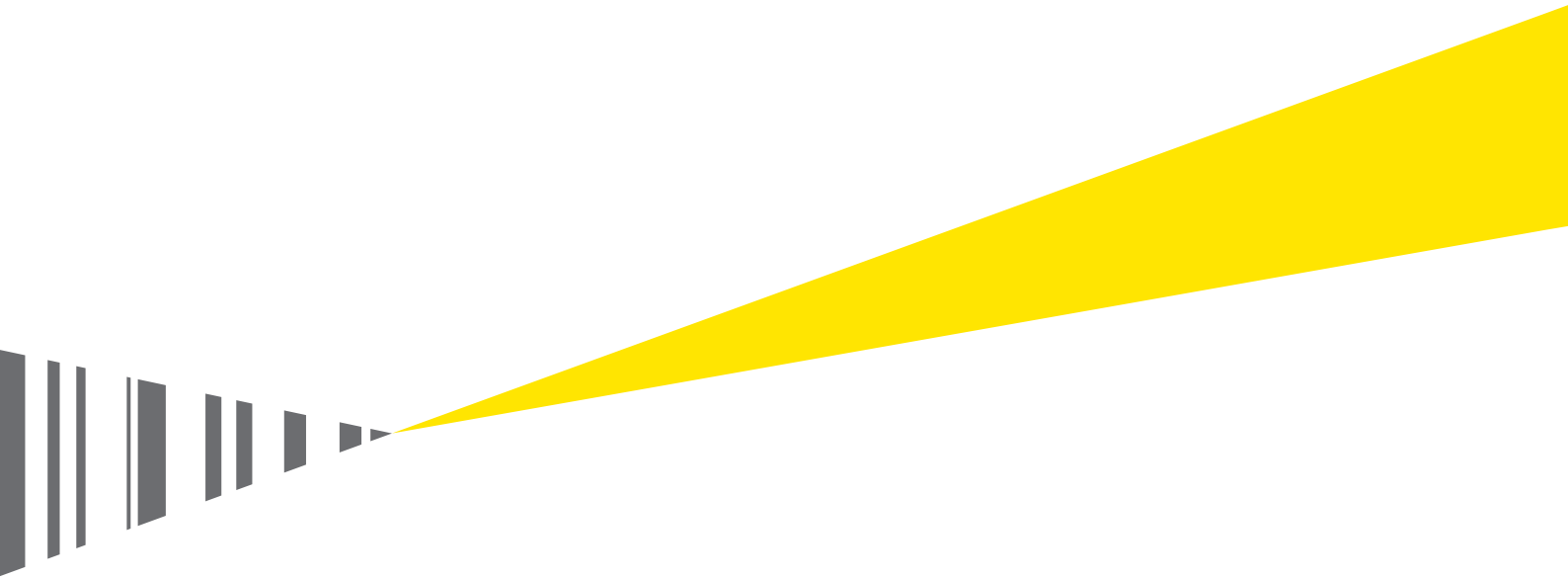


October 2013

Tax bulletin



SGV
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PHILIPPINE TAX FIRM
OF THE YEAR
AND
TRANSACTION TAX TEAM
OF THE YEAR

Highlights

BIR Rulings

- ▶ Contributions of electric cooperative members for funding the debt service amortizations of the electric cooperatives' indebtedness are in the nature of payments for services rendered by the electric cooperatives. Hence, these contributions are subject to value-added tax (VAT). **(Page 3)**

- ▶ Interest income derived by retirement funds from local and foreign bank deposits are exempt from the 20% final withholding tax (FWT) and 7½% FWT imposed under Section 27(D)(1) of the Tax Code.

