



Funding the Republic

Republic of the Philippines
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila



MEMORANDUM

TO **NRoSS Custodians**

SUBJECT **Streamlined Procedure for Tax Treaty Implementation in the National Registry of Scripless Securities (NRoSS)**

DATE **22 August 2024**

I. Background

In line with the National Government's efforts to boost foreign investor participation in the domestic capital market, particularly in Government Securities (GS), a more streamlined implementation of the tax agreements with other countries is hereby implemented in coordination with the Bureau of Internal Revenue (BIR).

II. New Tax Treaty Procedure in NRoSS

1. The non-resident investor or its authorized representative shall submit a general inquiry to the BIR on the applicable treaty rates on the interest income of investors who are residents of a jurisdiction with which the Philippines has concluded a double taxation agreement (DTA). The general inquiry shall state the relevant provision of the applicable tax treaty and shall be accompanied by supporting documents, including the Tax Residency Certificate (TRC) and the BIR's Beneficial Ownership Declaration Form.
2. BIR shall then issue a general guidance document indicating the treaty rates and the conditions and/or requirements that must be met to be entitled to the preferential rate being sought by the non-resident investor.
3. BTr shall approve the creation of the securities account (NRoSS Account) in NRoSS system, following BIR's guidance and the submission of other required documents.

III. Benefits of the New Procedure:

- Removes the need for non-resident investors to specify which GS transactions/income they wish to avail of the tax treaty rates. This would also mean that a non-resident investor can open a securities account ahead of future GS purchases.
- Eliminates the need for the Issuer (BTr) to submit a confirmation of the propriety of the withholding tax applied on the income.

ISO 9001:2015 Quality Management System
Certificate No. SCP000233Q



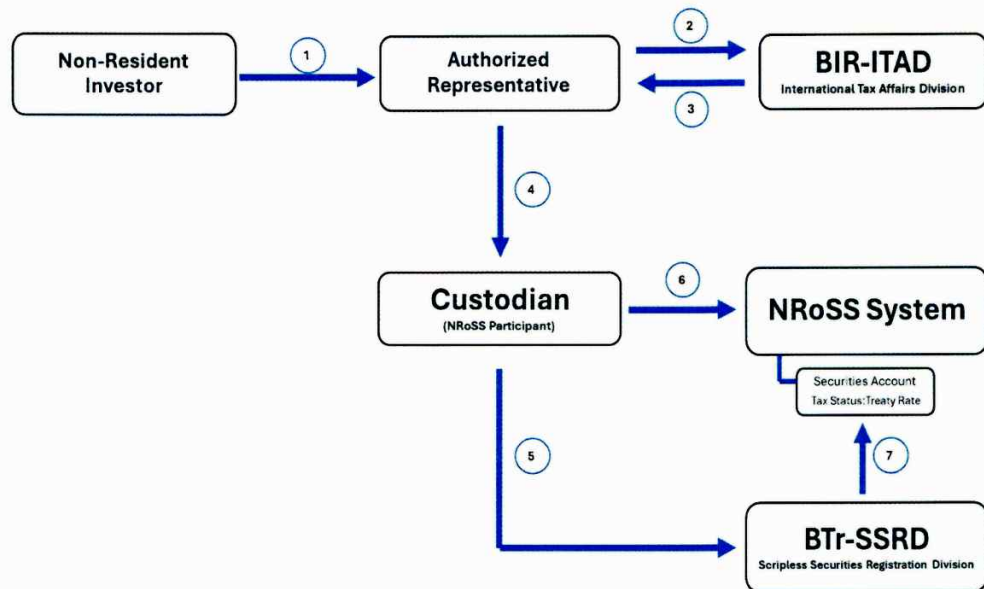
Ayuntamiento Building, Cabildo Street corner A. Soriano Avenue, Intramuros, 1002 Manila
Trunkline (+632) 663-2287 URL: www.treasury.gov.ph

- Leverages the tax tracking feature of NRoSS, and eliminates the need for tax reclaims in cases where the treaty rates were not applied.

