO stockholders in CCPH (% ownership of individual stockholders in KPO) (effective ownership of KPO in CCPH)		
Effective ownership of individual CCET stockholders in CCPH % (% ownership of individual stockholders in CCET) % (direct ownership of CCET in CCPH)		
Effective ownership of individual stockholders of KPO and CCET in CCPH		

Moreover, of the effective ownership of KPO in CCPH is owned by corporate stockholders. Hence, the corporate stockholders of KPO effectively owns % of CCPH. On the other hand, % of the % direct ownership of CCET in CCPH is also owned by corporate stockholders other than KPO and KPSG, which means that corporate stockholders of CCET effectively owns % of CCPH. In total, % of CCPH is effectively owned by corporate stockholders.

Corporate stockholders of KPO and CCET in CCPH	No. of corporate stockholders	Effective ownership in CCPH
Effective ownership of corporate KPO stockholders in CCPH (% ownership of corporate stockholders in KPO) % (effective ownership of KPO in CCPH)		%
Effective ownership of corporate CCET stockholders in CCPH % (% ownership of corporate stockholders in CCET, excluding KPO and KSPG) x % (direct ownership of CCET in CCPH)		%
Effective ownership of corporate stockholders of KPO and CCET in CCPH		%

To summarize, the effective ownership of individual stockholders of KPO and CCET in CCPH is 58.94% while the effective ownership of corporate stockholders of KPO and CCET in CCPH is 40.38%:

Stockholders and Effective ownership	No. of stockholders	Effective ownership
Effective ownership of individual stockholders of KPO and CCET in CCPH		%
Effective ownership of corporate stockholders of KPO and CCET in CCPH		%
Total		%

Based on the foregoing, a total of individual stockholders of KPO and CCET indirectly hold % of CCPH's outstanding capital stock, which is more than the % threshold under Section 127(B) of the Tax Code of 1997, as amended.

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Applying the stock attribution rule, CCPH is not a closely held corporation since more than [redacted]% of CCPH's outstanding capital stock are indirectly owned by more than 20 individual stockholders of KPO and CCET (both publicly listed corporations in Taiwan and Thailand, respectively). As such, CCPH should not be subject to percentage tax under Section 127(B) of the Tax Code of 1997, as amended, for its initial public offering.

Accordingly, this Office is of the opinion, as it hereby holds, that the sale of CCPH's shares of stock (consisting of [redacted] common shares for primary offering and [redacted] common shares in the exercise of over-allotment option), done through the facilities of the PSE will not be subject to the IPO tax imposed under Section 127(B) of the Tax Code of 1997, as amended. *(BIR Ruling Nos. 406-16 dated November 22, 2016; 349-16 dated October 6, 2016; 238-12 dated March 29, 2012; and 148-10 dated December 17, 2010)*

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 as null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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