REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA No. 7916
RR No. 2-98; RR No. 6-01
BIR Ruling No. 334-2011
CT-0438-2020

AUG 07 2020

DIPOLOG COCONUT OIL MILL, INC.
Brgy. Irasan, Roxas
Zamboanga Del Norte

Attention: **<u>Brian Roderick Sio</u>**
Corporate Secretary

Gentlemen:

This refers to your letter dated May 6, 2014 requesting on behalf of **Dipolog Coconut Oil Mill, Inc.** (the "Company"), certificate of exemption from income tax and expanded withholding tax on account of its registration with the Philippine Economic Zone Authority (PEZA) under Republic Act (RA) No. 7916.

Documents submitted show that the Company, with Tax Identification No. (TIN) [redacted], is a domestic corporation duly organized under the Philippine laws, with office address at Barangay Irasan, Roxas, Zamboanga Del Norte; that it is registered with the Securities and Exchange Commission (SEC) bearing SEC Certificate of Registration No. [redacted]; that the Company is also a duly registered PEZA Ecozone Export Enterprise bearing PEZA Certificate of Registration No. [redacted] dated January 11, 2013; that based on the PEZA Certification dated January 16, 2014, the Company is entitled to the corporate income tax holiday (ITH) for a period of four (4) years for the original project effective on the committed date of start of commercial operations, or the actual date of start of commercial operations, whichever is earlier, and thereafter, the Company is subject only to the five percent (5%) final tax on gross income (GIT); and that per Sworn Certification dated March 8, 2013 executed by Sio Tiat King, President of the Company, the start of the commercial operation of the Company was in February 2013.

It is further shown that the Company's registered activity, under its Registration Agreement with PEZA, is limited to oil milling of crude oil and copra cake, and the importation of raw materials, machinery, equipment, tools, goods, wares, articles, or merchandise directly used in its registered operations at IRASAN-ROXAS ZANORTE SPECIAL ECONOMIC ZONE.

Based on the above representations, you now request for exemption from income tax and the creditable withholding tax on the payments received by the Company from the conduct of its PEZA-registered activity.

In reply, please be informed that under Section 2.57.5 (B) (2) of Revenue Regulations (RR) No. 2-98, as amended by RR No. 6-2001 implementing Section 57 (B) of the Tax Code of 1997, as amended, the withholding tax prescribed in the said

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Regulations shall not apply to income payments to persons enjoying exemption from the income tax provided by Republic Act No. 7916 and the Omnibus Investments Code of 1987. (*BIR Ruling No. 334-2011* dated September 7, 2011)

Accordingly, since **Dipolog Coconut Oil Mill, Inc.'s** activity of oil milling of crude oil and copra cake has been duly registered with PEZA, this Office is of the opinion as it hereby holds, that income payments received by **Dipolog Coconut Oil Mill, Inc.** in connection with the oil milling of crude oil and copra cake are exempt from the creditable withholding tax imposed under RR No. 2-98, as amended by RR No. 6-2001, during the period of its ITH and GIT regimes.

It must be emphasized that the above exemption from the income tax and creditable withholding tax covers only the income directly attributable to the revenues generated by **Dipolog Coconut Oil Mill, Inc.** from its PEZA-registered activity of oil milling of crude oil and copra cake, located at IRASAN-ROXAS ZANORTE SPECIAL ECONOMIC ZONE.

Moreover, **Dipolog Coconut Oil Mill, Inc.'s** entitlement to ITH for its registered activity of oil milling of crude oil and copra cake is not automatic as it has still to comply with the provisions of its Registration Agreement with PEZA, *viz:*

(1) The Company shall use new machinery and equipment worth Php17.957 Million for its operations that will be used for the first time in the Philippines, i.e., the machinery and equipment have not been used by any manufacturing enterprise in the Philippines. The Company shall secure a written verification/confirmation from the PEZA Director General of its compliance with the foregoing requirements. For this purpose, the Company shall file an application for said validation not later than forty-five (45) days after the 1st year of its commercial operations, reckoned from the date of SCO of the project as attested by the MEZ Administrator. (13.5 Registration Agreement)

(2) The Company shall observe the following export sales schedules (13.7 Registration Agreement):

VOLUME (MT)		
Year	Crude Oil	Copra Cake
1	[redacted]	[redacted]
2	[redacted]	[redacted]
3	[redacted]	[redacted]

VALUE (US$'000)			
Year	Crude Oil	Copra Cake	Total Value
1	[redacted]	[redacted]	[redacted]
2	[redacted]	[redacted]	[redacted]
3	[redacted]	[redacted]	[redacted]

(3) The Company shall engage exclusively in PEZA-registered/authorized projects/activities. Any expansion of this project or other activities to be undertaken by the Company shall require prior PEZA clearance/approval (13.10 Registration Agreement).

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Pursuant to Section 4 of Republic Act (RA) No. 10708[1], **Dipolog Coconut Oil Mill, Inc.** is required to file its tax returns and pay its tax liabilities, on or before the deadline as provided under the 1997 Tax Code, as amended, using the electronic system for filing and payment of taxes of the BIR. Furthermore, **Dipolog Coconut Oil Mill, Inc.** shall file with PEZA a complete annual tax incentives report of its income-based tax incentives, VAT and duty exemptions, deductions, credits or exclusions from the tax base, as may be provided under RA No. 7916, within the periods prescribed under R.A. 10708's Implementing Rules and Regulations and Joint Memorandum Circular No. 1-2016 dated September 1, 2016.

It should be understood that **Dipolog Coconut Oil Mill, Inc.** shall be constituted as a withholding agent for the government if it acts as employer and any of its employees received compensation income subject to compensation withholding tax, or if it makes payments to individuals or corporations subject to the withholding taxes at source as required under Chapter XIII and Section 57 of the Tax Code of 1997, as amended and implemented by *Revenue Regulations (RR) No. 2-98*, as amended.

Likewise, **Dipolog Coconut Oil Mill, Inc.** is required to file on or before the 15th day of the fourth month following the close of its accounting period of a Profit and Loss Statement and Balance Sheet with the Annual Information Return under oath, stating its gross income and expenses incurred during the taxable year.

Finally, the **Dipolog Coconut Oil Mill, Inc.'s** books of accounts and other pertinent records shall be subject to periodic examination by revenue enforcement officers of this Bureau for the purpose of ascertaining whether it has been complying with the conditions under which it has been granted tax exemption or tax incentives and its 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,

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.