

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

October 14, 2002

REVENUE REGULATIONS NO. 20-2002

SUBJECT : Clarifying the Tax Treatment of Income Earned from Unregistered Activities by Enterprises Registered under the Bases Conversion and Development Act of 1992 and the Philippine Economic Zone Act of 1995

TO : All Internal Revenue Officers and Others Concerned

These Regulations are issued to clarify the internal revenue tax treatment of income earned from unregistered activities by enterprises that are registered with the Subic Bay Metropolitan Authority, the Clark Development Authority, or the Philippine Economic Zone Authority, as the case may be.

SECTION 1. TAX TREATMENT - Income derived by an enterprise registered with the Subic Bay Metropolitan Authority (SBMA), the Clark Development Authority (CDA), or the Philippine Economic Zone Authority (PEZA) from its registered activity/ies shall be subject to such tax treatment as may be specified in its terms of registration (i.e., the 5% preferential tax rate, the income tax holiday, or the regular income tax rate, as the case may be). Nonetheless, whatever the tax treatment of said enterprise with respect to its registered activity/ies, income realized by such registered enterprise that is not related to its registered activity/ies shall be subject to the regular internal revenue taxes, such as the 20% final income tax on interest from Philippine Currency bank deposits and yield or any other monetary benefit from deposit substitutes, and from trust funds and similar arrangements, the 7.5% tax on foreign currency deposits and the 5%/10% capital gains tax or ½ % stock transaction tax, as the case may be, on the sale of shares of stock.

Income payments made by a registered enterprise to an entity in the Customs Territory shall not be subject to the preferential tax rates or tax exemption enjoyed by the registered enterprise. Thus, dividends paid to the shareholders of a registered enterprise, interest payments to creditors of such registered enterprise (regardless of any tax provision for grossing up of taxes), and other such payments shall be subject to the appropriate rate of tax imposable on the recipient of such income.

SEC. 2. REPEALING CLAUSE – Section 6 (f) of Revenue Regulations No. 1-95 and the provisions of all other internal revenue issuances inconsistent herewith are hereby repealed, modified or amended accordingly.

SEC. 3. EFFECTIVITY – Except for the second paragraph of Section 1 which is a mere reiteration of the law already enforced, these regulations shall take effect after fifteen (15) days following publication in the Official Gazette or any newspaper of general circulation in the Philippines.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue