

MEMORANDUM

TO : PREFERRED SHAREHOLDERS OF MEGAWIDE CONSTRUCTION CORPORATION (“MEGAWIDE” OR THE “COMPANY”)

FROM : **ATTY. RAYMUND JAY S. GOMEZ**
Chief Legal Officer, Compliance Officer, and Data Protection Officer

DATE : 16 May 2019

SUBJECT : *Tax Guidelines for the Availment of Preferential Tax Rates on the June 2019 Cash Dividend Declaration*

A. CASH DIVIDEND DECLARATION.

On 03 April 2019, the Board of Directors of Megawide approved the declaration of cash dividends equivalent to P70,250,000.00 out of the Company's unrestricted retained earnings as of 31 December 2018, or P1.75625 per preferred share (the “Dividends”). The Dividends will be payable to the preferred shareholders on record as of 16 May 2019, and payable on 03 June 2019.

B. TAX RATES ON DIVIDENDS.

The Dividends shall be subject to the following final withholding taxes (“FWT”):

SHAREHOLDER/TAXPAYER	FWT RATE
Individual Citizens	Ten percent (10%)
Individual Resident Aliens	Ten percent (10%)
Non-Resident Alien Individuals (“NRAI”)	a. Engaged in trade or business – Twenty percent (20%) b. Not engaged in trade or business – Twenty five percent (25%)
Domestic Corporations	Not subject to tax
Resident Foreign Corporations	Not subject to tax
Non-Resident Foreign Corporations (“NRFC”)	a. Thirty percent (30%) b. If current Bureau of Internal Revenue (“BIR”) rulings or jurisprudence indicate that the tax sparing requirement under Section 28 (B)(5)(b), National Internal Revenue Code (“NIRC”), is complied with, i.e., that the country of residence of the NRFC allows a deemed paid tax credit of fifteen percent (15%) on taxes due from the NRFC – Fifteen percent (15%)

C. DOCUMENTARY REQUIREMENTS.

In order to avail of preferential withholding tax rates or tax exemptions on dividend income, the respective shareholders are advised to submit the following documents:

1. For NRFC or NRAI shareholders entitled to preferential tax rates pursuant to a tax treaty between the Philippines and country of residence under the BIR Revenue Memorandum Order No 08-2017 ("RMO No. 08-2017"):
 - a. A Certificate of Residence for Tax Treaty Relief ("CORTT") Form duly accomplished and duly received by the BIR, in compliance with the provisions of RMO No. 08-2017; **and**
 - b. Notarized or Consularized/Authenticated (if executed in a foreign country) Undertaking, substantially in the form attached as **Annex "A"**, which contains, among others, the obligations of the shareholder to indemnify Megawide in case of deficiency assessment by the BIR.
2. For NRFC who are not governed by existing tax treaties but are covered by the tax sparing provision of the NIRC:
 - a. (i) Certified true copy of the approved BIR Ruling confirming the application of the tax sparing of fifteen percent (15%), or a decision of the Supreme Court ("SC") confirming the shareholder's entitlement to the preferential rate pursuant to the NIRC tax sparing provision; **or** (ii) Application for BIR Ruling duly filed with the BIR (with supporting documents) for the confirmation/availing of the said fifteen percent (15%) tax sparing; **and**
 - b. Notarized or Consularized/Authenticated (if executed in a foreign country) Undertaking, substantially in the form attached as **Annex "A"**, which contains, among others, the obligations of the shareholder to indemnify Megawide in case of deficiency assessment by the BIR.
3. For shareholders claiming withholding tax exemption in accordance with any provision of the NIRC or any other applicable law:
 - a. (i) Certified true copy of the approved BIR Ruling confirming the tax exemption claimed, or a decision of the SC confirming the shareholder's entitlement to the tax exemption; **or** (ii) Application for BIR Ruling duly filed with the BIR (with supporting documents) for the confirmation/availing of the said tax exemption; **and**
 - b. Notarized or Consularized/Authenticated (if executed in a foreign country) Undertaking, substantially in the form attached as **Annex "A"**, which contains, among others, the obligations of the shareholder to indemnify Megawide in case of deficiency assessment by the BIR.
4. For foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, sovereign funds and international, regional or multi-lateral institutions established by foreign governments, who are shareholders of Megawide and are likewise exempt from paying income tax as provided under the NIRC:
 - a. (i) Certified true copy of the approved BIR Ruling confirming the tax exemption claimed, or a decision of the SC confirming the shareholder's entitlement to the tax exemption; **or** (ii) Application for BIR Ruling duly filed with the BIR (with supporting documents) for the confirmation/availing of the said tax exemption; **and**

