



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

Quezon City



ERP 082-03  
5-14-03

**CHINA BANKING CORPORATION**

Paseo de Roxas corner Villar Street  
Makati City

**Attention: MR. JAMES CHRISTIAN T. DEE**  
**Senior Assistant Manager**  
**And**  
**MS. MARISOL M. TEODORO**  
**Senior Manager**

Gentlemen:

This refers to your letter dated February 28, 2003 requesting information as to whether or not the CBC INSURANCE BROKERS, INC. EMPLOYEES' RETIREMENT PLAN is a "reasonable private benefit plan" within the contemplation of Section 32(B)(6)(a) of the Tax Code of 1997; and whether the retirement benefits that may be received therefrom can be tax exempt.

In support of your letter-request you submitted the following documents:

- 1) a copy of the Retirement Benefit Plan Information Sheet;
- 2) a copy of the Retirement Plan Rules and Regulations;
- 3) a copy of the Trust Agreement;
- 4) a copy of the Actuarial Report.

After a careful review of the aforementioned documents, it was disclosed that the CBC INSURANCE BROKERS, INC. EMPLOYEES' RETIREMENT PLAN:

- 1) is a definite written program;
- 2) is more or less permanent in character;
- 3) covers all regular employees of the company;
- 4) is non-discriminatory;
- 5) is duly funded and trustee; and *Q*



- 6) provides that no part of the corpus or income of the Trust Fund shall be used for or diverted to purposes other than for the exclusive benefit of the member-employees and their beneficiaries.

which are all in conformity with the requirements prescribed by law.

In view thereof, this Office finds the CBC INSURANCE BROKERS, INC. EMPLOYEES' RETIREMENT PLAN to be a "reasonable retirement benefit plan" within the contemplation of Section 32(B)(6)(a) of the Tax Code of 1997. Accordingly, the retirement benefits to be received by the employee-members shall be exempt from all taxes; the income of the Trust Fund from its investments are exempt from income tax; and the contributions of the company to the retirement fund are deductible from its gross income.

It is observed, however, that the Plan provides for normal retirement on "the last day of the month during which he attains the age sixty (60) regardless of length of service." (Sec. 1, Art. IV, Plan) This provision of the Plan allows the retirement of an employee who may have served the company for even less than ten (10) years as long as he retires at age 60. In such case, the benefits payable to the retiring member shall not be exempt from income tax because Section 32(B)(6)(a) of the Tax Code of 1997 requires the presence of these two (2) conditions in order that the employee benefits may be granted tax exemption: (1) the employee had been in the service of the same private firm for at least ten (10) years; and (2) he is at least fifty (50) years old at the time of retirement.

Any and all amounts to be received by the employee-members who voluntarily resigned from the service of the company shall be subject to income tax. (Sec. 8, Art. V, Plan)

The company's contributions to the fund to cover past service liability should be apportioned in equal parts over a period of ten (10) consecutive years beginning with the year in which the transfer or payment is made pursuant to Section 34(J) of the Tax Code of 1997.

It is of course understood that the Plan shall continue to qualify through all the years that it shall be in operation; that all forfeitures arising under the operation of the Plan shall be applied to reduce employer's contributions; and that any modification or amendment that shall hereafter be made to the Plan should be submitted to this Office for certification that any such amendment or modification does not affect the qualification of the Plan.



Finally, it is requested that a copy of this letter of exemption be attached to the annual information return which the trustee of the CBC INSURANCE BROKERS, INC. EMPLOYEES' RETIREMENT PLAN will file on or before April 15 of each year pursuant to Revenue Regulations No. 1-83, amending Revenue Regulations No. 1-68 and implementing Section 28(b)(7)(a) of the Tax Code of 1977 [now Section 32(B)(6)(a) of the Tax Code of 1997].

Very truly yours,

Commissioner of Internal Revenue

By:

*Milagros V. Regalado*  
MILAGROS V. REGALADO  
Assistant Commissioner  
Legal Service

K-1-MRL/DJL  
(31)(cbc)