

Attys. *Baquiran and Tecson vs. NTC, et al.*

In October 2018, a petition for mandamus was filed against the NTC, the PCC, Liberty Telecoms Holdings, Inc. (also known as Tori Spectrum Telecom, Inc.), Bell Telecommunication, Inc., Globe, PLDT and Smart. This involves the 700 MHz frequency, among others, that was originally assigned to Liberty and which eventually became subject of a co-use agreement between Globe, PLDT and Smart. The petition remains pending with the Supreme Court.

See *Note 27 - Provisions and Contingencies - Attys. Baquiran and Tecson vs. NTC, et al.* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for further discussion.

#### **Taxation**

##### *Local Business and Franchise Taxes*

As at December 31, 2021, PLDT has no contested LGU assessments for franchise taxes based on gross receipts received or collected for services within their respective territorial jurisdiction.

Smart and DMPi currently face various local business and franchise tax assessments by different local government units, while Digitel is discussing with various local government units as to settlement of its franchise tax and real property tax liabilities.

On February 19, 2021, ACeS Philippines entered into an amicable settlement with the Bureau of Internal Revenue for compromise of tax liabilities.

See *Note 27 - Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for further discussion.

#### **Dividend Distribution Policy**

See Item 3. “Key Information - Dividends Declared” for a description of our dividend distribution policy, and *Note 20 - Equity* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for tables that show dividends declared in 2021.

#### **Significant Changes**

There have been no significant changes in our financial position since December 31, 2021.

#### **Item 9. The Offer and Listing**

##### **Common Capital Stock and ADSs**

The shares of common stock of PLDT are listed and traded on the PSE under the symbol of “TEL”. On October 19, 1994, an ADR facility was established, pursuant to which Citibank, N.A., as the depository, issued ADRs evidencing ADSs with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depository of PLDT’s ADR facility. The ADSs are listed on the NYSE and are traded on the NYSE under the symbol of “PHI”.

The public ownership level of PLDT common shares listed on the PSE as at February 28, 2022 is 42.05%.

As at February 28, 2022, 10,005 stockholders were Philippine persons and held approximately 62.61% of PLDT’s common capital stock. In addition, as at February 28, 2022, there were a total of approximately 17.375 million ADSs outstanding, substantially all of which PLDT believes were held in the United States by 226 holders.

For the period from February 1 to February 28, 2022, a total of 2.3 million shares of PLDT’s common capital stock were traded on the PSE. During the same period, the volume of trading was 552,223 ADSs on the NYSE.

#### **Item 10. Additional Information**

##### **Share Capital**

Not applicable.

#### Amended Articles of Incorporation and By-Laws

Summaries of certain provisions of PLDT's Articles of Incorporation and By-Laws and amendments thereto and applicable Philippine laws as previously disclosed in Item 10 of our annual reports on Form 20-F for the calendar years ended December 31, 2010 and December 31, 2014 filed on March 30, 2011 and March 26, 2015, respectively, are herein incorporated by reference.

On March 25, 2021, the Board of Directors approved the amendments to our By-laws to conform to or align with the provisions of Republic Act 11232, known as the Revised Corporation Code of the Philippines.

On July 9, 2021, the application for the amendment of the By-Laws of PLDT was submitted to the Philippine SEC for review and approval. The application is still pending to date.

On April 8, 2020 and June 9, 2020, the Board of Directors and stockholders, respectively, approved the amendment of the Second Article of the Articles of Incorporation of PLDT, or the Amendment, (a) to reflect the current focus of PLDT's business, which is the provision of telecommunications services through trending and constantly evolving technologies and innovative products and services, and (b) to allow sufficient flexibility for the PLDT business units to design their operations and expand their products and services by constantly transforming PLDT from being the country's leading telecommunications company to a dynamic and customer-centric multi-media organization.

On November 24, 2020, the amendment to the Articles of Incorporation was approved by the Philippine SEC.

On April 12, 2016 and June 14, 2016, the Board of Directors and stockholders of PLDT, respectively, approved amendments to our Articles of Incorporation to reflect the change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc. and an expansion of the purposes of the Company. On August 30, 2016, the Board of Directors also approved amendments to our By-Laws to reflect the change in the name of the Company. See *Note 1 - Corporate Information - Amendments to the Articles of Incorporation of PLDT* and *- Amendments to the By-Laws of PLDT* to the accompanying audited consolidated financial statements in Item 18. "Financial Statements" for a further discussion of the amendments to the Articles of Incorporation and By-Laws.

