

**RE: Documentary Requirements for Tax Treaty Relief, Tax Sparing and Tax Exemption for Philippine Long Distance Telephone Company (PLDT) Cash Dividend Payable on 16 April 2014**

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On 4 March 2014, the Board of Directors declared dividends amounting to Php116.00 per share for stockholders on record as of 18 March 2014 and payable on 16 April 2014. The dividends declared represent the regular dividend of Php62.00 per share and a special dividend of Php54.00 per share.

**I. Availment of Tax Relief under Tax Treaties**

For non-resident foreign shareholders (corporations and individuals, including beneficial owners under Trust, Nominee, and/or Custody agreements), these dividends shall be subject to withholding taxes at the maximum statutory rates of 30% for corporations and 25% for individuals.

However, non-resident foreign shareholders may avail of lower preferential tax treaty rates with respect to these dividends upon submission of certain documentary requirements to the Philippine Bureau of Internal Revenue International Tax Affairs Division (BIR-ITAD), together with an application for tax treaty relief prior to the dividend payment date. Please refer to **Attachment A** for the list of documentary requirements.

As withholding agent, **PLDT will need, as basis for applying the appropriate rate of tax, a complete set of the documents, including a copy of the tax treaty relief application (“TTRA”) filed with the BIR-ITAD.**

Shareholders who have previously filed an application with the BIR-ITAD (whether directly or with the assistance of PLDT) in connection with the dividend payments last year are required to submit a new set of original copies of the Consularized Certificate of Tax Residency and Articles of Incorporation and the Consularized Special Power of Attorney (SPA) provided under Nos. (b)1 & (b)2 of Attachment A which shall be valid for dividends to be received within the taxable year 2014.

Given lead times in connection with the preparation of the dividend checks, for nonresident shareholders directly filing with the BIR-ITAD, PLDT requires that the copies of BIR-ITAD TTRA duly filed and received by the BIR-ITAD with attachments, be submitted to HSBC Stock Transfer Unit, no later than 5:00 pm (Manila time) on 04 April 2014 in order for the reduced tax rates to be applied for the dividends payable on 16 April 2014. The aforementioned TTRA with the attached documentary requirements in Attachment A should be submitted by the shareholder to the HSBC Stock Transfer Unit at the address indicated at the end of this notice.

In order to ensure compliance with the BIR requirements to qualify for tax treaty relief, the actual filing of the TTRA with the BIR-ITAD, including the submission of the relevant documentary requirements is best undertaken with the assistance of a local Philippine counsel engaged by the shareholder. Please be advised that the engagement of local counsel will entail the payment of legal fees. A partial list of available local counsels can be found in **Attachment B**.

We encourage the shareholder to send the requisite documents by courier to ensure receipt by HSBC Stock Transfer Unit and to have proof that the documents have been sent. Furthermore, once the BIR-ITAD grants the application or issues the ruling, such ruling shall be submitted to HSBC Stock Transfer Unit within five (5) days from receipt thereof.

**PLDT Assistance**

By way of assistance to its shareholders, PLDT is willing to undertake the submission of documentary requirements and to file the application for tax treaty relief with BIR-ITAD, on behalf of the shareholder. PLDT will charge a one-time fee to cover out-of-pocket expenses in the amount of Seven Thousand Five Hundred Pesos (PHP7,500.00) or One Hundred Seventy Five US Dollars (USD175.00). Payment can be made via:

<u>US Dollar Account</u>	<u>Peso Account</u>
<b>Deutsche Bank, AG, Manila</b> Ayala Triangle, Ayala Avenue Makati City, Philippines for credit to <b>FCDU Savings Account No. 1000975-30-8</b> of Philippine Long Distance Telephone Company	<b>Banco De Oro – Makati Shangri-la Branch</b> Account Name: Philippine Long Distance Telephone Company <b>Peso Current Account No. 000098006327</b> SWIFT Code: BNORPHMM

