

SEVENTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
Second Regular Session )

SENATE

COMMITTEE REPORT NO. 235

Submitted by the Committee on Foreign Relations on FEB - 7 2018

'18 FEB -7 A10:42

Re: P.S. Res. No. 613, prepared by the Committee

Recommending its approval without amendment.

RECEIVED BY

Sponsor: Sen. Loren Legarda

MR. PRESIDENT:

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

AGREEMENT

**BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND  
THE GOVERNMENT OF THE UNITED MEXICAN STATES FOR THE AVOIDANCE  
OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND THE  
PREVENTION OF FISCAL EVASION**


has considered the same and has the honor to report it back to the Senate with the recommendation that Proposed Senate Resolution No. 613, prepared by the Committee, entitled:

RESOLUTION

**CONCURRING IN THE RATIFICATION OF THE AGREEMENT  
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND  
THE GOVERNMENT OF THE UNITED MEXICAN STATES FOR THE AVOIDANCE  
OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND THE  
PREVENTION OF FISCAL EVASION**

be approved without amendment.

Respectfully submitted:

  
**LOREN LEGARDA**

*Chair*

Committee on Foreign Relations


*Vice-Chairs:*

  
EMMANUEL "MANNY" D. PACQUIAO

  
JOEL VILLANUEVA

  
CYNTHIA A. VILLAR

*Members:*

  
SONNY ANGARA

  
RICHARD J. GORDON

  
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GREGORIO B. HONASAN

  
JOSEPH VICTOR G. EJERCITO

  
MARIA LOURDES NANCY S. BINAY

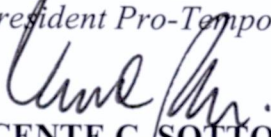
ANTONIO "SONNY" F. TRILLANES IV

  
RISA HONTIVEROS

PAOLO BENIGNO "BAM" AQUINO IV

*Ex-Officio Members:*

RALPH G. RECTO  
*President Pro-Tempore*

  
VICENTE C. SOTTO III  
*Majority Leader*

  
FRANKLIN M. DRILON  
*Minority Leader*

AQUILINO "KOKO" PIMENTEL III

*President*  
Senate of the Philippines

SENATE

P.S. RES. NO. 613



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Prepared by the Committee on Foreign Relations

'18 FEB -7 AIO :41

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RESOLUTION

RECEIVED BY: \_\_\_\_\_

**CONCURRING IN THE RATIFICATION OF THE AGREEMENT  
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND  
THE GOVERNMENT OF THE UNITED MEXICAN STATES FOR THE AVOIDANCE  
OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND THE  
PREVENTION OF FISCAL EVASION**

**WHEREAS**, the Constitution, Article 7, Section 21, states: "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";

**WHEREAS**, the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion* was signed on 17 November 2015 in Manila, Philippines;

**WHEREAS**, the Agreement aims to: (a) mitigate the adverse effects of double taxation on the profits of business enterprises in cross-border transactions; (b) create a competitive advantage for residents of one country by removing or reducing source taxation; (c) encourage investors to invest in both countries; and (d) promote inbound transfer of technology and skills;

**WHEREAS** the Agreement seeks to deepen economic relations between the Philippines and Mexico by enhancing their cooperation on tax matters. It also seeks to address the adverse effects of double taxation on the free flow of trade and investments and further strengthen enforcement of both countries' domestic laws to reduce tax evasion;

**WHEREAS**, the President of the Philippines ratified the Agreement on 31 March 2017 and submitted it to the Senate for concurrence, in accordance with the Constitution; and

**WHEREAS**, in the hearing conducted by the Senate Committee on Foreign Relations on 6 February 2018, the following government agencies endorsed the concurrence to the ratification of the Agreement:

1. Department of Foreign Affairs
2. Department of Justice



3. Department of Finance
4. Bureau of Internal Revenue

**WHEREFORE, BE IT HEREBY RESOLVED**, that the Philippine Senate concur, as it hereby concurs, in the Philippine ratification of the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion*.

Adopted,



**LOREN LEGARDA**

*Chair*

Committee on Foreign Relations



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APR 06 2017  
11:20 am

**Office of the President  
of the Philippines  
Malacañang**

OFFICE OF THE SENATE PRESIDENT  
AQUILINO "KOKO" PIMENTEL III  
TEL.NO: 5526601 loc.5548 FAX: 5526813  
Date: APR 03 2017 Time: 11:58  
Received by: Mari

Legis  
31 March 2017

**Senator AQUILINO PIMENTEL III**  
Senate President  
Senate of the Philippines  
Pasay City

Dear Senate President Pimentel:

May we respectfully transmit the attached letter to the Senate President and Members of the Senate signed by President Rodrigo Roa Duterte, submitting the "Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion," for the Senate's consideration and concurrence.

For your information and appropriate action.

Very truly yours,

*for*   
**SALVADOR C. MEDIALDEA**  
Executive Secretary

c.c.: **Acting Secretary Enrique A. Manalo**  
Department of Foreign Affairs  
Manila

RE1704575  
GGAO/TSP/LDM/AMG

Encl.: a/s



MALACAÑAN PALACE  
MANILA

31 March 2017

**The Honorable Senate President  
and Members of the Senate**  
Senate of the Philippines  
Pasay City

**Gentlemen and Ladies of the Senate:**

I have the honor to submit, for the Senate's consideration, the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion*, which was signed on 17 November 2015 in Manila, Philippines.

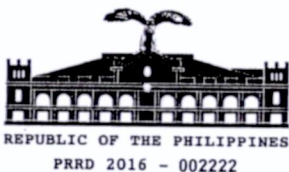
The Agreement aims to: (a) mitigate the adverse effects of double taxation on the profits of business enterprises in cross-border transactions; (b) create a competitive advantage for residents of one country by removing or reducing source taxation; (c) encourage investors to invest in both countries; and (d) promote inbound transfer of technology and skills.

Addressing the adverse effects of double taxation on inbound investments can help attract foreign direct investments and inbound transfer of technology and skills. More business enterprises in the Philippines can provide more local employment. At the same time, the establishment of Filipino businesses in Mexico can also provide jobs overseas for Filipinos.

The Bureau of Internal Revenue has been consulted and has concurred with the proposed ratification.

After examining the text thereof, I find it advisable to ratify the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion* and seek the Senate's concurrence thereto.

  
RODRIGO ROA DUTERTE 



THE PRESIDENT OF THE PHILIPPINES

MALACAÑANG  
MANILA

**INSTRUMENT OF RATIFICATION**

**TO WHOM THESE PRESENTS SHALL COME, GREETINGS:**

**KNOW YE**, that whereas, the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion*, was signed on 17 November 2015 in Manila;

**WHEREAS**, the Agreement aims to: (a) mitigate the adverse effects of double taxation on the profits of business enterprises in cross-border transactions; (b) create a competitive advantage for residents of one country by removing or reducing source taxation; (c) encourage investors to invest in both countries; and (d) promote inbound transfer of technology and skills; and

**WHEREAS**, the Agreement covers taxes on persons, property, profits from business activities including shipping and air transport and associated enterprises, dividends, interest, royalties, capital gains, income from employment, fees for directors and top-level managerial positions, professional fees of artists and sports persons, pensions and social security payments, fees or wages paid for professional service rendered to government, exchange of information to assist in the enforcement of domestic tax laws, and mutual assistance in collecting revenue claims;

**NOW, THEREFORE**, be it known that **I, RODRIGO ROA DUTERTE**, President of the Republic of the Philippines, after having seen and considered the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion*, do hereby ratify and confirm the same and each and every article and clause thereof.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

**GIVEN** under my hand at the City of Manila, this 31<sup>st</sup> day of March in the year of Our Lord Two Thousand and Seventeen.

By the President:

  
**SALVADOR C. MEDIALDEA**  
Executive Secretary






# CERTIFICATION

I **HEREBY CERTIFY** that the attached documents are true and correct copies of the official text of the *Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion*.

**IN WITNESS WHEREOF, I, PERFECTO R. YASAY, JR.**, Secretary of Foreign Affairs, have caused the seal of the Department of Foreign Affairs to be affixed and my name subscribed to before the Acting Assistant Secretary for Legal Affairs of the Department, in Pasay City this \_\_\_ day of \_\_\_\_\_ 2017.

  
**PERFECTO R. YASAY, JR.**  
Secretary of Foreign Affairs

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of \_\_\_\_\_ 2017 by the Honorable PERFECTO R. YASAY, JR., Secretary of Foreign Affairs.

  
**LEO TITO L. AUSAN, JR.**  
Acting Assistant Secretary

**AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE  
PHILIPPINES AND THE GOVERNMENT OF THE UNITED MEXICAN STATES  
FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES  
ON INCOME AND THE PREVENTION OF FISCAL EVASION**

The Government of the Republic of the Philippines and the Government of the United Mexican States,

**DESIRING** to further develop their economic relationship and to enhance their cooperation in tax matters,

**INTENDING** to conclude an Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Agreement for the indirect benefit of residents of third States),

**HAVE AGREED** as follows:

**ARTICLE 1  
PERSONS COVERED**

This Agreement shall apply to persons who are residents of one or both of the Contracting States.

**ARTICLE 2  
TAXES COVERED**

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting State, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property.
3. The existing taxes to which the Agreement shall apply are, in particular:
  - a) in the Philippines, the income taxes imposed under Title II of the National Internal Revenue Code of the Philippines (hereinafter referred to as "Philippine tax"); and
  - b) in Mexico, the federal income tax (hereinafter referred to as "Mexican tax").

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26 NOV 2015  
FOR THE DIRECTOR OF ITCRD:  
  
**LUIS R. REBAGODA**

4. The Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes that have been made in their respective taxation laws.

### ARTICLE 3 GENERAL DEFINITIONS

1. For purposes of this Agreement, unless the context otherwise requires:
  - a) the term "Philippines" means the national territory, which comprises the Philippine archipelago, with all the islands and waters embraced therein, and all other territories over which the Philippines has sovereignty or jurisdiction, consisting of its terrestrial, fluvial and aerial domains, including its territorial sea, the seabed, the subsoil, the insular shelves, and other submarine areas, and areas over which the Philippines has sovereignty, sovereign rights or jurisdiction in accordance with the United Nations Convention on the Law of the Sea (UNCLOS). The waters around, between and connecting the islands of the archipelago, regardless of their breadth and dimensions form part of the internal waters of the Philippines;
  - b) the term "Mexico" means the United Mexican States, when used in a geographical sense it includes the territory of the United Mexican States, as well as the integrated parts of the Federation; the islands, including the reefs and cays in the adjacent waters; the islands of Guadalupe and Revillagigedo; the continental shelf and the seabed and subsoil of the islands, cays and reefs; the waters of the territorial seas and the inland waters and beyond them the areas over which, in accordance with the international law, Mexico may exercise its sovereign rights of exploration and exploitation of the natural resources of the seabed, subsoil and the supra-jacent waters; and the air space of the national territory, to the extent and under conditions established by international law;
  - c) the terms "Contracting State" and "the other Contracting State" mean Mexico or the Philippines as the context requires;
  - d) the term "person" includes an individual, a company, and any other body of persons;
  - e) the term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;
  - f) the term "enterprise" applies to the carrying on of any business;
  - g) the term "business" includes the performance of professional services and of other activities of an independent character;

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- h) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
  - i) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
  - j) the term "national", in relation to a Contracting State, means:
    - (i) any individual possessing the nationality or citizenship of that Contracting State; and
    - (ii) any legal person, partnership or association deriving its status as such from the laws in force in that Contracting State;
  - k) the term "competent authority" means:
    - (i) in the Philippines, the Secretary of Finance or his authorized representative; and
    - (ii) in Mexico, the Ministry of Finance and Public Credit.
2. As regards the application of the Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

#### ARTICLE 4 RESIDENT

1. For purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:
  - a) he shall be deemed to be a resident only of that State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of that State with

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which his personal and economic relations are closer (center of vital interests);

- b) if the State in which he has his center of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;
  - c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
  - d) if he is a national of both States or neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, the competent authorities of the Contracting States shall by mutual agreement endeavor to settle the question and to determine the mode of application of the Agreement to such person.

