

FOURTEENTH CONGRESS OF THE REPUBLIC }
OF THE PHILIPPINES }
First Regular Session }

8 MAY 28 2008

SENATE

COMMITTEE REPORT NO. 58

Submitted by the Committee on Foreign Relations
on MAY 28 2008.

Re: P.S. Res. No. 426, prepared by the Committee.

Recommending its approval without amendment.

Sponsor: Senator Defensor Santiago.

MR. PRESIDENT:

The Committee on Foreign Relations, to which was referred the Treaty,
entitled:

**“PROTOCOL AMENDING THE CONVENTION BETWEEN
THE REPUBLIC OF THE PHILIPPINES AND THE
GOVERNMENT OF NEW ZEALAND FOR THE AVOIDANCE
OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL
EVASION WITH RESPECT TO TAXES ON INCOME”**

has considered the same and has the honor to report it back to the Senate
with the recommendation that Proposed Senate Resolution No. 426,
prepared by the Committee, entitled:


**“RESOLUTION
CONCURRING IN THE RATIFICATION OF THE PROTOCOL
AMENDING THE CONVENTION BETWEEN THE REPUBLIC
OF THE PHILIPPINES AND THE GOVERNMENT OF NEW
ZEALAND FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION WITH
RESPECT TO TAXES ON INCOME”**

be approved without amendment.

Respectfully submitted:


MIRIAM DEFENSOR SANTIAGO
Chair

Members:


EDGARDO J. ANGARA

JOKER P. ARROYO


JUAN PONCE ENRILE


RICHARD "DICK" J. GORDON

GREGORIO B. HONASAN II


MANUEL "LITO" M. LAPID


RAMON "BONG" REVILLA JR.


JUAN MIGUEL F. ZUBIRI


RODOLFO G. BIAZON


LOREN LEGARDA

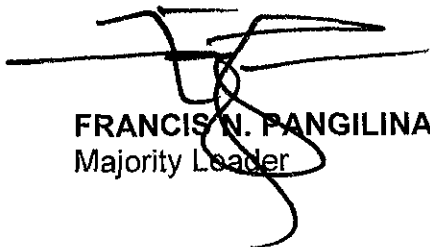

M.A. MADRIGAL

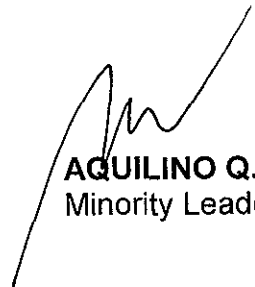

MAR ROXAS

ANTONIO "SONNY" F. TRILLANES IV

Ex-Officio Members:


JINGGOY EJERCITO ESTRADA
President Pro-Tempore


FRANCIS N. PANGILINAN
Majority Leader


AQUILINO Q. PIMENTEL JR.
Minority Leader

MANNY VILLAR
President
Senate of the Philippines
Pasay City

FOURTEENTH CONGRESS OF THE REPUBLIC }
OF THE PHILIPPINES }
First Regular Session }

8 MAY 28 2008

SENATE

RECEIVED BY: 

P.S. RES. NO. 426

Prepared by the Committee on Foreign Relations

**“RESOLUTION
CONCURRING IN THE RATIFICATION OF THE PROTOCOL
AMENDING THE CONVENTION BETWEEN THE REPUBLIC OF
THE PHILIPPINES AND THE GOVERNMENT OF NEW
ZEALAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION WITH RESPECT TO
TAXES ON INCOME”**

WHEREAS, the *Protocol Amending The Convention Between The Republic Of The Philippines And The Government Of New Zealand For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income* was signed in Wellington, New Zealand on 21 February 2002;

WHEREAS, the *Protocol*, consisting of seven (7) articles, amends the *Convention Between the Government of the Republic of the Philippines And the Government Of New Zealand For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income* signed by the Parties on 29 April 1980;

WHEREAS, the amendments under the *Protocol* eliminate economic double taxation for associated enterprises or the taxation of the same income in the hands of different persons. It also provides for a tax of ten (10) percent on interest earnings which could encourage New Zealand companies to grant loans to Philippine companies and encourage deposits in local banks. Amendments to taxes on royalties as well as granting of a credit on taxes payable on dividends paid by the Philippine companies to New Zealand companies are also provided in the *Protocol*;

WHEREAS, in a hearing conducted by the Committee on Foreign Relations on 8 May 2008, representatives of the Department of Foreign Affairs (DFA), Bureau of Internal Revenue (BIR), Philippine Association of Service Importers (PASEI), and Overseas Workers Welfare Administration (OWWA),

and the Australian New Zealand Chamber of Commerce Philippines, Inc. (ANZCHAM) endorsed the concurrence in the ratification of the *Protocol*;

WHEREAS, pursuant to the Constitution, Article 7, Section 21, "No treaty or international agreement shall be valid and effective unless concurred in by at least two-thirds of all the members of the Senate";

NOW, THEREFORE, be it resolved that the Senate of the Philippines concur as it hereby concurs in the ratification of the "*Protocol Amending The Convention Between The Republic Of The Philippines And The Government Of New Zealand For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income*".