No part, corpus or income of the retirement fund shall be used for or diverted to purposes other than for the exclusive benefit of the member-employees or their beneficiaries. Furthermore, the trustee bank should not in any way use the retirement fund to invest/deposit in any of the employer's business ventures because it would destroy the separate entity of the trust. **(Page 4)**

- ▶ Dividends declared by a domestic corporation to a corporation resident of Bermuda are subject to the 15% FWT under Sec. 28(B)(5)(b) of the Tax Code. **(Page 4)**
- ▶ The sale of feeds, including feed ingredients, is exempt from VAT. Since the manufacture, importation, sale or distribution of feeds or feedstuff require prior registration and permit from the Bureau of Animal Industry (BAI), the certification on the nature of the composition of commodities/items as stated in the registration and import permit issued by the BAI will govern the classification of said items for purposes of VAT exemption. **(Page 5)**
- ▶ The sale, importation, printing or publication of books and any newspaper, magazine, review or bulletin, which appears at regular intervals with fixed prices for subscription and sale, and which is not devoted principally to the publication of paid advertisements, is exempt from VAT. **(Page 5)**
- ▶ A non-stock, non-profit educational institution is exempt from tax on revenues and assets actually, directly and exclusively used for educational purposes under Article XIV, Section 4, of the 1987 Constitution and Section 30(H) of the Tax Code. **(Page 6)**
- ▶ Payments for the use of a patent, trademark, design or model, plan, secret formula or process are subject to 10% preferential tax rate on royalties under Article 12(2)(b) of the RP-Japan Tax Treaty.

Royalties paid to a nonresident foreign corporation are subject to 12% withholding VAT. **(Page 8)**

BIR Issuances

- ▶ Revenue Memorandum Circular (RMC) No. 63-2013 clarifies the taxable year covered by Revenue Regulations (RR) No. 12-2013, which amends the requirements for deductibility of certain income payments under RR No. 2-98, as amended. **(Page 8)**
- ▶ Revenue Memorandum Order (RMO) No. 27-2013 amends the 2012 VAT Audit Program. **(Page 8)**

- ▶ RMO No. 28-2013 amends pertinent provisions of RMO No. 20-2013, prescribing the policies and guidelines in the issuance of tax exemption rulings to qualified non-stock, non-profit corporations and associations. **(Page 9)**

SEC Issuance

- ▶ SEC Memorandum Circular (MC) No. 18 requires all listed companies to post an Annual Corporate Governance Report (ACGR) on company websites. **(Page 9)**

BSP Issuances

- ▶ Circular No. 813 amends market valuation of government securities. **(Page 10)**
- ▶ Circular No. 814 adds a new reporting requirement to account for the movement in and the aging of non-performing loans (NPLs). **(Page 10)**
- ▶ Circular No. 815 amends the *Manual of Regulations on Foreign Exchange Transactions*. **(Page 10)**
- ▶ Circular No. 816 approves the establishment of a Currency Exchange Facility (CEF) for the Egyptian Pound (EGP) for OFWs returning from Egypt, and provides guidelines for its implementation. **(Page 11)**

Court Decision

- ▶ Although the power to interpret provisions of the Tax Code and other tax laws shall be under the exclusive and original jurisdiction of the Commissioner of Internal Revenue (CIR), this power may be delegated by the CIR to any subordinate official with the rank equivalent to a division chief or higher. **(Page 11)**

BIR Rulings

BIR Ruling No. 363-13 dated October 1, 2013

Contributions of electric cooperative members for funding the debt service amortizations of the electric cooperatives' indebtedness are in the nature of payments for services rendered by the electric cooperatives. Hence, these contributions are subject to VAT.

Facts:

A and B Electric Cooperatives charged its members Contribution for Capital Expenditures (also known as Reinvestment Fund for Sustainable Capital Expenditure). The contributions are intended to fund the amortization of debt service of the electric cooperatives' indebtedness associated with the expansion, rehabilitation and upgrading of electric power systems.

Issue:

Are these contributions subject to the 12% VAT?

Ruling:

Yes. The members' contributions are collected as part of the cost of services rendered by the electric cooperatives. These are payments for services rendered and not capital contributions. As such, these are subject to VAT under Section 108 of the Tax Code.

BIR Ruling No. 234-13 dated June 27, 2013

Interest income derived by retirement funds from local and foreign bank deposits are exempt from the 20% FWT and 7½% FWT imposed under Section 27(D)(1) of the Tax Code.

No part, corpus or income of the retirement fund shall be used for or diverted to purposes other than for the exclusive benefit of the member-employees or their beneficiaries. Furthermore, the trustee bank should not in any way use the retirement fund to invest/deposit in any of the employer's business ventures because it would destroy the separate entity of the trust.