#### ARTICLE 5 PERMANENT ESTABLISHMENT

1. For purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes specially:
  - a) a place of management;
  - b) a branch;
  - c) an office;
  - d) a factory;
  - e) a workshop; and
  - f) a mine, an oil or gas well, a quarry or any other place of extraction or exploration of natural resources.
3. The term "permanent establishment" also encompasses:
  - a) a building site, a construction, assembly or installation project or supervisory activities in connection therewith, but only if such site, project or other activities last more than six (6) months;
  - b) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such

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purpose, but only where activities of that nature continue (for the same or a connected project) within a Contracting State for a period or periods exceeding in the aggregate one hundred and eighty-three (183) days in any twelve (12) month period;

- c) the performance of professional services or other activities of an independent character by an individual, but only where those services or activities continue within a Contracting State for a period or periods exceeding in the aggregate one hundred and eighty-three (183) days in any twelve (12) month period.

For the purposes of computing the time limits referred to in paragraph 3, the activities carried on by an enterprise associated with another enterprise within the meaning of Article 9 shall be aggregated with the period during which the activities are carried on by the associated enterprise, if the activities of both enterprises are identical or substantially similar.

- 4. Notwithstanding the provisions of this Article, the term "permanent establishment" shall be deemed not to include:
  - a) the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the enterprise;
  - b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purposes of storage or display;
  - c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
  - d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or services or of collecting information, for the enterprise;
  - e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
  - f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.
- 5. Notwithstanding the provisions of paragraphs 1 and 2, where a person – other than an agent of an independent status to whom paragraph 6 applies – is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person:
  - a) has and habitually exercises in that State an authority to conclude contracts in the name of the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of

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business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph, or

- b) has no such authority, but habitually maintains in the first-mentioned State, a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise.
6. Notwithstanding the foregoing provisions of this Article, an insurance enterprise of a Contracting State shall, except in regard to reinsurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures risks situated therein through a person other than an agent of an independent status to whom paragraph 7 applies.
  7. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business and that in their commercial or financial relations with the enterprise conditions are not made or imposed that differ from those generally agreed to by independent agents.
  8. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

#### ARTICLE 6 INCOME FROM IMMOVABLE PROPERTY

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.
2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property, and rights to variable or fixed payments as the consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise.

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**ARTICLE 7  
BUSINESS PROFITS**

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to:
  - a) that permanent establishment;
  - b) sales in that other State of goods or merchandise of the same or similar kind as the goods or merchandise sold through that permanent establishment; or
  - c) other business activities carried on in that other State of the same or similar kind as those effected through that permanent establishment.

However, the profits derived from sales and other business activities described in subparagraphs b) and c) shall not be taxable in the other Contracting State if the enterprise demonstrates that such sales and other business activities have been carried out for reasons other than obtaining a benefit under this Agreement.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere. However, no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the permanent establishment. Likewise, no account shall be taken, in the determination of the profits of a permanent establishment, for amounts charged (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or,

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26 NOV 2010

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except in the case of a banking enterprise, by way of interest on moneys lent to the head office of the enterprise or any of its other offices.

4. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

#### ARTICLE 8 SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic arising in a Contracting State and derived by an enterprise of the other Contracting State may be taxed in that State, in accordance with its domestic laws. Profits referred to in this Article shall not include profits from the use of any other means of transport.
2. Notwithstanding the provisions of paragraph 1, profits from sources within a Contracting State derived by an enterprise of the other Contracting State from the operation of ships or aircraft in international traffic in a taxable year, may be taxed in the first-mentioned State, but the tax so charged shall not exceed:
  - a) in the case of the Philippines: one point five percent (1.5%) of the gross amount of revenues derived therein;
  - b) in the case of Mexico: the equivalent amount of one point five percent (1.5%) of the gross amount of revenues derived therein.
3. However, in the case of profits derived from the carriage of passengers and their excess baggage, such profits may be exempt from tax under this Article on the basis of reciprocity.
4. The provisions of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

#### ARTICLE 9 ASSOCIATED ENTERPRISES

1. Where
  - a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
  - b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

LULIIBILU TOLIE PISDY  
DEPARTMENT OF FOREIGN AFFAIRS  
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and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

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 would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would 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 Agreement and the competent authorities of the Contracting States shall, if necessary, consult each other.