Adopted,


MIRIAM DEFENSOR SANTIAGO
Chair

PROTOCOL AMENDING THE CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF NEW ZEALAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the Republic of the Philippines and the Government of New Zealand,

Desiring that the Convention between the Government of the Republic of the Philippines and the Government of New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, with Protocol, signed at Manila on the 29th day of April 1980, be amended by both Contracting States,

Have agreed that the following provisions shall be integrated into the Convention:

Article I

An additional paragraph 2 shall be inserted in Article 9 (Associated Enterprises) of the Convention:

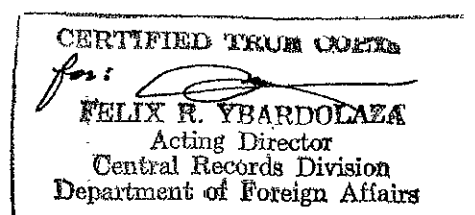
"2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which might have been expected to have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which might have been expected to have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other."

Article II

Paragraph 2 of Article 10 (Dividends) of the Convention shall be deleted and replaced by the following:

"2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the law of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 percent of the gross amount of the dividends.

This paragraph shall not affect the taxation of the company in respect of the profits out



SEP 26 2002

of which the dividends are paid."

Article III

Paragraph 2 of Article 11 (Interest) of the Convention shall be deleted and replaced by the following:

"2. However, such interest may also be taxed in the Contracting State in which it arises, and according to the law of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 percent of the gross amount of the interest."

Article IV

Paragraphs 2 and 3 of Article 12 (Royalties) of the Convention shall be deleted and replaced by the following:

"2. However, such royalties may also be taxed in the Contracting State in which they arise, and according to the law of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 15 percent of the gross amount of the royalties.

3. The term "royalties" as used in this Article means payments or credits of any kind received as a consideration for:

a) the use of, or the right to use, any copyright (including the use of or the right to use any literary, artistic or scientific work, any data or images, or any films, tapes or other medium used for storing data), patent, design or model, plan, secret formula or process, trademark, or other like property or right;

b) the use of, or the right to use, any industrial, commercial or scientific equipment;

c) the supply of scientific, technical, industrial or commercial knowledge or information;

d) the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of, any such property or right as is mentioned in sub-paragraph (a), any such equipment as is mentioned in sub-paragraph (b) or any such knowledge or information as is mentioned in sub-paragraph (c);

e) total or partial forbearance in respect of the use or supply of any property or right referred to in this paragraph."



SEP 26 2002

Article V

Paragraph 2 of Article 23 (Relief from Double Taxation) of the Convention shall be deleted and replaced by the following:

"2. In the case of New Zealand:

Subject to any provisions of the law of New Zealand which may from time to time be in force and which relate to the allowance of a credit against New Zealand tax of tax paid in a country outside New Zealand (which shall not affect the general principle thereof), Philippine tax paid under the laws of the Philippines and consistently with this Convention, whether directly or by deduction, in respect of income derived by a New Zealand resident from sources in the Philippines (excluding, in the case of a dividend, tax paid in respect of the profits out of which the dividend is paid) shall be allowed as a credit against New Zealand tax payable in respect of that income."

Article VI


The taxes covered in this Protocol shall apply to income derived on or after the sixtieth day following that in which the Protocol enters into force.

Article VII

1. The Contracting States shall notify each other in writing through diplomatic channels that the constitutional requirements for the entry into force of this Protocol have been complied with.
2. This Protocol shall enter into force on the date of the later of the notifications referred to in paragraph 1 of this Article.

IN WITNESS WHEREOF, the undersigned duly authorised thereto by their respective Governments, have signed this Protocol.

DONE at Wellington this 21st day of February 2002 in duplicate in the English language.


FOR THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES


FOR THE GOVERNMENT OF
NEW ZEALAND



SEP 26 2002