Facts:

A Fund is a reasonable retirement benefit plan accorded an exemption from the 20% final withholding tax (FWT) on interest income from local bank deposits and 7½% FWT on interest income from foreign currency deposits by virtue of a BIR ruling issued in 2007.

Issues:

1. Is A Fund still exempt from the 20% and 7½% FWT?
2. Are the retirement benefits to be received by the Fund's qualified employee-members exempt from income tax?

Ruling:

1. Yes. Interest income derived by retirement funds from local and foreign bank deposits are still exempt from the 20% and 7½% FWT imposed under Section 27(D)(1) of the Tax Code.
2. No. Under Section 32(B)(6)(a) of the Tax Code, the retirement benefits to be received by the qualified employee-member shall be exempt from income tax provided that (1) the employee had been in service of the same private firm for at least 10 years, and (2) he is at least 50 years old at the time of retirement. However, in this case, the Plan provides for a shorter minimum length of service of 5 years.

[Editor's Note: The ruling also states that the trustee bank should not in any way use the retirement fund to invest/deposit in any of the employer's business ventures because it would destroy the separate entity of the trust. This requirement is not found in the Tax Code.]

BIR Ruling No. 364-13 dated October 1, 2013

Dividends declared by a domestic corporation to a corporation resident of Bermuda are subject to the 15% FWT under Sec. 28(B)(5)(b) of the Tax Code.

Facts:

A Co., a non-resident foreign corporation based in Bermuda, owns 99.99% of the total issued and outstanding shares of stock in B Co., a domestic corporation. On May 14, 2013, B Co. declared cash dividends to A Co. The Register of Companies in Bermuda certified that A Co. is an exempted company under the laws of Bermuda.

Issue:

Are the cash dividends declared by B Co. to A Co. subject to the 15% FWT under Section 28(B)(5)(b) of the Tax Code?

Ruling:

Yes. Under Section 28(B)(5)(b) of the Tax Code, cash dividends received by a non-resident foreign corporation from a domestic corporation shall be subject to a 15% FWT, on the condition that the country in which the non-resident foreign corporation is domiciled shall allow a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 15% of the dividends. This condition is deemed complied with since Bermuda does not impose any tax on dividends received by a corporation domiciled in Bermuda.

BIR Ruling No. 371-13 dated October 10, 2013

The sale of feeds, including feed ingredients, is exempt from VAT. Since the manufacture, importation, sale or distribution of feeds or feedstuff require prior registration and permit from the BAI, the certification on the nature of the composition of commodities/items as stated in the registration and import permit issued by the BAI will govern the classification of said items for purposes of VAT exemption.

Facts:

X Trading is a sole proprietorship engaged in the business of purchasing scrap or unusable goods no longer fit for human consumption, and selling them as feed ingredients to manufacturers of poultry and livestock feeds or as feeds to animal farms. X Trading requested for VAT exemption on its sales pursuant to Section 109(1)(B) of the Tax Code.

Issue:

Are the sales of X Trading exempt from VAT?

Ruling:

Yes. Under Sec. 109(1)(B) of the Tax Code, the sale of feeds, including feed ingredients, is exempt from VAT. The manufacture, importation, sale or distribution of feeds or feedstuff require prior registration and permit from the Bureau of Animal Industry (BAI). The certification on the nature and composition of the commodities/items as stated in the registration and import permit issued by the BAI will govern the classification of the items for purposes of VAT exemption. Since the BAI has certified that the scrap products are ingredients in the manufacture of feeds, the sale thereof by X Trading is exempt from VAT.

BIR Ruling No. 372-13 dated October 10, 2013

The sale, importation, printing or publication of books and any newspaper, magazine, review or bulletin, which appears at regular intervals with fixed prices for subscription and sale, and which is not devoted principally to the publication of paid advertisements, is exempt from VAT.

Facts:

A Co., a domestic corporation engaged in the publication and distribution of textbooks and supplementary education materials, requested for VAT exemption on its sales pursuant to Section 109(1)(R) of the Tax Code.