#### ARTICLE 10 DIVIDENDS

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.
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 laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:
  - a) five percent (5%) of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least seventy percent (70%) of the capital of the company paying the dividends;
  - b) ten percent (10%) of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least ten percent (10%) of the capital of the company paying the dividends; or
  - c) fifteen percent (15%) of the gross amount of the dividends in all other cases.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends" as used in this Article, means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights and other income which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

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4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident through a permanent establishment situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case, the provisions of Article 7 shall apply.
5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.
6. Notwithstanding any other provision of this Agreement, where an enterprise which is a resident of a Contracting State has a permanent establishment in the other Contracting State, the profits taxable under paragraph 1 of Article 7 may be subject to an additional withholding tax in that other Contracting State, in accordance with its taxation laws, when the profits are remitted to the head office, but the withholding tax so charged shall not exceed five percent (5%) of the amount of those profits, after deducting therefrom the corporation tax imposed thereon in that other Contracting State.

#### ARTICLE 11 INTEREST

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such interest may also be taxed in the other Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed twelve point five percent (12.5%) of the gross amount of the interest.
3. Notwithstanding the provisions of paragraph 2, interest referred to in paragraph 1 shall be taxable only in the other Contracting State if:
  - a) the beneficial owner is a Contracting State, a political subdivision or a local authority thereof, or the Bangko Sentral ng Pilipinas or Banco de Mexico;
  - b) the interest is paid in respect of a bond, debenture or other similar obligation of the government of that State or a political subdivision or local authority thereof, or the Bangko Sentral ng Pilipinas or Banco de Mexico;
  - c) the interest is paid in respect of a loan granted, guaranteed or insured by the Development Bank of the Philippines or the Land Bank of the Philippines, or

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- by any other institution, as may be agreed from time to time between the competent authorities of the Contracting State; or
- d) the interest is paid in respect of a loan granted, guaranteed or insured by Banco Nacional de Comercio Exterior, S.N.C., Nacional Financiera, S.N.C. or Banco Nacional de Obras y Servicios Públicos, S.N.C., or by any other institution, as may be agreed from time to time between the competent authorities of the Contracting States.
4. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures as well as all other income that is treated as income from money lent by the laws of the Contracting State in which the income arises. The term "interest" shall not include any item of income which is considered as a dividend under the provisions of paragraph 3 of Article 10.
5. The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such case, the provisions of Article 7 shall apply.
6. Interest shall be deemed to arise in a Contracting State when a payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the State in which the permanent establishment is situated.
7. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount of which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.

## ARTICLE 12 ROYALTIES

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

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2. However, such royalties may be taxed in the Contracting State in which they arise and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed fifteen percent (15%) of the gross amount of the royalties.
3. The term "royalties" as used in this Article means payments of any kind received as a consideration for:
  - a) the use of, or the right to use, any patent, trademark, design or model, plan, secret formula or process;
  - b) the use of, or the right to use, any industrial, commercial or scientific equipment;
  - c) the supply of information concerning industrial, commercial or scientific experience; or
  - d) the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films and films or tapes for television or radio broadcasting.

Notwithstanding the provisions of Article 13, the term "royalties" also includes payments derived from the alienation of any such right or property which are contingent on the productivity, use or disposition thereof.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case, the provisions of Article 7 shall apply.
5. Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the royalties, whether he is a resident of one of the Contracting States or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then the royalties shall be deemed to arise in the State in which the permanent establishment is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess parts of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.

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**ARTICLE 13  
CAPITAL GAINS**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.
2. Gains from the alienation of shares or other similar rights in a company the property of which consists directly or indirectly, in more than fifty percent (50%) of immovable property situated in a Contracting State may be taxed in that State. However, no tax shall apply in the case of transfer of property between members of the same group of companies, to the extent that the consideration received by the transferor consists of participation or other rights in the capital of the transferee or of another company resident in the same Contracting State that owns directly or indirectly eighty percent (80%) or more of the voting rights and value of the transferee, if:
  - a) the transferor and transferee are companies resident in the same Contracting State;
  - b) before and immediately after the transfer, the transferor or the transferee owns, directly or indirectly, eighty percent (80%) or more of the voting rights and value of the other, or a company resident in the same Contracting State owns directly or indirectly (through companies resident in the same Contracting State) eighty percent (80%) or more of the voting rights and value of each of them; and
  - c) for the purpose of determining gain on any subsequent disposition,
    - (i) the initial cost of the asset for the transferee is determined based on the cost it had for the transferor, increased by any cash or other property paid, or
    - (ii) the gain is measured by another method that gives substantially the same result.
3. In addition to gains taxable in accordance with the provisions of the preceding paragraphs, gains derived by a resident of a Contracting State from the alienation of shares, participation or other rights in the capital of a company or other legal person that is a resident of the other Contracting State may be taxed in that other State if the recipient of the gain, at any time during the twelve (12) month period preceding such alienation, together with all persons who are related to the recipient, had a participation of at least twenty percent (20%) in the capital of that company or other legal person.
4. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other State.