A copy of each of the Articles of Incorporation and By-Laws, each as amended, is furnished under Item 19. "Exhibits".

#### Issuance and Redemption of Preferred Stock

All outstanding shares of PLDT 10% Cumulative Convertible Preferred Stock Series A to Series FF, Series GG and Series HH, which were issued in 2007 and 2008, were redeemed and retired effective on January 19, 2012, August 30, 2012, May 16, 2013 and May 16, 2014, respectively.

On January 26, 2016, the Board authorized and approved effective May 11, 2016, the redemption of shares of the Company's Series II 10% Cumulative Convertible Preferred Stock (also known as the Subscriber Investment Plan, or SIP, Shares), which were issued in 2010. The record date for the determination of the holders of outstanding SIP Shares available for redemption is February 10, 2016. The Board also approved the creation of 20,000 shares of Non-Voting Preferred Stock constituting Series KK 10% Cumulative Convertible Preferred Stock of the Company, for issuance in the implementation of the SIP from January 1, 2016 through December 31, 2020.

On January 28, 2020, the Board of Directors authorized and approved, the retirement of shares of PLDT's Series JJ 10% Cumulative Convertible Preferred Stock, or SIP Shares, effective May 12, 2020. The record date for the determination of the holders of outstanding SIP Shares available for redemption was February 11, 2020.

#### Material Contracts

Other than the contracts described in Item 7. "Major Shareholders and Related Party Transactions," we have not entered into any material contract that is not in the ordinary course of business within the two years preceding the date of this annual report.

#### Exchange Controls and Other Limitations Affecting Securities Holders

In Circular No. 1389 dated November 10, 1993, as amended by Circular No. 224 dated January 26, 2000, of the BSP, foreign investments in the shares of stock of Philippine companies listed in the PSE may be registered either with the BSP or with an investor's designated custodian bank. The foreign investments in listed shares of stock, which are duly registered with the BSP or with a custodian bank duly designated by the foreign investor,

are entitled to full and immediate capital repatriation and dividend and interest remittance privileges. Without the need to obtain prior BSP approval, commercial banks are authorized to sell and to remit the equivalent foreign exchange (at the exchange rate prevailing at the time of actual remittance) representing sales and divestment proceeds or dividends of a duly registered foreign equity investment upon presentation of a BSP Registration Document, or BSRD, together with other supporting documents. The BSRD is issued by the BSP or the custodian bank upon registration of the foreign investment and serves as the authority to repatriate such divestment and sales proceeds or remittance of cash dividends. Effective April 3, 2000, only pre-numbered BSRD forms, printed on BSP security paper may be used and issued as proof of registration of foreign investments in accordance with existing BSP rules. The remitting commercial bank must submit to the BSP a statement of remittance together with the supporting documents within two banking days from date of actual remittance. Foreign investments not duly registered with the BSP or with the investor’s designated custodian bank are not entitled to repatriation and remittance privileges through the banking system except capital repatriation or dividend remittance of direct foreign equity investments made prior to March 15, 1973 when BSP registration was not yet required. The BSP should be notified of the transfer of sale of foreign investments in equity or securities already registered with the BSP, in order that the registration of the foreign investment may be transferred in the name of the transferee or purchaser.

Cash dividends on PLDT’s stock are paid in Philippine peso. PLDT’s Transfer Agent for its common stock, BDO Unibank, Inc., which also acts as dividend paying agent, converts and remits in U.S. dollars, at the prevailing exchange rate, cash dividends due to all common shareholders residing outside the Philippines. Under the above-mentioned regulations, PLDT has been able to remit the cash dividends due to shareholders residing outside the Philippines. As at February 28, 2022, approximately 88% of PLDT’s outstanding shares of common and preferred stock were held by Philippine persons. For certain restrictions on the declaration and payment of dividends by PLDT, see Note 20 –Equity and Note 21 – Interest-bearing Financial Liabilities to the accompanying audited consolidated financial statements in Item 18. “Financial Statements”.