Issues:

1. Are the sales of A Co. exempt from VAT?
2. Is A Co. also exempt from VAT on its purchases of goods and services from local suppliers?

Ruling:

1. Yes. Under Section 109(1)(R) of the Tax Code, the sale, importation, printing or publication of books, magazines, newspapers, reviews or bulletins is exempt from VAT, provided they appear at regular intervals with fixed prices for subscription and sale, and are not devoted principally to the publication of paid advertisements. To qualify for VAT exemption, the book, newspaper, magazine, review or bulletin must: (a) be printed or published at regular intervals, (b) be available for subscription and sale at fixed prices, (c) not principally be devoted to the publication of paid advertisements, and (d) be printed in hard copies. However, in case A Co. is engaged in other non-exempt activities such as printing of materials other than books, newspapers, magazines, reviews and bulletins, said transactions are subject to VAT and A Co. shall be required to register its business as a VAT business entity and it must issue a separate VAT invoice/receipt.

2. No. VAT, being an indirect tax, can be shifted or passed on by the seller to the buyer as an addition to the cost of goods or services sold. The shifting of the VAT to A Co. does not make A Co. the person directly liable, and it cannot invoke its tax exemption privilege to avoid the passing on or shifting of the VAT.

BIR Ruling No. 367-13 dated October 1, 2013

A non-stock, non-profit educational institution is exempt from tax on revenues and assets actually, directly and exclusively used for educational purposes under Article XIV, Section 4, of the 1987 Constitution and Section 30(H) of the Tax Code.

Facts:

A Co., a non-stock, non-profit educational institution, requested for the issuance of a certificate of tax exemption on all its revenues and assets actually, directly and exclusively used for educational purposes pursuant to Section 30(H) of the Tax Code.

Issues:

1. Is A Co. exempt from tax on revenues and assets actually, directly and exclusively used for educational purposes?
2. Is A Co. exempt from VAT on its gross receipts from operations as a non-stock, non-profit educational institution?
3. Is A Co. exempt from tax on income from currency bank deposits and deposit substitutes actually, directly and exclusively used for educational purposes?
4. Is A Co. exempt from tax on revenues derived from assets used in the operation of cafeterias/canteens and bookstores?
5. Is A Co. exempt from donor's tax?
6. Is A Co. subject to any tax reporting obligations?

Ruling:

1. Yes. Under Article XIV, Section 4, of the 1987 Constitution and Section 30(H) of the Tax Code, a non-stock, non-profit educational institution is exempt from tax on all revenues derived in pursuance of its purpose as an educational institution, provided they are actually, directly and exclusively used for educational purposes. However, any income from trade, business or other activity, the conduct of which is not related to the exercise or performance by such educational institutions of their educational purposes or functions, shall be subject to tax. A private non-profit educational institution whose gross income from unrelated trade, business or other activity does not exceed 50% of its total gross income derived from all sources shall pay a tax of 10% of its taxable income, except for passive income covered by Section 27(D) of the Tax Code. However, if its gross income from unrelated trade, business or other activity exceeds 50% of its total gross income derived from all sources, it shall be subject to the 30% regular corporate income tax under Section 27(A) of the Tax Code.
2. Yes. Under Section 109(H) of the Tax Code, gross receipts from operations as a non-stock, non-profit educational institution are exempt from VAT. However, other activities involving the sale of goods and services not in connection

with its primary purpose are subject to the 12% VAT or, if the gross sales or receipts from such sales of goods and services do not exceed P1,919,500, to the 3% percentage tax. Hence, as long as A Co. will not engage in the regular conduct or pursuit of a commercial or economic activity, including transactions incidental thereto, it will remain exempt from VAT. A Co. cannot invoke its tax exemption privilege under Section 30 of the Tax Code to avoid the passing on or shifting of the VAT.