SWIFT Code: DEUTPHMM	
Correspondent Bank of Deutsche Bank in USA: Bankers Trust of America, New York SWIFT Code: BKTRUS33XXX	

If the shareholder wishes to avail of PLDT assistance, the shareholder must submit to PLDT the documentary requirements Nos. (b)1 and (b)2 of Attachment "A" **together with** a copy of the proof of remittance of the one-time fee. Given the Philippine holiday on April 9, 2014 as well as the lead times in filing the application with the BIR-ITAD, the aforementioned documents must be received by HSBC Stock Transfer Unit not later than **27 March 2014, 5:00 p.m.**, Manila time, at its address below. We encourage the stockholder to send the requisite documents by courier to ensure receipt by HSBC Stock Transfer Unit and to have proof that the documents have been sent.

Please note that the assistance fee is **non-refundable** should the shareholder availing of PLDT assistance fails to submit the complete documentary requirements on **27 March 2014**, thereby resulting in failure to file the TTRA with the BIR-ITAD on 04 April 2014.

In summary, non-resident shareholders who wish to avail of reduced tax treaty rate shall be guided by the following timelines:

Particulars	Due Dates
FOR THOSE AVAILING PLDT ASSISTANCE Cut-off for receipt by HSBC Stock Transfer Unit of documents provided in Nos. (b)1 & (b)2 of Attachment A along with <u>the proof of remittance of payment of one-time fee.</u>	<b>27 March 2014, 5:00pm</b> <b>(Manila time)</b>
FOR THOSE FILING DIRECTLY WITH THE BIR-ITAD WITHOUT PLDT ASSISTANCE Cut-off for receipt by HSBC Stock Transfer Unit of copies of the TTRA duly filed with and received by the BIR-ITAD, together with the attached documentary requirements.	<b>04 April 2014, 5:00pm</b> <b>(Manila time)</b>

As previously explained, given lead times in connection with the preparation of the dividend checks, **PLDT shall be constrained to apply the maximum tax rate in connection with the 16 April 2014 dividend payment for TTRA filed with the BIR-ITAD after 04 April 2014.** Nonetheless, shareholder can file for tax refund directly with the BIR-ITAD and/or tax court with the assistance of their Philippine local counsel.

## **II. Availment of Tax Relief under Tax-Sparing or Tax Exemption Provisions under the Philippine National Internal Revenue Code of 1997 (“the NIRC”)**

Non-resident foreign corporate shareholders may also avail of lower tax rate of 15% in accordance with the tax sparing provisions of the NIRC for those nonresident foreign corporations domiciled in countries which either (1) allow as a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 15%, which represents the difference between the regular income tax of 30% and the 15% tax on dividends; or (2) does not impose any taxes on foreign sourced dividends.

Dividends received by shareholders who are either (i) foreign governments; (ii) financing institutions owned, controlled or enjoying refinancing from foreign governments or (iii) international or regional financing institutions established by foreign governments may be exempt from Philippine income tax.

Nonresident foreign corporate shareholders wishing to avail of the lower tax sparing rates of 15% should submit the documentary requirements listed in **Attachment C**, while **foreign government shareholders** claiming tax exemption should submit the documentary requirements listed in **Attachment D**. However, those who have already submitted the required documents under Attachment C and Attachment D item (a) last April/September 2013 dividend payment need not comply with this requirement.

As withholding agent, PLDT will need, as basis for applying the appropriate rate of tax or exemption, a complete set of documents listed in **Attachment C or D**. Given the Philippine holiday on April 9, 2014 as well as the lead times in connection with the preparation of the dividend checks, PLDT requires an earlier deadline for submission of these documentary requirements. As such, these should be received by PLDT through HSBC Stock Transfer Unit, **no later than 5:00 pm (Manila time) on 04 April 2014**. The documentary requirements in Attachment C or D, as the case may be, shall be submitted to the HSBC Stock Transfer Unit at the address indicated at the end of this notice.

