

**MEMORANDUM**

**TO :** SERIES 1 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 :** 01 February 2021

**SUBJECT :** *Tax Guidelines for the Availment of Preferential Tax Rates on the March 2021 MWP Cash Dividend Declaration*

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**A. CASH DIVIDEND DECLARATION.**

On 11 January 2021, the Board of Directors of Megawide approved the declaration of cash dividends equivalent to PhP 70,250,000.00 out of the Company’s unrestricted retained earnings as of 31 December 2020, relating to PhP 1.75625 per preferred share (the “Dividends”). The Dividends will be payable to the Series 1 preferred shareholders on record as of **08 February 2021** and payable on **03 March 2021**.

**B. TAX RATES ON DIVIDENDS.**

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

| SHAREHOLDER/TAXPAYER                       | FWT RATE  |
|--|---|
| Individual Citizens                        | <b>Ten percent (10%)</b>  |
| Individual Resident Aliens                 | <b>Ten percent (10%)</b>  |
| Non-Resident Alien Individuals (“NRAI”)    | <ul style="list-style-type: none"> <li>a. Engaged in trade or business – <b>Twenty percent (20%)</b></li> <li>b. Not engaged in trade or business – <b>Twenty five percent (25%)</b></li> </ul>   |
| Domestic Corporations                      | <b>Not subject to tax</b>   |
| Resident Foreign Corporations              | <b>Not subject to tax</b>   |
| Non-Resident Foreign Corporations (“NRFC”) | <ul style="list-style-type: none"> <li>a. <b>Thirty percent (30%)</b></li> <li>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 – <b>Fifteen percent (15%)</b></li> </ul> |

**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/availment 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. 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/availment 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/availment of the said tax exemption;

- 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;
  - b. Copy of shareholder's Philippine visa (working or resident, as applicable); **or**
  - c. Copy of the Bureau of Immigration List of Registered Aliens.
6. For Certificated Domestic Shareholders:
- a. Corporations – Certified true copy of the latest General Information Sheet; **and**
  - 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 ("PDTCC"), their respective brokers or custodian banks shall submit to the Company a Notarized or Consularized/Authenticated Certification (if executed in a foreign country) 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 OF DOCUMENTARY REQUIREMENTS.**

Please submit the original copies of the above-stated documentary requirements on or before **19 February 2021** (the "**Submission Date**") to:

**STOCK TRANSFER SERVICE, INC.**

34<sup>th</sup> Floor, Unit D, Rufino Pacific Tower,  
6784 Ayala Avenue, Makati City

Telephone : (632) 8403-2410/ 8403-3433/ 8403-3798

Contact Persons : **Mr. Michael C. Capoy** – [mccapoy@stocktransfer.com.ph](mailto:mccapoy@stocktransfer.com.ph)

**Mr. Joel S. Cortez** – [jscortez@stocktransfer.com.ph](mailto:jscortez@stocktransfer.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. ANTHONY LEONARD G. TOPACIO** - [atopacio@megawide.com.ph](mailto:atopacio@megawide.com.ph)  
*Corporate Secretary*

**ATTY. CHARLOTTE Y. KING** - [cking@megawide.com.ph](mailto:cking@megawide.com.ph)  
*Assistant Corporate Secretary*

**MEGAWIDE CONSTRUCTION CORPORATION**  
No. 20 N. Domingo St. Brgy. Valencia, Quezon City, Philippines  
Tel.: (632) 8655 1111 local 308. Fax: (632) 8415 4259

**ATTY. JENNIFER C. LEE** - [jcl@quasha-interlaw.com](mailto:jcl@quasha-interlaw.com)  
*Assistant Corporate Secretary*

**QUASHA LAW**  
114 Amorsolo, Legaspi Village, 1229 Makati City, Philippines  
Tel.: (632) 892 3011. Fax: (632) 817 6423  
Office Email: [quasha@quasha-interlaw.com](mailto:quasha@quasha-interlaw.com)

**F. SIGNATURE.**



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**ATTY. RAYMUND JAY 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") Series 1 preferred shares (the "Shares").
2. The Shareholder is entitled to receive cash dividend declared last 11 January 2021 in the amount of PhP 1.75625 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 March 2021 MWP Cash Dividend Declaration" dated 01 February 2021.
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 [\_\_\_\_\_] 2021 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:

- Below is the list of beneficial owners (“BO(s)”) of [number of shares] Series 1 preferred shares in Megawide Construction Corporation (“Megawide”) held by [NAME OF BROKER OR CUSTODIAN BANK] as of 08 February 2021, the record date for the cash dividend declaration of Megawide on 11 January 2021, 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 March 2021 MWP Cash Dividend Declaration” dated 01 February 2021.

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

- [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.
- [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]