3. Yes. Interest income from currency bank deposits and yield from deposit substitute instruments used actually, directly and exclusively in pursuance of the purposes of an educational institution are exempt from the 20% FWT and 7½% FWT on interest income imposed under Section 27(D)(1) of the Tax Code. However, the tax-exempt educational institution shall submit to the Revenue District Office concerned an annual information return and duly audited financial statements, together with the following:
 - a. Certification from its depository banks as to the amount of interest income earned from passive investment not subject to the 20% FWT and 7½ FWT on interest income as imposed by Section 27(D)(1) of the Tax Code;
 - b. Certification of actual utilization of the said income; and
 - c. Board Resolution by the school administration on proposed projects to be funded out of the money deposited in banks or placed on money markets, on or before the 15th day of the 4th month following the end of its taxable year.
4. Yes. Revenues derived from assets used in the operation of cafeterias/canteens and bookstores are exempt from tax, provided they are owned and operated by the educational institution as ancillary activities and the same are located within its premises.
5. Yes. Gifts, donations and other contributions received by non-stock, non-profit educational institutions are exempt from donor's tax pursuant to Section 101(A)(3) of the Tax Code, subject to the condition that not more than 30% of the gifts shall be used for administrative purposes. Donors cannot avail of full deductibility for purposes of computing taxable income under Revenue Regulations (RR) No. 13-98 without the accreditation as a donee institution from the Philippine Council for NGO Certification (PCNC).
6. Yes. A Co. is subject to the following reporting obligations:
 - a. Payment of withholding tax on compensation income of its employees or withholding tax on income payments to persons subject to tax pursuant to Section 57 of the Tax Code;
 - b. Payment of annual registration fee of P500.00; and
 - c. Issuance of duly registered receipts or sales or commercial invoices for each sale or transfer of merchandise or for services rendered which are not directly related to the activities for which it is registered.

[Editor's Note: The BIR ruling ordered the Revenue District Office to conduct an audit of the annual information return, the books of accounts and other pertinent records of A Co. to determine compliance with the conditions set forth in the certificate of tax exemption and tax liabilities, if any.]

Payments for the use of a patent, trademark, design or model, plan, secret formula or process are subject to 10% preferential tax rate on royalties under Article 12(2)(b) of the RP-Japan Tax Treaty.

Royalties paid to a non-resident foreign corporation are subject to 12% withholding VAT.

BIR Ruling No. ITAD 288-13 dated October 1, 2013

Facts:

A Co., a non-resident foreign corporation based in Japan, entered into a License Agreement with B Co., a domestic corporation, whereby A Co. granted B Co. a license to manufacture and sell confectionary products in the Philippines by using certain formulation and technology (know-how) for manufacturing and selling the products under A Co.'s trademarks. B Co. paid A Co. a fee based on a pre-agreed percentage of sales.

Issues:

1. Are the payments subject to the 10% preferential tax rate on royalties under the RP-Japan Tax Treaty?
2. Are the payments subject to VAT?

Ruling:

1. Yes. The payments are royalties in consideration for the use of any patent, trademark, design or model, plan, secret formula or process, and as such are subject to the 10% preferential tax rate pursuant to Article 12(2)(b) of the RP-Japan Tax Treaty.
2. Yes. The royalty payments are subject to 12% VAT pursuant to Section 108 of the Tax Code. B Co., being the payor in control of the payment, shall withhold VAT on the royalty payments by filing a separate VAT return for and on behalf of A Co.

BIR Issuances

Revenue Memorandum Circular (RMC) No. 63-2013 clarifies the taxable year covered by RR No. 12-2013, which amends the requirements for deductibility of certain income payments under RR No. 2-98, as amended.

Revenue Memorandum Circular No. 63-2013 dated September 26, 2013

- ▶ As provided under RR No. 2-2013, no deduction will be allowed notwithstanding payment of the required withholding tax at the time of the audit investigation or reinvestigation/reconsideration in cases where no withholding of tax was made pursuant to Sections 57 and 58 of the Tax Code.
- ▶ This provision of RR No. 12-2013 shall apply to audit investigations for taxable year 2013.

Revenue Memorandum Order (RMO) No. 27-2013 amends the 2012 VAT Audit Program.

Revenue Memorandum Order No. 27-2013 dated September 26, 2013

- ▶ Item IV.A.9 of RMO No. 20-2012 is amended to read as follows:

“The initial workload of each RO under this program shall be thirty (30) cases. In no case shall the number of cases handled by an RO exceed thirty (30) cases, subject to replenishment after every submission of the report of investigation/closure of each case.

xxx xxx xxx.”