**Taxation**

**Philippine Taxation**

*Taxes on Exchange of ADSS for Common Stock*

Philippine capital gains or stock transaction taxes and documentary stamp taxes may be payable upon the transfer of shares of common stock to a holder of ADRs or to a holder of Global Depository Receipts. See “-- Capital Gains Tax and Stock Transaction Tax” and “-- Documentary Stamp Taxes.”

*Taxation of Dividends*

Under the Philippine Tax Code, dividends paid by a Philippine corporation to citizens of the Philippines and resident aliens in the Philippines are subject to a final withholding tax of 10% while those paid to non-resident aliens engaged in trade or business within the Philippines are subject to a final withholding tax of 20%. Dividends paid to non-resident aliens not engaged in trade or business within the Philippines are subject to a final withholding tax of 25%. Dividends paid by a Philippine corporation to other Philippine corporations or to resident non-Philippine corporations are not subject to tax. Dividends paid by Philippine corporations to non-resident non-Philippine corporations not engaged in a trade or business in the Philippines shall be subject to a final withholding tax of 15% (“tax sparing”), subject to the condition that the country in which the non-resident non-Philippine corporation is domiciled either: (i) allows a credit against the tax due from the non-resident non-Philippine corporation for taxes deemed to have been paid in the Philippines equivalent to: (A) up until June 30, 2020, 15% (which represents the difference between the regular income tax on non-resident non-Philippine corporations of 30% effective January 1, 2009 and the 15% tax on dividends); and (B) from July 1, 2020 onwards, 10% (which represents the difference between the regular income tax on non-resident non-Philippine corporations of 25% effective January 1, 2021 and the 15% tax on dividends<sup>2</sup>) (this condition is not satisfied in the case of corporations domiciled in the United States) or (ii) imposes no income taxes on dividends received by such non-resident non-Philippine corporations from Philippine corporations (this condition is not satisfied in the case of corporations domiciled in the United States).

<sup>2</sup> The rate was amended by R.A. No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE”), which was signed into law on March 26, 2021 and became effective on April 11, 2021. The reduced rate retroacts to July 2020.

Under rulings issued by Philippine tax authorities, Hong Kong is viewed as falling within the condition (ii) mentioned above and, thus, companies that are organized in Hong Kong that are not engaged in trade or business in the Philippines may be entitled to the benefit of the reduced dividend rate. Such rulings, however, were based upon the laws of Hong Kong as in effect at the time such rulings were issued, and any subsequent changes in the relevant laws of Hong Kong may affect the validity of such rulings. PLDT reserves the right to change the rate at which it makes payments of withholding tax whenever it deems it appropriate under applicable law.

Under BIR Revenue Memorandum Order (“RMO”) No. 46-2020 (“RMO No. 46-2020”), the Philippine corporation paying the dividends may remit outright the dividends to the non-resident non-Philippine corporation, applying thereon the applicable reduced dividend rate without the need for a confirmatory ruling from the BIR. However, such Philippine corporation must first determine whether the country of domicile of the non-resident non-Philippine corporation grants a “deemed paid” tax credit equivalent to the 15% waived by the Philippines or exempts from tax the dividends received. Within ninety (90) days from remittance of the dividends or from the determination by the foreign tax authority of the deemed paid tax credit/non-imposition of tax because of the exemption, whichever is later, the non-resident non-Philippine corporation must file with the BIR a request for confirmation of the reduced dividend rate. If neither of the foregoing conditions are met, the dividends paid to the non-resident non-Philippine corporation shall be subject to the regular income tax (in the form of final withholding tax) at the rate of 25% effective January 1, 2021.

If the holder of common stock is a non-resident foreign partnership, which is treated as a corporation for Philippine tax purposes, dividends on the common stock should be subject to a final withholding tax of 25% effective January 1, 2021. Cede & Co., the partnership nominee of Depository Trust Company, should qualify as a non-resident foreign partnership that would be treated as a corporation for Philippine tax purposes.

In certain circumstances where the holder has common stock, a tax treaty rate may be applicable with respect to the Philippine withholding tax. For instance, holders under such circumstances and as to which the Philippines-United States Tax Treaty would be applicable would be eligible for a treaty rate of 25% (or 20% in certain instances). The 20% treaty rate is generally not applicable in the case of non-resident non-Philippine corporations domiciled in the United States which own less than 10% of the voting stock of PLDT.

