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

R.A. No. 8367; RR No. 9-2000 RR No. 9-2004; & RR No. 13-2004
BIR Ruling No. 455-19
01- 209-2022
03 MAY

RPP SAVINGS AND LOAN ASSOCIATION, INC.
Resins Inc. Compound, E. Rodriguez Jr. Ave.
Bagong Ilog, Pasig City

Attention: **Mr. Reynaldo G. Ronquillo, Jr.**
President

Gentlemen:

This refers to your letter dated June 3, 2019, requesting on behalf of **RPP SAVINGS AND LOAN ASSOCIATION, INC.** ("RPP") for tax exemption from the twenty percent (20%) final withholding tax on the interest income derived from its deposits in banks pursuant to Republic Act (RA) No. 8367.

Documents show that RPP is a non-stock savings and loan association organized and operated under Philippine laws. It has been issued with Certificate of Authority No. C-101 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 R.A. No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Act of 1997" provides that:

> *"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."*

Based on the foregoing, RPP 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 RPP 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.

Gross Receipts Tax

Section 4 of Revenue Regulations (RR) No. 9-2004, as amended, implementing Section 122 of the Tax Code, provides for the imposition of Gross Receipts Tax (GRT) on Non-Bank Financial Intermediaries. Section 4 of RR No. 9-2004 states that:

> "SECTION 4. Imposition of Gross Receipts Tax on Other Non-Bank Financial Intermediaries. — Gross receipts of other non-bank financial intermediaries (non-bank financial intermediary not performing quasi-banking functions) doing business in the Philippines shall be subject to GRT at rates and on items of income provided hereunder:
>
> (a) From interest, commissions, discounts and all other items treated as gross income under the Code — 5%
>
> (b) On interests, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of the instruments from which such receipts are derived:
>
> Maturity period is five (5) years or less — 5%
> Maturity period is more than five (5) years — 1%
>
> x x x x x x x x x"

Thus, RPP is generally subject to GRT on income derived from its operations, unless otherwise exempted under special rules.

Documentary Stamp Tax

As provided under Section 5 of R.A. No. 8367, a non-stock savings and loan association is exempt from income tax only. Thus, RPP, as a non-bank financial intermediary, is subject to Documentary Stamp Tax (DST) under the provisions of RR No. 13-2004 implementing Title VII of the Tax Code, particularly on loan agreements, mortgages, pledges, foreclosures and sales, among others.

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Moreover, pursuant to RR No. 9-2000, whenever RPP 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,

CAESAR R. DULAY
Commissioner of Internal Revenue

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By:

MARISSA O. CABREROS
Deputy Commissioner
Legal Group
Officer-in-Charge

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