May 17, 2021

BIR RULING NO. OT-162-21

RA No. 8367; RR No. 9-2000; RR No. 9-2004; & RR No. 13-2004; BIR Ruling No. 455-19

Du-Baladad and Associates
20th Floor, Chatham House, Rufino Cor. Valero Sts.
Salcedo Village, 1227, Makati City

Attention: *AAA*

Gentlemen :

This refers to your letter dated January 4, 2021, requesting on behalf of your client, **Toyota Motor Philippines Savings & Loan Association, Inc.** ("TMP-SLAI") for confirmation of your opinion that it is exempt from the imposition of income tax and value-added tax (VAT) pursuant to Republic Act (RA) No. 8367.

Documents show that TMP-SLAI, with Taxpayer Identification Number (TIN) _____ and with principal address at Toyota Santa Rosa Complex, Pulong Sta. Cruz, Santa Rosa, Laguna 4026, is a corporation organized under Philippine laws. It is registered with the Securities and Exchange Commission under Company Registration No. AN093-00340. It has been issued with Certificate of Authority No. NS-092 to operate as a non-stock savings and loan association by the Central Bank of the Philippines (now, Bangko Sentral ng Pilipinas).

In reply, please be informed as follows:

Income Tax

Section 5 of RA No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Act of 1997" provides:

> *"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*

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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."

Based on the foregoing, TMP-SLAI shall be exempt from income tax with respect to income it receives. Also, interest income derived by it from its deposit and deposit substitutes are exempt from twenty percent (20%) final withholding tax.

However, any income derived by TMP-SLAI from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the applicable income tax and other internal revenue taxes imposed under National Internal Revenue Code of 1997, as amended (Tax Code). It is subject to the applicable income tax depending on the classification of its properties as capital or ordinary asset.

Value-Added Tax

Section 109 (1) (V) of the Tax Code reads:

"SEC. 109. Exempt Transactions. —

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

xxx xxx xxx

(V) Services of bank, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries;"

Clearly, under the above provision of law, services of other non-bank financial intermediaries are exempt from VAT. Since TMP-SLAI is a non-stock savings and loan association considered as other non-bank financial intermediary, it therefore follows that its services falling under the contemplated definition of non-bank financial intermediary pursuant to law and its existing regulations are exempt from VAT.

Documentary Stamp Tax

As provided under Section 5 of RA No. 8367, a non-stock savings and loan association is exempt from income tax only. Thus, TMP-SLAI, as a non-bank financial intermediary, is subject to documentary stamp tax (DST) under the provisions of Revenue

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Regulations (RR) No. 13-2004 implementing Title VII of the Tax Code, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

Moreover, pursuant to RR No. 9-2000, whenever TMP-SLAI is one of the parties to a taxable transaction, it shall be responsible for the remittance of the DST due regardless of who will bear the burden of paying the DST.

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

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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