The BIR has prescribed certain procedures, through administrative issuances, for availment of tax treaty relief. On March 31, 2021, the BIR issued RMO No. 14-2021, which updates the procedures and requirements for the availment of preferential tax treaty rates covering all incomes, including dividends, interests and royalties derived by non-resident taxpayers from Philippine sources. On June 15, 2021, the BIR also issued Revenue Memorandum Circular (“RMC”) No. 77-2021 (“RMC 77-2021”) which clarified certain provisions of RMO No. 14-2021. RMO 14-2021, as clarified by RMC 77-2021, provides that if a non-resident intending to avail of treaty benefits submits to the income payor a Tax Residency Certificate duly issued by the tax authority of the foreign country in which the income recipient is a resident and the appropriate BIR Form No. 0901 (Application Form for Treaty Purposes prior to the payment of income, the income payor may apply the provisions of the applicable treaty, provided that all the conditions for the availment thereof, other than residency, have been satisfied. Otherwise, the regular rates imposed under the Philippine Tax Code should be applied.

When an item of income is subjected to taxation in accordance with the provisions of the relevant treaty, the withholding agent (or a duly authorized representative) shall file with the International Tax Affairs Division of the BIR a request for confirmation that the tax treatment of such income is proper.

On the other hand, when the regular rates are applied by the withholding agent, the non-resident intending to avail of treaty benefits may file a Tax Treaty Relief Application with complete documentary requirements and a claim for refund at any time after the payment of the withholding tax.

RMO No. 14-2021, as clarified by RMC 77-2021, does not cover non-resident non-Philippine corporations invoking the tax sparing provision (or the reduced tax rate on intercorporate dividends paid to non-resident non-Philippine corporations). This is instead addressed by RMO No. 46-2020 which specifically covers the procedures for non-resident non-Philippine corporations to avail of the tax sparing provision. The said RMO provides that non-resident non-Philippine corporations may opt to avail of the tax sparing provision, irrespective of the existence of a tax treaty.

#### *Capital Gains Tax and Stock Transaction Tax*

The Philippine Tax Code provides that gain from the sale of shares of stock in a Philippine corporation shall be treated as derived entirely from sources within the Philippines, regardless of where the shares are sold. Subject to applicable tax treaty rates, the rate of tax imposed on individuals, Philippine corporations, and foreign corporations on such gain, where the share is not sold or disposed of through the PSE, is a final tax (i.e., capital gains tax) of 15% of the net capital gains realized during the taxable year from the sale, exchange or other disposition of shares of stock. On March 15, 2018, the BIR issued Revenue Regulations No. 11-2018, which requires buyers of shares of stock (i.e., individuals, Philippine corporations and resident foreign corporations) to withhold from sellers the capital gains tax due on the sale of shares of stock in a Philippine corporation. Further, the Philippine tax laws prohibits a sale or transfer of shares of stock from being recorded in the Stock and Transfer Books of the corporation unless the Philippine Commissioner of Internal Revenue certifies that the tax due on the sale or transfer has been paid or certain other conditions are met or, with respect to a non-resident alien or non-Philippine corporation, a bond conditioned upon the future payment of any income tax that may be due on the gains derived from such transfer has been filed by the transferor with the Philippine Commissioner of Internal Revenue.

