REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Republic Act No. 8367;
Revenue Regulations No. 9-2004; and Revenue Memorandum Circular No. 9-2016
OT-072-2023
JUN 07 2023

NPC Savings and Loan Association
National Power Corporation, Quezon
Avenue corner BIR Road, Diliman, Quezon City

Attention: **Mr. Rolando T. Bacani**
President

Gentlemen:

This refers to your request on behalf of ***NPC Savings and Loan Association*** ("NPCSLA") for a confirmatory ruling on whether or not a non-stock savings and loan association (NSSLA) organized and operated exclusively for the mutual benefit of its members is subject to gross receipts tax (GRT) under Revenue Memorandum Circular (RMC) No. 09-2016.

It is represented that **NPCSLA** is a corporation duly organized under the laws of the Philippines; and that a Certificate of Authority No. was issued by the Bangko Sentral ng Pilipinas (BSP) in favor of **NPCSLA** authorizing the latter to operate as a NSSLA under Republic Act (RA) No. 3779, as amended by RA No. 8367.

In reply, please be informed that Section 3 of Republic Act (RA) No. 8367 otherwise known as *"An Act Providing for the Regulation of the Organization and Operation of Non-Stock Savings and Loan Associations"* defines non-stock savings and loan associations (NSSLAs) as "a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance." The said law also provides tax exemption to NSSLAs as provided under Section 5, to wit:

> *"SECTION 5. TAX EXEMPTION. — An Association shall be exempt from payment of tax in respect to income it receives, including interest on its deposits with any bank: Provided, however, that income derived from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code. Interest earnings on deposits of members with Associations as well as the shares of its members from the net income of the Associations shall be exempt from income tax."*

Accordingly, RMC No. 9-2016 was issued to clarify the taxability of NSSLAs for purposes of income tax, gross receipts tax and documentary stamp tax. The said RMC provides that NSSLAs are under the direct supervision and regulation of the Bangko Sentral ng Pilipinas (BSP) and, for regulatory purposes, they are classified as Non-Bank Financial Intermediaries (NBFIs) under the BSP Manual of Regulations. Hence, NSSLA is generally subject to GRT on income derived from its operations, unless otherwise exempted under existing laws and/or regulations.

Relative thereto, Revenue Regulations (RR) No. 9-2004, entitled "Implementing Certain Provisions of Republic Act No. 9238, Re-Imposing the Gross Receipts Tax (GRT) on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions and Other Non-Bank Financial Intermediaries Beginning January 1, 2004" defines NBFIs as follows:

> *"2.3. Non-bank Financial Intermediaries — shall refer to persons or entities whose principal functions include the lending, investing or placement of funds or evidences of indebtedness or equity deposited with them, acquired by them or otherwise coursed through them, either for their own account or for the account of others. This includes* ***all entities regularly engaged in the lending of funds or purchasing of receivables or other obligations with funds obtained from the public*** *through the issuance, endorsement or acceptance of debt instruments of any kind for their own account, or through the issuance of certificates of assignment or similar instruments with recourse, trust certificates, or of repurchase agreements, whether any of these means of obtaining funds from the public is done on a regular basis or only occasionally." (Emphasis Ours)*

Clearly, RR No. 9-2004 imposes GRT on NBFIs engaged in the lending of funds or purchasing of receivables or obligations with funds obtained from the public. RMC No. 9-2016 further clarified that NBFIs are generally subject to GRT on income derived from its operation, unless otherwise exempted under special rules. Thus, NPCSLA must be organized and operated exclusively for the mutual benefit of its members. RA No. 8367 requires that all funds received from members are accumulated to be utilized for the common benefit of the members by providing long term financing for home building and development and for personal finance. Moreover, it expressly exempts NSSLAs from payment of tax in respect to income they receive, including interest on their deposits with any bank.

Based on the foregoing, NSSLAs are subject to GRT if they are engaged in the business of being a NBFI as defined under RR No. 9-2004, that is, if the NSSLAs are obtaining funds from the public. However, it may be exempted from GRT if they can prove that they do not engage in activities as NBFI as defined under RR No. 9-2004.

Perforce, this Office denies the requested exemption from GRT of NPCSLA based only on the representation that its members are all non-stock savings and loan association organized pursuant to RA No. 8367. Please bear in mind that, "being a non-stock savings and loan association does not, by this reason alone, completely exempt an institution from tax." Thus, "statutes granting tax exemptions are construed strictissimi juris against the taxpayer and liberally in favor of the taxing authority.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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K-1