- ▶ Item IV.A.10 of RMO No. 20-2012 is amended to read as follows:

"xxx xxx xxx

However, Revenue Officers shall prepare an audit plan and state therein the risk areas which shall be the focus of the investigation."

- ▶ Item IV.A.11 of RMO No. 20-2012 is amended to read as follows:

"xxx xxx xxx

Thus, where there is already an eLA issued by the VAT Audit Team for any taxable quarter for 2012 and/or thereafter, and the taxpayer has been selected for regular audit in the RDO, the tax type to be requested for investigation by the Revenue District Officer shall be:

`All internal revenue taxes except VAT.'"

RMO No. 28-2013 amends pertinent provisions of RMO No. 20-2013, prescribing the policies and guidelines in the issuance of tax exemption rulings to qualified non-stock, non-profit corporations and associations.

Revenue Memorandum Order No. 28-2013 dated October 29, 2013

- ▶ Section 10 of RMO No. 20-2013 is hereby amended to read as follows:

"Section 10. Renewal of Tax Exemption Rulings. - Tax Exemption Rulings may be renewed upon filing of a subsequent Application for Tax Exemption/ Revalidation, under same requirements and procedures provided herein. *Failure to renew the Tax Exemption Ruling shall be deemed revocation thereof upon the expiration of the three (3)-year period.* The new Tax Exemption Ruling shall be valid for another period of three (3) years, unless sooner revoked or cancelled."

SEC Issuance

SEC Memorandum Circular (MC) No. 18 requires all listed companies to post an ACGR on company websites.

SEC Memorandum Circular No. 18 dated October 2, 2013

- ▶ All publicly-listed companies are required to post their Annual Corporate Governance Report (ACGR) in their respective websites.
- ▶ This posting is a requirement in the peer review process that is being undertaken by Corporate Governance (CG) experts within the ASEAN Region to provide the CG experts adequate source materials for the review.
- ▶ The posting of the ACGR shall be made in a separate entry from the company's Annual Report.
- ▶ A basic penalty of Php 10,000 shall be imposed for non-compliance with the requirement of posting the ACGR.
- ▶ Continuous failure of the company to comply with said posting requirement is subject to a monthly penalty of Php 1,000 until the said report is posted.

[Editor's Note: SEC MC No. 18 was published in the Business Mirror and The Philippine Star on October 4, 2013.]

Circular No. 813 amends market valuation of government securities.

BSP Issuances

BSP Circular No. 813 dated September 27, 2013

- ▶ The benchmark or reference price of Peso-denominated government securities is still based on the weighted average of done or executed deals in the trading market registered with the SEC. In the absence of done deals, the simple average of all firm bids per benchmark tenor shall now be used instead of the best firm bid.
- ▶ The same basis shall be used in the valuation of non-benchmark securities. In the absence of both done and bid rates, interpolated yields derived from the benchmark or reference rates used in the computation of reference rates above shall be used.
- ▶ The same basis applies in pricing non-benchmark debt securities.
- ▶ The Circular takes effect 15 calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

[Editor's Note: Circular No. 813 was published in Manila Standard Today on October 1, 2013.]

Circular No. 814 adds a new reporting requirement to account for the movement in and the aging of NPLs.

BSP Circular No. 814 dated September 27, 2013

- ▶ Banks shall submit reports for non-performing loan (NPL) movements and aging in formats to be prescribed by the BSP. The report shall be submitted to the appropriate department of the SES within 15 days after the end of every reference quarter.
- ▶ The Circular takes effect 15 calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

[Editor's Note: Circular No. 814 was published in The Manila Times on October 4, 2013.]

Circular No. 815 amends the *Manual of Regulations on Foreign Exchange Transactions*.