- b. Notarized or Consularized/Authenticated (if executed in a foreign country) Undertaking, substantially in the form attached as **Annex "A"**, which contains, among others, the obligations of the shareholder to indemnify Megawide in case of deficiency assessment by the BIR; **and**
 - c. Notarized or Consularized/Authenticated (if executed in a foreign country) Certification issued by the Ministry of Finance or its equivalent in the shareholder's country of residence, duly authenticated by the Philippine Consulate in that country that such foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, sovereign funds and international, regional or multi-lateral institutions established by foreign governments are entitled to tax exemption on dividend income.
- 5. For Individual Resident Aliens shareholders:
 - a. Copy of the shareholder's Alien Certificate of Registration I-Card; **or**
 - b. Copy of shareholder's Philippine visa (working or resident, as applicable).
- 6. For Certificated Domestic Shareholders:
 - a. Corporations – Certified true copy of the latest General Information Sheet.
 - b. Individuals – Government Issued ID with photo.
- 7. For Brokers and Custodians Holding Scripless Shares:
 - a. In the case of shareholders whose shares are lodged with the Philippine Depository and Trust Corporation ("PDTC"), their respective brokers or custodian banks shall submit to the Company a Notarized or Consularized/Authenticated (if executed in a foreign country) Certification in substantially the same form as **Annex "B"** hereof.
 - b. The Company reserves the right to request for further documents to verify the information stated in the said Certification.

D. SUBMISSION DATE.

Please submit the above-stated documentary requirements on or before **27 May 2019** (the "Submission Date") to:

BDO SECURITIES SERVICES AND CORPORATE AGENCIES

15th Floor, South Tower, BDO Corporate Centre

Makati Avenue, Makati City

Telephone. : (632) 878-4963 / 878-4052

Fax : (632) 878-4056

Contact Persons : **Ms. Carla Salonga** – salonga.carla@bdo.com.ph

Ms. Gigi Arcaba – bdo-stock-transfer@bdo.com.ph

Failure to submit the aforementioned documentary requirements on or before the Submission Date will result in the automatic application of the regular tax rates on the Dividends as provided in Section B above.

E. CLARIFICATIONS.

All questions or clarifications with respect to this Memorandum should be coursed through:

ATTY. ALTHEA F. OAMINAL - afo@quasha-interlaw.com

Corporate Secretary

ATTY. JENNIFER C. LEE - jcl@quasha-interlaw.com
Assistant Corporate Secretary

QUASHA LAW

114 Amorsolo, Legaspi Village, 1229 Makati City, Philippines
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F. SIGNATURE.


ATTY. RAYMUND JAYS S. GOMEZ
*Chief Legal Officer, Compliance Officer
and Data Protection Officer*

ANNEX "A"
UNDERTAKING

[Shareholder/Beneficial Owner], with address at [_____], [represented herein by the undersigned Name and Designation], (the "Shareholder"), after having been sworn in accordance with law hereby declares that:

1. The Shareholder is the [registered and/or beneficial owner] in fee simple of [number of shares] of Megawide Construction Corporation ("Megawide") preferred shares (the "Shares").
2. The Shareholder is entitled to receive cash dividend declared last 03 April 2019 in the amount of P1.75625 per Share.
3. The Shareholder represents and warrants to Megawide that it is [entitled to a preferential tax rate of fifteen percent (15%) pursuant to Section 28(B)(5)(b) of the National Internal Revenue Code of the Philippines ("NIRC"); *or* tax exempt pursuant to Section _____ of the NIRC; *or* entitled to a tax treaty relief in accordance with _____] as evidenced by the attached supporting documents, in compliance with the Memorandum of Megawide on the "Tax Guidelines for the Availment of Preferential Tax Rates on the June 2019 Cash Dividend Declaration" dated 16 May 2019.
4. The Shareholder undertakes and warrants that it shall promptly advise Megawide of any change in its circumstance that may or would result in the dividend income of the Shares being ineligible to the [preferential tax rate; *or* tax exemption; *or* tax treaty relief] stated in paragraph 3 above.
6. The Shareholder hereby authorizes Megawide to rely solely on the foregoing representations in all of the Shareholder's holdings, transactions, and dealings in respect of the Shares.
7. The Shareholder hereby holds Megawide free and harmless from, and undertakes to indemnify Megawide against, any and all obligations (including any tax obligation), actions, charges, claims, costs and other expenses that Megawide may incur or be subjected to on account of its reliance on the foregoing representations and warranties. The Shareholder assumes all risks and liabilities arising out of its representations herein.
8. In the event that the Bureau of Internal Revenue ("BIR") shall issue any demand letter or assessment notice against Megawide following a lawful and timely audit despite presentation/submission of documentary proof on the Shareholder's [preferential tax rate; *or* tax-exempt status], the Shareholder shall immediately pay such assessment or may enter into compromise agreement with BIR without recourse to Megawide. The Shareholder shall submit to Megawide proof of payment of the tax assessment duly stamped received by the BIR and such other proof of settlement of the tax assessment and/or tax audit termination without necessity of any demand.
9. Should the Shareholder violate any of the provisions of this Undertaking, or if any of the Shareholder's representations and warranties prove to be untrue, Megawide is hereby authorized to withhold the tax deemed by it to be applicable on the Shareholder's income arising from its ownership of the Shares, without liability either to the Shareholder or any person other than the Shareholder claiming title to the Shares.
10. The Shareholder hereby further represents and warrants that all necessary consents, permits and approvals for the execution of this Undertaking have been secured and are in full force and effect.



IN WITNESS WHEREOF, this Undertaking has been signed this [_____] 2019 in
[_____].

[Name and signature of the Shareholder or
Authorized Representative]

[NOTARIAL/AUTHENTICATION PORTION]

**ANNEX “B”
CERTIFICATION**

I, [Name], of legal age, [Nationality], with office address at [_____] being the [Position] of [NAME OF BROKER OR CUSTODIAN BANK], an entity duly organized and existing under the laws of [_____] with office address at [_____] under oath, do hereby certify that:

1. Below is the list of beneficial owners (“BO(s)”) of [number of shares] preferred shares in Megawide Construction Corporation (“Megawide”) held by [NAME OF BROKER OR CUSTODIAN BANK] as of 16 May 2019, the record date for the cash dividend declaration of Megawide on 03 April 2019, and that we have applied the proper withholding tax rates on the BOs based on the files we have on record and the documents that the said BOs have submitted in accordance with the Memorandum of Megawide on the “Tax Guidelines for the Availment of the Preferential Tax Rates on the June 2019 Cash Dividend Declaration” dated 16 May 2019.

Complete Name of BO (Corporation/Individual)	Tax Identification Number	Nationality and Residence	No. of Shares	Gross Dividends	FWT Rate	Amount of FWT	Net Dividends

2. [NAME OF BROKER OR CUSTODIAN BANK] hereby undertakes to indemnify and hold harmless Megawide, its affiliates and respective directors, officers, agents, and employees against any and all obligations, actions, charges, losses, claims, costs and other expenses that it may incur or be subjected to on account of its reliance on the foregoing representation, including, without limitation, deficiency taxes, penalties and interest relating to or arising out of this Certification.
3. [NAME OF BROKER OR CUSTODIAN BANK] further agrees and acknowledges that it will be solely liable for, and will promptly pay when due, any taxes, fees, charges or other amounts (including interest and penalties) due to the Bureau of Internal Revenue (“BIR”) with respect to the dividends payable to its clients as indicated in this Certification. For this purpose, [NAME OF BROKER OR CUSTODIAN BANK] undertakes to pay to Megawide, upon written notice, the amounts that Megawide may be required to pay to the BIR for any deficiency in the amount of tax withheld and remitted.



4. [NAME OF BROKER OR CUSTODIAN BANK] further represents and warrants that all necessary consents, permits and approvals for the execution of this Certification have been secured and are in full force and effect.

IN WITNESS WHEREOF, this Certification has been signed this [] in [].

[NAME OF BROKER OR CUSTODIAN BANK]

By:

[SIGNATURE OVER PRINTED NAME]
[POSITION OF AUTHORIZED SIGNATORY]

[NOTARIAL/AUTHENTICATION PORTION]