The sale of shares which are listed in and sold through the PSE are subject to the stock transaction tax imposed at the rate of 6/10 of 1% of the gross selling price or gross value in money of the shares of stock. This tax is required to be collected and paid to the BIR by the selling stockbroker on behalf of his client. In a letter from the BIR dated December 28, 2010 and addressed to the SEC, the BIR sets out the policy that, for tax purposes: (i) listed companies should continually maintain, if not surpass, their initial public ownership requirement (the minimum public ownership, or MPO) in order to continually enjoy the preferential tax rate of 6/10 of 1% (formerly, 1/2 of 1%) of the gross selling price or gross value on money arising from the disposal by the stockholders of their listed shares through the PSE; and (ii) failure of listed companies to do so exposes the stockholders selling their shares to the 15% or 5%/10%, as the case may be, capital gains tax as these companies are no longer compliant with their "public ownership" status and will, thus, not be considered publicly-listed companies for taxation purposes. On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 prescribing the tax treatment of sales, barter, exchanges or other dispositions of shares of stock of publicly-listed companies that do not meet the MPO. The salient provisions of such BIR issuance are as follows: (i) publicly-listed companies which are not compliant with the MPO level were allowed up to December 31, 2012 to comply; (ii) from and after January 1, 2013, the sale, barter, transfer or assignment of shares of stock of publicly-listed companies which is not compliant with the MPO shall be subject to the capital gains tax; and (iii) listed companies are required to submit to the BIR certain reportorial requirements to enable the BIR to monitor compliance with the MPO requirement. As of the date of this report, PLDT is required to have an MPO of 10% of its issued and outstanding shares, exclusive of any treasury shares.

Sales of shares other than through a Philippine stock exchange will be subject to Philippine capital gains tax in the manner described above.

Under the Philippines-United States Tax Treaty, gains derived by a United States resident from the sale of shares of stock of a Philippine corporation will not be subject to capital gains tax (i.e., where the share is not disposed of through the PSE), unless the shares are those of a corporation of which over 50% of the assets (in terms of value) consist of real property interests located in the Philippines. PLDT does not believe that it currently is such a corporation. Holders are required, however, to establish to the Philippine taxing authorities their eligibility for such treaty exemption. Philippine tax authorities have prescribed, through administrative issuances, procedures for availment of tax treaty relief.

#### *Documentary Stamp Taxes*

The Philippines imposes a documentary stamp tax upon transfers of shares of stock issued by a Philippine corporation at a rate of Php1.50 on each Php200, or fractional part thereof, of the par value of the shares. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred, when the obligation or right arises from Philippine sources or the property is situated in the Philippines. The sale, barter, transfer or exchange of shares of stock of a Philippine Corporation which is listed and traded through the facilities of the PSE is exempt from the documentary stamp tax. However, Revenue Regulations No. 16-2012 provides that transfers of shares of stock of publicly-listed companies which are not compliant with the MPO requirement shall be subject to documentary stamp tax.

#### *Estate and Donor's Taxes*

Shares of stock issued by a corporation organized or constituted in accordance with Philippine law are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and gift taxes. The transfer of shares of stock by a deceased individual to his heirs by way of succession, whether such an

individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at 6% of the net estate. Individual shareholders, whether or not citizens or residents of the Philippines, who transfer the Equity Securities by way of gift or donation will be liable for Philippine donor's tax on such transfers at the rate of 6% of the total gifts in excess of Php250,000 made during the calendar year. Estate and gift taxes will not be collected in respect of intangible personal property such as the Equity Securities:

- if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or
- if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Shares of stock of a deceased shareholder or shares that have been donated may not be transferred on the books of the corporation without a certificate from the Philippine Commissioner of Internal Revenue that the applicable estate or donor's taxes have been paid. In the case of ADRs, however, there is no corresponding requirement, unless a transfer of the ADRs would also entail a change in the registration of the underlying shares.

**United States Federal Taxation**

The following summary describes certain material U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of an investment in the ADSs or common stock. This summary applies only to U.S. Holders that hold the ADSs or common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") and that have the U.S. dollar as their functional currency.

This discussion is based on the tax laws of the United States, including the U.S. Tax Code, as in effect on the date hereof and on U.S. Treasury regulations as in effect or, in some cases, as proposed, on the date hereof, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change or differing interpretations, which change or differing interpretation could apply retroactively and could affect the tax consequences described below. This summary does not address any estate or gift tax consequences, the alternative minimum tax, the Medicare tax on net investment income or any state, local or non-U.S. tax consequences.

This summary also does not address the tax consequences that may be relevant to persons in special tax situations such as banks, certain financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, broker-dealers, traders that elect to mark to market, U.S. expatriates, tax-exempt entities, persons that own the ADSs or common stock as part of a "straddle," "hedge," "conversion transaction" or integrated transaction; persons that actually or constructively own 10% or more of the PLDT's share capital (by vote or value), persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States, or pass-through entities or arrangements, or persons holding ADSs or common stock through pass-through entities or arrangements.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE ADSS AND COMMON STOCK.**

As used herein, the term "U.S. Holder" means a beneficial owner of the ADSs or common stock that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes holds ADSs or common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships considering an investment in ADSs or common stock and partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences of owning and disposing of ADSs and common stock.