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5. Gains from the alienation of ships or aircraft operated in international traffic, or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the Contracting State of which the enterprise is a resident.
6. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3, 4 and 5, shall be taxable only in the Contracting State of which the alienator is a resident.

#### ARTICLE 14 INCOME FROM EMPLOYMENT

1. Subject to the provisions of Articles 15, 17 and 18, salaries, wages and other remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.
2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:
  - a) the recipient is present in the other State for a period or periods not exceeding in the aggregate one hundred and eighty-three (183) days in any twelve (12) month period commencing or ending in the fiscal year concerned;
  - b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
  - c) the remuneration is not borne by a permanent establishment which the employer has in the other State.
3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the other Contracting State of which the enterprise is a resident.

#### ARTICLE 15 DIRECTORS' FEES AND REMUNERATION OF TOP-LEVEL MANAGERIAL OFFICIALS

1. Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of the company which is a resident of the other Contracting State may be taxed in that other State.
2. Salaries, wages and other similar remuneration derived by a resident of a Contracting State in his capacity as an official in a top-level managerial position

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of a company which is a resident of the other Contracting State may be taxed in that other State.

**ARTICLE 16  
ARTISTES AND SPORTSPERSONS**

1. Notwithstanding the provisions of Articles 7 and 14, income derived by a resident of a Contracting State as an entertainer, such as a theater, motion picture, radio or television artiste, or a musician, or a sportsperson, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State. Income derived by an entertainer or a sportsperson who is a resident of a Contracting State from that resident's personal activities relating to that resident's reputation as an entertainer or sportsperson exercised in the other Contracting State may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer or sportsperson in his capacity as such accrues not to the entertainer or sportsperson himself but to another person, that income may, notwithstanding the provisions of Articles 7 and 14, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.
3. Notwithstanding the provisions of paragraphs 1 and 2, income derived by a resident of a Contracting State as an entertainer or sportsperson shall be exempt from tax by the other Contracting State if the visit to that other State is substantially supported by public funds of the first-mentioned State or a political subdivision or local authority thereof.

**ARTICLE 17  
PENSIONS AND SOCIAL SECURITY PAYMENTS**

1. Subject to the provisions of paragraph 2 of Article 18, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.
2. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is part of the social security system of a Contracting State or a political subdivision or a local authority thereof shall be taxable only in that State.

**ARTICLE 18  
GOVERNMENT SERVICE**

1. a) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

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- b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
- (i) is a national of that State; or
  - (ii) did not become a resident of that State solely for the purpose of rendering the services.
2. a) Notwithstanding the provisions of paragraph 1, any pension and other similar remuneration paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
- b) However, such pension and other similar remuneration shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.
3. The provisions of Articles 14, 15, 16 and 17 shall apply to salaries, wages, pensions and other similar remuneration, in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

#### ARTICLE 19 STUDENTS


Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

#### ARTICLE 20 TAXATION OF HYDROCARBONS

Nothing in this Agreement shall affect the right of the Contracting States, their political subdivisions or local authorities to apply their own laws related to the taxation of income derived from hydrocarbons, including salaries, wages and similar remuneration derived in respect of an employment connected with the exploration or exploitation of hydrocarbons.

#### ARTICLE 21 OTHER INCOME

Items of income not dealt with in the foregoing Articles of this Agreement may be taxed in the Contracting State where it arises.