IV. Detailed Process Flow

a. Account Opening Procedure

- This is a one-time activity required to onboard the non-resident investor into the NRoSS system and set-up the NRoSS account with preferential tax rates.



1. A non-resident investor shall execute a Notarized Special Power of Attorney (SPA) to its authorized representative, which may also be its securities custodian, to inquire on its behalf about the investor's eligibility for preferential tax rates based on the tax treaty between its country of residence and the Philippines, specifically for interest income from its Philippine government securities investment.
2. The authorized representative shall submit the original or certified true copy of the following to the Bureau of Internal Revenue - International Tax Affairs Division (BIR-ITAD):

Documentary Requirement	Details
a. General Inquiry Letter	<ul style="list-style-type: none"> - free format - inquiry on whether the interest income arising from government securities issued by the Republic of the Philippines, through the Bureau of the Treasury, and to

	be paid to the non-resident investor is subject to the preferential tax rate pursuant to the relevant tax treaty and state the relevant provision of the applicable tax treaty
b. Tax Residency Certificate	- issued by the tax authority of the country of the non-resident investor.
c. Beneficial Ownership Declaration Form	- a copy of this form can be obtained from the BIR-ITAD - does not require notarization
d. Notarized SPA	- issued by the non-resident investor to his/her authorized representative

3. In lieu of BIR ruling, the BIR-ITAD will issue a General Guidance document for each non-resident investor, indicating the treaty rates and the conditions and/or requirements that must be met to qualify for the preferential rate within 15 business days from receipt.
4. The authorized representative shall forward the General Guidance document and TRC to the Custodian.
5. The Custodian shall submit via email the following to the BTr:
 - a. General Guidance document
 - b. TRC
 - c. Investor's Undertaking (Annex A)
 - d. Letter of Indemnity (Annex B)
6. The Custodian shall create a segregated NRoSS Account reflecting the treaty rate in the NRoSS system and notify the BTr via email of the account creation.
7. The BTr-SSRD shall approve the NRoSS Account and notify the Custodian via email within 5 business days of receiving the documents mentioned in item 5 and the email notification in item 6.

V. Account Maintenance

- To maintain eligibility to the same tax treatment in the subsequent years, the non-resident investor must ensure the TRC is updated annually through its Custodian. Failure to submit the same shall result in the imposition of the regular tax rate of **20%** as provided under Section 28(B)(5)(a) of the National Internal Revenue Code of 1997, as amended.
- a. The non-resident investor shall submit the updated TRC to its Custodian, if the validity period of the previously submitted TRC has already lapsed. The Custodians shall notify clients of the TRC expiration to ensure timely compliance.
- b. On the first business day of April each taxable year, Custodian shall submit a Certification (Annex C) to BTr. This Certification includes the list of all their clients (new and existing) who have valid TRC for the concerned taxable year. Clients who are still in the process of obtaining their updated TRC and thus will not be included in the Certification must submit a Guarantee Letter (Annex D) to BTr through the Custodian on the same day. The BTr shall acknowledge receipt of both the Certification and the Guarantee Letter.
- c. If a non-resident investor fails to to be included in the Certification or provide a Guarantee letter, they shall be subjected to the regular tax rate of 20% on all interest income for the taxable year.
- d. Upon determination by the Custodian of non-compliance with the updated TRC requirement, the following actions shall be undertaken:
 - i. Transfer the client's GS from their preferential rate NRoSS account to their taxable NRoSS account.
 - ii. Calculate any excess income and proceed with the clawback process.
 - iii. Notify via email the BTr of the calculated clawback amount and specify the remittance date.
- e. On the first business day of July each taxable year, Custodian or NRoSS Sponsors shall submit another Certification (Annex C) to the BTr that includes a list of all their clients (new and existing) who have successfully submitted their updated TRC for the concerned taxable year. This assumes that all active preferential rate NRoSS accounts have complied with the updated TRC requirements. It is also assumed that the Custodian has identified those who did not comply and has taken the necessary actions accordingly.
- f. All required submissions to the BTr shall be done via email at ssrd_nross@treasury.gov.ph The Custodian shall keep in custody the original copy of the supporting documents of the client, and be ready to furnish the hard copies to the BTr upon request.