BSP Circular No. 815 dated October 18, 2013

- ▶ In addition to the sources of funding allowed prior to the amendment, Peso accounts of non-residents may also be funded by Peso proceeds from the onshore sale by non-resident issuers of their PSE-listed equity securities.
- ▶ Depository Authorized Agent Banks (AABs) may sell the equivalent foreign exchange to non-resident issuers up to the amount deposited in peso accounts funded by peso proceeds from the onshore sale by non-resident issuers of their PSE-listed equity securities. The procedure and requirements are set forth in the appendices.
- ▶ Investments in PSE-listed equity securities issued by non-residents shall be registered with the investor's designated custodian bank.
- ▶ The Circular takes effect 15 calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

[Editor's Note: Circular No. 815 was published in Business Mirror on October 23, 2013.]

Circular No. 816 approves the establishment of a CEF for the Egyptian Pound for OFWs returning from Egypt, and provides guidelines for its implementation.

BSP Circular No. 816 dated October 24, 2013

- ▶ OFWs and their family members who returned from Egypt shall be eligible to avail of the Currency Exchange Facility (CEF). The maximum amount shall not be more than Php10,000.00 per eligible person, and provided that the currency is considered legal tender in Egypt at the time of exchange.
- ▶ The CEF shall be open to those who have returned from Egypt starting August 15, 2013 and is available for six months reckoned from the effectivity of the Circular.
- ▶ Persons availing of the CEF shall submit the documentary requirements listed in the Circular.
- ▶ AABs are not allowed to collect service fees from those availing of the program.
- ▶ The Circular takes effect 15 days after publication.

[Editor's Note: Circular No. 816 was published in Philippine Daily Inquirer on October 31, 2013.]

Court Decision

Consolidated Cases of CIR vs. San Roque Power Corporation (G.R. No. 187485) Taganito Mining Corporation vs. CIR (G.R. No. 196113)

Philex Mining Corporation vs. CIR (G.R. No. 197156)

Supreme Court (*En Banc*), promulgated October 8, 2013

Facts:

On February 12, 2013, the Supreme Court ruled that a taxpayer may file with the BIR its claim for refund for excess input VAT attributable to zero-rated or effectively zero-rated sales, within two years from the close of the taxable quarter of the sales. The Commissioner of Internal Revenue (CIR) shall be given 120 days from complete submission of supporting documents within which to decide the claim.

In case of full or partial denial of the claim, or the failure of the CIR to act on the application within the 120-day period, the taxpayer may, within 30 days from the receipt of the decision denying the claim or after the expiration of the 120-day period, appeal the decision or the unacted claim to the Court of Tax Appeals (CTA).

In an appeal to the CTA on the CIR's inaction, the 120- and 30-day periods are mandatory. Hence, a taxpayer cannot appeal to the CTA before the lapse of the 120-day period. On the other hand, a taxpayer can no longer file its appeal with the CTA beyond the 120- and 30-day periods.

An exception to the mandatory 120+30 day rule would be that of a taxpayer who relied on BIR Ruling No. DA-489-03 dated December 10, 2003, a general interpretative ruling, which expressly stated that the taxpayer-claimant need not wait for the lapse of the 120-day period before it could seek judicial relief with the CTA by way of Petition for Review. Thus, the taxpayer may not be prejudiced and its claim for refund of input VAT cannot be denied on the basis of non-compliance with the 120+30 day requirement.

The CIR argued that BIR Ruling No. DA-489-03 is a mere issuance of a Deputy Commissioner and thus, cannot be relied upon.

Although the power to interpret provisions of the Tax Code and other tax laws shall be under the exclusive and original jurisdiction of the CIR, this power may be delegated by the CIR to any subordinate official with the rank equivalent to a division chief or higher.

Issue:

Can BIR Ruling No. DA-489-03 be relied upon even if it was merely signed by the Deputy Commissioner?

Ruling:

Yes, BIR Ruling No. DA-489-03 which is a general interpretative ruling, can be relied upon even if it was merely signed by the Deputy Commissioner.

Although Section 4 of the 1997 Tax Code provides that the power to interpret provisions of the Tax Code and other tax laws shall be under the exclusive and original jurisdiction of the CIR, Section 7 does not prohibit the delegation of such power. Thus, the CIR may delegate the powers vested in him under the provisions of the Tax Code to any subordinate officials with the rank equivalent to a division chief or higher, subject to limitations and restrictions as may be imposed by rules and regulations promulgated by the Secretary of Finance.

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Expiry date: no expiry

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