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**ARTICLE 22**  
**MISCELLANEOUS RULES**

1. Notwithstanding the other provisions of this Agreement, a benefit under this Agreement shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Agreement.
2. No provision of the Agreement, except for the Article of "Exchange of Information", shall apply to:
  - a) an item of income that is exempt from tax in a Contracting State of which the beneficial owner of the income is a resident or is taxable in that State in the hands of that resident at a rate lower than the rate applicable to the same item of income derived by other residents of that State that do not benefit from such exemption or rate; or
  - b) an item of income beneficially owned by a resident of a Contracting State that benefits from a deduction, rebate or other concession or benefit that is provided directly or indirectly in relation to that item of income, other than a credit for foreign tax paid, and is not available to other residents of that State.
3. Before a resident of a Contracting State is denied relief from taxation in the other Contracting State by reason of the preceding paragraphs, the competent authorities of the Contracting States shall consult each other. Likewise, the competent authorities of the Contracting States may consult each other with regard to the application of this Article.
4. The provisions of this Agreement shall not prevent a Contracting State from applying its provisions regarding thin capitalization and controlled foreign corporation (in the case of Mexico, preferential tax regimes).

**ARTICLE 23**  
**METHODS OF ELIMINATING DOUBLE TAXATION**

1. In the Philippines:

Where a resident of the Philippines derives income which, in accordance with the provisions of this Agreement, may be taxed in Mexico, the Philippines shall allow as a deduction from the tax on income of that resident, an amount equal to the income tax paid in Mexico. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income which may be taxed in Mexico.

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## 2. In Mexico:

In accordance with the provisions and subject to the limitations of the laws of Mexico, as may be amended from time to time without changing the general principle hereof, Mexico shall allow its residents as a credit against the Mexican tax:

- a) the Philippine tax paid on income arising in the Philippines, in an amount not exceeding the tax payable in Mexico on such income; and
  - b) in the case of a company owning at least ten percent (10%) of the capital of a company which is a resident of the Philippines and from which the first-mentioned company receives dividends, the Philippine tax paid by the distributing company with respect to the profits out of which the dividends are paid.
3. Where in accordance with any provision of the Agreement income derived by a resident of a Contracting State is exempt from tax in that State, such State may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

**ARTICLE 24  
NON-DISCRIMINATION**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.
2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
3. Except where the provisions of paragraph 1 of Article 9, paragraph 7 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties, and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

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4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.
5. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description imposed by the Contracting States.

#### ARTICLE 25 MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national. The case must be presented within three (3) years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.
2. The competent authority shall endeavor, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Agreement, provided that the competent authority of the other Contracting State is notified of the case within three (3) years from the first notification of the action resulting in taxation not in accordance with the provisions of this Agreement. In such case, any agreement reached shall be implemented subject to the time limits provided in its tax laws.
3. The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult each other for the elimination of double taxation in cases not provided for in the Agreement.
4. The competent authorities of the Contracting States may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.
5. Notwithstanding any other treaties of which the Contracting States are or may become parties, any dispute over a measure taken by a Contracting State involving a tax covered by Article 2 or, in the case of non-discrimination, any taxation measure taken by a Contracting State, including a dispute whether this Agreement applies, shall be settled only under the Agreement, unless the competent authorities of the Contracting States agree otherwise.

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**ARTICLE 26**  
**EXCHANGE OF INFORMATION**

1. The competent authorities of the Contracting States shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Articles 1 and 2.
2. Any information received under paragraph 1 by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting State may be used for other purposes when such information may be used for such other purposes under the laws of both States and the competent authority of the supplying State authorizes such use.
3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting State the obligation:
  - a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
  - b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
  - c) to supply information which would disclose any trade, business, industrial, commercial or professional secret, or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).
4. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.
5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an

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agency or a fiduciary capacity or because it relates to ownership interests in a person.