VI. Authentication Requirement

Documents executed abroad must be either authenticated by the Philippine Embassy in the respective country or apostilled, if the country is a signatory to the 1961 Apostille Convention, to be deemed acceptable in the Philippines.

VII. Tax-Tracking Mechanics

a. Basis for Tax tracking Computation

- i. The NRoSS system shall track the appropriate withholding tax based on the tax rate specified in the NRoSS account. This implies that the tax status of an investor in GS can only be tracked upon the creation of the NRoSS account with the correct tax rate assigned.
- ii. The final withholding taxes on accrued interest due for each trade transaction shall be calculated based on the actual settlement date of the securities balances and their actual lodgment in the appropriate preferential tax NRoSS account of the bondholder.
- iii. For NRoSS accounts with preferential tax rate, the system will compute the gross coupon less the specific tax adjustments for the given coupon period.

1. Tax adjustments are either tax payable or receivable.

- a. A tax receivable shall be recorded by the system with each sale of GS, representing the reimbursement of the tax on accrued interest. This amount will be paid to the NRoSS Account holder on the subsequent payment date of the GS.
- b. A tax payable shall be recorded by the system with each GS purchase, reflecting the tax on accrued interest. Tax payable will be deducted from the gross coupon on the subsequent payment date.

2. The accrued days for an ISIN, used in calculating the tax adjustment, are determined as the days between the NRoSS system's calculation date for the preceding payment date and the settlement date of the securities into the respective NRoSS account.

b. Reimbursements

- i. Any shortfall or loss in amounts intended for the sponsored clients with preferential tax rates, resulting from delays or errors in transferring securities to the appropriate NRoSS account, shall be for the account of the concerned Custodian or NRoSS Sponsor. The BTr will not entertain any requests for adjustments to coupons paid if the cause is attributed to such delays or error.

- ii. Tax claims related to income of the non-resident investor that was taxed at the regular rates prior to the creation of the preferential tax NRoSS account should be filed directly with the BIR.

VIII. Point of Contact

The following BTr personnel shall be the points of contact for all issues concerning this memorandum:

Name	Designation	Contact
Francis A. Medina	Chief Treasury Operations Officer I/ Project Lead	famedina@treasury.gov.ph
Paullyn W. Munda	Treasury Operations Officer II / Project Manager	pwmunda@treasury.gov.ph
Julia Flor Angelie G. Menia	Treasury Operations Officer III/ Market Services	jgmenia@treasury.gov.ph

ORIGINAL SIGNED
SHARON P. ALMANZA
Treasurer of the Philippines



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila



BAGONG PILIPINAS

ANNEX A

INVESTOR'S UNDERTAKING

I/We, investor/s of Peso and/or foreign currency denominated government securities issued by the Republic of the Philippines, through the Bureau of the Treasury (BTr), undertake and acknowledge that:

- A. I/We, shall be bound by the provisions of a written authority or a special power of attorney, or any relevant agreements I/we have entered into concerning my/our government securities holdings, thereby confirming my/our authority for the BTr to carry out and execute the acts or instructions referred to in the aforesaid documents.
- B. It is understood that the National Registry of Scripless Security (NRoSS) administered by the BTr is the official registry of ownership of or interest in government securities issued by the National Government under its scripless policy; that the NRoSS is operated by an electronic system (i.e., the NRoSS System or its successor system) which facilitates the transfers of securities in the NRoSS; and that I will abide by the rules, regulations, guidelines and procedures of BTr concerning government securities.