Incomplete submittals and non-receipt of the required documents by the cut-off dates specified in this notice, will constrain PLDT to apply the maximum tax rates on the dividends payable to its non-resident foreign corporate shareholders on 16 April 2014. Nonetheless, it is possible for the shareholder to pursue a tax reclaim directly with the BIR and/or tax court with the assistance of their Philippine local counsel.

We encourage the shareholder to send the requisite documents by courier to ensure receipt by HSBC Stock Transfer Unit and to have proof that the documents have been sent.

Please feel free to send either an email or call the following persons below for further clarifications:

<b>HSBC Stock Transfer Unit</b>	<b>PLDT</b>
<i>Ms. Rachel Oliva – <a href="mailto:racheloliva@hsbc.com.ph">racheloliva@hsbc.com.ph</a> (632) 581-7519/581-7594</i>	<i>Atty. Kathryn Zarate – <a href="mailto:kazarate@pldt.com.ph">kazarate@pldt.com.ph</a>; (632) 816-8754</i>
<i>Mr. Alfred Joseph Jao – <a href="mailto:alfredjosephjao@hsbc.com.ph">alfredjosephjao@hsbc.com.ph</a> (632) 581-7519/581-7594</i>	<i>Atty. Charito Villena – <a href="mailto:crvillena@pldt.com.ph">crvillena@pldt.com.ph</a>; (632) 816-8191</i>
<b>7th Floor, HSBC Centre, 3058 Fifth Avenue, West Bonifacio Global City, Taguig City, Philippines, 1634</b>	<b>15<sup>th</sup> Floor, Ramon Cojuangco Building, Makati Avenue, Makati City, Philippines, 1200</b>

## **Attachment A - Documentary Requirements for Tax Treaty Relief**

BIR Revenue Memorandum Order (RMO) No. 72-2010 requires the following submissions:

- (a) BIR Form 0901-D filed with BIR ITAD;
- (b) Supporting documents to be attached to the BIR Form 0901-D:
  - 1. Proof of Residency –
    - a) Original copy of a **Consularized Certificate of Tax Residency** issued by the tax authority of its country; **and**
    - b) If income recipient is non-individual, **photocopy of the Articles of Incorporation (AOI) or equivalent Fact of Establishment/Creation/Organization with the Original Copy of a Consularized Certification** from the issuing agency, office or authority that the copy of the AOI is a faithful reproduction or photocopy;
  - 2. Original copy of a **Consularized Special Power of Attorney (SPA)** or a Consularized written authorization duly executed authorizing its withholding agent or local representative in the Philippines to file tax treaty application (Draft SPA attached);
  - 3. Original copy of certification from the Philippine Securities and Exchange Commission that income recipient is not registered to engage in business in the Philippines;
  - 4. Certificate of No Pending Case – Original copy of sworn statement providing information on whether the issue(s) or transaction involving directly or indirectly the same taxpayer(s) which is/are the subject of the request for ruling is/are under investigation, covered by an on-going audit, administrative protest, claim for refund or issuance of tax credit certificate, collection proceedings, or a subject of judicial appeal;
  - 5. Original copy of notarized certification by the Secretary of the Philippine corporation showing the following: number, value and type of shares of the applicant/income recipient and percentage of latter's ownership in the Philippine corporation as of the date of record/transaction and date of payment; acquisition date(s) of the subject shares; mode of acquisition of said shares; and
  - 6. Certified copy of Board Resolution approving the declaration of dividend

Note: Items 1, 2, and 3 should be provided by the shareholder (for item 3, local counsel can assist shareholder in getting this document from the Philippine Securities and Exchange Commission). Items 4, 5 and 6 are to be provided by the PLDT or its transfer agent.

## **Attachment B**

For your information and guidance, we provide below, a list of local counsels and their respective contact details:

- (a) Baniqued & Baniqued  
*Atty. Laura Victoria A.S. Yuson-Layug (Partner)*  
Suite 803, 8/F Jollibee Centre, San Miguel Avenue  
Ortigas Center, Pasig City, 1600 Philippines  
Telephone no: (632) 633-9418/633-9419  
Facsimile no.: (632) 633-1911  
Email: [lyysonlayug@baniquedlaw.com](mailto:lyysonlayug@baniquedlaw.com); [mlzvillapando@baniquedlaw.com](mailto:mlzvillapando@baniquedlaw.com)  
Website: [www.baniquedlaw.com](http://www.baniquedlaw.com)
  
- (b) Salvador & Associates  
*Atty. Serafin U. Salvador, Jr. (Partner)*  
Rooms 815-816 Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City 1226 Philippines  
Telephone no: (632) 811-2500/811-2498  
Direct Line: (632) 811-2498  
Mobile: (63917) 533-1907  
Facsimile no: (632) 893-6987  
Email: [info@salvadorlaw.com](mailto:info@salvadorlaw.com) ; [susalvador@salvadorlaw.com](mailto:susalvador@salvadorlaw.com)  
Website: [www.salvadorlaw.com](http://www.salvadorlaw.com)
  
- (c) SGV & Co. (Ernst & Young)  
*Atty. Cirilo P. Noel (Chairman and Managing Partner)*  
6760 Ayala Ave, 1226 Makati City  
Telephone no: (632) 891-0307  
Fax no: (632) 891-0429  
Email: [cirilo.p.noel@ph.ey.com](mailto:cirilo.p.noel@ph.ey.com)  
Website: [www.ey.com](http://www.ey.com)
  
- (d) Manabat Sanagustin & Co. (KPMG)  
*Atty. Maria Myla S. Maralit (Partner)*  
The KPMG Center, 9/F  
6787 Ayala Avenue, 1226 Makati City 1226  
Telephone no: (632) 8857000 ext. 477/(632) 6210825  
Email: [mmaralit@kpmg.com](mailto:mmaralit@kpmg.com); [mmaralit@kpmg.com.ph](mailto:mmaralit@kpmg.com.ph)  
Website: [www.kpmg.com.ph](http://www.kpmg.com.ph)

**Attachment C - Documentary Requirements for Tax Sparing**

- A. For nonresident foreign corporate shareholders whose country of domicile allows as a credit for taxes deemed to have been paid in the Philippines equivalent to 15%
- A.1 Original copy of proof of residence of income recipient such as a certification by the tax authority of its country of domicile or a certified copy of Articles of Incorporation duly certified by the Securities and Exchange Commission (or its equivalent)/Philippine Consulate/Embassy of the respective country; and
  - A.2 Any authenticated document showing that the domicile country allows as a credit for taxes deemed to have paid in the Philippines equivalent to 15%, i.e. Internal Revenue Laws of domicile country
- B. For nonresident foreign corporate shareholders whose country of domicile do not impose tax on foreign sourced dividends
- B.1 Original copy of proof of residence of income recipient such as a certification by the tax authority of its country of domicile or a certified copy of Articles of Incorporation duly certified by the Securities and Exchange Commission (or its equivalent)/Philippine Consulate/Embassy of the respective country; and
  - B.2 Certification of the Tax Authorities of the domicile country stating that said country does not impose taxes on foreign sourced dividends, or any authenticated document showing that the domicile country does not impose taxes on foreign sourced dividends.

**Attachment D - Documentary Requirements for Tax Exemption**

(a) Ruling from the Philippine Bureau of Internal Revenue (BIR) stating that income derived by said foreign government, financing institutions owned, controlled, or enjoying refinancing from foreign government, or international or regional financial institutions established by foreign government are exempt from Philippine tax; or

(b) Application for the Tax-Exemption duly-filed and received by the Philippine Bureau of Internal Revenue (BIR) requesting that the income derived by the shareholder which is a (i) foreign government, (ii) financing institution owned, controlled, or enjoying refinancing from foreign governments, or (iii) international or regional financial institution established by foreign governments are exempt from Philippine tax.