**ARTICLE 27**  
**ASSISTANCE IN COLLECTION**

1. The Contracting States shall lend assistance to each other in the collection of revenue claims. This assistance is not restricted by Articles 1 and 2. The competent authorities of the Contracting States may by mutual agreement settle the mode of application of this Article.
2. The term "revenue claim" as used in this Article means an amount owed in respect of taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to this Agreement or any other instrument to which the Contracting States are parties, as well as interest, administrative penalties and costs of collection or conservancy related to such amount.
3. When a revenue claim of a Contracting State is enforceable under the laws of that State and is owed by a person who, at that time, cannot, under the laws of that State, prevent its collection, that revenue claim shall, at the request of the competent authority of that State, be accepted for purposes of collection by the competent authority of the other Contracting State. That revenue claim shall be collected by that other State in accordance with the provisions of its laws applicable to the enforcement and collection of its own taxes as if the revenue claim were a revenue claim of that other State.
4. When a revenue claim of a Contracting State is a claim in respect of which that State may, under its law, take measures of conservancy with a view to ensure its collection, that revenue claim shall, at the request of the competent authority of that State, be accepted for purposes of taking measures of conservancy by the competent authority of the other Contracting State. That other State shall take measures of conservancy in respect of that revenue claim in accordance with the provisions of its laws as if the revenue claim were a revenue claim of that other State even if, at the time when such measures are applied, the revenue claim is not enforceable in the first-mentioned State or is owed by a person who has a right to prevent its collection.
5. Notwithstanding the provisions of paragraphs 3 and 4, a revenue claim accepted by a Contracting State for purposes of paragraph 3 or 4 shall not, in that State, be subject to the time limits or accorded any priority applicable to a revenue claim under the laws of that State by reason of its nature as such. In addition, a revenue claim accepted by a Contracting State for the purposes of paragraph 3 or 4 shall not, in that State, have any priority applicable to that revenue claim under the laws of the other Contracting State.
6. Proceedings with respect to the existence, validity or the amount of a revenue claim of a Contracting State shall only be brought before the courts or administrative bodies of that State.

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7. Where, at any time after a request has been made by a Contracting State under paragraph 3 or 4 and before the other Contracting State has collected and remitted the relevant revenue claim to the first-mentioned State, the relevant revenue claim ceases to be:
- a) in the case of a request under paragraph 3, a revenue claim of the first-mentioned State that is enforceable under the laws of that State and is owed by a person who, at that time, cannot, under the laws of that State, prevent its collection; or
  - b) in the case of a request under paragraph 4, a revenue claim of the first-mentioned State in respect of which that State may, under its laws, take measures of conservancy with a view to ensure its collection;

the competent authority of the first-mentioned State shall promptly notify the competent authority of the other State of that fact and, at the option of the other State, the first-mentioned State shall either suspend or withdraw its request.

8. In no case shall the provisions of this Article be construed so as to impose on a Contracting State the obligation:
- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
  - b) to carry out measures which would be contrary to public policy (*ordre public*);
  - c) to provide assistance if the other Contracting State has not pursued all reasonable measures of collection or conservancy, as the case may be, available under its laws or administrative practice;
  - d) to provide assistance in those cases where the administrative burden for that State is clearly disproportionate to the benefit to be derived by the other Contracting State.

#### ARTICLE 28 MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS

Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

#### ARTICLE 29 ENTRY INTO FORCE

Each of the Contracting States shall notify each other, through diplomatic channels, the completion of the procedures required by its domestic law for the bringing into force of this Agreement. This Agreement shall enter into force thirty (30) days after

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the date of reception of the later of these notifications and its provisions shall have effect:

- a) in respect of taxes withheld at source, to income paid or credited on or after the first day of January in the calendar year next following that in which the Agreement enters into force;
- b) in respect of other taxes, for any taxable year beginning on or after the first day of January in the calendar year next following that in which the Agreement enters into force.

### ARTICLE 30 TERMINATION

This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving notice of termination at least six (6) months before the end of any calendar year after a period of five (5) years following the entry into force of the Agreement. In such event, the Agreement shall cease to have effect on income paid or which arises beginning January 1 of the calendar year following the date the notice of termination was given.

**IN WITNESS WHEREOF**, the undersigned, being duly authorized thereto, have signed this Agreement.

DONE in Manila, Philippines, on 17 November 2015, in two originals, in English and Spanish languages, both texts being equally authentic.

**FOR THE GOVERNMENT OF THE  
REPUBLIC OF THE PHILIPPINES**



**CESAR V. PURISIMA**  
Secretary of Finance

**FOR THE GOVERNMENT OF THE  
UNITED MEXICAN STATES**



**CLAUDIA RUIZ MASSIEU SALINAS**  
Minister of Foreign Affairs

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Information Technology, Communications  
and Records Division

26 NOV 2015

FOR THE DIRECTOR OF ITCRD:

  
**LUIS R. REBAGODA**