And further undertake as follows:

1. To create/open, through _____, a BTr-recognized Sponsor ('Sponsor'), a securities account with NRoSS to ensure that title to scripless government securities is officially recorded in my/our name and under my/our control.
2. That as a condition for the creation/opening of my/our securities account with NRoSS, the Settlement Bank of my Sponsor shall serve as my default Settlement Bank to which coupon and maturity proceeds or any other payments to be made on my /our government securities holdings will be credited.
3. That in the case of any transaction involving my/our government securities, I shall consult my/our Sponsor on how to properly facilitate such a transaction. I shall give relevant written instruction/authority to my/our Sponsor for any transaction involving my/our holdings under its sponsorship or custodianship.
4. To receive notices and/or statements of securities account upon my/our demand from my Sponsor through electronic means. Should I need a statement/s of securities or other reports from the BTr, an appropriate request shall be made through my/our Sponsor, subject to the payment of appropriate fees pursuant to the Schedule of Fees as may be published by the BTr.
5. That I expressly agree and acknowledge that the crediting to the regular demand deposit account of my/our Sponsor's Settlement Bank of coupons and/or redemption value due

ISO 9001:2015 Quality Management System
Certificate No. SCP000233Q



Ayuntamiento Building, Cabildo Street corner A. Soriano Avenue, Intramuros, 1002 Manila
Trunkline (+632) 663-2287 URL: www.treasury.gov.ph

my/our scripless government securities, shall constitute actual receipts of payment by me/us.

6. To hold the BTr, its officers, employees, and agents free and harmless against all suits, actions, damages, or claims arising from failure of my/our Settlement bank to credit my/our bank account for coupons and maturity values on due date.
7. That all my instructions affecting my/our scripless government securities which are transmitted to or received in good faith by the NRoSS System or any successor system operating the NRoSS from myself/ourselves, or my/our designated Sponsor are covered by relevant documentation indicating my/our express consent and authority.
8. That I expressly warrant and authorize the delivery of copies of all relevant evidence of authority granted to my/our designated broker/agent/custodian to transact on my/our scripless government securities upon reasonable demand by the BTr.
9. That I undertake to immediately notify the BTr of any unauthorized trade of my/our scripless government securities and until receipt of such notice, transactions effected by BTr in good faith are deemed valid.
10. To render free and harmless the BTr, its officers, employees and agents for any claim or damages with respect to trade transactions carried out in good faith.
11. That while it is understood that BTr shall maintain the strict confidentiality of records in NRoSS. I hereby expressly waive and authorize BTr, to the extent allowed by law, to disclose relevant information in compliance with Anti-Money Laundering laws, rules and regulations and other legal orders of competent courts.
12. To submit to the BTr the relevant special power of attorney or authorization issued to my/our Sponsor upon demand of BTr.

Name & Signature of Investor

Conforme:

Authorized Signatory
Name, Designations & Signature
Sponsoring Institution

[Non-Resident Investor's Letterhead]

BUREAU OF THE TREASURY
Ayuntamiento Building
Cabildo St. cor. A. Soriano Ave.
Intramuros, Manila 1002 Philippines

INDEMNITY UNDERTAKING

[NAME OF INVESTOR], with an address at [address], represented herein by the undersigned [name of officer], [title/designation], (the "Investor"), through its Custodian, [name of Custodian], hereby declares and states that:

1. The Investor is the beneficial owner of the government securities for which interest income made by the Republic of the Philippines, through the Bureau of the Treasury (BTr), shall be made payable to.
2. The Investor is a resident of [Country] within the meaning of Article [number] of the [Name of Double Taxation Agreement].
3. We acknowledge that the BTr will apply the preferential tax rate on our interest income pursuant to the Double Taxation Agreement described in item 2.
4. We understand that the Tax Residency Certificate (TRC) is required to be updated annually and submitted to the BTr through our custodian to be entitled to the same tax treatment in the succeeding years. For the succeeding taxable year, we acknowledge that the BTr will provisionally apply the preferential tax rate on our interest income, assuming our continued eligibility under the tax treaty.
5. We commit to submit the updated TRC to the BTr through our custodian as soon as possible within the BTr prescribed period.
6. In case we are unable to submit the updated TRC within the prescribed period due to a change in tax residency status or any other reason for non-renewal, we undertake to immediately notify the BTr through our custodian.
7. We agree to pay, through our custodian, any shortfall in the amount of tax withheld and remitted to the BTr resulting from our failure to submit the updated TRC within the prescribed period. We understand that this payment will cover the difference between the preferential tax rate and the regular tax rate of 20% as stipulated under Section 28(B)(5)(a) of the National Internal Revenue Code of 1997, as amended.
8. The Investor undertakes and warrants that it shall promptly advise the BTr, through [NAME OF CUSTODIAN], of any change in its circumstances, relevant treaty, law, or regulation that may or would result in the interest income of the government securities being ineligible for the preferential income tax rate benefits. The Investor undertakes to notify the BTr

immediately of any order, ruling, amendment, or supervening event that would result in the suspension or revocation of the preferential tax benefits claimed by the Investor.

9. Should the Investor violate any of the provisions of this Undertaking, or if any of the Investor's representations prove to be untrue, the BTr is hereby authorized to withhold the tax deemed by it to be applicable on the Investor's income arising from interest income from the government securities, without liability either to the Investor, or any person other than the Investor, claiming title to the government securities.
10. The Investor also agrees to indemnify and reimburse the BTr for any and all claims, demands, damages, assessments, or liabilities (or actions or proceedings in respect thereof) of any kind, including without limitation, deficiency taxes, penalties, and interest, relating to or arising out of its non-withholding of taxes based on the Investor's representation above. The Investor assumes all risks and liabilities arising out of its representation that it is subject to the preferential income tax rate pursuant to the relevant Tax Treaty and its directive to the BTr not to effect full withholding on the receipt of income arising from its interest income on Government Securities.

[Signature]

[Full Name]

[Title/Position]

[Non-Resident Investor's Name]

[Address]

[City, State, Zip Code]

[Country]

Acknowledged by:

[Signature of Custodian's Representative]

[Full Name]

[Title/Position]

[Custodian's Name]

[Custodian Letterhead]

Date

BUREAU OF THE TREASURY

Ayuntamiento Building
Cabildo St. cor. A. Soriano Ave.
Intramuros, Manila 1002

Subject: Certification of Submission of Updated Tax Residency Certificates

Gentlemen:

We, [Custodian's Name], hereby certify that the following non-resident investors have submitted their updated Tax Residency Certificates (TRCs) for the taxable year [YEAR].

List of Non-Resident Investors with Updated TRCs

NRoSS Account No.	Investor Name	Country of Residence	Validity Period

Please find attached copies of the TRCs for the above-listed investors.

We confirm that we have verified the authenticity and validity of their TRCs.

Should you require any further information or clarification, please do not hesitate to contact us at [Custodian's Contact Information].

Sincerely,

[Name of Authorized Signatory]

[Title/Position]

[Custodian's Name]

[Non-Resident Investor's Letterhead]

ANNEX D

Date

BUREAU OF THE TREASURY

Ayuntamiento Building
Cabildo St. cor. A. Soriano Ave.
Intramuros, Manila 1002

Gentlemen:

Re: Interest Income on Government Securities
For Taxable Year ____

This is to undertake the submission to the Bureau of the Treasury, through the _____
(Name of Custodian) the (original / certified true) copies of the consularized _____
(specify documents awaiting consularization) of _____ (name of
client/principal) in support of its application for tax treaty on the above subject Interest Income
as soon as it becomes available. Failure on our part to abide by the undertaking will deny
_____ (name of client/principal) in its future availment of the preferential treaty
rate on the interest income paid by the Bureau of the Treasury.

Very truly yours,

Authorized Signatory

RESTRICTED