



30 April 2013

Philippine Stock Exchange, Inc.  
Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Ms. Ma. Ilonah Jane T. Torres**  
*Analyst, Disclosure Department*

**Ms. Janet A. Encarnacion**  
*Head, Disclosure Department*

Gentlemen:

We reply to your request for comments on Revenue Memorandum Circular No. 33-2013 (the "RMC") issued by the Bureau of Internal Revenue on 17 April 2013, which stated in part that:

....

## II. INCOME TAX

Pursuant to Section 1 of R.A. 9337, amending Section 27(C) of the NIRC, as amended, PAGCOR is no longer exempt from corporate income tax as it has been effectively omitted from the list of government-owned or controlled corporations (GOCCs) that are exempt from income tax. Accordingly, PAGCOR's income from its operations and licensing of gambling casinos, gaming clubs and other similar recreation or amusement places, gaming pools, and other related operations are subject to corporate income tax under the NIRC, as amended. . . .

We note that prior to the issuance of the RMC and pursuant to P.D. 1869, the Company's wholly-owned subsidiary AB Leisure Exponent, Inc. (ABLE) was subject to the 5% Franchise Tax in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial or national government authority.

Immediately upon issuance of the RMC, ABLE ceased to implement the remittance to the PAGCOR of the 5% Franchise Tax considering that the last paragraph of Part II of the RMC states:

PAGCOR's contractees and licensees are entities duly authorized and licensed by PAGCOR to perform gambling casinos, gaming clubs and other similar recreation or amusement places, and gaming pools. These contractees and licensees are subject to income tax under the NIRC, as amended.

ABLE is no longer subject to the 5% Franchise Tax because Part III of the RMC only includes PAGCOR and excludes PAGCOR contractees and licensees, to wit:

### **III. FRANCHISE TAX**

Pursuant to Section 13(2)(a) of P.D. No. 1869, PAGCOR is subject to a franchise tax of five percent (5%) of the gross revenue or earnings it derives from its operations and licensing of gambling casinos, gaming clubs and other similar recreation or amusement places, gaming pools, and other related operations as described above.

The Company shall extensively plan on how to minimize the impact of the change in the taxation regime of ABLE.

We likewise note that First Cagayan Leisure and Resort Corporation (FCLRC) is not affected by the RMC. As exclusive Master Licensor for interactive operations in the Cagayan Special Economic Zone and Freeport (CSEZFP), FCLRC is entitled to tax incentives under Section 4(C) of RA No. 7922 (CEZA law). No taxes, local and national shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the National Government 5% of their gross income less allowable deductions.

Aside from ABLE, the RMC has no other implications or impact on the financials and operations of the Company or any of its subsidiaries.

We trust that our disclosure sufficiently informs the Trading Participants and the investing public of the possible impact of the RMC on the Company.

Very truly yours,

A handwritten signature in black ink, appearing to read 'RAUL G. GERODIAS', with a large, sweeping initial 'R'.

**RAUL G. GERODIAS**  
*Compliance Officer*