The tax treatment of your ADSs or common stock will depend in part on whether or not we are classified as a passive foreign investment company (a “**PFIC**”) for U.S. federal income tax purposes. Except as discussed below under “*Passive Foreign Investment Company Rules*”, this discussion assumes that we are not classified as a PFIC for United States federal income tax purposes.

*Exchange of ADSs for Common Stock*

In general, assuming that each obligation of the Deposit Agreement and any related agreement will be performed according to its terms, for U.S. federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares of common stock represented by those ADRs. Exchanges of shares of common stock for ADRs, and ADRs for shares of common stock, generally will not be subject to U.S. federal income tax.

*Taxation of Distributions*

The gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than certain pro-rata distributions of our common stock, will be treated as a dividend that is subject to United States federal income taxation. If you are a non-corporate U.S. Holder, dividends paid to you with respect to the ADSs or common stock may be qualified dividend income that is taxable to you at the preferential rates applicable to long-term capital gains, provided that you hold the common stock or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and certain other requirements are met.

You must include any Philippine tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of common stock, or the Depositary, in the case of ADSS, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in your income will be the U.S. dollar value of the Philippine peso payments made, determined at the spot Philippine peso/U.S. dollar rate on the date the dividend distribution is includible in your income. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs or common stock and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the Philippine tax withheld in accordance with the Philippines-United States Tax Treaty and paid over to the Philippines will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential rates applicable to long-term capital gains. Dividends will be income from sources outside the United States. Dividends will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming an itemized deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

*Taxation of Disposition of the ADSs or Common Stock*

Upon a sale or other taxable disposition of ADSs or common stock, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in such ADSs or common stock. In general, a U.S. Holder’s adjusted tax basis in its ADSs or common stock will be equal to the cost of such ADSs or common stock to the U.S. Holder. Any such gain or loss generally will be treated as long-term capital gain or loss if the U.S. Holder’s holding period in the ADSs or common stock exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations. Gain or loss, if any, recognized by a U.S. Holder on the sale or other disposition of ADSs or common stock generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes. As a result, the use of U.S. foreign tax credits relating to Philippine capital gains tax may be limited. In addition, U.S. Holders may not be eligible to credit against their U.S. federal income tax liability amounts paid in respect of the Philippine stock transaction tax. U.S. Holders should consult their tax advisors regarding the tax consequences if Philippine taxes are imposed on a disposition of ADSs or common stock and their ability to credit any Philippine tax against their U.S. federal income tax liability or to claim a deduction for any such Philippine tax.

*Passive Foreign Investment Company Rules*

We would be classified as a passive foreign investment company (a “PFIC”) for any taxable year if either: (a) at least 75% of our gross income is “passive income” for purposes of the PFIC rules or (b) at least 50% of the value of our assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we, directly or indirectly, 25% or more (by value) of the stock.

We believe that we were not a PFIC for our taxable year ending December 31, 2021, and we do not expect to become a PFIC in the current taxable year or in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, gain realized on the sale or other disposition of your ADSs or common stock would in general not be treated as capital gain. Instead, unless you elect to be taxed annually on a mark-to-market basis with respect to your ADSs or common stock, you would be treated as if you had realized such gain and certain “excess distributions” ratably over your holding period for the ADSs or common stock. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. With certain exceptions, your ADSs or common stock will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ADSs or common stock. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year.

If we were a PFIC, a U.S. Holder would also be subject to annual information reporting requirements. U.S. Holders should consult their tax advisors about the potential application of the PFIC rules to an investment in ADSs or common stock.

*Information Reporting and Backup Withholding*

Dividend payments with respect to ADSs and common stock and proceeds from the sale, exchange or redemption of ADSs or common stock may be subject to information reporting to the IRS and U.S. backup withholding. A U.S. Holder may be eligible for an exemption from backup withholding if the U.S. Holder furnishes a correct taxpayer identification number and makes any other required certification or is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and such U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS and furnishing any required information.